

## The Executive Council at Pinehurst

### A Banking Symposium

The Comprehensive Business Survey Made by President John S. Drum, the Conclusions and Recommendations of the Economic Policy Commission Presided Over by Paul M. Warburg, and John McHugh's Report as Chairman of the Commerce and Marine Commission, are the Outstanding Features of the Annual Gathering of the Executive Council at Pinehurst

**I** STRONGLY urge that this Executive Council take such affirmative action as will lead the bankers of our country to adopt a policy of constructive leadership, to create the financial machinery necessary to enable the markets of the world to consume our excess production of raw materials and manufactured goods, to guide and direct the people in the common effort to create new wealth so that the cost of war may be discharged, its waste replaced and that surplus accumulated which is necessary for the normal prosperity of the world."

So President John S. Drum, opening the sessions of the Executive Council at Pinehurst, epitomized the responsibilities of economic leadership that rest upon the individual bankers of the United States.

In his discussion of the American Bankers Association Economic Survey Mr. Drum outlined the broad problems of the national economic situation.

Specific courses of action with respect to these national problems were then urged in the reports submitted by the divisions, sections, commissions and committees of the Association.

All the reports submitted were replete with most valuable clarifying comments on what must be done by bankers and business men of the United States to bring the United States speedily back to a condition of complete prosperity.

Upon these reports were based the resolutions that were adopted by the Executive Council at the close of its sessions, resolutions pledging the American Bankers Association to a definite policy and program of constructive effort, under which the Association and the bankers of the United States will take their true place as the country's economic leaders and will discharge the responsibilities of that leadership.

The Committee on Resolutions consisted of Francis H. Sisson, vice-

president of the Guaranty Trust Company of New York, Chairman; A. E. Adams, president First National Bank, Youngstown, Ohio; F. W. Blair, president Union Trust Company, Detroit, Mich.; W. C. Gordon, vice-president Farmers Savings Bank, Marshall, Mo.; R. S. Hecht, president Hibernia Bank & Trust Company, New Orleans, La.; Charles A. Hinsch, president Fifth-Third National Bank, Cincinnati, Ohio; J. A. House, president Guardian Savings & Trust Co., Cleveland, Ohio; John McHugh, vice-president Mechanics & Metals National Bank, New York; H. H. McKee, president National Capital Bank, Washington, D. C.; W. A. Sadd, president Chattanooga Savings Bank, Chattanooga, Tenn.; D. W. Twohy, chairman of the board Old National Bank, Spokane, Wash.; Oscar Wells, president First National Bank, Birmingham, Ala. The report of this committee follows:

# Resolutions Adopted

Recognizing that America's future prosperity and welfare depend in large measure upon the far-sighted courage, the resourcefulness and the strong-souled optimism of the country's bankers, the Executive Council of the American Bankers Association, at its Spring Meeting at Pinehurst, N. C., affirms its indorsement of the following declarations:

## An Economic Platform

The report of the Economic Policy Commission has so fully covered the important economic problems of the day that any further consideration of your Committee on Resolutions must of necessity be duplication of effort. We desire to express our hearty indorsement of the conclusions presented therein and recommend that the report of the Commission be adopted as the Economic Platform of Today of the American Bankers Association. Your committee feels, however, that it ought perhaps to emphasize some of the important points developed in the Commission's report for your further consideration and action.

## Federal Reserve Amendment

We approve heartily of the proposal embodied in the McFadden Bill, now before Congress, to amend the Federal Reserve Act by transferring the functions now exercised by the Comptroller of the Currency to the Federal Reserve Board. We urge the support of this measure in the interest of efficiency and economy in administration. We believe that a centralizing of regulatory duty and administrative authority in the Federal Reserve Board, working in harmony with the Treasury Department, will provide adequate protection to the public. Such centralization will remove duplication of effort and relieve member banks of burdens imposed by conflicting authority and useless regulation.

## Taxation

Our hearty approval is accorded to the recommendation for a revision of Federal taxes as outlined in the Commission's report, and we call special attention to the obvious fact that the present tax system is defeating its own purpose by reason of its inequitable and uneconomic provisions. In its present form it serves to crush initiative, depress business enterprise, deflect investment funds from their useful channels, and spread the burden of taxation not only unfairly, but unwisely for the purpose of both the government and the business community.

## Tax Exempt Securities

We also indorse the recommendation of the Commission in regard to the issuance of tax-exempt securities. The rapid increase in the volume of

such securities is operating as a burden upon legitimate business and as unwarranted stimulus to wasteful public expenditures.

## Federal Blue Sky Law

We believe that there should be Federal regulation of investment securities in districts under Federal jurisdiction. This should be so drafted as to furnish a model for the various states which exercise the direct police power in their own communities. At the same time such regulation should provide an adequate check upon fraudulent flotations through Federal control over the mails.

## Railroads

We regard it as a self-evident fact that government responsibility for railroad earnings should be accompanied by duly delegated power to determine important factors entering therein, in order that a proper balance may be maintained between railroad income and outgo. In order that we may have a transportation system equal to the growing commercial and industrial needs of the country, it is obvious that railroad credit must be restored to attract capital to this field of investment. We would deplore any situation arising which would make the private ownership and operation of the railroads impracticable. In view of the present high rate schedules we would favor the repeal of the Federal tax on freight and passenger rates.

We advocate a scientific study and revision of the railroad freight rate schedule, and a revision of the present ill-balanced rate structure, not for the purpose of reducing railroad revenue, but in order that freight rates may be adjusted more equitably in harmony with the generally accepted economic theory of what the traffic will bear.

We believe that the Esch-Cummins Act should be given a thorough test under varying business conditions before it be subjected to important amendment or revision. We do not accept as sound the contention that it is a demonstrated failure because of its inability to provide adequate railroad revenues in a period of general business depression. Your committee does not feel that the argument that present railroad rates are acting as an important deterrent to business can be substantiated. The lack of a market demand for both raw materials and manufactured products is demonstrably the underlying cause of this situation.

## The Administration

We heartily approve the efforts of the present administration to inject business methods into the government's affairs, and bespeak for those in charge of this important work the support of the entire banking and

business community. We regard as perhaps the most important and necessary element of reform to be that of economy and efficiency in the administration of public affairs. The increasing tax burdens which will otherwise result will retard business progress and a return to normal conditions.

## Budget System

We favor the adoption of the budget system for the handling of government finances, and express the sincere hope that such a method for controlling the appropriation and expenditure of government funds may be speedily placed in operation.

## Federal Aid for Highways

We commend President Harding for the position he has taken in support of a policy by the states which will provide adequate maintenance for all Federal highways; and we reaffirm our former position with respect to Federal aid for the construction of trunk line interstate highways, taken at the Washington convention, as fully expressed at that time and presented herewith: "The Association favors the present arrangement of cooperation between the Federal and state governments in the construction of national highways as the best system available, and considers that a five-year building program for the national highways will prove most satisfactory, adequate appropriations being made."

## Labor

While we accept the principle of collective bargaining as an equitable basis for the adjustment of differences in industry, we believe that the open shop is more economic in principle and more American in spirit than the so-called closed shop, with its almost unavoidable accompaniment of unfair and wasteful shop practices and class tyranny. In a democracy there is no proper place for tyranny by any class. The public interest is paramount. Neither capital nor labor may rightfully violate the public interest for its own selfish ends.

## Post-War Reparations

The Allied governments having invited the government of the United States to send a representative to confer with them upon the subject of reparations and upon other matters growing out of the war, we are of the opinion that this invitation should be accepted.

By reason of its position as a competitor in the markets of the world, we hold that the United States is inevitably involved in the international trade situation which must result in the reparation payments. This country is directly and vitally interested in the speedy conclusion of a settlement, upon the clear and definite basis of which industry may be re-

vived throughout Europe, a safe groundwork for credit may exist, accustomed markets for our products may be reopened, and production and trade throughout the world may be resumed.

We believe that this invitation has come at a time when the United States can contribute its counsel to the accomplishing of a settlement which will be wise and just and acceptable to the parties immediately involved—a settlement that will relieve the world from the uncertainty which is depressing industry everywhere, and one which will give assurance of permanent peace. In the solution of problems of such importance to our own future welfare it is not only our right but our duty to have a voice.

#### Foreign Trade Financing Corporation

The need is apparent for bringing into operation at the earliest possible moment financial machinery adequate for the extension of long-time credits, looking to the restoration and expansion of our foreign trade. As a solution to this problem the Foreign Trade Financing Corporation was inaugurated and is in process of organization, with the indorsement and sponsorship of the American Bankers Association. The Executive Council of this Association reaffirms its faith and support in this agency for trade rehabilitation, and urges in the strongest and most unqualified manner the whole-hearted cooperation of the banking and business interests of the country, that it may speedily begin to function for the benefit of America and the world.

#### Education

We desire to give our cordial support to the plan presented by the Committee on Public Education for instruction in banking principles and practices in the schools of the country. Public understanding of economic problems is essential to their proper solution, and any approach that can be made through the legitimate channels of the schools to the rising generation is, in our opinion, a worthy effort.

#### American Institute of Banking

The work of the American Institute of Banking has shown itself to be increasingly valuable to the banking profession. The splendid progress of the young bank men in furthering banking education, both in and out of banks, is making this section an ever-growing asset to the American Bankers Association.

#### Federal Reserve System

We desire to take this occasion to express our sincere appreciation of the intelligent and helpful cooperation given by the Federal reserve system through a period of great credit strain in which its immense resources have been devoted to relieving the situation in every way consistent with sound banking practices. That panic conditions were avoided and the business and banking structure preserved without serious impairment is due largely to the manner in which the affairs of the Federal reserve system have been directed. We express the hope that the broad and constructive attitude which has been taken towards the problems of rediscounting through this period may be continued under proper safeguards until credit stringency is clearly relieved and a return to normal conditions assured.

#### The Journal

Our hearty approval is accorded the Public Relations Commission on its plans for the improvement of the Journal of the Association, and its further plans for the extension of the Journal's activities in the dissemination of news and information concerning banking and economic questions. We believe that this work will prove of great value to the banking institutions of the country in the furtherance of economic education and a proper understanding of banking and business problems. We agree with the committee that considerations of intelligent selfishness, if no other, would warrant an increased appropriation for this work and the cordial support of the Association membership.

#### A Word of Gratitude

Once again, as last year, we are indebted to the management of the Carolina for making our Spring Meeting a delightful success on its recreational side. The management of the hotel has done everything pos-

sible for our comfort and entertainment. They placed their clubhouse and golf links and all the other facilities at our disposal, and assisted in preparing social events. Chief among these was our "family dinner," at which our President, Mr. John S. Drum, presided as toastmaster, and at which ex-Secretary of the Navy, Josephus Daniels, among others, delivered an effective and humorous after-dinner speech. Our thanks are due in particular to the officers of the Association who made the arrangements to which the Spring Meeting owed its success.

The Executive Council learns with deep regret that the absence from this meeting of past-President Hawes, whose personality and leadership were such an important factor in the other meeting of the Council held at Pinehurst, is due to the severe illness of Mrs. Hawes, whom the members of this Council hold in the highest esteem and affectionate regard; and we therefore express to Mr. Hawes our sincere regret at his enforced absence, and we express the sincere hope that Mrs. Hawes will soon be restored to her accustomed health and strength; and that at the next Spring Meeting of the Council we will have the privilege of renewing our welcome to both Mr. and Mrs. Hawes, as members of our bankers' family.

#### In Memoriam

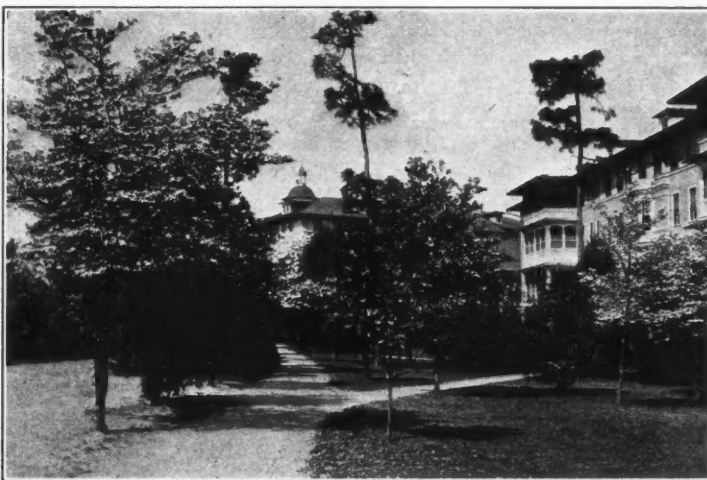
This Council learns with regret of the death of Messrs. Fred. Collins, M. J. Dowling, Sol. Wexler, B. F. Harris and Luther Drake, all of whom have contributed so much of their time and personality to the development of the affairs of the American Bankers Association.

We shall miss their presence and their inspiring leadership; but the high spirit which animated them in their devotion to the work in behalf of sound banking principles will serve as an inspiration to the members of this Council for many years.

We express our sincere sympathy to the officers of the institutions with which they were connected and to the members of their families for the great loss sustained through their untimely deaths.

Respectfully submitted,

FRANCIS H. SISSON,  
Chairman:  
A. E. ADAMS,  
F. W. BLAIR,  
W. C. GORDON,  
R. S. HECHT,  
C. A. HINSCH,  
J. A. HOUSE,  
JOHN McHUGH,  
H. H. McKEE,  
W. A. SADD,  
D. W. TWOHY,  
OSCAR WELLS.



The Carolina, Pinehurst

Courtesy of "The Pinehurst Outlook"

# Report of the President

Covering the Activities of the Half-Year: The New Constitution; the Creation of Credit Machinery in the Foreign Trade Financing Corporation; the Successful Urging of Remedial Legislation to Assist the Railways; and the Plan for an Economic Survey

*Gentlemen of the Executive Council:*

This meeting marks the end of the first half-year of activity of our Association under the new constitution, which has been in force since the convention in Washington last October.

## The New Constitution

The effectiveness of the new constitution has been fully proved. Its clear definition and limitation of the duties and powers of the divisions, sections, commissions and committee have eliminated conflicting activities and duplication of machinery and effort and have made possible a greater measure of coordination in the work of the Association and the various bodies within it.

## Policy for Year

At the beginning of our current year it was agreed that the Association itself and all the divisions, sections, commissions and committees might achieve the best results if each limited its activities chiefly to those few vitally important matters which seemed to be possible of accomplishment during this administration.

## Reports

How closely this policy has been followed will be apparent in the reports of the divisions, sections, commissions and committees, each of which will present important matters to you for consideration. The officers of the Association itself

have tried to cooperate with the bodies within the Association in a program of constructive effort, undertaken with the idea of a maximum of accomplishment and a minimum of waste and duplication of work.

As your President I have tried to limit the functions of my office in conformity with the common policy.

## Creating Credit Machinery

The convention of our Association in Washington last October unanimously approved the report of our Commerce and Marine Commission, which pointed out very forcefully the necessity for the creation of adequate credit machinery to enable the world's markets to absorb the excess of our raw materials and manufactured goods.

## Foreign Trade Financing Corporation

The Commerce and Marine Commission recommended concretely that this very essential machinery take the form of a great corporation, organized under the provisions of the Edge Act, with a capital of \$100,000,000 and a credit capacity of \$1,100,000,000. It was not proposed that the bankers of the United States should be the sole subscribers to the capital stock of this corporation. It was felt, on the contrary, that the creation of this credit structure was essential to the prosperity of American industry and labor and agriculture and mining and stock raising and commerce and finance, and it was proposed therefore that all

these factors in our economic life should share financially in the organization of this corporation.

## Association Takes Initiative

It was recognized that as an Association we could not financially participate in such a corporation, but it was felt that we could and should place before the public our views and our recommendations, and as your President I was directed to call a conference of leading representatives of those different interests, to the end that they might be informed of the findings of our Commission, which had been adopted by our Association, and take whatever steps they saw fit to create the necessary credit machinery.

## The Chicago Conference

Acting upon these instructions, I called a meeting of financial, industrial, commercial and agricultural leaders in Chicago last December. The conclusions and recommendations of our Commerce and Marine Commission were laid before the meeting. I explained that the American Bankers Association as such could take no part in the actual organization of the corporation. Accordingly I asked the men in attendance to organize the conference and to determine what they wished to do. This was done, it was unanimously agreed that in the interest of American prosperity it was necessary to create the proposed credit machinery, and a committee charged with completing the organization was elected.

### Mr. McHugh

Mr. John McHugh, chairman of the Commerce and Marine Commission, was elected chairman of that committee. He is here today and will deal fully with the work of the Commission in connection with this enterprise.

### Railway Legislation Urged

At the suggestion of the Economic Policy Commission, and with

### Bank Borrowings by Railways

At that time something like \$340,000,000 was due to the railways, and the withholding of this great sum was hampering the carriers in meeting their current obligations. They were forced to borrow from the banks to meet these obligations, or to forego payment to their creditors. In either case a great and unnecessary burden was placed upon the banks of the country.

### Survey of Economic Conditions

Finally, I undertook, with the cooperation of the members of this Council and the secretaries of the State Bankers Associations and other leading bankers and business men, to make for presentation to the Council a comprehensive survey of economic conditions in this country. The cooperation of the state secretaries and the members of the Council has been very gratifying indeed.



Members of the Executive Council, Their Families and Guests

the approval of the Administrative Committee, I addressed to Congress, on behalf of the Association, a memorial urging the pressing necessity of legislation that would authorize partial payments of amounts due to the railways from the government under the guaranty provisions of the Transportation Act of 1920.

### Remedial Legislation Enacted

Fortunately Congress enacted legislation that remedied this situation by making it possible for the Treasury Department to make payments to the railways as the amounts due to them were ascertained from time to time by the Interstate Commerce Commission.

More than one thousand of the questionnaires I sent out were returned, and I have embodied these replies in the report that I shall present to you. (This report, entitled, "Survey of Economic Conditions," is printed in full on pages, 722-729.)

[Loud applause.]

# Summary of the Council Meetings

## First Session

President Drum called the first session of the Executive Council to order May 4, at 9.30 o'clock. Eighty-nine members were present. Before proceeding with the regular routine the Council paid tribute to four prominent and esteemed co-workers who have passed away since the last meeting of the Council—Fred Collins, Mike Dowling, Sol. Wexler and Luther Drake.

At this meeting President Drum made the foregoing report.

The next order of business was the Reports of Officers, and the first of these was the report of the Administrative Committee.

The Administrative Committee made its usual report, which was adopted.

The reports of the Executive Manager, Treasurer and General Counsel were then received.

Judge Paton submitted a brief on the question of incorporating or not incorporating the American Bankers Association, the conclusion being that the disadvantages of incorporation would outweigh the advantages.

The report of the Secretary and Assistant Treasurer was received and filed.

After the reports of the officers had been received, the reports of the various Divisions and Sections were read. The first of these was that of the American Institute of Banking. President Drum called

attention to the fact that the Institute was celebrating its twentieth anniversary, and extended congratulations and thanks to the Institute and to George E. Allen for his fine and effective work.

Mr. Stewart D. Beckley, president of the Institute, made a brief report touching on the purpose of the Institute and the great need for trained bank men. He said that the Institute stood for the merit system, for the payment of salaries according to the character of the service rendered, and that it was opposed to any plans for curtailment of production or output, or anything which places promotion of its men on any other basis than that of fitness and efficiency, coupled with good Americanism.

Mr. Beckley spoke of George E. Allen in glowing terms, also of the good work being done by Richard W. Hill, the secretary of the Institute.

The activities of the other Sections and Divisions are discussed elsewhere in this issue.

A rising vote of thanks was given President Drum for his splendid survey, after which the Council adjourned until Thursday morning.

## Second Session

President Drum called the second session to order at 9.30 Thursday morning, May 5.

Reports of Divisions not read the preceding day were received.

The report of the Agricultural Commission was then submitted. This report, which is printed on page 730, was most cordially received.

Mr. John McHugh, chairman of the Commerce and Marine Commission, made the report which appears on page 732. This report was unanimously adopted.

The report of the Economic Policy Commission was read by George E. Roberts, as the chairman, Paul M. Warburg, was unable to be present. The text of this report, which was listened to with great interest, will be found on page 715.

The report of the Public Relations Commission, the last of the four great commissions of the Association, was read by Francis H. Sisson, chairman.

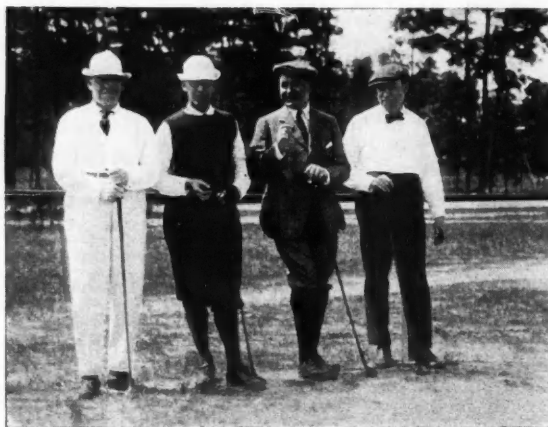
This report, which appears on page 735, was cordially received and Mr. Sisson's suggestions were enthusiastically indorsed.

## Third Session

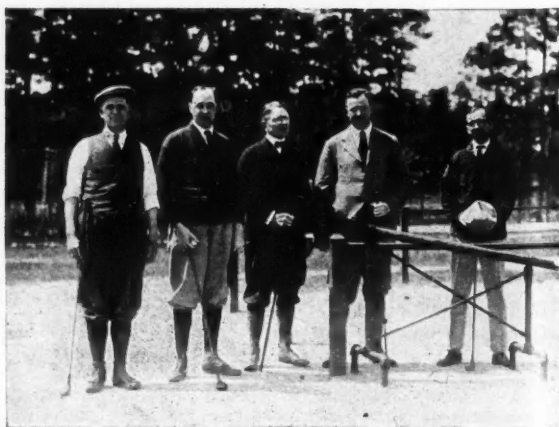
President Drum called the meeting to order at 9.30 A. M., Friday, May 6.

The report of the Committee on Federal Legislation was submitted by L. E. Phillips, who acted as temporary chairman, as C. H. McNider, chairman, was unable to be present.

The report was most cordially received and unanimously adopted. The text of the report, together



H. M. Rubey F. Coates, Jr. J. R. Kraus C. B. Hazlewood



T. Hartman J. W. Barton W. E. Miller W. W. Head S. E. Trimble

with the resolution submitted, will be found on page 737.

**Increased Dues**

The Council unanimously adopted the recommendations of the Finance Committee for providing additional revenue, primarily for the purpose of intensifying the protective features of the Association, with the view of coping with the crime wave, which is still growing in intensity, broadening the work of the Public Relations Commission, thus increasing the influence of the Association in making both the membership and the public at large more intimately acquainted with its activities, backing the work of the Economic Policy Commission and Commerce and Marine Commission in the splendid work they are doing in formulating policies for the readjustment of American business and finance, and also improving the general services rendered by the Association to its membership.

An amendment to the by-laws was adopted, providing the following schedule of dues, effective September 1:

Banks and Trust Companies	Dues	Banks and Trust Companies	Dues
\$ 25,000	\$15	\$20,000,000	\$350
100,000	20	25,000,000	400
250,000	35	30,000,000	450
500,000	50	35,000,000	500
750,000	75	40,000,000	550
1,000,000	100	45,000,000	600
2,500,000	150	50,000,000	650
5,000,000	200	55,000,000	700
10,000,000	250	60,000,000	750
15,000,000	300		

Dues for private bankers and banking firms are based on capital employed in their business per schedule above.

Dues for branches of any of the above classes of membership: With separate capital, same as schedule; without separate capital specifically set aside therefor .....\$15

Dues for mutual and cooperative savings banks or institutions without capital are based on their surplus or reserve fund as per table above.

The changes suggested by the Finance Committee were based largely upon the fact that despite the large increase in the activities of the Association and the expense of operation, the dues of banks having less than \$100,000 capital and surplus, comprising approximately 75 per cent. of the total membership of the Association, had not been increased since 1904. Under the new

schedule of dues these banks were divided in two classes, banks having less than \$25,000 capital and those having as much as \$25,000 but less than \$100,000.

In arriving at the dues to be paid by the larger institutions a graduated schedule based upon capital and surplus was established.

The next order of business was the report of the Insurance Committee, which is published on page 721.

Craig B. Hazlewood, chairman of the Committee on State Legislation, presented the report which appears on page 739.

**Committee on Public Education's Report**

Chairman John H. Puelicher, in presenting the report of the Committee on Public Education, emphasized the necessity for educating the general public as to the usefulness of banking institutions and outlined the plans of his committee. Mr. Puelicher said: "At the suggestion of the committee, George E. Allen, Educational Director of the American Institute of Banking, has prepared ten skeleton lectures which are to be presented to the pupils in our graded and high schools at the rate of one each month for the ten months, beginning next September. There are approximately 100,000 schools in the United States. By a simple arithmetical calculation it will be seen that the plans for our first year call for 1,000,000,000 lectures to the school children of America, explaining the functions of banks."

M. A. Graettinger, secretary of the State Secretaries Section of the Association, stated that at a meeting of the several state secretaries the plans of the Committee on Public Education were enthusiastically indorsed and he pledged the wholehearted support of the state bankers associations. Stewart D. Beckley, president of the American Institute of Banking, pledged the support of the 43,000 members of the Institute.

Mr. Puelicher stated that he had given permission to the state secretaries to print the outlines of the proposed lectures in their respective official organs, each lecture to appear one month in advance of its delivery in the schools; the first lecture to appear in the July issue.

Many of the members of the Council expressed their individual confidence in the proposed plans and pledged their support and cooperation. The report of the committee was enthusiastically adopted by the Council.

**State Secretaries Section**

Secretary M. A. Graettinger made a brief report of the activities of the State Secretaries Section. He said, in part:

I believe last year at a similar meeting to this our president reported that we had a committee appointed with an idea of securing simplified income tax blanks. Our committee, in conjunction with the representative of the Fidelity and National Trust Company of Kansas City and with the assistance of Judge Paton, appeared before the Committee on Forms of the Internal Revenue Department, and their Mr. Cady had prepared a practical form, but the chief of the department thought, in anticipation of a change in the Federal Tax Laws that it would not be advisable to push it then. But we received their permission, with special suggestions, to make returns for 1920. These were sent to some 20,000 banks through the state secretaries, and the number of very commendatory letters we received to the effect that these suggestions had proved very helpful was pleasing.

At a recent meeting of the secretaries we discussed the subject of deductions from Federal taxes, and also the taxes paid by banks on capital stock. That is the banks pay them, and they are not deductible from the bank's return.

This committee will endeavor to continue its work on simplified forms and we will take up with the departments the request that the banks be given the privilege of taking up this matter.

We have a committee on forms for the purpose of standardizing checks, drafts, cashier's checks, certificates and so forth. We had a meeting of this committee this week, at which were representatives of stationery houses and others. These various interests resolved to back the effort, and I think that with the help of these various organizations we will be able to accomplish something along that line. I want to express for the secretaries our appreciation of the action of the Advisory Committee in providing the opportunity for the secretaries to attend this spring meeting, as we think from the meetings they will all gain matters which will be of interest in their work.

In conclusion I want to say that we always want to render cooperation and service to the American Bankers Association, and we stand ready for that at all times. [Applause.]

### Public and Private Thrift

The final report was that of the Committee on Public and Private Thrift. This report outlined the reasons for not undertaking the advertising and publicity campaign discussed at the Washington convention, referred to existing thrift campaigns in Massachusetts, New York and elsewhere, explained the need for taxpayer resistance to unnecessary public expenses and its recommendations included, in part:

"First, that private thrift be stimulated by the organization of an American Bankers Association movement into which other organized efforts may be merged. This might include a National Thrift or Prosperity Week and a consistent effort to continue the movement throughout the year.

"Second, that public thrift be made possible through constructive advice and suggestion for the benefit of both taxpayers and government officials.

"Third, that this Executive Council declare for the American Bankers Association that the amount of the annual budget of the United States Government must be reduced to the point where the present burden upon industry and commerce will be relieved, the war debts be rapidly amortized and the cost of consumption goods be reduced."

The report was signed by S.

Fred. Strong, chairman, and was read by J. A. House.

All other business being finished, the report of the Committee on Resolutions was submitted by the chairman, Francis S. Sisson. The resolutions appear on the first pages of this issue.

### Closing Remarks

President Drum's closing remarks were as follows:

The hour to adjourn has now arrived, but before putting the motion I want to thank you one and all for your faithful and enthusiastic attendance at these meetings. We do feel that we are progressing and covering one milestone after another in the road towards progress. Last year we had as our great question the matter of the adoption of the new constitution. It was adopted. This year we had the great discussions of yesterday on our economic problems in the report of the Economic Policy Commission, and in the work of our other commissions further suggestions; and the Agricultural Commission and the Commission on Commerce and Marine and the Commission on Public Relations. And then this morning the great report from the Educational Committee so eloquently presented by Mr. Puelicher, and in all these we had a promise as to those things which the Association seeks to ac-

complish. As Mr. Hilton said, "We should capitalize these promises and thereby tend towards accomplishment." We have the promises; we have yet to fulfil them. The fulfilment depends on the enthusiasm, activity and support of the members of our Association. You have all pledged yourselves by your enthusiasm and by your willingness to work, and we want that to be the leaven and we want it to reach out to our 23,000 members.

We have our convention this year in Los Angeles. It is a long distance and times are not propitious, but still we want the enthusiasm you members of the Executive Council can give. We want you to come there, and you are the bearers of the message, and it is to you that we look forward. We want in that convention the thoughts and recommendations of this Council to reach the other members.

You cannot get it all by a report, or a word with a few officers, or in the busy times of a convention; but you can get it if all the members here will do their part in carrying the enthusiasm to those who attend the convention, and in that way the message would be passed from one to the other. When Mr. McAdams comes into the office of president I hope for him that opportunity of further development which he can use, and I hope for him the encouragement which I have received.

[The Council adjourned.]



Water Hole on the Links at Pinehurst



# Report of Economic Policy Commission

By PAUL M. WARBURG, Chairman

## A Constructive Platform Laid Down for the Guidance of American Banking and Business Interests, Embodying the Conclusions of the Commission on the Vital Economic Problems of the Day. A Masterly Discussion of the Essential Elements in the Situation.

**T**HE Economic Policy Commission begs respectfully to report as follows:

The Commission has held two meetings, one on January 19 and the second on April 15. At these meetings various topics, directly or indirectly related to banking, were submitted for discussion. The first question taken up by the Commission was that of the functions it should exercise and how it could best perform them. The term "Economic Policy" opens so vast a field, even when it is considered as applicable only when directly or indirectly affecting finance and banking, that the Commission might be expected to deal with almost any question touching the public interest. It was feared that this might force the Commission into a position of seeming to presume to act as the oracle of banking opinion with respect to topics concerning which advice should only be given after prolonged expert investigation. Special studies of this character would require a permanent staff of trained experts and would be likely to lead to duplication of work already in charge of existing committees or organizations. Furthermore, in order effectively to deal with intricate problems of this sort, members of the Commission would have to be in close and continuous touch with one another, while the personnel of the Commission has been drawn—as it should be—from all sections of the country and can, therefore, meet only at very long intervals.

Moreover, the Commission must, of necessity, attempt to express views which are fairly certain to be those held by the majority of thinking American bankers. Your Commission cannot, therefore, venture to formulate advice concerning questions of economic policy except where it can reach a fairly definite and unanimous point of view. While it is understood that the Commission speaks only for itself and that whatever public statement it may make does not commit the American Bankers Association, it must, none the less, remain conscious of the fact that it is a representative organ of the Association and that, therefore, it must aim to avoid the expression of views which might run counter to the prevailing American banking opinion.

Bearing these conditions in mind, the Commission reached the conclusion that it should deal with economic policies only as far as, directly or indirectly, they affect the question of banking and finance, and to deal with these questions

as far as possible only as matters of policy; that it should avoid being drawn into discussions of questions of detail requiring special investigation by expert committees, except in the case of pure banking questions, in cases where special committees were not acting and where the Commission, as such, would find itself sufficiently qualified; furthermore, that as a general practice the Commission's reports should be directed to the Council and that statements to the press should be made only where a prompt expression of the American banking view might be deemed to be in the public interest and where the Commission might feel fairly certain that in doing so it was expressing a view with which the banking community, as a whole, could be presumed to be in full sympathy.

Proceeding on these lines, the Commission, after its first meeting, gave a statement to the press announcing that it favored the general principles of the McFadden amendment to the Federal Reserve Act, having for its main object the abolishment of the office of the Comptroller of the Currency and the taking over by the Federal Reserve Board of the main functions now exercised by that office;

That it viewed with grave concern the epidemic of cancellation of orders

A recent statement by the Treasury Department makes an estimate, based upon official information, showing an expenditure in this country of approximately \$22,000,000,000 per year for commodities classed as luxuries. While the list includes many goods of recognized utility, it clearly indicates ability on the part of the consumers to pay taxes for the support of the national government, and we hold the opinion that even if increased taxation based upon this consumption has the effect of reducing such purchases in some degree, the results will be less harmful than the curtailment of capital accumulations which results under the existing system. We, therefore, are opposed to narrowing or restricting the present policy of levying excise taxes, or sales taxes, and favor raising more revenues by this method. *Instead of directing taxation so largely at what people are saving, we would direct more of it at what they are spending.*

and of attempts to dishonor solemn credit obligations;

That it did not think the time had come for a general reduction of discount rates on the part of the Federal reserve banks;

That it considered as a serious impediment in the banking situation the tying up of railroad funds in the Treasury, and that it urged upon Congress prompt action to release these funds (favorable action by Congress has meanwhile been secured on this point);

And finally, that it believed it to be of the greatest importance for the future of the United States to preserve the doctrine of the sacredness of private property.

The following sub-committees of the Commission were appointed for the study and report of special topics:

### Federal Regulation of Issues of Securities

M. A. Traylor,  
Evans Woollen,  
Charles A. Hinsch.

### Savings Department of National Banks and Postal Savings

John W. Staley,  
Walter W. Head,  
A. E. Adams.

### Committee to Cooperate With The Bankers Commercial Credit Committee

M. A. Traylor,  
R. S. Hecht.

### Taxation

Geo. E. Roberts,  
Waldo Newcomer,  
John W. Staley,  
H. M. Robinson.

### Redeeming or Refunding of Government Indebtedness

Alfred Aiken,  
A. E. Adams,  
R. S. Hecht,  
Paul M. Warburg.

In order to simplify the report of the Commission to the Council it has been thought advisable to embody the views

expressed by these sub-committees in the General Report of the Commission, which is as follows:

### General Economic Conditions

First of all, the Commission would utter a word of caution against hasty measures of legislation designed to relieve the abnormal conditions at present existing in trade and industry, and also against hasty pronouncements and declarations of policy in this regard by organizations representing important bodies of our people. Experience goes to show that conditions such as exist now, which are primarily due to a state of disorganization—a breakdown of the cooperative relations that are essential to prosperity—throughout the industrial and business world are likely to be aggravated and prolonged rather than relieved by action taken under the stress of excitement or extreme despondency.

It is a fact attested by history that every war of sufficient magnitude to divert industry from its normal activities has been followed by a period of disorganization and resulting financial troubles. It is inevitable that the waste of wealth, inflation of credit and all the artificial and temporary conditions of wartime will have after-effects, and our present experiences are similar to those of all such periods. The remedies are not to be found in artificial measures that increased the disorder or declarations that aggravate feelings of antagonism or make it more difficult to restore old cooperative relations. It is to be found rather by strengthening the assertion of natural economic forces tending to get the industries back into balance, reviving production and consumption together upon a common basis of values which enables trade to be carried on. The losses of the war must be made up by industry and economy. A heavy deficit exists in house-building, railroad improvements and other constructive work. If these activities can go forward they will do much to revive prosperity in all parts of the country. Unfortunately the costs of such work remain very high, requiring nearly double the capital investment of similar work before the war, and accumulations of capital are not being made at that rate. The public does not fully appreciate that improvements of this kind require capital accumulations by somebody, or that there is a relationship between capital accumulations and the state of employment and level of wages. The present net returns from investments in railroads and public utilities, if all turned back into those properties, would not be sufficient to make the improvements required upon them or yield compensation enough to attract capital from other sources. The same is true of investments in houses. This situation is in the hands of the public; nothing short of general recognition of it can provide the remedy. Antagonism between capital and labor and between nations must give way to helpful cooperation, if our problems are to be solved.

### Economy in Public Administration

In approaching the fiscal problems of the government we would first emphasize the necessity for the strictest economy in all branches and departments of governmental affairs. This applies alike to national, state, municipal and all subdivisions of public administration. Economy in national affairs may be nullified in results by extravagance in local affairs, and there is evidence on all hands that local public expenditures are expanding out of proportion to the growth of taxable wealth. At a time when the industries of the country are depressed and need to conserve their resources, they should not be burdened to pay one dollar of taxes not imperatively required to maintain the necessary services of Government and honorably to meet its engagements. It is not a time for needlessly enlarging the functions of Government anywhere or increasing its expenditures. The productive forces of the community should be permitted to regain normal strength before any new and unwarranted burdens are laid upon them.

We hold that the Federal Government should be both just and generous in dealing with its soldiers and sailors who are suffering under physical disabilities incurred in its service. We are equally sure that they cherish a genuine and profound sense of gratitude to the entire body of youth who responded so cheerfully and gallantly to the call of their country and so proudly vindicated the national honor in the late war. The debt thus created cannot be paid in money, but the nation never will be unmindful of the needs or claims of men who have offered their lives in its service. We do not believe, however, that these men would want the Government to undertake a large money payment in their behalf at a time of industrial depression and unemployment, when the additional burden must delay recovery and intensify the general state of distress.

### Military and Naval Expenditures

In view of the enormous percentage of the annual budget which represents the cost of wars in the past, we urge that the estimates for the military and naval establishments be carefully considered, with a view to bringing about a reduction of such outlays wherever practicable, and we trust that the influence of the United States will be exerted toward promoting an amicable arrangement among all nations for definitely limiting and reducing this class of expenditures in the future.

### Budget System and Government Reorganization

The Commission declares itself unreservedly in favor of Federal legislation, providing for an effective budget system to be observed in the conduct of the Government's financial affairs, and it emphatically indorses the plans now under way to reorganize departments so as

to avoid wasteful duplication and to enable the Federal Government to deal with its administrative problems in an intelligent and economic manner. It is sincerely to be hoped that Congress will see its way clear to pass legislation now under contemplation in these regards at the earliest possible moment.

### Taxation

The subject of taxation is a complicated and difficult one at all times, and especially so at this juncture, when the heavy burden of national indebtedness and increase of ordinary governmental expenditures require the income of the Treasury to be maintained at a very high level, while as a result of general business depression revenues from existing sources tend to decline.

The question of taxation evidently is closely associated with the policy that may be adopted for dealing with the part of the debt represented by Treasury certificates and Victory Notes in the hands of the public, with which we shall deal in a later section of this report.

Your Committee have not found it practicable to make exhaustive study of the possible sources of revenue; and in view of the amount of attention being given to the subject by other organizations of business men, as well as by the high authorities of the Government, aided in many instances by the most competent experts available, we have not thought advisable to undertake a detailed study of the situation. There are, however, certain general principles of fiscal policy upon which we venture to believe the bankers of the country are in substantial agreement.

We favor the repeal of the tax upon excess profits, as inequitable and oppressive in application, and no longer sufficiently effective as a revenue producer to justify its retention. We believe that in view of the increasing amount of tax exempt securities available in the market such modification should be made of the surtaxes upon personal incomes as may finally result in an increase in the aggregate of taxes to be obtained from taxable incomes.

It is an established principle, moreover, that taxation should be so directed as to cause the least practicable interference with the normal operations and development of industry, for it is only by production that taxation can be met, or the standard of living maintained and advanced. The narrow range of our taxation during and since the war has concentrated the collections upon that portion of the national income which if not so taken would be naturally available for increasing the capital fund, upon which industrial expansion depends. The effects are seen in the scarcity of capital for building and development work, high interest rates and stagnation of enterprise. While recognizing the soundness of the principle that taxes should be levied with reference to ability to pay, we believe it to be in the interest of sound finance and for the general good that the base under our system of taxation shall be broadened by increasing the amount raised through consumption taxes. A recent statement by the

Treasury Department makes an estimate, based upon official information, showing an expenditure in this country of approximately \$22,000,000,000 per year for commodities classed as luxuries. While the list includes many goods of recognized utility, it clearly indicates ability on the part of the consumers to pay taxes for the support of the national government, and we hold the opinion that even if increased taxation based upon this consumption has the effect of reducing such purchases in some degree, the results will be less harmful than the curtailment of capital accumulations which results under the existing system. We, therefore, are opposed to narrowing or restricting the present policy of levying excise taxes, or sales taxes, and favor raising more revenues by this method. Instead of directing taxation so largely at what people are saving, we would direct more of it at what they are spending.

We believe that the present taxes upon transportation, particularly those based upon freight charges, should be repealed. The low prices now prevailing for commodities make the present costs of transportation much more burdensome to producers than when these taxes were established in the present law, and we are of the opinion that no part of our system of taxation is more harmful to business or more indefensible at this time.

### Corporation Taxes

In planning for new revenues to take the place, as may be necessary, of those relinquished, we would deprecate unfair discrimination between investors who employ their capital as stockholders in corporations and those who employ their capital by direct ownership of business and through partnerships. The corporate form of organization promotes a wide distribution of the ownership of large industries, an end socially desirable, and toward which substantial progress is being made. The small stockholder is entitled to enjoy whatever preference or immunity the law intends for the small property owner, and we do not think that the corporate form of ownership should be placed at a disadvantage. With taxation affecting so seriously the net earnings of business, it is important that this phase of the situation receive proper consideration.

### Redeeming or Refunding of Government Indebtedness

In discussing the problem of refunding our floating and maturing Government indebtedness, the Commission reached the conclusion that it was too early to attempt the formulation of any definite plans or recommendations.

The Commission recognizes that there are important reasons why this is not an opportune time for adopting a policy of rapid debt reduction, but it considers that the present floating debt, amounting to approximately \$2,700,000,000 might be an element of danger in the situation if outstanding undiminished at the maturity of the Victory Notes and War Savings Certificates two years hence. The total

of those issues, approximately \$7,500,000,000 is a sum so huge and unwieldy as to be clearly in excess of what might be safely handled at one time, even by a country of the gigantic financial power of the United States. Until we are able to see more clearly the future course of economic conditions in Europe, of world trade and its coming demands upon our resources, and until we know what our own budget will have in store for us, it will be impossible to formulate definite conclusions in this regard.

The Commission believes that it is important that the floating indebtedness referred to should be refunded into long time Government securities, but feeling that the present time is not propitious, we recommend that such refunding be taken up at as early a date as conditions in the investment market are such as to absorb an issue of such magnitude.

The Commission does not consider it necessary to devise plans at this time embracing more than the floating indebtedness and the War Savings Certificates. The maturity of the maturing notes is still two years off, and the Commission is of the opinion that some time prior to their maturity we are almost certain to find a more favorable opportunity for their refunding than exists at the present time. As to the other Government bonds issued during the war the Commission believes that any action looking towards their refunding should be deferred until the short time securities have been provided for.

### Tax Exemption

Nor do we favor the further issuance of tax-exempt securities. The rapid growth in recent years of the volume of tax-exempt securities suggest the advisability of a thorough inquiry by the Congress into the entire subject, with a view to restricting the classes of such issues in the future, or of prohibiting them in toto. Every new class eligible to exemption makes it more difficult to resist further proposals, while it also makes the burden of taxation heavier for those who must pay.

### Amendments to the Federal Reserve Act

We approve the general proposal embodied in the McFadden Bill to transfer the functions now exercised by the Comptroller of the Currency to the Federal Reserve Board. The present situation is that of a dual administration, with a division of authority, which inevitably results in confusion and at times in conflicting policies. The entire machinery of national bank supervision should be directly responsible to the Federal Reserve Board, and interpretations of law, administrative rulings, and official advice upon banking policy should come from that source. All experience in the exercise of administrative authority supports this view.

We believe that the Governor of the Federal Reserve Board should be elected by the Board, instead of being named, with the Vice-Governor, by the President, and that the Governor, instead of the Secretary of the Treasury, should

be the presiding officer. The latter being rarely able to attend the meetings cannot be closely in touch with pending business. On account of the imperative demands which the regular duties of the Secretary of Treasury make upon that official, we view with favor the suggestion that the position of Under-Secretary of the Treasury, corresponding to the position of Under-Secretary in the Department of State, be created, and that this official represent the Treasury upon the Board. Under the provisions of the pending bill, as member of the Federal Reserve Board, this Under-Secretary would receive additional emoluments, with a view to having the position filled by a trained man, who would be an expert in finance, taxation and similar matters within the jurisdiction of the Treasury, and who might thus become a permanent official upon a non-political basis.

### Cancellation of Contracts

The Commission has viewed with the gravest concern the wave of credit and contract cancellations that swept not only over the United States, but almost all trading countries. These cancellations led to an epidemic of attempts, even on the part of banks, to dishonor solemn obligations undertaken by them in the opening of credits, towards both their customers and other banks. The wish to free themselves from contracts involving heavy losses led to disreputable efforts to break contracts by taking advantage of loopholes in the language and terms of letters of credit. The uncertainty thus created has made it highly desirable for bankers to reach a common accord concerning the meaning and use of the terminology governing letters of credit, bills of lading and similar documents. Your Commission has invited two of its members to cooperate with the Bankers Commercial Credit Committee now at work in clarifying and codifying these credit terms. It is hoped that by reaching a common accord concerning such terminology its use and general codification may be perfected, uncertainty and loss may be eliminated, or in any case largely reduced, in the future.

### War Confiscations

The policy of the Government in taking possession of private enemy-owned property during the war was justified for the time. We hold, however, that with the resumption of peaceful relations, this country should pursue a policy with regard to such property that is consistent with its own record in the past and in harmony with the trend of enlightened opinion the world over. War is an abnormal and temporary state and its evil effects should be limited so far as possible. There is no stronger influence for the maintenance of peace than that which arises from friendly business relations, including the interchange of investments, but if an individual who ventures to place his capital in a foreign land is likely to be deprived of it permanently through no fault on his part, solely because war has broken out between that country and his

own, it is evident that a serious obstacle will be raised to international cooperation and world development. This country always has stood for the immunity of private property in time of war. Our own interest formerly was as a debtor nation, which benefited by having foreign investments made here for the upbuilding of our industries; in the future our interests more likely will be as a creditor nation, desiring to make investments abroad for the promotion of our trade; but in either case mutual interests are served.

The establishment of the principle of the inviolability of private property will enable this country to take the position in international finance which its wealth and banking power qualify it to hold. In these times of uncertainty over the world, we should give every assurance that property interests transferred to the United States will be secure. Such policy would make this country the sanctuary for investments of other countries, particularly for the gold reserves of other nations. It would give American investments an added value and would especially enhance the position of the dollar bill in world markets, as the leading short term investment payable in gold and inviolate in peace and in war. In the present situation, the restoration of property taken over during the war, or prompt settlement therefor, subject to like treatment of American holdings in enemy countries, will tend to revive foreign trade, providing a basis for credit operations and the means for purchases in this market.

### Savings Deposits

The Commission regards it as very desirable that all regular banking institutions finding it practicable to do so should endeavor to encourage systematic saving for the purpose of increasing the capital fund of the country, and we particularly urge American banks to provide as liberally as they consistently can for the requirements of our immigrant population in this regard. Too little attention is paid today to the protection of the immigrant's savings, and in many states he is left entirely unprotected to the mercies of the foreign "private banker". We favor the establishment of savings departments, believing that this step will lead to more aggressive efforts to accomplish the purpose. The Commission would be opposed, however, to any legislation making it obligatory upon national banks to apportion their capital and assets to separate departments, and would disapprove of any proposal to that effect. We are opposed to any changes in the Postal Savings Act or an administration of it which looks to the withdrawal of postal deposits from the localities in which they are made for investment by a central authority. The postal savings system was established upon the fundamental condition and pledge that it would be so conducted that the savings would remain available as local capital where they belonged, the same as though deposited in the local banks. Savings deposits have been the leading factor in home-building operations, and should not be withdrawn from these channels by artificial means.

### Federal Regulation of the Issuance of Certificates

This question has been referred to us for particular study and report. A Sub-Committee has been appointed, which has been in frequent touch with the Legislative Committee of the Investment Bankers Association of America, making a special study of this problem.

The views that we have formed in this connection are as follows:

It must frankly be admitted that grave abuses exist; that, in spite of so-called "Blue Sky Laws," and other efforts, the sale continues on a large scale of securities offered on the basis of fraudulent representations. We must furthermore recognize that wrongs are committed in this regard not only by what a prospectus fraudulently overstates, but also in frequent cases by what it omits. There is a general consensus of opinion amongst conservative bankers that a remedy for this evil should be secured. Moreover, public opinion is so intensely aroused that Federal or State Legislation is bound to be enacted, and would therefore be desirable for the bankers to cooperate in securing reasonable legislation, not only for the purpose of arresting abuses, but also in order to avoid that unreasonable and harmful law—State or Federal—may be put on the Statute books.

Many attempts have been made to formulate legislation laying down obligatory provisions determining what information a prospectus should contain and what it should not contain. All such attempts, however, have been unsuccessful. In order to be effective the list of restrictions and stipulations is bound to become so comprehensive as to prove prohibitive. If, on the other hand, these stipulations are less exacting, they leave loopholes for the escape of those who thrive on selling securities on fraudulent representations.

Moreover, it has been argued with a great deal of force that too much red tape would cause a delay which in many cases would render desirable business practically impossible and drive it into other markets.

Your committee does not wish to submit or discuss any particular plan. It ventures, however, to suggest two principles as important in dealing with this matter.

(1) That the problem should be attacked on the line of Federal legislation, instead of seeking relief through state legislation, which it would be impossible to secure on uniform lines and simultaneously in all states. State legislation would, therefore, be likely to create undue hardships for the bankers of one state as against the other, while it would not effectively arrest the work of the crook, who would find across the border-line a safe corner from which to continue his nefarious business.

(2) Rather than to attempt to lay down rigid regulations by specific provisions embodied in law, it should be attempted to place the duty of regulation in an expert body capable of exercising discretionary power. From this point of view it would seem advisable to seek legislation that would make use of

the machinery existing in the Federal reserve banking system as the one organization which combines banking expert knowledge with a strict observance of policies dictated by the public interest.

It should not be impossible to devise some plan under which the Federal reserve banks, under the supervision of the Federal Reserve Board, could engage experts, at the Federal reserve bank head offices and branches (and such local committees as they may organize), whose duty it would be to watch the offerings of securities in their respective districts and to promptly report to the Attorney General, or other authorities to be designated by the law, who would be provided with the necessary machinery, pending proper investigation, to arrest suspicious offerings.

This would appear to be a fairly safe and simple method of approach, and as these committees would gain in experience, this might lead to a further development and perfection of a system of protecting the public.

### Railroad Situation

The Commission feels that a proper solution of the railroad tangle is of the highest importance for the financial situation of the United States. No graver domestic problem is on our hands at this time. The difficulties with which we are faced in this regard are not different from those that at this juncture are troubling almost every modern country in the world. Whether in the hands of government or in private operation or administered by a mixed system of private operation under government guarantee, practically all railroad systems of the world find themselves at present unable to earn an adequate return, and in most cases unable even to earn the operating expenses and a reasonable upkeep.

Gripping the problems of the individual errors and complication peculiar to each country, it may be useful to point to the economic principle involved everywhere.

A period of rapidly rising prices was accompanied by an almost simultaneous increase in wages, while transportation rates were raised only gradually, insufficiently and grudgingly, owing to the natural apprehension that increased transportation rates in due course would lead to a further increase of prices, which in turn would cause a further increase in wages, and so on. As a consequence, the railroads were permitted to drift away from the basis governing the conduct of every other industrial enterprise, viz., that compensation for the service rendered must approximately cover the cost of production and a reasonable return.

Your Commission feels confident that it expresses only an economic truism when it states its conviction that it was unsound to abandon this fundamental principle and that we must find our way back to this basis as fast as we can. It is idle to seek a cure in government ownership and government operation. European countries, where railroads find themselves in the hands of governments, are even less capable to adjust trans-

portation rates and wages than countries where railroads are in private hands. It is true that transportation rates must come down, but it is equally true that now that the decline in cost of living has begun and has moved so much faster than railroad wages that the latter must come down first so as to enable the railroads to reduce their rates and at the same time earn the minimum that has been guaranteed them by the law. The Esch-Cummins Law has not yet had a fair test and there is good reason to believe that in normal times and with some modifications it will prove itself capable of effectively meeting our railroad problem, provided, however, that the power of fixing rates and fixing wages is properly harmonized (or, if necessary, brought under one single control) and provided further, that in this question of fixing wages, the third party—which is the public, that suffers and pays—should be adequately represented as contemplated by the law. It would appear to your Commission to be no more than just and right that in the hearings and in the proceedings settling these wage questions the public should have a full chance to hear and to make itself heard at the side of capital and labor.

Nothing could be more fallacious than the theory not infrequently advanced that the Esch-Cummins Law has made the railroads a favored class of property. The railroads have been for years in the hands of the public authorities, with their earnings so restricted that capital was turning to other investments and the roads were failing to obtain the amounts required to keep their services up to the needs of the country. The Esch-Cummins Law, in the interests of the public, directs the Interstate Commerce Commission in performance of its duty of regulating charges, to permit the carriers to make earnings equal to no less than 5½ per cent. upon the value of the property, as determined by the Commission. When the public authority undertakes the regulation of charges the presumption exists that it will permit a fair return, and the law now defines what in the opinion of the Congress constitutes a fair return. The fact is that a minimum of 5½ per cent. is below the rate at which the railroads of highest credit are able to borrow money today, not to speak of the rate at which it can be obtained by issues of new stock.

### Discount Rates

It would be a mistake, however, to think that lower transportation rates would be decisive factors in reviving business at this juncture. The main obstacle that blocks commerce and trade all over the world is to be found in the European unsettlement. It is because hundreds of millions of people live in exhaustion and distress, but are unable to buy the raw materials that glut the markets in other countries, that commerce has come to a halt, and it is idle to hope that trade will regain its old stride or that the prices of staple products will revive until this blockade is lifted, and this can only be brought about

if conditions are created in which producing countries may venture again to sell their goods on credit to weakened consumers.

From the economic point of view, we have now reached the most critical point of the last seven years; for the basis on which the European situation will be settled, or unsettled, will decide the future social and economic development of the world.

Your Commission feels that it could not safely undertake to express views concerning the future discount policy to be adopted in our country until this critical period is passed and until we can judge more clearly whether the time is ripe for the adoption of a courageous policy of construction, or whether the world is doomed to live through a continuation of economic strife, stagnation and disorganization.

For the time being, your Commission can but indorse the discount policy followed by the Federal Reserve Board, which has favored a gradual liquidation of banking indebtedness to the Federal reserve system and a strengthening of the latter. It is wise, no doubt, as long as this period of uncertainty lasts to use the great influx of gold for the purpose of strengthening the system. We recognize that owing to the inability of Europe to take our farm products in normal times important amounts of these products are still in the hands of producers, and carried by the aid of bank credit. We would have this situation treated with the utmost consideration, but would utter a word of caution against the assumption that it will be improved by an indiscriminate expansion of credits. Until a solid basis for a revival in distribution and production is found, by the return of the European purchaser as an important factor in the world's markets and until a readjustment of wages and retail prices has taken place approximately corresponding to the level of prices of raw materials, any attempt to facilitate liquidation through the use of easier money rates is not likely to prove of lasting value. If a European settlement may be expected in the near future and on a basis that will make for a revival of production and a conservation of credit, the turning point may be near at hand. If our hopes in this regard should come to naught, if the efforts of our government, as we understand them, should fail, we may have to be prepared for a prolonged period of stagnation and disorganization in world markets, while America would strive to emancipate herself and find her way to a limited prosperity of her own, which temporarily may have to lead us through a period of a further recession of prices. In these circumstances it would seem wise, for some time at least, to permit liquidation—in so far as it is the natural sequence of the shrinkage of prices and of the contraction of speculative positions—to be applied to a further reduction of banking indebtedness to the Federal reserve system, not indeed for the sake of strengthening the system, but for the sake of strengthening the member banks, many of which are still too heavily and too permanently indebted to the Federal

reserve banks. Increased gold holdings need not alarm us as involving renewed inflation as long as this additional gold simply goes to increase the percentage of our gold reserves. Some day, and we hope soon, we may be called upon to let some of this gold go to enable other countries to get back on a gold or a gold exchange standard, and it is well that we should be prepared to do that generously and without fear of upsetting our own conditions.

### Acceptance Credits

Should business revive and the situation relax, we can well foresee vast possibilities for the United States to promote the world's commerce and trade by the liberal use of our vast power to grant bankers' acceptances. We would especially call the attention of bankers to the advantages that will result from the general use of acceptances for short investments and the desirability of diverting to this purpose a portion of the funds that heretofore have resorted to the call money market. A broad acceptance market would not only serve world trade, but incidentally strengthen our position by placing the dollar acceptance on a parity with the British sterling bill, and by widening and strengthening the under-structure on which more and more our Federal reserve system must rest.

In order to accomplish this aim it is necessary that both in making of acceptances and their distribution we be not unduly hampered by over-legislation or over-regulation, which users of our credits in foreign countries cannot be expected to understand. No matter how much more stable the dollar may be than the sterling, or how much lower our discount rate may be than that of England, we cannot successfully establish the dollar bankers' acceptance in competition with the British bankers' bill, if in foreign markets users of our credits, or purchasers of our bills, are being frightened and confused by a mass of regulations and red tape.

With 30,000 banks in the United States, as against a small number of strong branch banks in England, regulation and safeguards against abuses are, of course, necessary, but efforts must be made to restrict them to the minimum. It is thought that this result may be attained on the lines of administrative measures—Federal reserve banks using discretion and discrimination—rather than by wholesale drastic regulations which, in order to strike at undesirable abuses, must of necessity hinder and sometimes jeopardize the free development of sound and desirable business.

The proposed consolidation of the functions now exercised by the office of the Comptroller of the Currency with those of the Federal Reserve Board would greatly facilitate sound progress on these lines.

Under the auspices of the Federal Reserve Board special examiners could then be trained, whose exclusive functions it would be to examine and supervise the acceptance credit transactions of the banks and who could use discre-

tion and discrimination in suppressing abuses, thus eliminating the necessity of control through all-embracing and rigid rulings and regulations.

### Foreign Trade Financing Corporation

While the steps just discussed would lead to a more active participation of the United States in the financing of short-term world trade, there are other measures that American bankers should consider in order to maintain our world trade and to bridge the gap which now exists between our gold dollar and the depreciated exchange of so many of our most important customers.

The recent decline in our exports tends to confirm apprehensions long felt that foreign countries would not be able to continue purchases to meet their needs unless we took steps to aid them

in finding means of payment. Every month that passes furnishes new evidence that our industries are interlocked with those of other countries and that to a great extent prosperity there is dependent upon a revival of world trade. Moreover, the revival of European industry depends largely upon ability to make purchases of raw materials in the United States. Unfortunately much time has been lost, much of the purchasing power which Europe still possessed at the end of the war has been used for temporary relief, and even yet Europe is not able to comply fully with the conditions which were laid down last year by the Brussels Financial Conference as the basis for sound credit. The relations with Germany are not yet cleared up. And yet there is reason to believe that Europe, perhaps before long, will get into position where with the help of materials and supplies of which we have a surplus it will be able

to get on a self-supporting basis and again take its place in the world organization. We will not be able to play the part that devolves upon us, unless we plan for it and are organized for it. We should not delay our preparations. Even though we think present conditions unpropitious, we should have our machinery set up and in readiness, and it is agreed that the plan proposed in the Foreign Trade Financing Corporation, organized under the auspices of the American Bankers Association, is of the character that must be used for the purpose. Nobody has proposed anything better or anything different, and it affords the most feasible means of combined effort. The War Finance Corporation may be utilized, but it needs the Foreign Trade Financing Corporation and other like organizations as auxiliaries. We urge that the Council continue to give its support to this organization, which it has fostered.

## Foreign Trade Financing Corporation

**I**MPORTANT developments, constructive and encouraging, have taken place in the past month in the campaign of the Organization Committee of the Foreign Trade Financing Corporation to pave the way for the enlargement of commercial intercourse with other countries through long-term credits. Progress has been made both in the legislative and educational fields. In the former the legislatures of three states—New York, Ohio and Nevada—have adopted measures which place these important commonwealths in the category of the great majority which permit state banks and other corporations to invest in the capital stock of corporations organized under the Edge Act. Many states, of course, needed no special legislation to enable the state banks, insurance companies, etc., to enjoy the same freedom in this respect which the Edge Act extends to national banks.

What has been done in the educational field to impress the country at large with the imperative need for correcting present conditions with respect to foreign trade has been accomplished in a large way, judging by a report of the Committee on Organization of the Foreign Trade Financing Corporation, showing the number of important addresses made on the subject during April. Men of prominence in the financial affairs of the country are represented in the list of speakers who addressed bankers, manufacturers and other business men interested in economic improvement, impressing upon them the corrective influence of machinery for the establishment of long-term credits for foreign buyers and American shippers who cannot otherwise carry on export and import trade. William C. Redfield, former secretary of commerce and president of the American Manufacturers' Export Association

has carried this gospel to many sections; during April he went to Iowa, where he addressed the Business Men's Congress of the state at Des Moines and two days later at Dubuque, before the Chamber of Commerce there; to Illinois, where he and Francis H. Sisson spoke before the joint meeting of the Chicago Credit Men's Association and the Illinois Manufacturers' Association on the 5th. Mr. Redfield and Jerome Thralls, secretary-treasurer of the Discount Corporation of New York, addressed the Bankers' Club of Cleveland, Ohio, April 20. Mr. Thralls had previously during the month advocated support of the Foreign Trade Financing Corporation before the Philadelphia Chapter of the American Institute of Banking, the fifth conference of the Rotary Clubs at Atlantic City and the bankers of Union and Somerset counties, N. J., at Westfield. Later he gave an informative address before the Metal Trades Convention in New York City, and at Philadelphia impressed upon delegates to the Conference of Savings Bankers of the United States the great power which they have to aid in the restoration of healthy business relations between the United States and the rest of the world. Frederick W. Gehle, assistant to the president of the Mechanics and Metals National Bank of New York, talked before the Alabama Chapter, American Institute of Banking, and at Easton, Pa., addressed the Warren County Bankers Association of New Jersey.

Widest publicity has been given the address made by John McHugh, president of the Mechanics and Metals National Bank and chairman of the Organization Committee of the Foreign Trade Financing Corporation, before members of the Chamber of Commerce of the United States, at their annual convention in Atlantic City on April 27.

The programme for May is quite as complete as that undertaken and successfully carried out last month. Mr. Gehle spoke to members of the Kiwanis Club at Poughkeepsie, N. Y., May 3. The partial list of other addresses scheduled for the month in behalf of long-term credits as a solution of the international trade dilemma is as follows:

May 3—Joint meeting of Banking and Foreign Trade Clubs of Columbia University; Gardner B. Perry, vice-president and treasurer of the American Trading Company of New York City.

May 4-7—National Foreign Trade Council, Cleveland, Ohio; F. I. Kent, W. P. G. Harding, William C. Redfield.

May 17-18—Missouri Bankers Association at St. Louis; Mr. Thralls.

May 17-18—New Jersey Bankers Association, Atlantic City; Mr. Redfield.

May 18-19—Maryland Bankers Association, Atlantic City, Mr. Redfield.

May 18-19—Rhode Island Bankers Association, East Providence, R. I.; F. W. Gehle.

May 19—Alabama Bankers Association, Birmingham, Ala.; G. E. Bowerman.

May 19-20—Kansas Bankers Association, Topeka, Kan.; Mr. Thralls.

May 19—Groups One and Two, Kentucky Bankers Association, Paducah, Ky.

May 24—North Carolina Bankers Association at Greensboro; Willis H. Booth of Guaranty Trust Company.

May 24-25—Oklahoma Bankers Association at Oklahoma City.

May 25-27—Pennsylvania Bankers Association, Atlantic City; Mr. Jerome Thralls.

May 30—Group Four, Pennsylvania Bankers Association, Williamsport.

# Insurance

## Fire Insurance on Commodities Which Are the Collateral to Loans

**T**HE attention of member banks is directed especially to a report of the Insurance Committee of the Association in which some of the more important questions are raised as to the forms used by the fire insurance companies in defining the payment of loss, by fire, of commodities which are the collateral to loans made by the member banks to their customers. It is pointed out that policies issued, reading,

Assured: Loss, if any, payable to the Blank Bank as interest may appear.

make void the entire insurance if the assured becomes insolvent and a loss occurs after he has been divested of title or possession, unless the new interest has been indorsed on the policy prior to the loss; and further, that the insurance company might be under no obligation to give notice of cancellation of insurance, and that the entire insurance may be voided, by acts of omission of the assured as provided in the policy, as "The sole right of the named payee is to receive money which, without a specifying clause, would be payable to the named assured."

Objection is taken to another form, reading:

Assured: The Blank Corporation and/or the Blank Bank, as interest may appear. Loss, if any, payable to the Blank Bank, as interest may appear

where certain underwriters have expressed the opinion that in the event of a receivership for the assured corporation without policies being indorsed to that effect, the entire insurance would be voided. Under this form, however, the insurance companies would be required to give notice of cancellation or change affecting the bank's interest.

Another form, which is considered to be the safest for the bank to accept, reads as follows:

Assured: The Blank Bank, for account of whom it may concern.

Loss, if any, to be adjusted with the Blank Corporation and payable to the Blank Bank, for account of whom it may concern.

The committee reports that under this form no indorsement is necessary in case of a failure of the corporation assured, as they are not named. The loss clause providing the adjustment with a blank corporation would not, it is said, affect the validity of the policy, and is put in to relieve the bank of the necessity of making adjustments.

In certain states it is said that the standard form of fire insurance policy reads:

This entire policy, unless otherwise provided by agreement indorsed hereon or added hereto, shall be void.

If any change, other than by the death of an insured, take place in the interest, title or possession of the subject of insurance (except change of occupants without increase of hazard), whether by legal process or judgment or by voluntary act of the insured, or otherwise; or

If this policy be assigned before a loss.

The Insurance Committee expresses the opinion that the best and safest form for banks to accept would be the third one quoted above, reading:

Assured: The Blank Bank for account of whom it may concern.

Loss, if any, to be adjusted with the Blank Corporation and payable to the Blank Bank, for account of whom it may concern

and state that they understand that qualified attorneys have expressed the opinion that a hazard is taken by the banks in permitting the use of either of the former two above referred to forms.

In view of these facts it would seem the point of wisdom and prudence for a member bank to examine fire insurance policies which are attached to collaterals in their loans to see that they are properly covered in the event of loss by fire or material change in the status of the assured named in the policy. It is conceivable that policies held in this manner and attached to warehouse receipts for merchandise might have long since been voided by notice from the insurance company to the insured, for any one of many causes, without the

lending bank having any knowledge whatsoever of the fact. There are other similar causes which, it would appear, might lead to the voiding of insurance, of which the borrower from a bank might have knowledge but of which the bank would have none.

In concluding its report the committee recommends to member banks the advisability of their making an examination of insurance policies held in connection with loans to customers upon commodities in warehouse, etc., with a view to ascertaining if they are, in each instance, thoroughly covered in the event of fire loss or a change of any kind in the financial or legal status of the borrower.

The committee's report in detail will be embodied in the report of proceedings of the Executive Council of the American Bankers Association at its Pinehurst meeting in May, to which member banks are referred for further detail. The committee concludes its report by stating that while it does not assume any responsibility for the accuracy of any statement made therein, the report is based upon information obtained from sources which it considers reliable.

### THE INSURANCE COMMITTEE.

L. E. SANDS, *Chairman.*

OSCAR G. FOREMAN.

FRANK L. HILTON.

J. A. LATA.

GEO. S. MURPHEY.

L. W. GAMMON, *Secretary.*

## A. B. A. Membership

The membership of the Association on March 31, 1921, was 23,093, a gain of 1,948 over the membership of March 31, 1920.

The District of Columbia has the distinction of a 100 per cent. membership, while Arizona and Delaware are close seconds, each having 98 per cent. of their banks in the Association.

# Survey of Economic Conditions

Report Made by President John S. Drum to Executive Council

A Study of Enlightened American Public Opinion with Respect to the Current Economic Situation, Together with a Chart, Based upon 1,000 Replies to a Very Complete Questionnaire

**E**XTRME pessimists have told us that a world disrupted by four and one-half years of war is being speeded by irresistible forces on the road to economic ruin.

Extreme optimists have told us that around the next corner lies unbounded prosperity, waiting only for our arrival at the turn.

The pessimist would have us believe it is useless to work against the forces which he believes are leading us to ruin.

The optimist would have us believe there is no need for any efforts of ours to assist the forces which he believes are leading us straight to prosperity.

The fault with the reasoning of both of them is basically the same. The extreme optimist and the extreme pessimist base their conclusions on things as they might be, and not upon things as they are. Prudent men in governing their actions neither ascend to the heights of optimism nor descend to the depths of pessimism. They seek the facts and then think and act according to the precepts of experience and judgment.

There is no safety in dealing with "ifs" nor in directing actions on the basis of wishes. We can accomplish nothing by thinking what we would do and saying what we would do "if the railway problem were settled," "if the purchasing power of the people at home and abroad were restored," or "if we were back to pre-war conditions." Wishing that things were accomplished does not hasten their accomplishment.

Common sense and a knowledge of fact, coupled with clear vision, must guide the conduct of every one of us in his private business affairs. Why should not the same factors guide men and nations in their struggles to solve the broad economic problems that have grown out of the war and the peace?

It does not lie within our power as individuals, nor that of the American Bankers Association as a group of individuals, to halt the inexorable economic forces that are at work in this country and in the world. We can, however, look upon things as they are and base our acts upon things as they are, and by doing so we can to some extent direct the operation of these forces.

It was with the idea that our Association could render a great public service by giving to the people of the country a comprehensive picture of things as they are that I undertook about six weeks ago, with the cooperation of the members of the Executive Council and the secretaries of the state bankers associations, to make a survey of economic conditions and tendencies.

For this purpose there was prepared a questionnaire designed to obtain, not statistical information, but authoritative

opinions as to financial, commercial, industrial and agricultural conditions in our country.

These questionnaires were sent to the members of the Executive Council, to the secretaries of the state bankers associations, to the members of various committees of our Association, to the heads of the great transportation systems and to other leaders in the nation's business life.

There was demonstrated everywhere an appreciation of the desire of the American Bankers Association to accomplish by this survey a work that would be of real value to our country. More than a thousand replies to the questionnaire were received, and as a result it is possible to present to the Executive Council today that which may be regarded as the composite opinion of the leaders in the economic life of the United States.

Before we can decide what we are going to do we must know what our condition is, and that question has been answered by the hundreds of thoughtful men that have given carefully considered replies to our Association's questionnaire.

## Result of Survey

Our survey has shown that the great economic problems that confront us today fall into two broad classes which may be expressed in the terms of the problems of production as those of costs and markets. Under the problem of costs we have these factors:

- a. Labor;
- b. Materials;
- c. Transportation;
- d. Money, and
- e. Taxation.

And the problems of markets are these:

- a. Domestic—
  1. Decreased purchasing power;
  2. "The buyers' strike";
  3. Disinclination of sellers to take losses, and
  4. Cancellation of orders.
- b. Foreign—
  1. Decreased purchasing power of Europe;
  2. Inadequacy of present credit agencies;
  3. European political and social disorganization;
  4. Cancellation of orders;
  5. Exchange.

The pessimists consider this problem as a whole, and to them it appears overwhelming. The optimists perhaps single out one phase of the situation, observe that it appears to be working itself out

toward solution, and conclude that when it has been solved unbounded prosperity will be our lot.

To determine the real situation we must consider the problem both as a whole and in all its factors.

## The Process of Readjustment

An analysis of the hundreds of replies to our questionnaire shows beyond any doubt that liquidation in the United States and in the world has proceeded to a point at which all elements in our economic life must fall in line. Neither money nor transportation costs nor taxation nor materials nor labor can effectively nor permanently avoid the irresistible forces that are working toward readjustment on a lower level. Indeed, it would work to the disadvantage and not to the advantage of those factors that would, if they could, keep out of line with the rest.

The weight of opinion is, however, that this readjustment, this tendency toward stabilization, will not be accomplished in the year or the two years that lie just ahead of us.

Our whole economic life has been thrown out of alignment by the war and the period of inflation that continued after it. Every element was thrown out of line, some to a greater degree and some to a lesser degree. It is but natural that not all elements should respond in the same degree and with the same rapidity to the forces working toward readjustment, but it is inevitable that ultimately the normal relative position of all these elements will be restored, and then we shall have what we call stability.

Inflation is the inevitable result of war, because consumption and waste increase at the same time that wealth is destroyed and the world's ability to create new wealth is decreased. Commodities and services required for the purposes of war create no wealth out of which payment for them can be made, and consequently there must be expansion of credit and currency, operating to produce the other manifestations of inflation that are so familiar to all of us.

This demand for commodities for non-productive consumption, as distinguished from consumption for use in production, ends with war. If, without distress, the inflated economic structure could be contracted overnight to conform with deflated demand no "period of readjustment" would be necessary; we should have normal war conditions one day and awake to find normal peace conditions the next.

So abrupt a transition is manifestly impossible. Production speeded up to meet inflated demands cannot be suddenly slowed down without spreading



ruin throughout our economic and social life. The process of readjustment must be gradual. It must proceed with the least possible disruption of the everyday life of the everyday man.

It is this period of readjustment through which we are passing today. First one element, then another, then another, feels the operation of the inexorable forces that are working to restore normal conditions.

It is natural and entirely human that in some quarters there should be an effort to resist these forces. But as time goes on this resistance must perforce become weaker and weaker, and at length we shall know that all elements in our economic life have fallen into line.

This is the world's situation today. Time will restore its balance, but it must take care of itself during the period of recovery.

This Economy Survey has helped to show how much each of the economic factors that must be considered in the world's recovery has felt and is feeling the forces working toward readjustment.

### Materials

The cost of materials, the first of the elements to feel the upward impulse when war came, also has been the first to respond to the tendency toward a new lower level. Already we find much of the product of our farms and mines and forests lying idle, while prices in many instances are as low as or lower than those that prevailed before war made its extraordinary demands.

Slower adjustment of other elements has, perhaps, depressed these prices to a point too low for stability, and the weight of opinion is that as readjustment at home and abroad progresses there will be a reaction. It is difficult to say whether reduced industrial activity in the United States or the greatly reduced manufacturing ability of European countries has been the more potent factor in decreasing the prices of raw materials. Both have had tremendously important effects.

Before the war something like one-third of our exports to Europe consisted of raw materials. This percentage was, of course, reduced when Europe turned her attention from industry to war and turned to the United States for manufactured goods. As long as this European demand for American manufactured goods continued the market for raw materials continued strong; it had merely been transferred from one country to another.

But Europe's purchasing power reached its limit and it was unable longer to buy American goods in the tremendous volume of war and post-war times. And at the same time there was no realization of that European industrial revival that was expected to follow the war, so that the pre-war market for American raw materials was not restored.

Europe needs our raw materials and she needs our manufactured goods. Unless we are ready to admit that the present disorders are going to continue forever, we must, of course, believe

that time and our efforts and their own will restore stability to the countries of Europe and our markets to us.

It is true to a great extent that the cost of raw materials is the least of the problems of cost that affect American manufacturers. But there can be no true prosperity in this country until American farmers and miners and lumbermen find at home and abroad markets big enough to absorb all the raw materials that our farms and our mines and our forests are able to produce.

### Labor

What has been true of the cost of materials has been true, conversely, of the cost of labor. The wages of labor did not rise as rapidly as did commodity prices during the period of war and post-war inflation, and its general tendency is to be the last to fall with readjustment.

This survey has furnished, however, an excellent example of how the process of readjustment in one economic element works to produce similar tendencies in the others.

The decline in the world's purchasing power brought with it a consequent restriction of demand. From a condition of under-production the United States turned quickly to a condition of over-production. Manufacturers, finding it difficult to liquidate the goods they had already produced, naturally decreased production and many of them shut down altogether. Efforts to reduce the cost of production were everywhere necessary. Thousands and thousands of workers were thrown out of employment. A surplus of labor was created where a shortage had existed before. Instead of competition between employers there developed competition between workmen. Employers were able to choose their employees and they chose only the most efficient.

It is human nature to ease up in times of prosperity, and when work was plentiful and wages were high the efficiency of labor was impaired. When a shortage of labor gave way to a surplus, however, this condition was changed, and workmen began to render more efficient service.

At the same time many manufacturers were forced either to cut the costs of production by reducing wages or to shut down their plants altogether. Confronted with this situation thousands of workmen in many industries voluntarily accepted wage reductions. Indeed, instances have been reported of workmen who initiated of their own accord movements for wage reductions, this action being based on a realization that unless wages were reduced a certain number of them, and possibly all of them, would be out of employment.

The survey shows that notable exceptions to this tendency toward wage reduction are apparent in the building trades and among railway employees. The effect of this resistance to the economic laws working toward readjustment is apparent in comparative stagnation in most parts of the country in all except the most essential building construction and in the great decrease in

railway traffic because of the high rates railway operating costs force the transportation systems to impose.

Many replies point out that the wages of railway employees and men engaged in the building trades will be reduced when there is a realization that it is not wages per day, but wages per year that counts.

The fact that large numbers of railway employees are working part time and that because of the building situation carpenters and masons, while their wages remained at inflated standards, are working two weeks in the month, may help to bring about this realization.

Labor no more than any other factor can long successfully resist the operation of economic law; a Danish king once tried to stop the tide.

### Transportation

When the cost of shipping an article to its market becomes greater than the value of that article delivered at the market then, indeed, may it be said that transportation costs are greater than the traffic can bear.

Our survey shows that this condition is true, not of one commodity, but of many. Decreased production and decreased consumption are not the only factors that have contributed to cause a surplus of hundreds of thousands of freight cars where there was a shortage a year ago.

Rates increased greatly at a time when other services and commodities were falling to a lower level have had a disastrous influence on the nation's business. The slow so-called liquidation of labor has been perhaps the principal cause of these strangling freight rates. The high operating costs have not only forced the railroads to keep rates at a level out of all proportion to adjusted conditions in other lines, but have made impossible that accumulation of capital necessary to enable railroads to make additions and betterments that will be required to take care of the traffic that will accompany stabilization in the opinion of many persons who have replied to our questionnaire.

A composite of all the opinions expressed in this survey would be that solution of the great problem that confronts our transportation systems today—that of operating with financial safety and at the same time reducing rates to a point at which their effect on industry will not be oppressive and, indeed, prohibitive—is one of the most pressing immediate prerequisites of stabilized conditions.

To force upon the railroads such a reduction of rates as would make it financially impossible for them to continue to operate would mean disaster, not alone to the railways, but to our whole industrial structure.

### Taxation

Discontent with systems of taxation that never were just in principle nor scientific in the method of collection, that have outgrown their usefulness, that have exercised an oppressive effect upon business of all kinds, and that no longer are justified by the existence of

an emergency is shown in this survey, not only in virtually unanimous opposition to the excess profits tax, but also in a hesitancy to recommend any other tax to take its place—a hesitancy induced by the fear that other taxes may be almost equally unjust and restrictive of business.

Suggested substitutes for the excess profits tax take two forms:

1. That the government obviate the need for the revenues produced by the excess profits tax by:
  - a. Economy in government expenditures, and by
  - b. Refunding the short-term government bond issues and funding its floated indebtedness.
2. That other taxes be imposed. Preference for substitute taxes is expressed in this order:
  - a. Sales tax;
  - b. An extension of the income tax to include smaller incomes and an increase in its rates;
  - c. A flat tax on profits, and
  - d. Tariff.

While majority sentiment favors a sales tax, many men whose opinion helped to make up this survey said they favored it largely because they believed there was no alternative, that no other better tax would produce the necessary revenue. Opposition to the sales tax on the part of a large number of retailers was reported.

Many supporters of a tariff on imports expressed the fear that whatever revenue the tax might produce would be more than offset by a decline in foreign trade due to increased decline of European power to purchase and pay for American goods.

### Allied Debts to the United States

Reasoned opposition to cancellation of the Allied debts to the United States, as opposed to sentimental opposition, is based chiefly on the argument that cancellation would greatly increase taxation in the United States.

A great majority of the men who assisted in this survey reported opposition to the cancellation of these debts, the arguments, aside from that concerned with taxation, being that cancellation would depreciate government securities, make future foreign loans almost impossible to float in the United States, and encourage repudiation of private debts and contracts.

It was felt further that foreign governments do not desire cancellation, the theory being that it would weaken the efforts of European countries to restore sound financial practices.

On the other hand, the minority in favor of cancellation argued that it would operate to stimulate foreign trade by relieving the European credit situation and by stabilizing exchange. They suggested also that the loans to the Allies should be written off as part of the contribution of the United States to the war.

### The Cost of Money

Majority opinion is that liquidation has not yet proceeded to a point that

will make possible a reduction of interest rates during 1921, or at least before the last months of the year.

The bases for this are found in the slow liquidation of commodities with the resultant freezing of domestic and foreign credits and in continued government borrowings. These two factors, it is felt, will operate to keep the demand for money in excess of the supply.

Large parts of last season's crops are still unmarketed, and whatever relief is afforded by the release of these crops will be offset, it is believed, by the demand for more money and credit as the next harvest approaches.

The so-called buyers' strike and reduced purchasing power have left large quantities of goods on the shelves of retailers, forcing manufacturers to carry comparatively large amounts of their customers' paper and forcing the banks in turn to renew their loans to manufacturers and wholesalers as well as to retailers.

The constant increase in the unfunded debt of European countries to the United States, which has been estimated to amount now to the enormous total of \$4,000,000,000, which, in the last analysis, is carried principally by the banks, is another factor that is operating to keep interest rates at their present level.

Material change in this condition commonly is not expected this year, although majority opinion is that the demands for money are becoming less, and this is borne out by statements of the condition of the Federal reserve banks. It is felt, nevertheless, that for some time to come the demand will continue to be greater than the supply.

There is some opinion that the reduction in industrial activity and the liquidation of last season's crops will tend to soften interest rates at an early date.

### Markets

In theorizing some of us describe our present industrial condition as one of over-production; some of us say it is a case of under-consumption. It is, in fact, relative over-production in some parts of the world and relative subnormal consumption in others. The fact remains that we have on every hand manifestations of a supply of agricultural and mineral products and manufactured goods out of all proportion to the demand.

When inflated costs of commodities and services passed the peak and began to decline, sometimes abruptly and sometimes gradually, and when the expanded and over-expanded credit structure reached a point beyond which it could not safely go a great contraction in the purchasing power of the people of the United States developed.

First extravagant and reckless buying began to disappear. The shoe began to pinch. The average American developed a tendency to buy only those articles that he actually and immediately needed. The habit of investigating prices before making purchases, lost in the flush of inflated war-time earnings, began to reassert itself.

The consuming public read everywhere that prices were tumbling. Then the so-called buyers' strike set in. The man

on the street read that the price of wool had fallen, but when he wanted to buy a suit of clothes he found the fall had not been reflected in the retail price. He read that the price of leather had gone below the 1914 level, but he found that a pair of shoes cost him twice as much as it had before the war. There was a growing conviction that prices must go down and a growing determination not to buy until they did.

There is a divergence of opinion as to how much of the reduced demand was due to this psychologically-born buyers' strike and how much of it was due to reduced purchasing power. Both factors undoubtedly have been potent.

In the face of this reduced purchasing power and this consumers' strike, retailers, with their shelves stocked with merchandise purchased at high prices, were unwilling to meet the new conditions by price reductions. Some of them hoped and expected that the fall was only temporary and that in time prices would be restored to the old levels. Others simply were unwilling to sell for 90 cents articles that had cost them \$1, even though the same commodities might now be purchased at considerably lower figures.

These opposing forces, the consumers' unwillingness or inability to buy at the old prices and the sellers' unwillingness to sell at lower prices resulted in stagnation of retail trade. Liquidation of retail stocks was slowed down, and its effect was felt at once by manufacturers and wholesalers and producers generally.

It is natural that manufacturers and wholesalers, being more closely related than retailers to raw materials, should feel first and reflect more readily in their prices the reduced costs of raw materials.

Our survey shows that these wholesalers and manufacturers did in fact reduce their prices, but the effect on their sales was not pronounced. Lower costs meant nothing to retailers if they could not sell goods.

Of course, decreased prices of raw materials and lower wholesale prices could not at once be reflected in lower retail prices. Rents, transportation costs, selling costs and maintenance costs—elements that must be considered in fixing retail prices—if they declined at all did not decline at the same rate nor in the same proportion as did the actual price the retailer paid for his merchandise.

Prices of raw materials and wholesale prices continued to fall, but retailers, knowing their market was uncertain, bought sparingly and more sparingly, if they bought at all.

As the need for liquidating became more pressing, however, retailers began to fall into line. The price recovery they had expected did not materialize. They began to mark down their prices and to compete more actively with one another for customers. Our survey shows that now a large percentage of the larger retailers and an ever-increasing percentage of the smaller ones are marking down their prices to a basis of present costs, although in very many places this deference to readjusted conditions has been very slow.

Farmers, like retailers, had a very human desire to avoid the losses caused

by the fall in values of agricultural products. They had paid high prices for the materials and high wages to the labor that made their crops, and they were unwilling to sell at less than cost. They preferred not to sell at all, if the alternative was to sell at a loss, and as a consequence large quantities of farm products were allowed to lie in warehouses and granaries.

The effect of this has been two-fold: It has further reduced the purchasing power of farmers, already decreased by the fall in values, and it has been a factor of considerable importance in reducing the purchasing power of the whole people. Something like 40 per cent. of our population is rural. When our farmers ceased to buy the effect on industry was felt at once, unemployment was increased and the purchasing power of industrial labor was decreased.

Common opinion is, however, that the demand for general liquidation and the approach of harvest will operate to release huge quantities of farm products now withheld from market. Replies to our questionnaire indicate that unless there is a very general liquidation, credit available for agriculture, which in any event probably will have to be restricted to absolute requirements, may not be sufficient to make possible full cultivation of acreage in all parts of the country.

Opinion is general that the decision of the Supreme Court sustaining the legality of Farm Loan bonds will not at once greatly relieve the farm credit situation. It is believed the low rate of interest to which these bonds are limited will restrict their sale to a considerable extent.

This year's crops are being produced, however, at a cost for labor and materials far lower than that which prevailed during the war and in 1919 and 1920. The farm land boom that developed in some Middle Western and Western states during the period of high prices has passed. Our survey shows that many farmers who bought land and made part payment have been unable to meet their obligations and have lost their land. This is not commonly true, however, and applies only in some parts of a very few states.

### Cancellations

Every element in our economic life, from the most simple to the most complex, has felt the serious effects of cancellations of orders caused by the reduction of values, the depression of business, and the natural human desire to avoid losses.

The reduction of the world's purchasing power left many foreign exporters who had ordered American goods and raw materials unable or unwilling to pay for them. Beginning on a small scale, the practice of canceling orders and of refusing to accept goods even after they had been delivered in foreign ports soon assumed proportions that made it affect seriously American industry. Losses were heavy, decreased production became a financial necessity and thousands of men were thrown out of employment.

This condition was reflected in a further reduction in the purchasing power

of the American people, and many retailers, when the slump came and they found they could not dispose of the goods already on their shelves, refused to accept merchandise they had ordered in anticipation of continued heavy buying.

Manufacturers and wholesalers found themselves with large supplies of goods for which there was no market. When they could they sold to other customers, probably at prices reduced to a point below cost of production, but most frequently there was no market whatever for these goods and they accumulated as a constantly increasing excess.

Many manufacturers, then, were forced to cancel their orders for raw materials produced on the farms, in the mines or in the forests. Proper distribution of loss was prevented. Our survey shows that many of the weaker firms were thrown into bankruptcy. We know that huge amounts of credits have been frozen in the banks. We know that even those industries of greater financial strength have been forced greatly to reduce production or to shut down altogether and to ask the banks to carry them financially.

We have now abnormally great quantities of all kinds of manufactured goods, for which there is no demand, lying in the hands of manufacturers.

Cancellations were most serious in the fall of 1920. Our survey shows that the situation has been righted to a considerable extent, but the condition is still very serious and apparently is felt most by firms manufacturing largely for export.

Summing up, majority opinion is that of the four principal problems affecting domestic markets those involving cancellations and the inclination to hold goods and raw materials rather than to take losses, while still serious, are moving toward solution. Improvement in these conditions will to some extent eliminate the so-called buyers' strike at the same time that it works for increased purchasing power on the part of the public generally.

### Foreign Markets

Opinions given in reply to our questionnaire indicate indisputably that the great decline in domestic markets to a great extent has been caused by and is a reflection of an even more serious fall in foreign demand for American goods.

Loss of wealth, huge debt and a depreciated exchange, the result of European political, social and financial disorganization, have greatly decreased that purchasing power on the part of Europe that kept the wheels of American industry turning at high speed during the war and in the eighteen months that followed the armistice.

Nations and men lost their sense of proportion during the war, and have been slow to recover it. They forgot that there are no artificial stimulants of prosperity that can take the place of work, and they grew out of the habit of work. Human artifices maintained a false prosperity for eighteen months and when the collapse came nations and men were thrown into a state of political and financial disorder, a weakness of eco-

nomical morality from which their right-thinking and right-acting leaders are now trying to draw them.

When the will to work shall have replaced the present inertia and disorder they will succeed.

Europe needs our goods, but she has not the money nor can she arrange the credits that would enable her to purchase them. And every American farmer, every American laborer, every American producer of every kind is feeling the effects of this decreased European purchasing power that is impairing his own purchasing power and his prosperity.

### The United States and Foreign Trade

I have tried to outline briefly just what our economic situation is, as it has been observed and reported to our Association by the hundreds of men that have assisted in making this survey.

But this survey is nothing more than a diagnosis. Men and nations are the physicians who must prescribe and administer the remedies for our business ills. There is no panacea for them. Only time, hastened to the extent that it is assisted by the clear vision and calm judgment and courageous action and hard work of men, can cure the maladies of the world.

The war changed the United States from a debtor to a creditor nation. The transition brought with it new responsibilities that we cannot avoid if we are to have prosperity at home and abroad.

The United States now holds more than one-half the world's supply of gold, in addition to the great share of the world's raw materials that has always been ours. Without some of our gold and our credit the rest of the world cannot buy our raw materials nor the goods we make from them.

Europe's prosperity grew when by financing American development she heightened our prosperity and put us in a position to buy her goods. Now the situation is changed. The United States, pre-eminently the creditor nation of the world, bears the largest measure of responsibility, and if we are to have continued prosperity at home we must do for the whole world what the old world did for us when we as a nation were younger.

We must help the countries of the world financially so that they can become customers using our raw materials and our manufactured goods in such quantities as will keep American capital and American labor and American natural resources employed to their full capacity. We must, in other words, become a nation of foreign traders in the sense that England and Germany and France and Holland and Belgium were foreign traders in the years before the war.

It is true that the United States has built up a huge export balance, but we are really exporters, not foreign traders in the sense that European countries were foreign traders.

During the war anybody that had anything to sell could sell it. No salesmanship was required. The demand far exceeded the supply, and we saw thou-

sands of men growing rich, not because they had developed markets, not because they were salesmen, not because they had superior products, but simply because they happened to have goods for sale and a world crowded to their doors for a chance to buy.

As it was with these individuals so was it with the United States as an economic unit. Half the world ceased to produce, and while production in the United States expanded and increased rapidly, it did not keep up with the world demand for our products. The demand was so great that competition was between buyers and not between sellers, and it was not a question of finding a market for American goods, but of trying to keep up with existing markets.

Then came the end of competing wartime and post-war markets. Halted production in foreign lands was resumed too slowly to keep up the demand for American goods and the ability to pay for them. America's customers of war days began to count their debts to the United States. Changed conditions reduced their purchasing power, and credit facilities were inadequate to sustain a continued flow of American goods to world markets.

We had become the creditor nation of the world, but the debts of other nations represented goods they had bought from us, not investments in their productive enterprises.

We had merely been selling goods to the world. We had not ourselves created, and we did not possess, the machinery of foreign trade that was necessary to sustain the world's buying power, and the great decline of our export trade illustrated as it had never been illustrated before the principle that you cannot sell unless you buy and invest.

Now our factories are idle or have cut down production, not because world consumption cannot keep up with the productive pace set by our industries during the war, but because the world is financially unable to buy the goods it needs.

And if the United States, the creditor nation of the world and the richest nation in the world, does not take a leading part in recreating that ability to buy, how is it going to be restored? How are our millions of unemployed men to find employment again? How are our farmers, our miners, our lumbermen and stockmen to find those foreign markets which alone can make for prosperity? How are we going to restore our country, not to the inflated and artificial prosperity of war times, but to a new, sounder and everlasting prosperity?

We say "if European purchasing power is restored," "if Europe goes back to work," "if Europe works its way out of its political difficulties," "if Europe creates order out of social disorder and restores its old peace morale," then American prosperity will be restored. But what are we doing to help the world to go back to work; what are we doing to restore its purchasing power? We sold the world everything it wanted when it was able to buy, but what are we doing to make it able to buy again?

We must look in history for our lesson. We must consider what England

did in the centuries during which that little island, lacking in natural resources, lacking in natural wealth, lacking in everything except great intelligence and great vision and a great capacity for hard work, became the greatest trading nation the world has ever known.

We must consider how Germany, in our own generation, built herself up industrially and commercially in four decades. We must follow the course of Holland and Belgium and France and the other great trading nations.

The development of civilization through the centuries has been the development of Europe's foreign trade. European explorers sought new lands. European merchantmen followed them, laden with goods to be bartered for the goods of the far places. Then came colonists and traders, tilling the fields, working the mines, creating new wealth, selling goods to the mother country and buying goods from her.

Belgian investors will finance the construction of a power system in the Congo, develop the country and build there a great market for Belgian goods. Belgium will send her ships with materials for project. She will send her engineers to direct its completion, and then when a people's wealth has been increased by Belgian capital and Belgian enterprise she will send her ships again and her traders to sell goods and to buy goods.

In the years before the war of arms we heard of a great commercial war between Great Britain and Germany, never of a commercial war in which the United States took part. German traders competed with British traders at the outposts of civilization, and beyond. By organization, by investment, by the creation and development of international transportation systems and commercial antennae that criss-crossed the globe, by careful development extending over decades and decades, the trading nations of the old world built up great markets, buying and selling and ever increasing their own wealth and prosperity.

The hardware merchant in Mexico City, the buyer of hides in the Argentine, the machinery salesman in the Orient, the steamship representatives in the ports of the world—all these were part of the great system of German international trade; all these were links in the chain of German commerce and industry.

European capital developed great industries in all the countries and on all the continents of the world, and thereby the world traders of Europe thrived. Foreign trade was the energy that kept the wheels of industry turning at home, that made the peoples prosperous and upheld their prosperity.

### America's Opportunity

But in the slow evolution of world trade, neither England nor Germany nor any other great trading nation had at any time in its commercial history the great opportunities that lie at the doors of the United States today. And greater wealth nor greater resources nor greater productive ability nor a more intelligent population no nation ever

had. Greater potential markets never awaited a trading nation.

The progress of civilization and the economic development of the world have eliminated many of the stages through which the older trading nations had to pass to build up their foreign trade.

The world's capacity for consuming American products depends upon the world's productive ability, its power to create wealth with which to pay for the raw materials and the manufactured goods it needs. And America, the creditor nation of the world, the reservoir of the world's gold and credit, must by investment in foreign countries help to create in them that productive ability without which they can never become markets for our goods.

In recognizing this truth and in acting upon it lies the hope of the United States for a renewed and greater prosperity. The nations of the world must have financial leadership and assistance to restore prosperity, and ours is the nation best able to provide them.

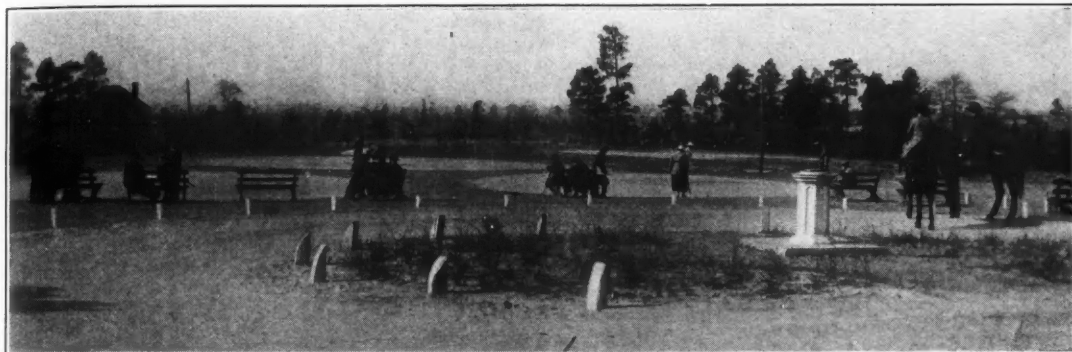
As the industrial restoration of the world progresses we shall have to have American marine transportation systems to carry American goods to far lands and foreign goods back to America; we shall have to have American commercial and financial representatives in every part of the globe. And there will have to be that systematic coordination of investment, of production, of shipping and of commercial and financial representation that will make the United States in truth a great trading nation equipped with its own machinery so that it can hold its own with the other great trading nations of the world.

But of what use are ships if there are no goods to carry in them? Of what use is production to the limit of our ability if we cannot use and other countries are unable to buy our products? How can we urge our farmers to grow more grain and more cotton and more fruit when we cannot assure them of markets for their crops? How can we ask our manufacturers to operate their plants to limit of production if they cannot sell their goods?

The first step in the development of our foreign trade, which means the first step toward restoration of domestic prosperity, is, then, to help by investment in foreign countries the restoration of that world purchasing power which is the exact measure of our ability to sell.

The United States, the creditor nation of the world, alone can help financially to restore to the world that machinery which is necessary to revive and sustain the flow of America's foreign trade.

Our Commission on Commerce and Marine realized this two years ago, at a time when we still were flushed with the artificial prosperity of war times and our huge volume of exports showed no signs of diminishing. Our Commission realized the extent to which Europe's productive ability had been impaired and that her purchasing power could not long remain at the high war and post-war level without financial assistance from the United States. And the Commission realized the effect that a great reduction of Europe's purchasing power must have on every element in our economic life.



The Clock Greens at Pinehurst

The Commerce and Marine Commission carefully analyzed the situation and presented its conclusions in a report to our Association, which unanimously approved them and directed its officers to lay the recommendations of the Commission before the business men of the nation.

Events of the last year have demonstrated the soundness of the Commission's findings. As time goes on it is being shown more and more clearly that domestic prosperity is impossible without world prosperity, and that foreign prosperity, particularly European, cannot be restored without American financial aid.

### The Bankers' Responsibilities

Our survey has given us a comprehensive picture of conditions that prevail in our country today.

It has shown us that every factor in our economic life, from the man who produces by elemental labor little more than he consumes to the great corporation representing the most complex development of industrial or commercial or financial activity, has felt the operation of those great economic forces that are working everywhere to restore world equilibrium.

It has shown how all the economic phenomena of today are the manifestations of the one great underlying factor in the whole situation—the fact that war has caused a tremendous destruction and waste of wealth and that normal conditions cannot be restored until that lost wealth has been replaced.

The conduct of the war made it necessary for the nations to mortgage themselves heavily at the same time that their wealth, which represented their productive resources, was destroyed; at the same time that they were creating huge national debts, their ability to pay those debts was being impaired.

Nevertheless, the demands of war had to be met, and while the world's wealth was constantly diminishing the credit structure based upon that wealth was constantly expanding.

The simple truth is that now economic factors that cannot be suspended are forcing the world to start paying its

debts. Inflated values of all kinds and inflated purchasing power are being contracted in a very necessary and absolutely inevitable process of readjustment, and our economic conditions today are all manifestations of that process.

We may admit all this and still try to argue that the wealth of the United States has not been impaired—we may point as we will to her great natural resources, to her industrial development, to the intelligence of her people—but we cannot escape the fact that even with all these elements our country is interdependent with the rest of the world and cannot prosper unless the world prospers.

Without help the countries that are suffering from political, industrial, financial and social disorder can in time restore normal conditions, but it must necessarily be a slow and painful process. The world needs financial assistance and leadership to hasten its return to prosperity, and our own prosperity is so inseparably bound to the prosperity of the rest of the world that we must realize that the United States, above all others the creditor nation, is in the best position to provide that assistance and that leadership and should provide them, even as a matter entirely of self-interest.

As the obligation of world leadership rests upon the United States, so does the obligation of leadership at home rest upon the bankers of the United States. Theirs is the obligation of economic leadership born of economic responsibility, and it must be discharged by the individual acts of bankers in every city, in every town and in every country community in the nation.

We as bankers must face the situation squarely. We must realize, and we must by example and education create an enlightened public opinion that will make the people of our country realize, just what the situation is, that there is no panacea for our ills, and that only time and hard work can remedy them.

There is in this truth no cause for despair, no cause for the gloomy forebodings of the pessimist who forgets that many times before the world has passed through periods of depression, and that always time and that resiliency of human nature which makes men work hardest in times of great distress

and great hardship have restored prosperity.

The conditions that prevail in the world today prevailed, to a lesser degree of course, after the Napoleonic wars. Then, as they do today, the nations of the world faced the necessity of restoring lost wealth, of contracting war-inflated economic structures, of reducing apparently overwhelming national debts. And prosperity was restored, not by artificial methods designed to serve as panaceas, but by the hard labor and the thrift of peoples working over a period of years at the maximum of their productive ability.

Our problem is the same as the world problem one hundred years ago, and the simple truth is that the solution must be the same. The world has been slow to realize this. Artificial restoratives and palliatives are of no avail. It is time for action, not for talk. We cannot bring the world back to normal conditions by saying: "At least the worst is past," nor by asking: "How long, O Lord, how long?"

The answer lies in time—in the time that is necessary for the world to pay its debts and to restore its lost wealth, and in the time it takes the people of the world to realize that in hard work and thrift, not in attempts to force or avert the operation of economic laws by artificial methods, lies the solution of our problems.

As an Association we cannot discharge the obligations of the individual bankers of the United States. But we can make clear to them what those obligations are. That is what I have tried to do in making this nation-wide economic survey and this report that is based upon it. Now I strongly urge that this Executive Council take such affirmative action as will lead the bankers of our country to adopt a policy of constructive leadership, to create the financial machinery necessary to enable the markets of the world to consume our excess production of raw materials and manufactured goods, to guide and direct the people in the common effort to create new wealth so that the cost of war may be discharged, its waste replaced, and that surplus accumulated which is necessary for the normal prosperity of the world.

# A Report by the American Bankers Association on Business Conditions in the United States

as shown by an

## Economic Survey, April, 1921

This chart has been prepared by the American Bankers Association from a compilation of more than one thousand replies to a questionnaire submitted by the Association to members of its Executive Council and to other leading bankers and business men in every State in the United States. Each member of the Executive Council of the American Bankers Association and the Secretary of each of the State Bankers Associations carefully selected those financial and business leaders in his State whom he knew to be best qualified to express authoritative opinions as to economic conditions and questionnaires prepared by the American Bankers Association were submitted to the men so selected.

The material contained in this chart, therefore, represents a compilation of the opinions of more than one thousand men in cities, in towns and in country communities in all parts of the United States—men in close touch with every element in the nation's economic life—and gives a comprehensive picture of our business conditions today.

A careful analysis of the replies to the questionnaire gives the following outline of the economic problems that confront the United States, as expressed in the terms of the problems of production:

### 1. Costs

- a. Labor.
- b. Materials.
- c. Transportation.
- d. Money.
- e. Taxation.

### 2. Domestic Markets

- a. Decreased purchasing power.
- b. The "buyers' strike."
- c. Disinclination of retailers to take losses.
- d. Cancellation of orders.

### 3. Foreign Markets

- a. Decreased purchasing power in Europe.
- b. Inadequacy of present credit facilities.
- c. Political disorganization in Europe.
- d. Cancellation of orders.
- e. The exchange situation.

The material presented in this chart represents a compilation of the opinions of those who replied to questionnaires submitted by the American Bankers Association, and does not necessarily represent the views of the Association.

## FINANCIAL

<p>1. A—Is sentiment in favor of or opposed to the repeal of the excess profits tax?</p> <p>B—What substitute is suggested?</p>	<p>A—Sentiment virtually unanimous in favor of repeal.</p> <p>Arguments:</p> <ol style="list-style-type: none"> <li>1. Inequitable and unjust, hampering business.</li> <li>2. Increase and difficult of administration.</li> <li>3. Inequity and loss of substantial revenue to justify its continuance.</li> </ol> <p>B—Answers fall into two classes:</p> <ol style="list-style-type: none"> <li>1. Reduction of current expenses of government by:                             <ul style="list-style-type: none"> <li>a. Refunding of short term Government bond issues and funding of floating indebtedness.</li> <li>b. Subsequent taxes.</li> </ul> </li> <li>2. Subsequent taxes:                             <ul style="list-style-type: none"> <li>a. Increase and extension of income tax.</li> <li>b. Flat profits tax.</li> <li>c. Tariff.</li> </ul> </li> </ol>
<p>2. What is the sentiment with regard to the sales tax?</p>	<p>A considerable majority report sentiment in favor of sales tax.</p> <p>Arguments:</p> <ol style="list-style-type: none"> <li>a. Equitable and universal in application.</li> <li>b. Productive of large revenues.</li> </ol> <p>A number of replies reporting favorable sentiment are qualified, however, by statements that:</p> <ol style="list-style-type: none"> <li>a. The tax is favored largely by other better communities.</li> <li>b. The tax is opposed by large numbers of retailers.</li> <li>c. The tax should be small.</li> </ol> <p>In many small communities opposition to the sales tax and favor of the excess profits tax is reported.</p> <p>Great majority opposed to cancellation.</p>

<p>9. Have any considerable quantities of excess manufactured goods accumulated? If so, what kinds of goods are stored?</p>	<p>Reports indicate a surplus in virtually all parts of the country. Explained as due to:</p> <ol style="list-style-type: none"> <li>a. Contraction of market.</li> <li>b. Unwillingness to sell at a loss.</li> <li>c. Cancellations.</li> </ol> <p>Virtually all kinds of goods affected to some extent; notably, iron and steel, automobiles, rubber tires, canned and dried fruits, pig iron, shoes, rubber, wool, cotton, machine tools, furniture, shoes, linens, clothing, and other commodities of domestic manufacture.</p> <p>The condition is "stagnated," "non-conforming" reports showing no more than the usual stocks of manufactured articles on hand.</p>
<p>10. What factors, in your view, are working toward a stabilization of prices?</p>	<p>Operation of the law of supply and demand as manifested by:</p> <ol style="list-style-type: none"> <li>a. Gradual liquidation of commodities purchased at inflated prices.</li> <li>b. Return of competitive conditions to business and labor.</li> <li>c. The "buyers' strike," insofar as it has eliminated extravagance in buying.</li> <li>d. Willingness of labor, in some lines to accept wage reductions in order to secure readjustment.</li> <li>e. Increased efficiency of labor.</li> <li>f. Efforts to rehabilitate foreign trade.</li> </ol> <p>Opinion is chief factors are as follows:</p> <ol style="list-style-type: none"> <li>a. Attempts of many sellers to resist adjustment in the hope that prices will advance, by refusing to take losses and sell on basis of replacement cost.</li> <li>b. Wage reductions in conformity with general re-adjustment of prices.</li> <li>c. Rehabilitation of foreign trade.</li> </ol>
<p>11. What factors are working against stabilization of prices?</p>	<p>Majority opinion is that complete stabilization—that</p>

<p>18. Are manufacturers carrying large amounts of customers' paper?</p>	<p>Reports indicate that in the country as a whole manufacturers are carrying larger amounts of customers' paper than they did a year ago. Factors contributing to cause this situation are enumerated as follows:</p> <ol style="list-style-type: none"> <li>a. Slow liquidation of retail stocks and agricultural products.</li> <li>b. Credit shortage affecting retailers.</li> <li>c. Continued unwillingness of buyers' localities to accept notes in part payment, rather than to carry in book account.</li> </ol> <p>The majority report is, however, that the amount of carrying in excess of that carried a year ago, and a very large number of replies report no increase, whatever.</p>
<p>19. Are collections good or slow?</p>	<p>Slow to fair, because of slow liquidation.</p> <p>Transportation facilities reported adequate throughout the country, but some car shortages to car age expressed in some quarters.</p> <p>Reports qualified, however, as follows:</p> <ol style="list-style-type: none"> <li>a. Adequacy of transportation, due to slowing down of demand, rather than to improvement of railways.</li> <li>b. High freight rates—in many cases exceeding the value of the product when delivered at market—due to shortness of many articles and a strike upon industry.</li> <li>c. High freight rates constitute a factor working against stabilization of conditions.</li> <li>d. Increased equipment to meet increased demand would enable them to meet normal conditions.</li> </ol>
<p>20. Are transportation facilities adequate to requirements of industry?</p>	<p>Mobiles, automobiles, trucks, motor vehicles, automobiles, shippers, motor, silk, clothing, shoes, lumber,</p>

<p>3. What is the sentiment with respect to the situation in the cotton market?</p>	<p>Great majority opposed to cancellation. Arguments: 1. Cancellation would make the cotton market more difficult to handle. 2. The people would not willingly permit cancellation. 3. Many reports of sentiment opposed to cancellation stated that a plan that would relieve the foreign governments of interest obligations for ten years would reduce depression in favor of cancellation of loans to the extent that proceeds were used entirely for military purposes. Minority in favor of cancellation. Arguments: 1. Would stimulate foreign trade. 2. By stabilizing exchange. 3. Loans to Allies should be written off as part of American contribution to war. Most of those favoring cancellation would make it conditional upon similar action by other governments.</p>	<p>4. Will interest rates rise, fall, or remain stationary during 1921? What factors will contribute to cause the condition you expect?</p>	<p>Majority opinion is interest rates will remain stationary. Arguments: 1. Slow liquidation of commodities, resulting in "frozen" domestic credits. 2. Continued demand for money in excess of supply. 3. Continued government borrowing. Minority opinion is interest rates will fall toward end of year. Arguments: 1. Reduction of industrial activity. 2. Harvest will force liquidation of old crops.</p>	<p>5. What classes of corporations are most likely to be hit for securities?</p>	<p>This varies according to conditions in particular sections. In general, however, the survey shows securities fund favor in the following order: 1. Industrial. 2. Tax-exempt bonds of municipalities, etc. 3. Railway securities. Common opinion is that some, although not a very great, measure of immediate relief may be expected. Arguments: 1. Difficulty of selling 5 to 5 1/2 per cent Farm Loan 7 to 8 per cent will make small sum available for farm loans. 2. To the extent that money is available for farm loans, banks, rather than to make new loans.</p>	<p>6. To what extent will the recent decision of the Supreme Court on the Loan Bond relief the credit situation?</p>	<p>23. What efforts have industry and production to cut down costs of production? What lines have these efforts taken?</p>	<p>24. In the efficiency of labor considered greater or less than a year ago?</p>	<p>25. Are raw materials available to meet the needs of manufacturers?</p>	<p>26. It has been stated that many farmers that bought land at prices based on the value of land after the war have been forced to give up their land or not to cultivate it. Do you think that of farm products make it impossible to return interest on the investment? To what extent is this true?</p>	<p>27. Is simple credit available for the needs of farmers?</p>	<p>28. Is sentiment in favor of or opposed to agricultural co-operative movements?</p>	<p>29. Will building operations in 1920?</p>	<p>30. When class of buildings will be constructed in greatest number—industrial buildings or dwellings?</p>	<p>31. What class of buildings will be constructed in greatest number—industrial buildings or dwellings?</p>	<p>32. To what extent may steel prices be expected in 1921?</p>	<p>33. To what extent are manufacturers and retailers writing down their inventories due to the fall in prices?</p>	<p>34. How do retailers regard the prospects for spring and summer trade?</p>	<p>35. In your opinion, how far will commodity prices return toward price standard of 1914?</p>	<p>36. Are retailers disposed to maintain prices at former levels on the basis of present costs?</p>	<p>37. Are retailers buying heavily on margin?</p>	<p>38. Majority opinion is that complete stabilization—that is, the establishment of prices on some basis from which no further fluctuations and other causes—may not be expected in 1921. Arguments: 1. As far as each of the factors operating against stabilization is itself out, so much will it contribute to stabilization. 2. It is improbable that these factors will be completely worked out in 1921. Majority report is that manufacturers commonly are writing off losses in full, larger retailers and catalog houses to a considerable extent, and smaller retailers to a moderate extent. Majority opinion is that these conditions are due to the following causes: a. Application by manufacturers and large retailers of principle that inventory value is replacement value. b. Belief of some retailers who have not written off losses that original prices will be restored. c. Income tax ruling permitting inventory at either replacement cost had had considerable bearing on situation.</p>	<p>39. Majority opinion, poor to fair. Arguments: 1. Continuation of "buyers' strike." 2. Reduced purchasing power of farmers. 3. Unemployment. Many reports cite in support of opinion: a. Light buying by retailers; or b. Retention for wholesale houses to place large orders. c. Recent cancellations by retailers. Widely scattered reports indicate that in a number of communities retail trade is expected to equal or exceed that of 1920. These are exceptions, however.</p>	<p>40. Opinion evenly divided as to country as whole and even as to states and single communities. Reports that indicate retail sales on basis of present cost "buyers' strike." a. Gradual reduction of high-priced stocks and replacement with goods purchased at lower prices. b. Necessity on part of retailers to liquidate at prices of competition. Some reports indicate retail prices are based on replacement costs, but are fixed on the scale of war-time percentages of profit. Reports that indicate retail sales on a basis of original costs assign as reasons: a. Unwillingness of retailer to take loss. b. Belief of retailer that retail prices will ascend to former levels.</p>	<p>41. Reports unanimously indicate retailers are buying very cautiously and using as reasons: a. Expectation of poor spring and summer trade for reasons set forth in answers to Question No. 14. b. While many retailers believe retail prices will rise to former levels, they apparently believe also that wholesale prices will drop still further.</p>	<p>42. Majority opinion is that in most sections sufficient credit is available for the needs of agriculture, although of necessary credit must be limited to absorption of new loans and renewals commonly conditioned on reduction of acreage. Cotton raising states report an insufficiency of credit in many other states and farmers say that "there is not enough credit to enable farmers to buy seeds." Taken as a whole, the reports indicate that lack of abundant credit will cause some little reduction of acreage.</p>	<p>43. Reports are that in all parts of the country various classes of buildings will be constructed in the following order, if building costs are reduced to conform with adjusted costs in other lines: 1. Dwelling. 2. Commercial buildings. 3. Industrial structures, very few. Reports are based on needs and are qualified by statements that building operations will be greatly restricted unless costs are reduced.</p>	<p>44. Majority opinion is that in some Western and Central States during and immediately after the war, farmers who purchased during that period are unable to earn the interest to meet principal payments due and have lost their farms. Most farming districts were not affected by land speculation, and these conditions do not obtain. Where they do obtain, the reports indicate that the farmer or land seller to grant extensions rather than to take back the property, which he would have to keep or sell at a lower price.</p>	<p>45. Reports indicate that in most sections sufficient credit is available for the needs of agriculture, although of necessary credit must be limited to absorption of new loans and renewals commonly conditioned on reduction of acreage. Cotton raising states report an insufficiency of credit in many other states and farmers say that "there is not enough credit to enable farmers to buy seeds." Taken as a whole, the reports indicate that lack of abundant credit will cause some little reduction of acreage.</p>	<p>46. Majority sentiment in favor of agricultural movements designed to foster a. Co-operative marketing. b. Co-operative purchasing. c. Co-operative farm movements designed to enter politics. d. Create monopolies. e. Form alliances for political purposes with other groups.</p>	<p>47. Majority opinion is operations will be less. Arguments: 1. Increased decision to postpone all but absolutely necessary buildings because of a. Costs of building materials. b. Credit restriction.</p>	<p>48. Majority sentiment in favor of agricultural movements designed to foster a. Co-operative marketing. b. Co-operative purchasing. c. Co-operative farm movements designed to enter politics. d. Create monopolies. e. Form alliances for political purposes with other groups.</p>	<p>49. Will building operations in 1920?</p>	<p>50. When class of buildings will be constructed in greatest number—industrial buildings or dwellings?</p>	<p>51. What class of buildings will be constructed in greatest number—industrial buildings or dwellings?</p>	<p>52. To what extent may steel prices be expected in 1921?</p>	<p>53. To what extent are manufacturers and retailers writing down their inventories due to the fall in prices?</p>	<p>54. How do retailers regard the prospects for spring and summer trade?</p>	<p>55. In your opinion, how far will commodity prices return toward price standard of 1914?</p>	<p>56. Are retailers disposed to maintain prices at former levels on the basis of present costs?</p>	<p>57. Are retailers buying heavily on margin?</p>	<p>58. Majority opinion is that complete stabilization—that is, the establishment of prices on some basis from which no further fluctuations and other causes—may not be expected in 1921. Arguments: 1. As far as each of the factors operating against stabilization is itself out, so much will it contribute to stabilization. 2. It is improbable that these factors will be completely worked out in 1921. Majority report is that manufacturers commonly are writing off losses in full, larger retailers and catalog houses to a considerable extent, and smaller retailers to a moderate extent. Majority opinion is that these conditions are due to the following causes: a. Application by manufacturers and large retailers of principle that inventory value is replacement value. b. Belief of some retailers who have not written off losses that original prices will be restored. c. Income tax ruling permitting inventory at either replacement cost had had considerable bearing on situation.</p>	<p>59. Majority opinion, poor to fair. Arguments: 1. Continuation of "buyers' strike." 2. Reduced purchasing power of farmers. 3. Unemployment. Many reports cite in support of opinion: a. Light buying by retailers; or b. Retention for wholesale houses to place large orders. c. Recent cancellations by retailers. Widely scattered reports indicate that in a number of communities retail trade is expected to equal or exceed that of 1920. These are exceptions, however.</p>	<p>60. Opinion evenly divided as to country as whole and even as to states and single communities. Reports that indicate retail sales on basis of present cost "buyers' strike." a. Gradual reduction of high-priced stocks and replacement with goods purchased at lower prices. b. Necessity on part of retailers to liquidate at prices of competition. Some reports indicate retail prices are based on replacement costs, but are fixed on the scale of war-time percentages of profit. Reports that indicate retail sales on a basis of original costs assign as reasons: a. Unwillingness of retailer to take loss. b. Belief of retailer that retail prices will ascend to former levels.</p>	<p>61. Reports unanimously indicate retailers are buying very cautiously and using as reasons: a. Expectation of poor spring and summer trade for reasons set forth in answers to Question No. 14. b. While many retailers believe retail prices will rise to former levels, they apparently believe also that wholesale prices will drop still further.</p>	<p>62. Reports indicate that in most sections sufficient credit is available for the needs of agriculture, although of necessary credit must be limited to absorption of new loans and renewals commonly conditioned on reduction of acreage. Cotton raising states report an insufficiency of credit in many other states and farmers say that "there is not enough credit to enable farmers to buy seeds." Taken as a whole, the reports indicate that lack of abundant credit will cause some little reduction of acreage.</p>	<p>63. Majority sentiment in favor of agricultural movements designed to foster a. Co-operative marketing. b. Co-operative purchasing. c. Co-operative farm movements designed to enter politics. d. Create monopolies. e. Form alliances for political purposes with other groups.</p>	<p>64. Majority opinion is operations will be less. Arguments: 1. Increased decision to postpone all but absolutely necessary buildings because of a. Costs of building materials. b. Credit restriction.</p>	<p>65. Majority sentiment in favor of agricultural movements designed to foster a. Co-operative marketing. b. Co-operative purchasing. c. Co-operative farm movements designed to enter politics. d. Create monopolies. e. Form alliances for political purposes with other groups.</p>
---	--	---	---	--	--	--	--	---	--	---	---	--	--	--	--	---	---	---	---	--	--	---	---	---	--	--	--	--	---	---	---	---	--	--	--	---	---	---	---	--	--	---	---	---	--	---	---	---	---

# Report of the Agricultural Commission

September, 1920—May, 1921

By JOSEPH HIRSCH, Chairman

## The Wholehearted Interest of the Entire Banking Community in the Prosperity of American Agriculture is Revealed in the Following Report

**T**HE function of your Agricultural Commission is to inspire a greater interest in agricultural and country life by the bankers of the United States, both in association and as individuals. The Commission believes if this interest is given in the greatest measure the country will attain much sooner than otherwise a permanent, safe and profitable system of agriculture and a contented country life.

To the best of its ability, therefore, the Commission has continued its program of education, constantly urging upon the bankers of the country the importance of a genuine, whole-hearted banker-farmer cooperation, and, when possible, it has suggested some of the means by which this cooperation can be effected.

That the banker has been the good friend of agriculture in the situation which has confronted our basic industry is the invariable testimony of farm journals and other agencies which have had the best opportunity to keep in close touch with agricultural conditions. Investigation conducted by farm journals in several states brought the response from the farmers themselves that their banks were "standing by" during the crisis.

### Rally to Aid Agriculture

A series of farmer-banker meetings held in various parts of the state by the Iowa Bankers Association in November illustrates an important activity by a state association. At these conferences the financial situation was the chief topic. Farmers were more than equally represented on the programs. An impartial view of these conferences is that of *Prairie Farmer*, published in Chicago, which said:

"Four big conferences were held in Iowa, at which farmers and bankers talked over the present 'tight money' situation. They heard each other's troubles and looked at the situation through each other's glasses.

"These bankers and farmers agreed to help each other. Bankers promised to finance reasonable holding of crops, and farmers agreed to help the situation by repaying loans as quickly as possible.

"This was a splendid piece of cooperation between these two interests, which have so much in common."

This is only one instance of the concrete manner in which the bankers of the country attacked the situation.

### Agriculture at Washington Meeting

Owing to the foresight of the officers of your Association the work of the

Agricultural Commission received great impetus by reason of the prominence assigned agriculture on the program of the convention, in Washington, last October. The address of the Secretary of Agriculture was without a doubt one of the real features of the convention.

The Commission brought about in Washington a special conference upon agriculture which was deemed most fruitful and inspiring and conducted representatives of banker-farmer work from many states on a tour of the Department of Agriculture.

### Relations With U. S. Department

The Commission has sustained close relations with the Department. Mr. Meredith, who has just retired as secretary, saw clearly the necessity for cooperation between bankers and farmers and in many ways furthered the work of the Commission. In his special message conveyed to American bankers through the Commission he said:

"No class of business men have a more vital relation to the prosperity and stability of the farming industry than do the bankers. Their foresight and sympathetic interest have played an important part in the advance of agriculture in this country, and they are in position to render even more helpful cooperation in the future.

"Bankers should have constantly in mind that whatever is done for better farming inevitably must react to the benefit of the banker and all business. The banker, as well as the farmer, will draw dividends from good roads, better schools, ample marketing facilities, better rural living and social conditions, more labor-saving machinery, better supplies of farm labor. Those things mean prosperous and contented farmers, whose production year after year is the basis of prosperity in the individual community and in the nation at large."

### Thanked by New Secretary

There is no doubt the relations of your Commission with the Department under its new Secretary, Mr. Wallace, will be pleasant and helpful. The Secretary has already shown that he recognizes the importance of this agency as a connecting link with the bankers of the United States.

"I notice," he writes, "that you used a substantial part of my statement on the agricultural situation in the April issue of the *Banker-Farmer*. I am glad you thought well enough of it to publish it. Your helpful assistance in bringing the matter to the attention of the bankers of the country is appreciated."

### Support for U. S. Treasurer

One of the activities of the Commission has been to urge upon bankers the importance of sufficient appropriations by Congress with which to carry on the work of the Department of Agriculture. Many additional copies of the edition of the *Banker-Farmer* which carried the address of Secretary Meredith were distributed by state associations, clearing house associations and banks. This work was taken up by several state associations, notably Michigan, whose committee on agriculture issued a special circular to member banks pointing out how important government agricultural activities in Michigan were curtailed because of insufficient funds.

### U. S. Leaders Cooperate

Leaders in the Department of Agriculture have continued to recognize the potential influence of the bankers of the country and to use the Agricultural Commission as an avenue by which to utilize it.

### Urge Official Counsel

The Commission has continued to urge upon all bankers who engage in cooperative work the importance of obtaining the counsel of the United States and state college of agriculture authorities. The most successful state committees on agriculture are those which plan their program in consultation with their state colleges. The close relations which are being established between the bankers and these institutions is most encouraging.

### State Association Work

State association activities are covering a wide range. Many associations are at work on farm accounting plans. Wisconsin, backed financially by the Milwaukee banks, inaugurated a movement for greater use of farm account books.

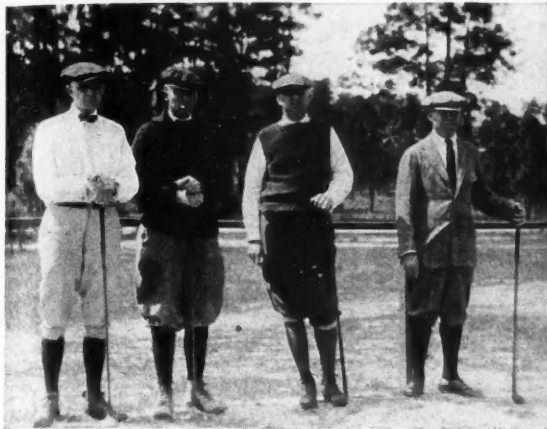
Lack of financial support still curtails many helpful activities by associations. The example of Arkansas, which last year raised a special fund for agricultural work by the state committee, is again recommended.

The Commission has invited the careful investigation and study by bankers of three important subjects; rural education, farm tenancy and marketing.

### Rural Education

There is no divergence of opinion on the general question of rural education.





Wm. Ontjes      N. Adams      O. Wells      J. Ringold



T. B. McAdams      H. J. Haas      J. A. Swalwell      P. B. Doty

The necessity for better facilities for education in the country is conceded. The *Banker-Farmer* has published from time to time various articles bearing upon this problem. Many bankers have used this information to assist in bringing about consolidation of rural schools and other steps which spelled improvement to rural education in their communities.

**Tenancy**

Investigations of the question of tenancy by the Department of Agriculture will be of great importance when completed and it is hoped that state colleges will augment this inquiry by surveys of their own states. Every safe and sane facility should be extended to the young farmer of industry and character whose ambition is to own his own farm. Your Commission believes that bankers in many agricultural communities can be of assistance in many instances. It has urged that bankers take a broad perspective of this question, looking to the future welfare of the republic.

**Marketing**

Because of the ambitious marketing plans of the farmers of the United States, particularly the grain growers, marketing is the most timely agricultural topic of these movements. The Commission has urged the careful study by bankers and has published for their information various articles written from different points of view.

**Boys and Girls Clubs**

The organization of a national committee on boys and girls club work with Mr. Meredith, formerly Secretary of Agriculture, as chairman, its purpose to "sell" the club idea to business men all over the United States, is an important development. The chairman of the Agricultural Commission has been asked to represent the American Bankers Association on the national committee. The committee estimates that \$900,000 was lent to club members last year and that all of it was repaid. There is no

way to estimate the large amount of money which has been lent by banks for this work. Members of the Oklahoma Bankers Association loaned to boys and girls last year \$54,700. The national committee hopes to interest other business men as bankers have been interested.

**Bank Activities**

Numerous individual agricultural activities are being carried on by banks all over the United States and many of them have been kind enough to give the Commission the credit for their inspiration.

There has been an increase in the number of banks which have engaged trained men to take charge of bank agricultural departments. The Commission, through its publication, the *Banker-Farmer*, has paid much attention to this development, but has urged caution in defining the limits of the activity of the bank-agriculturist that there may be no conflict with county agents and other official workers.

**County Agents**

There are still many agricultural counties which lack the services of a county agricultural agent and the Commission has continued to appeal for banker interest to aid in extending this system. The home economics agent, the agent for the farm woman, is also needed and the Commission has urged bankers to do their part to help to bring here to the 2,000 counties which lack such an important personality. The gradual extension of the county and home agent systems is provided for by the Smith-Lever legislation, but it is possible for bankers to assist materially in bringing these valuable agencies to their communities much sooner than they would otherwise be obtained.

**Favorable Comment**

An instance of the favorable comment received by the American Bankers Association for its consistent activities for a better agriculture and country life is

that by J. E. Boyle, extension professor of rural economy, in his recent book, "Rural Problems in the United States," who devotes a large portion of a chapter to the work of the association. Prof. Boyle sets down his belief that "This movement for better agriculture and rural life is bound to be felt for good in the most remote hamlet of the land."

In this connection the Commission believes that not the least result of the banker-farmer activity has been a dissipation of many ancient prejudices on the part of the farmer and their replacement by a kindly and friendly outlook.

**The Death of B. F. Harris**

The untimely death of Mr. B. F. Harris, chairman of the Agricultural Commission from 1913 to 1916, was a grievous loss not only to the banking fraternity and to agriculture, but to the entire nation. His great service to the banker-farmer movement is so well known and recognized as to require no extended comment in this report.

**The Banker Farmer**

Your publication, the *Banker-Farmer*, has continued its twofold program of chronicling various developments in the field of its activity and publishing such articles of general nature as seem likely to be helpful.

In the eight months of the present fiscal year it has issued 149,575 copies, of which 79,190 were distributed to banks through cooperation with state associations. The remainder were purchased by subscribers and individual banks for distribution among their former friends that they might know what the American banker is striving to accomplish for agriculture. Many county agricultural agents have requested that the *Banker-Farmer* be placed on the reading table of their county farm bureaus.

To the officers of the American Bankers Association and state association and to the countless bankers who have cooperated with it, the Commission wishes to express its gratitude. [Applause.]

# Report of Commerce and Marine Commission

By JOHN McHUGH, Chairman

## Have Americans the Courage, the Initiative, and the Enterprise to Cooperate on a Truly National Scale in Forwarding Our Foreign Trade? John McHugh Believes We Have

*Mr. President and Members of the Council:*

In view of the many pressing financial and economic questions confronting the country today and which are sorely needful of intelligent solution in the interest of our national welfare, there could be no more opportune time for a meeting of the Executive Council of the American Bankers Association than the present, and no more timely occasion for their thoughtful consideration.

### Our Foreign Trade

The whole situation relates, in a highly significant degree, to our foreign trade with its influence on our domestic conditions, and the necessary means for the financing of it. For nearly three years an active committee of the Association, now designated as the Commerce and Marine Commission, has been occupied in investigating and considering these questions for the Association and in reporting thereon. The report now presented bears out, as will be evident, previous reports submitted to and approved by the Association, and, as well, indicates gratifyingly substantial progress in the promotion of sound financing sanctioned by the Association. The vital relation to the nation's welfare of the progress that has been made and the necessity of supplementing that progress in order to meet actual existing conditions are clearly illustrated by the fact that our export trade, which last year was exceedingly active, and close to the highest peak of our history, now has fallen precipitately, and, in place of prosperity in that trade, there is depression, with resultant disastrous effect on our farms and factories, on our industry in general, and on our labor.

### Leadership Among Nations

It is cause for congratulation that the immense task entered upon by the new national administration is being faced with vision and determination and with the vital interests of American business abroad in mind for special attention. Only last week President Harding, reiterating previous utterances, declared that our part in the aftermath of war is to take our rightful leadership among the nations of the world; adding that a sane and sober America believes in sane and sober financial methods, and that the Government should cease to be a competitor of business where that business belongs rightfully in the hands of private enterprise.

What Mr. Hoover has already done, in commencing his work as Secretary of Commerce, indicates a firm, progressive

and intelligent policy, in cooperation between the Government and the shippers of American goods to the far corners of the earth and the importers of the country. The plans contemplated by the Department of Commerce, in cooperation with leaders in all classes of industry, give promise of unified effort to bring about trade revival, not only here at home, but also in American trade overseas. Indeed, these two elements of our trade are indissolubly linked. It is obvious, for example, in view of the world shortage of raw materials and manufactured goods of every kind, that with cotton selling for 12 cents a pound, with corn selling for 20 cents a bushel in certain primary localities of our agricultural sections, with fifty per cent. of our wheat reported on hand in many parts of the west, with manufactured products piling up—these prices and this surplus all indicative of diminished outlets abroad—and as there is no world surplus of these commodities, there must be brought into operation, at the earliest possible moment, some effective means to extend credit to the purchaser abroad who is urgently in need of the things it would be a blessing for us to dispose of and carry him over to a time when he can readily make payment either in goods or their equivalent.

### European Conditions

Too much emphasis cannot be placed upon the financial condition of the different countries in Europe. It is a remarkable tribute to the genius and ability of the British people that the current budget of their government shows an excess of revenue over expenditures. France, Italy and Belgium are slowly restoring the waste of war and restoring their finances. On the other hand, the German government apparently is proceeding to continue inflation of currency, with accumulating treasury deficits, while seeking to modify the indemnity and reparations imposed by the Allies. No stability can be established in Europe and no clear understanding of our future relationships with the nations of that continent can be reached until this matter of indemnity and reparations is definitely settled and it is known, once and for all, what Germany is to pay. It is not an exaggeration to say that we are as vitally interested in this matter as any country. As a nation we have determined to hold ourselves apart from any political entanglements abroad but we are not and cannot be economically independent, even though we should desire to be so. The credit destinies of the world are in our hands, more than in those of any other nation, and it is for that reason,

if for no other, that we must take a very direct interest in what goes on abroad. When the indemnity is settled we shall be in a position to grant credits, with a clear knowledge of the factors controlling the risk, and we can govern the amount to be extended according to the prospective ability of payment then in evidence. Meanwhile, there is every reason for building up our credit machinery so as to have it ready to operate at the proper time and in the proper way so far as Europe is concerned, and it must not be overlooked that, in the interim, there are parts of the world other than Europe which afford desirable markets for our goods and with resources ample to furnish adequate security for credits to finance their purchase.

### The Committee of Three

It is not amiss to recall here that at the meeting of the Executive Council, held a year ago, resolutions were adopted approving the report made by the Commerce and Marine Committee, wherein the idea was advanced of the organization of a foreign trade financing corporation through the united effort of the bankers, manufacturers, exporters and others of this country, and requesting the President of the American Bankers Association to appoint a Committee of Three from the membership of the Association, to emphasize, by all practical means, the opinion of the Executive Council on this matter. This Committee was empowered to confer with like committees appointed by other responsible national organizations. As a result of this action, together with the appointment of similar committees by the directors of the Chamber of Commerce of the United States and the chairman of the National Foreign Trade Council, recommendations were made by these committees, acting as a joint committee, known as the Committee of Nine, for the formation of a foreign trade financing corporation, in accordance with the provisions of the Edge Act. At the annual convention of the American Bankers Association, held in Washington last October, these recommendations were presented, in the form of a report, by the Commerce and Marine Committee. The report was unanimously adopted and the President of the Association was, by resolution, authorized and empowered to request an adequate number of representative bankers and business men to meet and, if it should appear advisable and practicable, to appoint from their number a committee to take steps to form a foreign trade financing organization, with adequate capital and a responsible and thoroughly efficient management.

### The Chicago Conference

Pursuant to this resolution, the President of the American Bankers Association assembled a nation-wide conference of bankers, business men and producers in Chicago, December 10 and 11, 1920. He named a Committee of Arrangements for this conference, including a majority of the members of the Committee of Nine. While the Commerce and Marine Commission, as it had then become, was not, as such, officially connected with this Committee of Arrangements, it was, by the very nature of things, in close touch with this proceeding on the part of the Association, and the same was true of the Chicago conference. The plan for a foreign trade financing corporation, unanimously approved and authorized by the Chicago conference, originated in the recommendations of the Commerce and Marine Committee; and while it was clearly brought out at the conference that the Association simply presented the plan for consideration, the subsequent development of the plan necessarily is of the greatest interest to the members of the Association. Indeed, as can be readily understood, any steps toward the realization of this plan were and are dependent on the cooperation of the bankers of the country, together with similar cooperation on the part of manufacturers, producers and others, and it is an undisputed fact, becoming daily more apparent, that there is no constructive work at this time more worthy of the whole-hearted support of the bankers and business men of this country than that of providing adequate financial organization for extending long time loans to responsible foreign interests who would use the proceeds to pay for American products of which they stand in great need.

### Organization Campaign

The Chicago conference named a Committee on Organization of the Foreign Trade Financing Corporation. This Committee on Organization, from the time of its appointment and as soon as it undertook the work entrusted to it, realized that it was necessary to initiate and prosecute a national campaign very largely educational in its nature. There was every evidence of a woeful lack of understanding of the importance of sustaining our foreign trade and of the beneficial effects of foreign trade on domestic conditions; and there was indication, too, of misunderstanding of the basic reasons that prompted the undertaking. The popular mind had not been as yet sufficiently aroused to the necessity for supplying new means for the extension of long-term credits to our exporters and to foreign buyers, such as the new Corporation contemplates; therefore, it immediately became necessary to awaken the required interest in the matter, and develop an appreciation of the urgency of proper investment in foreign securities.

In addition to the widespread publicity given the foreign trade financing plan, prior to the Chicago conference, at the time of the conference, and since then, it is extremely gratifying to note the de-

gree to which the press of the country has supported this effort. With hardly an exception, the daily newspapers and general business magazines, the trade organs and the banking journals have heartily endorsed what is being done; they have printed in their columns articles concerning the subject of foreign trade credits that have been of invaluable assistance in carrying the message direct to the people. What was done by the press supplemented the material prepared at the Organization Committee's offices and sent broadcast, and all of their effort has been supported not only by the favorable action of numerous commercial and trade associations, but also by speakers at meetings held throughout the country. It is fair to say that rarely has any national movement, other than those represented by Liberty Loan, Red Cross and other War Service campaigns, gained more hearty support than this, in every part of the country, from press and platform.

### Educating the Public

From reports furnished by the Organization Committee of the Corporation, it is evident that very decided progress has been made in educating the public mind toward the organization of the Corporation, and in impressing the serious consequences that confront our trade if the organization be not effected. In conducting its campaign the Organization Committee has been confronted with many obstacles, the removal of which required time and involved the expenditure of the limited funds at its disposal. It has been obliged to adjust itself to the laws of forty-eight different states; and while national banks, under the law, are permitted to subscribe up to ten per cent. of their capital and surplus to the stock of Edge Law corporations, the banking laws of twenty-nine states did not permit state-chartered banking institutions to do so. Up to the present time these obstacles have been removed in thirteen of these states, and in the remaining states satisfactory progress to the desired end is being made. In twenty-one states blue-sky law requirements had to be met and all of them have been met with one exception.

To aid in systematizing and carrying on the work of the Committee on Organization, committees have been appointed in each Federal reserve district, in each of the Federal reserve cities and in other important centers throughout the country. Time, of course, has been required for the thorough organization of these committees, but good progress has been made in this direction.

The Edge Law, an amendment to the Federal Reserve Act, under the provisions of which the Foreign Trade Financing Corporation is being organized, provides that twenty-five per cent. of subscriptions to the stock of corporations so organized shall be paid in at the beginning of business, and that additional payments of not less than ten per cent. shall be made every sixty days thereafter. It was found that many intending subscribers to the stock of the Corporation were averse to this man-

datory provision, maintaining that, after the initial twenty-five per cent. payment, it should be left to the directors of the Corporation to call for further payments in their discretion, and as the business of the Corporation should warrant. Steps have already been taken to remedy this feature of the existing law and if successful, as is very confidently expected, subscribers to the stock of Edge Law corporations will be relieved from compulsory payments after the initial twenty-five per cent. has been paid.

### Committee on Policy

In order that no proper effort be spared to accomplish the purpose for which the Organization Committee was appointed and in order to fully meet and overcome the objections of those conscientiously doubtful of the wisdom of the undertaking, a Committee on Policy of the Corporation was named by the Organization Committee. The duty of the Committee on Policy is to determine, after the Corporation's capital has been fully subscribed, when the Corporation shall begin business and to determine, also, when the initial payment on the capital stock shall be called. Indeed, it may be stated that in every step leading to the formation of the Corporation, special effort has been made to conform to the wishes of prospective subscribers. At the Chicago conference the point was strongly made that the operations of the Corporation should be for the benefit of future foreign trade, and this has recently been reiterated. It is pertinent here to call attention to the fact that it is no part of the Corporation's purpose to "thaw out" what have come to be called "frozen credits", commendable, however, as such a purpose would be. The outstanding fact is that the movement leading to the formation of the Corporation had its inception two years ago, long before these so-called "frozen credits" were a factor in the foreign trade situation.

It must be plain to every one, and particularly to the bankers of the country, that the basis of credit in the world has not been destroyed. True, the liquid assets, in a considerable measure, have been used up in certain countries, and assets which are quickly convertible are wanting in sufficient volume to make trade possible in what was formerly the normal way. It is now a common estimate that the sum of \$4,000,000,000 represents the non-liquid obligations that are outstanding as a consequence of the shipment of American goods abroad in the past few years. Some of these obligations are in bills of exchange several times renewed; some are in deposits in banks abroad to American account which the owners here cannot conveniently convert on account of the premium on the dollar; and some of it is in open account carried by American exporters and manufacturers for their foreign customers, who, for one reason or another, are not in a position to pay.

It is not a matter of argument but of fact that we need foreign markets to preserve our national prosperity, and the

deeper this fact sinks into the popular consciousness, the sooner will one serious factor in the present industrial stagnation be overcome. Unfortunately, the part that foreign trade plays in our general prosperity has not always been appreciated by the rank and file of the people, and this explains very largely the lack of spontaneous support of projects like that of the Foreign Trade Financing Corporation. Indeed, our bankers themselves are not yet entirely and unanimously alive to the importance of the undertaking. However, it might be observed that the financial conditions which now prevail throughout the country, while they emphasize the need of proper stimulating influences, serve to deter or delay many banks and others favorable to the undertaking from subscribing to the Corporation's capital.

People are often impelled to action by events, and the inertia of the public mind with regard to the matter of supplying a capable mechanism for the extension of our foreign trade has been severely disturbed in the past few months. From the high peak of the country's export trade there has been a notable shrinkage. The Government report for March showed export values aggregating \$386,000,000, this indicating, within a period of five months, that our export trade had been cut nearly in half. Last October our exports were \$751,000,000; at the high peak of June, 1919, they were \$928,000,000. In March our exports to Europe alone were \$199,000,000, as compared with \$465,000,000 in March of last year. Many individual exporters testify in their own cases to an even more severe shrinkage than indicated by these figures; there are exporters whose business has shrunk in some directions as much as eighty per cent.

### Our Surplus Stocks

The idle shipping in our ports is visual evidence of the paralysis that has overtaken our trade. In the middle of last week—April 27th to be exact—there were 703 steamers berthed in the port of New York, 304 of which, by the official records, were laid up without charters. Another 125 had no definite sailing date. The significance of this needs no explanation. The United States Shipping Board has now more than 650 steel vessels idle, aggregating three and one-half million tons deadweight. A year ago all these vessels were in demand.

The relation to our national industrial prosperity of figures like these is direct and absolute, and our people, as a whole, are coming to comprehend that economic conditions outside of the United States have a very direct reaction here, and that, conversely, economic conditions here are finding their reflection in the far corners of the earth, so much so that our trade in every direction is languishing. Unemployment of labor in the United States involves, according to various estimates, from 3,000,000 to 5,000,000 men, while those who are employed have accepted or may be confronted with reductions in wages. Certain reductions, particularly as living costs are reduced, are to be commended but complete paralysis of industry and

resultant unemployment are to be deplored and avoided if possible. In our warehouses there are piled large stocks of raw materials and manufactured goods, unsold because, in combination with the falling off in domestic buying, foreign buying has been severely curtailed. Wheat, cotton, tobacco, wool, leather and copper, to mention a few examples, are clogging elevators and warehouses because their outlet through our sea-ports is seriously handicapped. It is authoritatively stated that there is a two years supply of tobacco and wool in American warehouses. The surplus copper, raw and refined, in this country, is estimated at more than 900,000,000 pounds. The country is estimated to have a present supply of 6,500,000 bales of cotton, and a new crop is coming on.

It is only natural that we should think of foreign trade in terms of domestic conditions, for, while the largest part of the output of our farms, mines and factories is consumed at home, a very considerable part seeks regularly an outlet abroad. Roughly stated, our output capacity is approximately twenty per cent. above our consumptive demands, and, therefore, a very considerable amount of our output must be consumed outside the borders of the United States, if our developed resources are to continue properly employed.

### Foreign Buyers

Attention here may well be called to the determined and, in many cases, successful effort on the part of foreign nations to re-establish their own foreign trade. America cannot afford to be a laggard in this respect; there is every incentive for constructive action on our part in this regard, the more so as no ship arrives in the United States without bringing some prospective foreign buyer, and every mail from abroad brings offers of business, in many cases amply safeguarded. These instances of offered business are so numerous and so impressive that, in view of the proved necessity of foreign markets for our products, they cannot afford to be disregarded.

Inasmuch as we are perhaps disposed to think of our foreign trade overmuch in terms merely of Europe, I may be pardoned for directing attention to a letter just received from China, written by a representative of an important banking house at Shanghai. The writer, F. J. Raven, of the American Oriental Banking Corporation, I may add, is Vice-President for China of the American Bankers Association. He says:

"It is with intense feeling of national pride that I read in the January and February numbers of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION of the comprehensive plan, scope and future possibilities as set forth in detail concerning the new Foreign Trade Financing Corporation, and I feel that its ultimate success will with proper direction and management, be almost unlimited.

"Many facts set forth in the JOURNAL relative to foreign trade and foreign investments supporting and fostering such international business of other strong

foreign nations are strikingly verified and confirmed on every hand here in the Far East.

"American business in China has looked long for something of this nature and my associates and many influential business friends in the Orient look forward to the new corporation's activities with a keen realization of the necessity and genuine need of such an institution.

"On behalf of American business in the Far East, I wish the Foreign Trade Financing Corporation all possible success, its sponsors and incorporators the heartiest of good wishes. If I can, in any small way, be of service contributing to the success of the new institution, I shall be most happy to act on your initiative."

In the address made by the Chairman of your Commission at the Chicago conference of bankers and business men, out of which the plan for the Foreign Trade Financing Corporation came, this statement was made by him:

"Reference has been made to the similarities in the Federal Reserve Act and in the Edge Act. They are very striking, but between the two laws there is this great difference: The coordination provided by the Federal Reserve Act was practically compulsory. The coordination provided by the Edge Act is purely voluntary. This, then, presents a challenge to our initiative. In the interest of the nations that are calling for our goods, and in the interest of the prosperity of this country, are we willing, are we capable, have we the enterprise to cooperate in a truly effective way in forwarding our foreign trade? Can we accept this great emergency as a stimulus to great achievement? If private enterprise can bring this to pass, it will have a tonic effect on private enterprise everywhere."

### Challenge Will Be Met

Your Commerce and Marine Commission is confidently and firmly of the opinion that the challenge will be met and that the efforts of the Organization Committee appointed by the Chicago conference will be rewarded by completing and bringing into active existence at an early date the Foreign Trade Financing Corporation. The nationwide educational campaign has been completed and there remains now only the gathering in of the subscriptions to its capital stock which in the aggregate will be ample to provide a most helpful and influential institution and one whose functioning will prove the wisdom of its organization.

Recent events, it is believed, give importance to our deliberations at this time, in connection with the statements, necessarily brief, embodied in this report. Every effort has been made to make these statements impartial; in other words, the desire has been to present a picture in strict accordance with what exists. The responsibility of the bankers of the country, under the circumstances, is not to be minimized. Certainly, as should be the case with every other element in our industrial and business life, this responsibility is to be met constructively and wisely.

# Report of the Public Relations Commission

By FRANCIS H. SISSON, Chairman

## Measures Adopted and Proposed by the Public Relations Commission to Assist in Creating an Enlightened Public Opinion with Respect to Current Economic Questions

### Gentlemen of the Council:

The illness of Mr. James E. Clark, editor of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, and his consequent inability to present a report on the JOURNAL, has led me to attempt to cover that ground for him, so far as I can, in this report on the activities of the Public Relations Commission.

It will be remembered that at the last convention of the Association responsibility for general supervision over the JOURNAL was vested in the Public Relations Commission. In natural consequence the labors of the Commission have centered around the JOURNAL, and its office has been used as a kind of depot at which to assemble our news and views and from which to distribute them to the public.

At the first meeting of the Commission, held in New York City on January 17, 1921, a new editor was selected to replace Mr. George Lewis, who had resigned to enter the field of commercial printing. The Commission and the Association were fortunate enough to secure the present editor, a trained journalist of high standing, and the satisfactoriness of this choice has already been measurably demonstrated.

I regret extremely that Mr. Clark should have been prevented from attending this meeting of the Executive Council, on account of illness.

The editor's task, as outlined to him at the time of his appointment, was to build up the JOURNAL, both as to editorial and also as to advertising content. In addition, he was entrusted with the issuance of A. B. A. news to the magazine and newspaper press of the country.

I have kept constantly in touch with Mr. Clark, both personally and through Mr. Loud, the secretary of the Public Relations Commission, and I think I speak not alone for myself, but on behalf of all the members of the Commission, when I say that we have been much gratified by the excellent progress of the JOURNAL under the new administration. It has been our duty and our privilege to assist whenever possible with counsel and guidance.

### Publicity

As for publicity, your local newspapers have doubtless made many of you aware of the success of our efforts in obtaining publicity for American Bankers Association news; for instance, Mr. Drum's timely, stimulating and impressive pronouncements apropos of the railroad problem.

At the beginning of the new régime the lists of addresses to which A. B. A. publicity items were being sent appear to have stood in need of revision and

modernization. This has been done thoroughly and with marked effect upon the lineage secured for our news matter. While an accurate lineage tally is not available at the moment, the observed reprinting of material has been very satisfactory indeed.

In addition to bulletinizing the newspapers with important items of news, such as Mr. Drum's speeches and the reports of committees and commissions, we have inaugurated a regular monthly clip sheet, containing brief extracts from the current issues of the JOURNAL. This clip sheet is sent to a revised list of 2,000 magazines and newspapers all over the country and seems to have sprung into instant favor.

### Advertising

We are giving as much attention as possible to the development of new advertising, and in spite of the advertising slump which has dealt severe blows to many of the magazines, the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION has not simply held its own, but has gained ground.

The net advertising receipts for March, for example, were \$3,186.62, a larger income than ever before from any regular issue. And the advertising receipts for the first seven months of the fiscal year, namely, September 1, 1920, to April 1, 1921, were \$24,406.78, as compared with \$15,006.11 for the same period last year.

During the twelve months of the last fiscal period, according to the balance sheet as of August 31, 1920, the JOURNAL took in \$41,445 in subscriptions. The JOURNAL's disbursements, however, as shown on its balance sheet, totaled \$77,228.18, leaving a deficit of about \$35,000, all of which the Association would have had to make up had it not been for the advertising receipts. Fortunately the receipts totaled about \$32,000, and thus almost entirely offset the deficit. This year's record bids fair to equal or surpass last year's.

This year it costs far more than it did last year to publish the magazine. Paper and printing prices have soared. However, thanks to economies which have been introduced in the mechanical handling of the JOURNAL, and thanks also to the growing volume of paid advertisements, we are getting out a better magazine, and yet keeping it well within the limits of the \$45,500 guarantee which was voted the JOURNAL at the convention last fall.

In other words, in spite of the fact that publishing expenses have increased, and in spite of the leanness of the period for the majority of magazines, our JOURNAL is keeping pace with the situa-

tion and is moving a little nearer to that condition of self-sustaining independence which is the natural goal of any properly organized publication. It is that goal of self-respect and self-support which your Commission is eager to see the JOURNAL achieve.

### Advertising Aims

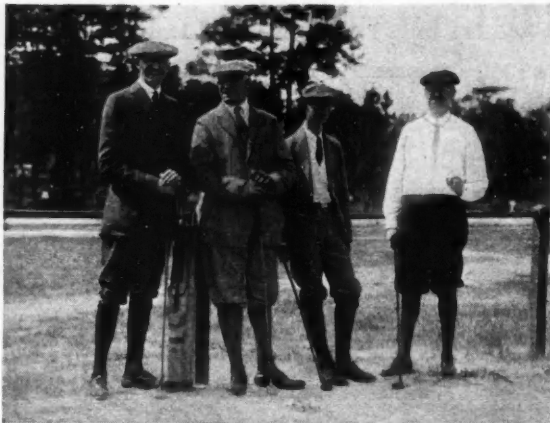
I believe that advertising such as we want the JOURNAL to print, and which it does print, and prints in increasing volume, conveys more than mere solicitation of business. It contains information, news and valuable reminders of news—news of services, news of institutions, news of protective devices, news of all manner of matters in which the banking fraternity is vitally interested. I believe that our JOURNAL, far from competing with other financial magazines for Association member bank advertising, is assisting in the spread of sound advertising ideas and actually benefiting its supposed competitors.

The JOURNAL can help to raise the quality of bank advertising. It is part of the Public Relations Commission's program that it should raise the tone of bank advertising, both by precept and example. It is part of our program for the JOURNAL that it should from time to time suggest in its pages, and by mail, suitable forms and methods of presenting interesting facts about the largest and the least of our membership. There still remain numerous institutions in this broad land whose undeniable progressiveness and strength are obscured from the general gaze by a reticence, an inarticulateness, where advertising is concerned, which amounts to false modesty. These institutions we want to help.

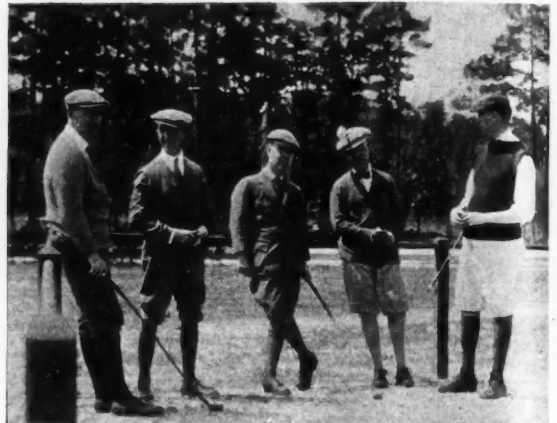
I believe with our editor that the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION can be developed into a valuable publishing property, one that will not lean for support upon the Association, but will maintain itself and contribute to the prosperity of the Association.

### Editorial Content

This happy result can be achieved by broadening the JOURNAL's service to banks and bankers and the business community. Already the JOURNAL shows a decided improvement typographically. Its improved dress helps to persuade me that the time is ripe for it to move on to a new and wider sphere of usefulness, for it to rise above some of the limitations which tend to stunt and dwarf the general run of "official" publications. I am impatient for it to occupy its rightful place in the front rank of American financial publications.



J. R. Noel G. E. Bowerman N. P. Gatling Wm. G. Fitzwilson



C. R. Parker F. J. Belcher, Jr. J. R. Washburn F. H. Sisson T. B. McAdams

The editorial contents of the *JOURNAL* should include informative and authoritative discussions of every important financial development. It should and can be the most comprehensive and dependable publication of its kind in this country. It should and can be a publication that banks and bankers will welcome because of the soundness of its economic thought, and the timeliness of its articles upon topics of general interest.

A suggestion, a hint, of what the *JOURNAL* can grow into is embodied in, or rather expressed by, the April number, which contains articles written by authorities with the object of advancing right thinking on present economic problems.

Now it only remains for the members of this Council and of the Association, if they approve the efforts of the Commission, of which I have the honor to be chairman, to evidence their approval concretely and in a constructive manner by submitting contributions and suggestions to our editor, and by encouraging the institutions they represent to use the advertising pages of the *JOURNAL* as a field for disseminating information, facts and those invaluable reminders of facts concerning their institutions.

Gentlemen, I believe the *JOURNAL* of the Association deserves your respect and your support, increasingly with every passing month, and with your permission and approval the Public Relations Commission will continue to do everything in its power to augment its appeal, strengthen its financial status and multiply its editorial attractions.

I want to say there is a field of publicity here which we would be unwise to neglect. You heard through the report submitted today and through Mr. Drum's policy statement submitted yesterday, the discussion of broad public questions which should be given to the American people as a whole; which should be placed with business organizations and representative business men throughout our country. The most valuable educational material in the world lies concealed in those documents and will not reach those who should be

reached unless this Association makes the distribution of such literature possible.

That is the part of intelligent selfishness; it is not altruism. It is putting money in our pockets.

The first essential is to make the *JOURNAL OF THE AMERICAN BANKERS ASSOCIATION* as representative for us as the *Nation's Business* is for the United States Chamber of Commerce.

I speak with the fulness of conviction as far as I am concerned. We not only face a public opportunity, but a concrete public duty, which should command our respect as citizens and ultimately as bankers.

The great problem of guiding a democracy in right lines is a matter of

publicity, as our President said, and that can be done only by scientifically establishing and distributing our literature. Some of our public institutions have spent a great deal of money in attempting to disseminate that kind of information as a basis for public education, and surely this American Bankers Association can afford to adopt a policy very much less courageous, with much less vision and still render distinguished public service. And that is the burden upon the soul of the Public Relations Commission today, an appeal for support, an expression as to the field which the *JOURNAL* should occupy, an ambition for the education of the public on these important fundamental matters. [Loud applause.]

## List of Members

A list of members in pamphlet form complete to December 31, 1920, inclusive, has recently been distributed to all members of the American Bankers Association. This pamphlet is of special value in connection with the use of the confidential telegraphic cipher code, a copy of which is in the hands of each member of the Association, and therefore members are requested to keep it conveniently at hand for ready reference.

Should a copy of this pamphlet fail to reach a member, another copy will be forwarded upon application to the Office of the Association at 5 Nassau Street, New York, N. Y. The names of members joining the Association between the date of the pamphlet and the time of publishing the next edition will be found in the monthly *JOURNAL*, as well as information relating to all changes affecting membership. The Office of the Association should be notified promptly of any merger or change

of title affecting members, as no change in the records is made except upon direct information. Such notification should cover consolidations, failed banks or others in liquidation or in the hands of a receiver.

## Protective Department Statistics

The Protective Department reports that during a period of six months (September 1, 1920—February 28, 1921) there have been 149 burglary attacks on member banks, of which 101 were successful. The aggregate loss was \$189,511. Members have also been subjected to fifty-one hold-ups, resulting in a loss of \$373,239.12, while the loss from five sneak thefts amounted to \$6,100.

During this time the department has caused the arrest of 257 criminals and the conviction of 122.

# Report of Committee on Federal Legislation

By C. H. McNIDER, Chairman

Covering the Work of the Committee During the Period from October, 1920, to the Opening Sessions of the Present Congress

**T**HIS report will cover the period from October, 1920, to the close of the last session of the Sixty-sixth Congress in March, 1921; and also cover the beginning of the Sixty-seventh Congress, which convened April 11.

At the last annual convention of our Association in October our report included the various bills affecting banks which had become law during the Sixty-sixth Congress down to that time and it will be unnecessary to repeat that information in this report.

## New Laws

Since the making of that report the following bills affecting banks became law prior to the close of the Sixty-sixth Congress:

A bill amending Section 5146, Revised Statutes, by enlarging the residence qualification of a director of a national bank to include a radius of fifty miles of the location of the bank. This bill was approved March 1, 1921.

A joint resolution (passed January 1, 1921, over the President's veto), directing revival of the activities of the War Finance Corporation.

A bill amending Section 11 (m) of the Federal Reserve Act, extending the time in which Federal reserve banks may rediscount paper secured by war obligations in excess of the 10 per cent. limit from December 31, 1920, to October 31, 1921, but only where the borrower shall in good faith prior to January 1, 1921, have paid or agreed to pay not less than the full face amount thereof. Approved February 27, 1921.

A bill amending the Edge Act by providing the right of the Secretary of the Treasury to use any Edge corporation as depositary in Panama and the Panama Canal Zone or in the Philippines and other insular possessions and dependencies. Approved February 27, 1921.

A bill amending Section 20 of the Federal Farm Loan Act, changing the provision which gives the land bank the option to pay and retire land bank bonds at any time after "five years from the date of their issue" by substituting the option to pay and retire "at any time after the minimum period specified in the bonds, which shall not be longer than ten years from the date of their issue." Approved March 4, 1921.

A bill to amend Section 4 of the Federal Farm Loan Act, extending the provisions of the act to Porto Rico. Approved February 27, 1921.

Joint resolution declaring that certain acts of Congress, joint resolutions and proclamations shall be construed as if the war had ended on the date the resolution becomes effective. Approved March 3, 1921.

A bill to authorize the coinage of fifty-cent pieces in commemoration of the one hundredth anniversary of the ad-

mission of Missouri into the Union. Approved March 4, 1921.

Also a bill providing for partial payments to the railroads. H. R. 15836. Approved February 26, 1921.

## The Gore Bill

Our committee worked hard to secure the passage of the Gore bill (S. 2903), to punish robbery of a Federal reserve or member bank. This was favorably reported to the Senate with an amendment to cover assaults upon messengers or others transporting property to or from the bank; but it was impossible to procure any further headway for this bill prior to the close of the Sixty-sixth Congress. Our efforts will be renewed in the present Congress.

We also found it impossible to secure passage of certain other bills and amendments which we had been advocating.

## The McFadden Bill

We urged the McFadden bill (H. R. 11918) to authorize the Secretary of the Treasury to select state bank members or trust companies as depositaries of government funds. A report of this measure to the House was the extent of favorable action secured.

We also urged the Phelan bill (H. R. 8118), increasing the penalty for embezzlement of national bank funds, and the Brand bill (H. R. 7589), to provide a clean currency. These bills were not reported out of committee.

**Whereas, The Federal reserve banks are making larger profits than was originally contemplated, and**

**Whereas, The said profits are being made on the reserves of the member banks; and**

**Whereas, Other interests of the country are endeavoring to have these profits diverted to channels other than banking interests;**

**Therefore be it Resolved, That Congress be petitioned to amend the Federal Reserve Act in such a manner as to provide for the payment of interest to the member banks on their required reserve—the rate of this interest to be fixed by the operation of the banks as contemplated by the act without entering into competition with the said member banks.**

ROY J. COVERT,  
WALDO NEWCOMER,  
J. M. B. PETRIKIN,  
D. W. TWOHY,  
E. S. BARTLETT,

Subcommittee, Federal Legislative Council.

We also urged the McFadden bill (H. R. 15303), to secure equality of rediscount privileges between state and national bank members, but favorable action was not secured.

## Revenue Amendments

Three subjects of amendments to the Revenue Laws were also advocated without successful result, namely, the Calder-McFadden bills (S. 3543; H. R. 10403), to encourage bank deposits by non-resident aliens by exempting interest on such deposits from taxation; also to permit deduction as losses of securities charged off but not sold. Also the McFadden bill (H. R. 13259), to amend certain sections of the estates law so as to provide for an inexpensive court hearing in event of dispute.

All these subjects will be prosecuted in the present Congress.

## Measures Opposed

During the last session of the Sixty-sixth Congress two measures were successfully opposed by our committee, namely, a bill introduced by Mr. Treadway last December (H. R. 15188), to provide a tax of one-quarter of one per cent. upon bank deposits; also a bill introduced by Senator Calder in December (S. 4721), to provide for savings departments of national banks, the apportionment of capital and the segregation and special investment of savings assets. This latter bill was particularly objectionable to the national banks in the form in which it was introduced. Hearings were had upon both of these measures, at which our committee was represented by General Counsel of the Association and also by Mr. H. H. McKee, president of the National Bank Division, and by Mr. George O. Watson of our committee. Both bills were allowed to die in committee. A bill identical with the Calder bill was introduced in the House on April 11 (H. R. 176), which we will oppose.

## The Green Bill

Our committee also followed closely the Green bill for the simplification of the Revenue Act of 1918 (H. R. 14198), which, as it passed the House, contained certain provisions for the ascertaining of gain or loss as a basis for computing income which were deemed by our trust company members to be inequitable as between property received by bequest and that received under trust agreement. This bill did not pass. A similar bill has been introduced in the present session by Mr. Longworth (H. R. 215) and the objectionable feature will be watched and opposed.

### Bills Before Congress

In the Sixty-seventh Congress a considerable number of bills affecting banks have already been introduced. These bills are being examined and digested as they appear and are all being given the proper attention. A printed digest of pending bills will be issued in the near future.

Our Committee on Federal Legislation and the Federal Legislative Council is organized with the machinery to carry out the policy of the Association in favor of, or in opposition to, Federal legislation upon any particular subject as has been, or may hereafter be, determined upon, and pledges its best efforts for the future, as in the past, to carry out the will of the Association upon the matters committed to its charge.

### Federal Reserve Profits

At a meeting of the Committee on Federal Legislation in conjunction with the Federal Legislative Council at Pinehurst, May 2, the subject of the large earnings of the Federal reserve banks was discussed, and a subcommittee was appointed, consisting of Messrs. Bartlett, chairman, Newcomer, Covert, Petrikin and Twohy, to submit to the Executive Council recommendations of a plan with reference to the disposition of such earnings consistent with the interests of the stockholding banks.

It was also decided to recommend to the Executive Council that it consider the proposition to recommend to Congress that they enact legislation which will render national bank charters perpetual in character.

A number of bills introduced in the present Congress which affect the banks were considered, and the following recommendations concerning them are made:

### Bills Approved

We recommend that the following bills be approved:

S. 86, amending the Edge Act to provide in case of corporations having a larger subscribed capital than \$2,000,000, that whenever \$2,000,000 is paid in, the unpaid remainder may, with the consent of the Federal Reserve Board, be paid upon call from the board of directors.

H. R. 4905, to provide for the consolidation of state banks with national banking associations.

H. R. 4826, to amend the Clayton Act, which permits an officer, with the consent of the Federal Reserve Board, to be connected with not more than two other banks not in substantial competition by extending such permission to a case where "in the judgment of the Federal Reserve Board no restriction of banking credit or lessening of competition will result."

H. R. 3745, to provide a clean currency.

### Bills Opposed

We recommend that the following bills be opposed:

S. 658, amending Revised Statutes 5146, relative to the qualifications of national bank directors. The bill has undesirable provisions.

H. R. 176, to provide for savings departments of national banks with allocation of capital.

S. 836 and H. R. 238 and 5435. All these bills limit the rate of interest

S. 1094, creating a special live stock loan fund in the Federal reserve bank out of \$500,000 of the net earnings for 1920.

S. 755, empowering Federal reserve banks and member banks to purchase bonds of irrigation districts.

### Other Bills

A considerable number of other bills were considered, some of them relating to subjects upon which the policy of the Association has already been determined; others were passed, as the nature of the subject did not call for action one way or the other; and still others related to subjects which are under consideration by other committees or commissions of the Association. Detailed report as to these is therefore unnecessary. [Applause.]

### Resolution Submitted

The Federal Legislative Committee drew up the following resolution, which was referred to the Economic Policy Commission for investigation, with the request that they report to the Executive Council at Los Angeles in October:

Whereas, The Federal reserve banks are making larger profits than was originally contemplated, and

Whereas, The said profits are being made on the reserves of the member banks; and

Whereas, Other

interests of the country are endeavoring to have these profits diverted to channels other than banking interests;

Therefore be it Resolved, That Congress be petitioned to amend the Federal Reserve Act in such a manner as to provide for the payment of interest to the member banks on their required reserve—the rate of this interest to be fixed by the operation of the banks as contemplated by the act without entering into competition with the said member banks.

ROY J. COVERT,  
WALDO NEWCOMER,  
J. M. B. PETRIKIN,  
D. W. TWOHY,  
E. S. BARTLETT,

*Subcommittee, Federal Legislative Council.*



Dogwood in Bloom, Pinehurst

Courtesy of "The Pinehurst Outlook"

chargeable by Federal reserve banks to member banks to 5 per cent.

S. 510, prohibiting member banks from charging more than 6 per cent. on loans secured by collateral and payable on call or less than thirty days.

H. R. 225, regulating the rate of interest chargeable by national banks.

S. 553, establishing uniform maximum rates of interest and discount for national banks.

H. R. 2174, to provide for a national depositors' guarantee fund in each Federal reserve district.

S. 39, to authorize national banks to establish and maintain branches in the same city or county.

S. J. Res. 26 and H. J. Res. 49, providing that \$100,000,000 of Federal reserve bank earnings for 1920, 1921 and 1922 be allotted to Federal land banks for the purpose of purchasing paper secured by farm products or live stock.



# Report of Committee on State Legislation

By CRAIG B. HAZLEWOOD, Chairman

## Progress of the 1921 Program of Recommended Legislation

**T**HE chief work which has engaged the attention of the Committee on State Legislation and the State Legislative Council during the year has been in urging the promotion in 1921 state legislatures of the various bills recommended by the American Bankers Association. This work has been done in cooperation with local committees. A Program of Recommended Legislation for 1921 was issued from the office of the General Counsel in December to our State Legislative Council chairmen, and also to secretaries of state bankers' associations and the heads of banking departments. Over forty state legislatures have held sessions thus far this year and the work of your committee has entailed considerable correspondence.

A fairly successful result has followed the efforts of your committee, as shown by advices thus far received. This report must of necessity be only partial or preliminary, because reports have not been received from all the states where the legislature has already adjourned and in some states the legislature is still in session. We append as a part of this report an abstract of reports received from a majority of the states, which show some interesting developments.

### Association Measures

Speaking first of the measures recommended by our Association, bills to enable banks to take stock in Edge Law corporations have, according to reports thus far received, been passed this year in twelve states, namely, Arkansas, California, Indiana, Iowa, Kansas, Missouri, Nevada, New York, North Carolina, Ohio, Oregon and Tennessee. In Oregon a law similar to the Federal law applicable to national banks was passed in 1919, but it was amended this year to conform to our recommended draft.

We have been successful this year, of course, through local effort in securing the passage of our Bank Slander Bill in three additional states, namely, Arizona, Idaho and Indiana. In Illinois also this bill has passed the legislature and is awaiting the Governor's signature.

Our recommended measure limiting the liability of a bank for non-payment of a check through error has been passed in two additional states this year, namely, Arkansas and Tennessee.

Our recommended bill authorizing collecting banks to forward items direct to the payor without being amenable to the charge of negligence has also been passed this year in the two states of Arkansas and Idaho.

Our recommended bill limiting the liability of a bank for the payment of forged and raised checks has been

passed by the legislature of Tennessee this year, with a time limit of one year.

Our recommended bill covering false statements for credit was passed in Oregon.

Our recommended bill validating bank transactions on Saturday afternoon has been passed this year in the two states of Missouri and New Mexico.

Our bill defining and punishing burglary with explosives has been passed this year in New Mexico.

Our bill making bank notaries competent to take acknowledgments and make protests, notwithstanding stock ownership in the bank to whom an acknowledged instrument runs or for whom protest is made, has been passed this year in Idaho and New Mexico.

The Uniform Warehouse Receipts Act recommended by our Association has been passed this year in Indiana.

### Twenty-seven Enactments

As thus far reported, twenty-seven separate enactments of A. B. A. measures have been made this year and it is probable this record will be increased when all reports are in.

Our reports also show that a number of our bills made a certain degree of progress in different legislatures, in some cases passing one house, although they ultimately failed of passage.

A great variety of banking legislation, other than Association measures and of more or less general interest, has been passed this year in the different states, as indicated by reports thus far received and set forth in the appendix.

We note that the state of North Dakota has repealed Section 87 of the Negotiable Instruments Act which provides that "Where the instrument is made payable at a bank it is equivalent to an order to the bank to pay the same for the account of the principal debtor thereon." A few other states have also either originally omitted or subsequently repealed this section, under which a note or trade acceptance made payable at a bank raises an obligation on the part of the bank to pay, the same as it would its customer's check, without any express orders from him. This is getting back to the old conflict on this subject which was removed by the Negotiable Instruments Act.

This report will not be further lengthened by singling out and commenting upon particular subjects of legislation, as the summary in the appendix will speak for itself.

Passing to legislation in the course of framing, our committee has in charge, under authorization of the Executive Council, the drafting and urging of a form of statute which will make it rea-

sonably safe for banks to handle fiduciary checks. Our General Counsel was instructed by the Executive Council to endeavor to procure the recommendation of such legislation by the Commissioners on Uniform State Laws. Last year the subject was presented to the Commissioners and they referred it to their Committee on Commercial Law for investigation and the draft of a statute if the subject warranted. In February of this year there was a full meeting of the Committee on Commercial Law of the Commissioners on Uniform State Laws held in New York at which our committee was represented by our General Counsel and a full day's consideration given to a draft of "fiduciaries act" prepared by Professor Scott of Harvard, who had been retained by the Commissioners Committee for that purpose. This draft covers not only the personal use of fiduciary checks, but also transfers of corporate securities by fiduciaries. At the close of the conference the draft was resubmitted to Professor Scott for the making of certain changes and the whole subject will be presented to the Commissioners at their annual conference next August. Thus substantial progress is being made on this important subject.

### Pinehurst Conference

Our committee held a meeting in conjunction with the State Legislative Council at Pinehurst on May 2, at which a resolution was adopted to recommend that the time limit in the forged and raised check bill be changed from one year to six months.

It was also determined to recommend to banks that a receipt be taken for returned vouchers giving number and aggregate amount, and that an article on the subject be prepared by the General Counsel for publication in the JOURNAL. Such a form is being prepared by the State Secretaries Section.

The Legislative Council expressed its approval of laws whereby notes and acceptances payable at bank would be paid without further instructions by the maker at maturity.

It was suggested that an article be published in the JOURNAL calling attention to and discussing the new legislation in Washington making the state, county and city responsible for the return of securities deposited to secure public deposits.

It was recommended that a Digest of State Statutes governing banking be prepared by the General Counsel, classified as to subject, and the matter of obtaining any necessary additional appropriation and cooperation be left with the Chairman with power to act.

# Treasurer's Report

FINANCIAL STATEMENT, SEPTEMBER 1, 1920, TO APRIL 1, 1921

## RECEIPTS

Cash Balance, September 1, 1920.....	\$20,376.31
American Institute of Banking Section (Rent).....	316.68
Agricultural Commission.....	532.67
Attending State Conventions.....	48.87
Codes, Telegraph Cipher.....	116.00
Clearing House Section.....	35.00
Current Dues, 1913-1914.....	.30
Current Dues, 1919-1920.....	120.00
Current Dues, 1920-1921.....	446,231.33
Commerce and Marine Commission.....	6,589.03
Digest of Legal Opinions.....	2,500.80
Extra Guests at Convention.....	2,520.00
Furniture and Fixtures.....	45.00
General Proceedings.....	229.10
Interest on Bonds.....	1,840.00
Interest on Bank Balances.....	1,632.73
Interest on United States Certificates of Indebtedness.....	9,771.53
Journal of the American Bankers Association (Rent).....	373.20
Library.....	57.30
Postage.....	.86
Public Relations Commission.....	9.14
Savings Bank Division.....	103.38
State Bank Division.....	49.00
Signs and Inserts.....	4.00
Stationery and Printing.....	32.39
Trust Company Division.....	118.00
United States Certificates of Indebtedness.....	265,000.00

\$758,652.42

## DISBURSEMENTS

American Institute of Banking Section.....	\$9,073.43
Administrative Committee.....	1,291.43
Agricultural Commission.....	8,594.82
Auditors for 1919-1920 (Marwick, Mitchell and Co.).....	150.00
Attending State Conventions.....	585.91
Clearing House Section.....	4,805.55
Convention, 1920.....	11,620.87
Convention, 1921.....	500.00
Committee on Federal Legislation.....	650.65
Committee on State Legislation.....	350.50
Commerce and Marine Commission.....	12,887.72
Committee on Public and Private Thrift.....	137.72
Current Dues, 1919-1920, Overpaid.....	10.00
Current Dues, 1920-1921, Overpaid.....	607.50
Contingent Fund for President.....	255.64
Committee on Constitution.....	375.87
Committee on Education.....	185.68
Committee of Seven.....	1,032.90
Digest of Legal Opinions.....	3,797.09
Extra Office Help.....	448.82
Extra Guests at Convention.....	1,140.00
Electric Lights and Supplies.....	328.09
Economic Policy Commission.....	54.47
Furniture and Fixtures.....	954.15
General Expense, General Office Supplies, Repairs, Insurance, etc.....	1,922.49
General Proceedings.....	9,413.92
Interest, Discount and Exchange.....	27.05
Interest on United States Certificates of Indebtedness.....	4,445.33
Interest (Premium on Purchase of Above).....	312.50
Insurance Committee.....	141.24
Journal of the American Bankers Association.....	21,153.40
Legal Department.....	17,292.84
Library.....	2,417.76
Membership of Chamber of Commerce, U. S. A.....	700.00
National Bank Division.....	5,301.51
Protective Committee.....	61,374.15
Postage.....	3,057.94
Premium on Officers' Bonds.....	135.00
Public Relations Commission.....	2,391.96
Rent.....	10,774.15
Savings Bank Division.....	11,210.59
Salaries.....	29,150.36
State Bank Division.....	7,312.01
Soliciting Members by Executive Council, Vice-Presidents and State Secretaries.....	440.53
State Secretaries Section.....	1,607.17
Signs and Inserts for Membership.....	1,769.45
Stationery and Printing.....	4,907.05
Special Journal Committee.....	105.97
Special Protective Committee.....	268.48
Trust Company Division.....	12,192.57
Treasurer Collecting Dues, 1920-1921.....	135.25
Traveling Expenses.....	224.10
Telephone and Telegrams.....	874.49
United States Certificates of Indebtedness.....	470,000.00
Balance on Deposit in Continental and Commercial National Bank, Chicago, Ill.....	\$8,474.93
Balance on Deposit in Rubey National Bank, Golden, Colo.....	5,645.57
Balance on Deposit in American Exchange National Bank, New York, N. Y.....	3,633.85

\$758,652.42

Note.—Cash Balances from Above.....	\$17,754.35
Cash on Hand in Office Fund.....	2,000.00
Cash on Hand in Journal Fund.....	1,801.49
Cash on Hand in Clearing House Section.....	132.83
United States Certificates of Indebtedness 5% on Hand.....	215,000.00
<b>Total.....</b>	<b>\$236,688.67</b>

Note.—The Treasurer holds for investment the following:

	Par Value	Carried on Books at	Market Value	Cost
Chicago, Burlington and Quincy, Ill., Division, 4's, due 1949.....	\$50,000.00	\$47,400.00	\$40,250.00	\$50,843.75
Chicago, Burlington and Quincy, Joint 4's, due 1921.....	12,000.00	11,600.00	11,850.00	11,559.09
Atchison, Topeka and Santa Fe, Gen'l Mortgage 4's, due 1995.....	30,000.00	28,500.00	23,025.00	30,825.00
	<u>\$92,000.00</u>	<u>\$87,500.00</u>	<u>\$75,125.00</u>	<u>\$93,227.84</u>

**HARRY M. RUBEY,**  
Treasurer.

# In the State Legislatures

THOMAS B. PATON  
General Counsel

**I**N addition to advices from different states as to the passage of legislation affecting banks, which were summarized in the last issue of the JOURNAL, the following have since been received:

**ARIZONA**—Mr. Morris Goldwater, Secretary of the Arizona Bankers Association, Prescott, reports: "Only two bills were passed by the legislature just adjourned which affect banks, the A. B. A. measure to punish derogatory statements affecting banks, which was not passed in the exact form introduced; the other, a provision for two assistant examiners. A number of other bills were introduced which did not pass. The Arizona Bankers Association are working on a new banking code for introduction next session."

**ARKANSAS**—Advices received from Secretary Wait of the Arkansas Bankers Association and Mr. Charles S. McCain of Little Rock, Chairman for Arkansas of the State Legislative Council of the A. B. A., are to the effect that the legislature passed an act amending the General Banking Law in several particulars. Three A. B. A. measures were included in the amending bill, namely: (1) Authority to state banks to invest in stock of Edge Act corporations not exceeding 5 per cent. of capital and surplus in any one corporation and not exceeding in the aggregate 8 per cent. (2) Limiting liability of bank for wrongful dishonor of check to such special damages proximately resulting as are alleged and proved by depositor. (3) Allowing collecting bank to forward items direct to payor. These laws are in somewhat different phraseology from the recommended drafts, but of substantially the same effect. The legislature has adjourned.

**DELAWARE**—The legislature has adjourned. A general banking act has been passed relating to banks, savings societies and trust companies, regulating the conduct of their business and prescribing certain powers and duties of the State Bank Commissioner. This is supplemental to

the Act of 1919 which creates the office of Bank Commissioner. A new tax law has been passed for the assessment and taxation of the shares of banks and trust companies, imposing a rate of tax of one-fifth of 1 per cent. of the true value, ascertained by adding together the amount of capital, surplus and undivided profits, and dividing the result by the number of outstanding shares. There is a provision by which banks can pay the tax for the shareholders. Former laws taxing banks and trust companies are repealed.

**IDAHO**—Additional advices have been received from Mr. F. F. Johnson, Chairman of the Legislative Committee of the Idaho Bankers Association, who reported last month the passage of three of the A. B. A. measures, namely: Competency of bank notaries; an act authorizing banks to send items direct to payor, and punishment of bank slander. The later advices show there has also been passed a bill authorizing state banks and trust companies to become members of the Federal reserve system in accordance with the suggestion, but not in the language, recommended by the A. B. A. Other bills have been passed for the regulation of conditional sales of live stock; providing details of machinery for taking possession of insolvent banks by Commissioner of Finance; permitting the Department of Finance to give confidential information to the Federal Reserve Bank, and providing penalties for bank officers who receive commission for loans. The Idaho Bankers Association announce that their future legislative program will include a bill to enable state institutions to join the Federal reserve system in the language recommended by the A. B. A.; also the A. B. A. measures legalizing bank transactions on Saturday afternoon; False Statements to Obtain Credit and the Uniform Stock Transfer Act. The legislature has adjourned.

**ILLINOIS**—Mr. M. A. Graettinger, Secretary, Illinois Bankers Associa-

tion, Chicago, Ill., advises that a number of A. B. A. measures are making favorable progress, but none had, at the date of his advice (April 4), reached the point of final passage. The bank slander bill and the bill authorizing payment of deposits in trust have passed the House. The bill limiting liability of banks for payment of forged and raised checks is on third reading in the House, and the bills limiting liability of banks for non-payment of checks through error, authorizing collecting banks to send items direct to payor and validating bank transactions on Saturday afternoon, are on second reading in the House. The bill providing for the competency of bank notaries is still in the House Committee. There are other subjects of legislation of interest to banks pending in different stages.

**INDIANA**—Mr. R. A. Morris, state chairman, State Legislative Council, reports that three A. B. A. measures have been passed, namely, the Uniform Warehouse Receipts Act, Derogatory Statements Act or Bank Slander bill and the bill enabling state institutions to take stock in Edge Law Corporations. The Legislature has adjourned.

**IOWA**—Mr. Frank Warner, secretary, Iowa Bankers Association, Des Moines, reports the passage by the Iowa Legislature of the A. B. A. bill enabling state banks to take stock in Edge Law Corporations. The Legislature has adjourned.

**KANSAS**—Mr. W. W. Bowman, secretary, Kansas Bankers Association, Topeka, reports the enactment by the Kansas Legislature of the A. B. A. measure enabling state banks to acquire stock in Edge Law Corporations amended by restricting the amount of the investment to 5 per cent. of capital and surplus. The A. B. A. bills relating to non-payment of checks through error and forwarding items direct to payor were introduced but were defeated in committee. Certain bank legislation of local interest was passed. The Kansas Guaranty Fund Law was amended in certain respects

and the maximum penalty for bank hold-up was increased to fifty years. The Legislature has adjourned.

**MAINE**—Mr. E. S. Kennard, secretary, Maine Bankers Association, Rumford, Me., advises that two years ago the Governor appointed a committee to revise the banking laws. The committee of the Maine Bankers Association has a committee in readiness to meet the members of the Governor's Committee. It is intended to have certain measures recommended by the A. B. A. taken up in connection with the revision of the banking laws. There was not sufficient sentiment to cause introduction of the Edge Enabling Act. A new tax law has been passed (Chap. 197) for the state taxation of shares in national banks and trust companies of 1½ per cent. of their value, after deducting the value of real estate locally taxed.

**MASSACHUSETTS**—From bulletins of legislative progress issued by Mr. George W. Hyde, secretary of the Massachusetts Bankers Association, it appears that none of the A. B. A. measures have been introduced. Other bills of interest to banks have been passed, among them: (1) prohibiting the use of the word "bank" or "trust" or the like by unauthorized persons, (2) authorizing savings banks to rent safe-deposit boxes, (3) increasing the limit of joint deposits in banks, (4) authorizing savings banks and savings departments of trust companies to invest in bonds secured by first mortgages on real estate. The Legislature has not yet adjourned.

**MICHIGAN**—The Legislature is still in session. No advices have been received.

**MINNESOTA**—Mr. G. H. Richards, secretary, Minnesota Bankers Association, Minneapolis, advises under date of April 6 that none of the A. B. A. measures have been passed as yet. The Uniform Stock Transfer, the Bank Slander bill and the bill relating to non-payment of check through error did not get out of Committee. The last two measures have been vigorously urged for four years and it seems hopeless to get them passed. The proposed bill enabling state banks to take stock in Edge Corporations

was, at the time of advice, still on general orders and the banks hoped to have it passed in modified form. There has been a hard fight against certain objectionable legislation.

**MISSOURI**—Mr. W. F. Keyser, secretary of the Missouri Bankers Association, reports that the A. B. A. measures: (1) legalizing bank transactions on Saturday afternoon and (2) enabling state institutions to take stock in Edge Law Corporations have been passed and signed by the Governor, but that the Uniform Stock Transfer Act was defeated.

**MONTANA**—Mr. A. T. Hibbard, secretary of the Montana Bankers Association and vice-president of the Banking Corporation of Montana, reports that none of the A. B. A. measures were passed this year. A bill was introduced to provide a strict penalty for making derogatory statements affecting banks, but after a strenuous fight by those favoring its passage, the bill was killed. Bills indorsed by the Montana Bankers Association were passed providing supervision by the Bank Department of all building and loan associations and prior approval before commencing business; increasing salaries in the Bank Department; lowering the reserve requirements in Montana state banks from 15 per cent. for banks not acting as reserve agents and 25 per cent. for banks acting as reserve agents, to 10 per cent. and 15 per cent. respectively; authorizing banks to accept bills of exchange and deal in acceptances.

**NEVADA**—Mr. George Wingfield, of Reno, state chairman of the State Legislative Council, advises the passage by the Nevada Legislature of the A. B. A. measure allowing state institutions to take stock in Edge Law Corporations.

**NEW MEXICO**—Mr. H. B. Jones, chairman for New Mexico of the State Legislative Council of the American Bankers Association, reports that three A. B. A. measures were passed by the Legislature, namely: (1) Burglary with Explosives, (2) Competency of Bank Notaries, (3) Bank Transactions on Saturday Afternoon. Three A. B. A. measures passed the Senate, but were defeated in the House, viz.: (1) Forged or Raised Checks, (2)

Payment of Deposits in Two Names, (3) Nonpayment of Check Through Error. The Enabling Act allowing state banks to take stock in Edge Law Corporations was not presented to the Legislature. Other legislation passed was: (1) A rigid Blue Sky Law, (2) Prohibiting the Unlawful Selling of Mortgaged Property, (3) Relative to the Qualification of Banks as Executors and Administrators, (4) Regulation of Insolvent Banks, (5) Consolidation of Insurance with Banking Department, and (6) the Validation of Former Acknowledgments.

**NEW YORK**—The only measure recommended by the American Bankers Association which was passed this year was the bill enabling state institutions to take stock in Edge Law Corporations. Laws amending the Banking Law were passed in relation to: (1) a National Bank becoming a State Bank, (2) Deposit of Securities by National Bank Fiduciaries, (3) Powers of Investment Companies, (4) Manner of Declaring Dividends upon Shares of Savings and Loan Associations, (5) Withdrawal of Unpledged Shares in a Savings and Loan Association Belonging to an Estate of a Deceased Member, (6) The Pensioning of an Officer or Employee Retiring from any Savings or Loan Association, (7) Power of Savings Banks to Receive Money for Transmission and to Forward Same Through any Bank or Trust Company Incorporated under Federal or State Laws. The Legislature has adjourned.

**NORTH CAROLINA**—The Legislature, which has adjourned, enacted an amended banking law which incorporated as one of its provisions a grant of power to banks to subscribe to stock in Edge Law Corporations. None of the other measures recommended by the A. B. A. were passed.

**NORTH DAKOTA**—Mr. W. C. Macfadden, secretary of the North Dakota Bankers Association, reports that they were unable to get any A. B. A. measures through the late Legislature. Certain bills, however, were passed: (1) Making State and National Banks and the Bank of North Dakota Public Depositories and Regulating the Subject. (2) Requiring, under Penalty for non-

compliance instruments "Given for the Sale of Capital Stock of foreign Corporations" to be so stamped before being taken, and making them Subject to Defenses in the hands of every holder. (3) Relating to Interest on Bonds of Common School Districts. (4) Making it Illegal for a Bank or Person to take a Renewal Note without returning the Note Renewed unless Stamped "Renewal Note." (5) Making certain Tax Exemptions and Limiting the Amount of Tax Levies. The Legislature also repealed Section 87 of the Negotiable Instruments Act relative to instruments made payable at a bank.

OHIO—Mr. S. A. Roach, secretary, Ohio Bankers Association, reports that the Ohio Legislature has passed the Act allowing state institutions to take stock in Edge Law Corporations. Other bills passed: (1) Amend the Law in Relation to the Names of Consolidated Banks. (2) Authorize Special Policemen for Banks. (3) Provide for the Discovery of Assets belonging to an Estate for which a Guardian or Trustee has been Appointed. (4) Amend the General Code so as to Enlarge the Limitation placed upon Deposit of County Moneys.

OREGON—Mr. J. L. Hartman, secretary of the Oregon Bankers Association, advises that the False Statements for Credit Act recommended by our Association was passed this year. The Legislature also amended the law of 1919 under which banks of a million dollars or over were authorized to take stock in foreign trading corporations, by passing the draft recommended by the A. B. A. to enable banks to take stock in Edge Law Corporations. Mr. Isaac E. Staples, of Portland, was especially active in behalf of this amendment.

PENNSYLVANIA—Mr. D. S. Kloss, secretary of the Pennsylvania Bankers Association, advises that no legislation has been passed in

Pennsylvania this year affecting banks. There is a commission to codify the Banking Laws which will report to the next Legislature. An Assistant Attorney General has rendered an opinion that there is nothing in the state law to prevent state institutions from taking stock in Edge Law Corporations.

RHODE ISLAND—Mr. E. A. Havens, secretary of the Rhode Island Bankers Association, advises that there has been no legislation regarding banking in the State, except that the Legislature has passed a Blue Sky Law and a bill to make Armistice Day, November 11, a legal holiday.

TENNESSEE—Mr. W. A. Sadd, chairman, Legislative Committee of the Tennessee Bankers Association, Chattanooga, has advised that the following A. B. A. recommended drafts have been passed: (1) Enabling Act to allow state banks to take stock in Edge Law Corporations. (2) Limiting liability on forged or raised checks; time limited to one year. (3) Limiting liability of bank for non-payment of check through error.

The bill allowing items to be forwarded direct to the payor was passed by the House, but they were unable to pass it through the Senate. The most important bill for the state bankers was an Act raising the legal contract rate of interest from 6 to 8 per cent. This was originally passed and vetoed by the governor and passed over the veto. No other bills were introduced in the Legislature on account of

the activity in reference to the interest rate bill. The country bankers also had passed a bill similar to that passed in the Carolinas allowing banks to charge exchange on checks. The Legislature has now adjourned.

TEXAS—Mr. L. H. Squires, chairman, Legislative Committee of the Texas Bankers Association, Dallas, advises that a number of A. B. A. recommended measures were introduced but none were passed at the recent session of the Legislature owing to the congested condition of the calendar. Only two bills affecting banks were passed, one increasing the salaries of state bank examiners, the other amending the present law to make it compulsory instead of discretionary with the State Banking Board to demand increase of capital on account of excessive ratio of deposits to capital.

WASHINGTON—The Legislature has adjourned but no official report has as yet been received. From a newspaper report the following laws have been passed: (1) Making the state, county or city responsible for the return of securities deposited to secure public deposits. (Here-  
tofore, they have been at the risk of the depositor.) (2) Making Bonds of Federal Land Banks eligible for investment by savings banks and trust companies and placing them in the class of securities acceptable for public deposits. (3) Enlarging list of securities, in which mutual savings banks could invest deposits and raising the limit on individual deposits from \$3,000 to \$5,000. (4) Amending the Guar-

anty Law by increasing the Guaranty Fund and making additional assessments against banks. (5) Increasing the assessment against banks for examination and providing higher salaries for bank examiner and deputies. The newspaper report is to the effect that the bill enabling banks to take stock in Edge Law Corporations failed to pass.



On the Links at Pinehurst Courtesy of "The Pinehurst Outlook"



# TRUST COMPANY DIVISION



## Summary of Division Activities

**I**N reporting to the Executive Council, the Trust Company Division summarized its work since the Washington convention as follows:

1. Three meetings of Executive Committee and several meetings of subcommittees, through which much of the active work of the Division is accomplished.

2. Through the efforts of the Committee on Legislation in conjunction with the General Counsel, the reintroduction of House bill 13259 was effected, which, it is hoped, will be enacted into law at the present session of Congress. This bill, which is of vital importance to every fiduciary institution, provides for the final determination of the value of estates as a basis for determining inheritance taxes, in order to relieve trustees from the dangers of having accounts reviewed after the property has been distributed.

3. With the meeting of forty-five state legislatures, much attention and effort have been given by the Committee on Protective Laws to the watching of bills introduced in the different states. As heretofore, many legislative oddities have appeared in the different states, but practically no undesirable bills passed with the exception of one in California, restricting trust company development and operation in respect to trust business.

4. Through the Committee on Publicity, a National Publicity Campaign was started in the January, 1921, issues of ten nationally circulating magazines in order to stress the importance of will making and corporate fiduciary service for conserving personal property. Nearly 700 trust companies were enrolled in this campaign, the results of which are already being reported from all parts of the United States as very satisfactory and far beyond expectations at so early a date. In addition to the advertisements in the national mediums, helps in the form of bulletins are furnished to subscribers each month, as well as other printed matter. Millions of readers are thus reached each month and the service performed by this committee is, therefore, of a broad character.

5. The work carried on by the Committee on Cooperation with the bar has included guidance to trust companies in the matter of differentiating between legal and administrative work incident to handling estates. A circular letter conveying the views of the committee was sent to members in December.

6. A forty-eight-page booklet published by the Committee on Standardiza-

tion of Charges was sent to all members early in the year. This service brought forth many letters of commendation and the recital of many concrete instances of helpfulness in fixing proper charges for trust work.

7. The Committee on Community Trusts has shown very satisfactory progress in developing its work throughout the country. This activity is growing very rapidly in all parts of the United States and its usefulness not only to communities but to national and international work of a religious, charitable and educational nature is beginning to be recognized in a broad way. A very important revision of the Revenue Act will be sought under the direction of this committee in order that gifts to trustees for charitable purposes may be deductible from individual returns. This is of vital importance to all existing trusts and those to be organized.

8. The tenth annual banquet and second midwinter conference of trust companies, held in New York City, which

has been covered in recent issues of the JOURNAL, was also reported upon.

9. The formation of a new committee on employment and welfare work was authorized in order to inform and assist members in the best theory and practice in employment and personnel lines, with a view to enabling them to become more efficient in selecting, placing and training employees.

10. A new committee on the work of the woman's department was authorized. The reason for such effort became apparent following the Washington convention last October, at which time an address was delivered before the Division upon this subject and attracted much favorable attention. This has resulted in several conferences and meetings of women with a view to the formation of such an organization.

11. The growing activity of the New York office was also covered in the report, as well as the deep interest and increasing efficiency shown by all of the members of the staff.

## Convention Calendar

DATE	ASSOCIATION	PLACE	DATE	ASSOCIATION	PLACE
May 17-18	Missouri	St. Louis	June 13-14	District of Columbia,	
May 18	Rhode Island,	East Providence		White Sulphur	
May 18-19	Maryland,		June 14-15	Idaho	Boise
May 19-20	Kansas	Atlantic City, N. J.	June 14-15-16-17	Nat. Asso. of Credit Men,	San Francisco, Calif.
May 19-20-21	Alabama	Birmingham	June 15-16	Nebraska	Omaha
May 24	North Carolina,	Greensboro	June 15-16	Wisconsin	Milwaukee
May 24-25	Oklahoma,	Oklahoma City	June 16-17-18	Virginia	Hot Springs
May 25-26-27	Pennsylvania,	Atlantic City, N. J.	June 18	Maine	Belgrade Lakes
May 26-27	Tennessee	Nashville	June 21-22	South Dakota	Yankton
May 26-27-28	California,	Coronado Beach	June 22-23	Indiana	Indianapolis
June 2-3	Reserve City Bankers,	Buffalo, N. Y.	June 23-24-25	Minnesota	Minneapolis
June 3-4	Oregon	Seaside	June 23-24-25	New York,	Atlantic City, N. J.
June 6-7	Michigan	Detroit	June 24-25	Nevada	Minden
June 7-8	Iowa	Des Moines	June 29-30	North Dakota,	
June 9-10	Illinois	Chicago		Grand Forks	
June 10-11	Connecticut,	Swampscott, Mass.	July 13-14-15	Ohio	Cleveland
June 10-11	Massachusetts,	Swampscott	July 19-22	Amer. Inst. of Banking,	Minneapolis, Minn.
June 10-11	New England,	Swampscott, Mass.	Aug. 5-6	Montana	Helena
June 10-11	Washington	Tacoma	Aug. 24-25	Kentucky	Louisville
			Sept. 1	Delaware	Rehoboth
			Sept. 9-10	New Mexico	Santa Fe
			Sept. —	Wyoming	Sheridan
			Oct. 3-8	A. B. A.,	Los Angeles, Calif.
			Nov. —	Arizona,	Castle Hot Springs

# The Individual Bank

By ALFRED C. BOSSOM

**T**HIS is the season of the year when the thought of the banker instinctively turns to his new building. What form should it take? What details shall be incorporated in its design? What features must be included, and which shall be excluded? He cannot keep himself from figuring along these lines, but it is rather difficult for the layman banker to make a scientific analysis. It is not hard for him to make a mental survey of his community and decide whether there is a genuine demand for an office building, a demand which in all likelihood will increase rather than diminish, and one which will not be dispersed should another office building be erected within a short radius.

The exclusion of this type of structure from consideration brings to mind at once the individual bank, and it is here where the greatest freedom in architectural conceptions exists. A building is made up of different units, or features, and upon the harmonious assembling of these the success or failure of the entire building will depend.

Starting with the door, this must be inviting. It should be easy to open; it should be nearly on a level with the ground, and it should be ample. These considerations can be achieved by making the entrance of a substantial character, one that will not be damaged readily by the hard wear and tear which the doorway in an active bank is bound to get. Attractiveness is enhanced by the unusual—something that will call attention to itself. It is not well, therefore, to adopt a stereotype door that everyone has seen. Such are passed without notice. A doorway should not be austere and covered with iron bars, giving it the appearance of a jail entrance. Where metal doors are used they should slide back into pockets during the day, or fold back to cover the jambs. They would then be invisible, but would not put the users of the bank to the task of opening and closing unpleasantly heavy doors. Behind this heavy protection, no matter whether of bronze or iron, or of wood, there should

always be some light glass doors, ones that will be very easy to handle and yet sufficiently substantial to keep out the weather.

In practically every part of this country, and certainly through the northern half, a storm vestibule is indispensable for many months of the year. This should be removable during the summer, but where it cannot be so constructed it should be as light as possible. Anything that interferes with ready access to the bank during business hours should be eliminated.



This Door Gives Ample Protection and Permits Observation of Bank's Interior After Hours

In large cities or places where bank users are sophisticated it is practical to use a revolving door, which takes the place of a vestibule, but where out-of-town people have to be accommodated experience shows they hesitate before getting into one of the compartments of this draft-preventing contrivance.

An attractive exterior is important. There was a time, and that not very far away, when no bank was considered complete without some colossal columns on its facade. That good old type with the four columns and the pediment above is dying hard, but the traveled banker

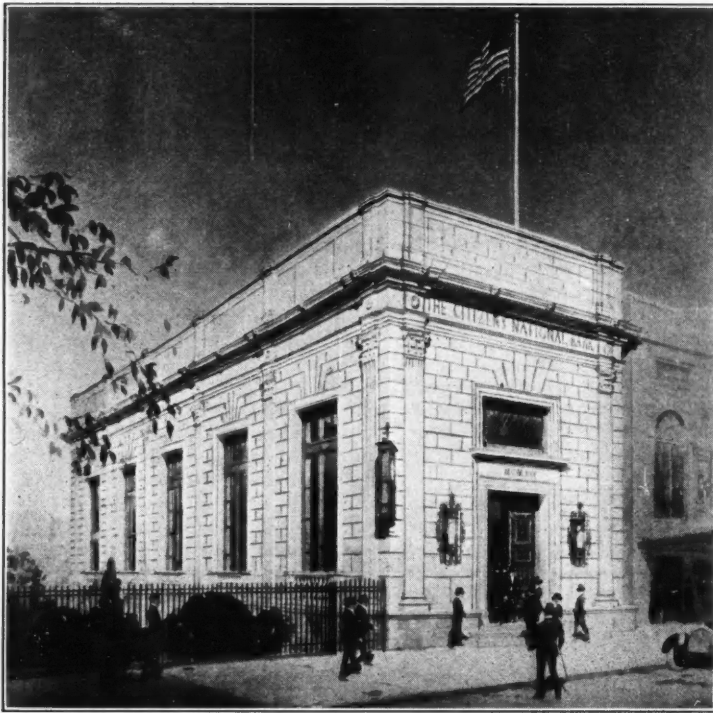
has seen so much that is more interesting and more distinctive that he is not satisfied any longer to present his institution to the public in that stereotype form.

Simplicity is the watchword, and it has many advantages. First and foremost, if chaste simplicity is used it will remain always in good taste. In the present times of high cost it has the additional advantage of being much less expensive, and it has a third valuable consideration in that such a treatment occupies usually less ground space than needed for great columns. Simplicity in no way precludes the unusual or the beautiful. One of the larger New York banks has adopted a type and uses a perfectly flat, simple front with one great arch spanning the front, and this is standardized for all of the branches. White marble is the material in which this is constructed, and this form works out most satisfactorily. In fact, anyone seeing one of these branch offices instinctively knows whose bank it is. All things considered, this system is less expensive than almost any other that might have been employed.

Gothic forms are not, as a rule, suitable to individual bank buildings. Light is essential inside, if it possibly can be had, and the Gothic, or pointed arch treatment, although eminently suitable to a church, has not worked out well in the few examples where it has been employed in banking houses.

The introduction of a certain amount of color in the exterior of bank buildings is becoming prevalent. Columns of polished granite contrasted against unpolished granite or limestone, polychrome treatments in terra-cotta, green bronze in contrast to stone, are being employed to the decided increase in both the interest and beauty of general bank architecture.

Metal sashes for the windows of the banking room, iron or bronze, while not indispensable, are advantageous. They add character that is difficult to obtain in wood, and even though the sashes be of wood and painted to imitate metal, an exceedingly short time discloses this



Simplicity Has Given this Bank Building Distinctiveness and Dignity

semi-fraudulent treatment. Metal bars in front of windows should be employed only where they are absolutely indispensable. Every jewelry store is not covered with iron bars, and yet these shops have valuables in their safes far more easy to dispose of than bonds that might be removed from a bank's vault. Large windows give scale and dignity to any building.

The general material for the exterior of the building of necessity has to be one of the following: Brick, stucco, limestone, terra-cotta, artificial stone, marble or granite. And whichever is used the architect should be requested to design his building in accordance with the limitations of the material employed. For example, terra-cotta properly designed and properly set up makes an exceedingly attractive building, but its limitations are that it cannot be baked in very large units without twisting and the joints then become unpleasantly conspicuous. If the design is carefully studied in relation to this material these limitations can be circumvented and there will be no possible objection to terra-cotta on

that account. A considerable amount of ornament can be employed with advantage, far more in fact than would be possible with any hand-worked material.

Just the opposite is the case with granite, this king of building materials, which can stand by itself without any embellishments at all. Flat surfaces are the ideal in granite. The material alone gives all the interest and value that is needed.

The color effect of the outside of a bank building should generally be lighter than its surroundings. Poster artists have taught us that the most conspicuous object should be in the lightest tone and the banker can adopt this same principle with advantage and have his building the more attractive simply by selecting a light, durable material. Much meaningless ornament and carving, particularly if the building be either of stone, marble or granite, is not desirable. Carving forms ledges that hold dirt into which the rain splashes and causes discoloration. Frost gets into carving and cracks off pieces. It is not advocated that there be no embellish-

ments at all, but these should be handled with discretion.

Coming to the inside of the bank, the advantage of big windows is self-evident, and every bank employee will bless the man who gives him fine natural light and ventilation for those hours of his life, often fully one-third, that he has to spend within the bank's walls.

A dome is an advantageous feature. It adds distinctiveness and light and can be made the object of marked beauty, both internally and externally, but on the outside it needs to be treated with care, otherwise it may stick up where it isn't wanted and not be an object of beauty. Another trouble with domes is, they are difficult to make water-tight.

Wall surfaces within the bank must be treated with one of the following: Hard plaster, patented imitation stone plaster, marble, stone, tile or terra-cotta. Any one of these will be satisfactory if handled in accordance with the limitations of the material. Hard plaster well painted is the cheapest and easiest to keep clean and easiest to repair. Fine marble walls are the most attractive, most dignified and most serious, but they are at the opposite end of the scale as regards cost, and between these two extremes all the other possibilities range themselves. Dust ledges on interior wall surfaces should be avoided.

Ceilings are now being given more attention than they have in the past. Bankers realize that this is the largest uninterrupted surface in the banking room and no one can avoid seeing it. Plain beam-work in plaster treated in what was known as the Old Ivory finish has almost seen its day. Color introduced with care is advantageous, but hard, strong color must be toned down. Ceiling treatments with coffers give an interest that commands attention. The finest old Italian and Spanish designs have been searched for and reproduced, and in these coloring of quite a strong character is used. Frequently the dominating note of the entire room is struck in the ceiling with unusually successful results. General color treatments on the walls and ceiling, giving an unusual personality to the entire room, have been used sparingly in



the past, but these are becoming more frequent and bank architecture is benefiting thereby.

For the bank screen wood, marble, bronze have been almost the universal materials. It is time a little more invention and ingenuity were adopted. There is no reason why good brick, tile, terra-cotta or iron should not also be employed with good results. A bank counter worked in faience or tile, crowned with an iron top screen picked out with a little color or gilding, would create a new impression in the mind of the customer, a note of enterprise, of something new, something to think about and something to talk about.

Flooring of the public lobby has made a number of unique developments recently. In addition to the introduction of attractive medallions of bronze, black marble or black tile in a light field now gives interest in many places. Composition floorings are available once again. The chemicals needed to construct them can be had, which was impossible during the last five or six years. The rubber tile makers have gone a step forward and now make their material in large slabs and of a variegated form, which have all the interest and life of a piece of marble, but are sound-absorbing and easy to clean.

As to vaults, these have been dealt with exhaustively in a recent article, but the expansion that has taken place in banks, due to the education of the public brought about by the Liberty Loan drives, has made many bankers realize that they have to face one of two things: They must either acquire more real estate or put their vaults in the basement. This latter seems the logical development, for failing this the additional cost of the property has to be met and the entire building has to be enlarged. By contriving a dignified staircase and with the introduction of suitably arranged mirrors, it is possible now to put the vault in the basement and yet make it sufficiently conspicuous from the main floor of the bank to enable its advertising qualities to be seen, to make it perfectly sure against hold-ups and at the same time to leave space available for counters on the first floor that otherwise would not be possible. This arrangement has the advan-

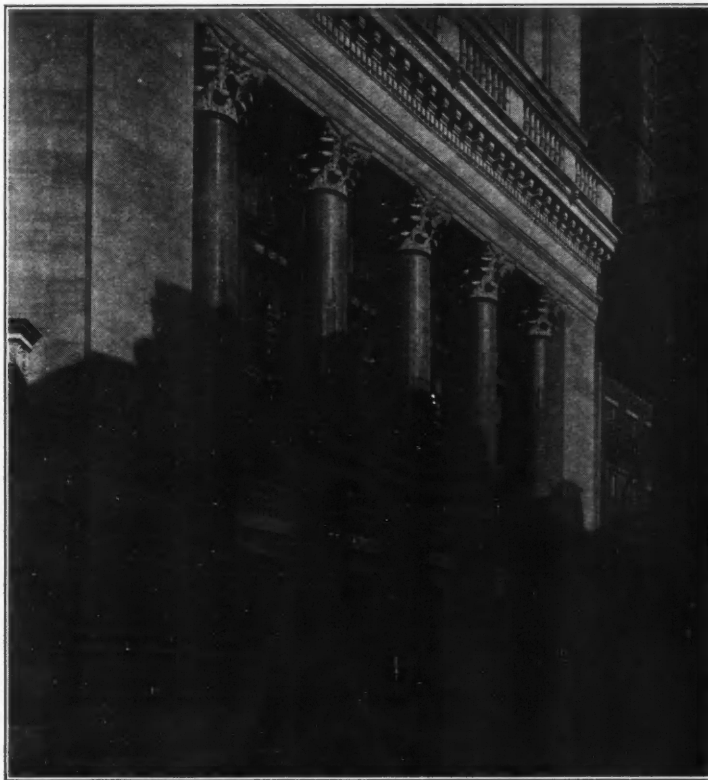
tage of allowing a banker considerable opportunity for future expansion without changing his building. It also permits of a well-arranged safe deposit. This removal of the vault from the main floor has been accompanied by the removal of the working force also from the main floor, to everyone's benefit.

Mechanical contrivances now universally employed create such a noise that they are unbearable, if exposed in the general banking room, whereas if the machine-using departments are located in properly treated sound-proof rooms with soft plaster walls the employees have much more comfort themselves and do not annoy the entire bank force. These people are now put on mezzanines or on upper floors and the main banking floor on the street level is usually given up almost entirely to the officers and departments requiring counters that deal with the general public.

The former one-story building is often not high enough to give the

bank the necessary dignity it requires and at the same time does not allow sufficient space for future expansion. The present-day banker, therefore, gives more consideration to this when building his new home than he ever did before. Often one floor of offices is introduced. These pay for themselves to a certain extent while they are used for this purpose, and are available for the bank's use when the time comes.

After analyzing the situation, if the banker decides he does not wish to construct a tall building, he should see that his building is individual, distinctive and attractive. This is not difficult to do, but it requires care, and the adoption of the identical treatment that someone else has employed cannot, of course, bring the same results as are obtainable by creating a building that is the bank's own in every sense, not only as to actual ownership, but also as to form and design.



The Use of Colored Material is Being Revived with Advantage. Polished Granite, Limestone and Metal All Contribute to this Effect



# SAVINGS BANK DIVISION



## Promotion and Protection of Savings

**T**HE Executive Committee of the Savings Bank Division met at Pinehurst, N. C., May 2, 1921.

Its proceedings and its report to the Executive Council of the American Bankers Association may be classified under three distinct headings:

*First:* Improvement of savings bank facilities and service;

*Second:* Protection of savings bank investments, and

*Third:* Promotion of habits of thrift and saving, and more extensive use of banks in private finance.

### I

On *savings bank facilities and service*, the committee, of which W. D. Longyear is chairman, has collected and distributed much information in response to special inquiries from savings banks and savings departments. The plan for savings departments in commercial banks and trust companies, which was prepared by our office last year, is still being distributed. We are completing an extensive statistical report on Christmas clubs and other studies are in preparation on juvenile departments, insurance clubs and various other methods for promoting thrift, and savings deposits.

### II

For the *protection of savings bank investments*, the Division depends for results upon promulgation of principles rather than upon the defeat of special proposals. It avoids the mere opportunistic attitude.

The Committee on Investments, John J. Pulleyn, chairman, considered both the various matters affecting bank investments in railroad issues and the valuation of securities for accounting purposes. As to the former the committee concluded:

#### New Railroad Policy

"Government interference with business in general and with transportation in particular should not extend beyond:

*"First:* Preventing exploitation of properties;

*"Second:* Making impossible any discrimination between individuals or communities;

*"Third:* The maintenance of reasonable safeguards to the lives of patrons and employees."

The Committee on Liquid Investments, Samuel H. Beach, chairman, reported that the issues of the National Railway Service Corporation have been legalized in Maine, New Hampshire, Connecticut, Washington.

The Committee on Real Estate Mortgages, John W. B. Brand, chairman, re-

ported plans for a thorough study of the principles of appraisal, amortization, depreciation, the tendencies of land values, the effect of zoning ordinances and similar subjects.

The report of the Committee on Federal Legislation, M. A. Traylor, chairman, indicated that a government savings institution is being proposed almost as persistently as is the injection of the fingers of politicians into our commercial banking system. But the Division has observed that in all similar cases the public is forced to receive inferior service at a higher cost and with resulting increases in taxes. Its position on various projects may be summarized as follows:

#### Political Control of Savings

a. A postal savings system which will be an active competitor for savings for either of the two purposes stated in bills now pending in Congress, the financing of the public debt or the making of real estate loans. The first would interfere with the financing of community advancement from its savings and the second would most certainly lead to another disastrous experiment in government lending, with ultimate resort to the public treasury.

b. The sale of war savings securities should be stopped. Not only are the methods of the Treasury Department preventing the most effective work of banking institutions, but the cost is out of all proportion to the benefits received. We have made vigorous protest against the effort of some government employees to give the impression that the purchase of securities is the same in effect as banking of current funds.

c. A consolidation of the savings division into the postal savings system was proposed in the first report of the Senate Committee on Reconstruction and Production, thus placing the government in charge of a national savings institution which could make real estate loans. We criticized this proposal and it is not urged in the committee's final report.

d. A land credit system has been established by the Federal government which is authorized and may yet undertake to receive deposits. So far as such system is not based upon the principles of cooperation but relies upon political control and tax subsidy, we oppose it. The viciousness of any such project is demonstrated by the fact that the Treasury still holds the majority of the capital stock of the Federal land banks without receiving dividends thereon and has purchased a majority of the entire

outstanding amount of farm loan bonds, the benefits from this operation being purely individual and insignificant as compared with the cost for the nation.

e. Federal home loan banks to establish a national system of subsidized loans for urban borrowers, patterned on the rural system, is being urged, but we have strenuously opposed the project and do not expect that it will receive serious attention in Congress.

f. Building and loan associations appear to have started a movement to exempt the income from their investment shares. We oppose this indirect subsidy, which is as unsound in principle as it would be ineffective in practice.

g. The alleged need for a national system of credit unions to provide personal loans to impecunious persons in both the city and country is being studied. We are far from convinced that there is need for any national action, the states having been disposed to provide the necessary legislation and supervision. It has yet to be shown that our banking facilities fail to recognize any existing basis for credit.

#### Encourage Private Enterprise

The Division also seeks to protect savings bank investments in private enterprises against the onslaught of government issues for both public and private purposes. This work has taken three distinct directions, which were summarized in the Division's report to the Executive Council as follows:

a. Tax exemption of securities is resulting in a flood of new issues which constitute a real menace to industry and commerce as well as to our entire system of income taxes at progressive rates. Our definite stand against additional issues of tax exemptions has been confirmed by reports, resolutions and referenda by such bodies as the United States Chamber of Commerce, the National Tax Association, the Investment Bankers Association and the New York Joint Legislative Committee on Taxation, which recommends specifically that all public securities shall be brought within the income tax as soon as possible. Our present activity is aimed primarily at obtaining the adoption of the McFadden resolution, with provision for reciprocal taxation by the states of Federal issues.

In this connection it is to be observed that two recent decisions of the U. S. Supreme Court, which uphold the housing laws and the "instrumentality" legislation, seem to

have removed all constitutional or judicial barriers to legislative power to appropriate private property without compensation, the Federal legislative power even extending to the limitation of state legislative functions.

b. Nationalization of state and local functions is another manifestation of the same force that demands Federal tax exemption and "instrumentality" legislation. The most insidious and uncontrollable phase of this movement is through the Federal aid appropriations. It is not our province to oppose the popular will in rearranging the distribution of governmental functions between the United States and the states, but it is distinctly unsound to establish a power without attaching a responsibility to the people for its exercise.

Federal aid ranks with public ownership as a leading cause for more government in business and larger burdens of taxation and public debt, to the detriment of private effort and the depreciation of corporate securities.

c. Finally, the well-known position of the American Bankers Association as to the need for scientific budget system has been the cause for some considerable attention on our part to public expenditures, in addition to the

phases of the same general problem which we have just been discussing. We incline to the opinion that the maintenance of investment values, the further improvement of the money market and the interest of our millions of depositors are dependent upon what one politician has called a lifting rather than a shifting of tax burdens.

There is a definite and well-understood system for controlling political action in this country, and we who best understand the financial organization, which in effect is the nervous system of our body polity, should not shirk our responsibility to our clients and to the public, two terms which are in fact interchangeable.

### III

*The promotion of saving and thrift and the wider use of bank service* was dealt with in a report from the Committee on Savings, Chas. H. Deppe, chairman.

Following the Division's plan to reach the homes as the unit for thrift through both instruction and practical demonstration for the benefit of the child in school, the wage earner in industry and the housewife in her management of the home, we have been placing special emphasis this year upon the school savings banking system. At the present time

there are close to 400 cities where school savings systems are in more or less successful operation, over half of these systems having been installed during the present school year. Bankers are urged to consider the practical benefit of such work, as a very considerable proportion of the school accounts are perpetuated as adult accounts, thus offsetting the operating loss at which most school systems are carried.

We have cooperated with and been in constant consultation with all state superintendents of education, and hundreds of city superintendents and principals, and with educational authorities as well as with the banks.

At the present time the committee is urging the formulation of a handbook of school instruction in the principles of thrift, saving, banking and general economics, which will accompany the school savings bank work.

Those present at the meeting included: President W. A. Sadd, Vice-President Raymond R. Frazier, Ex-presidents R. C. Stephenson, Jos. R. Noel, S. Fred Strong; Executive Committeemen Samuel H. Beach, Frederic B. Washburn, Samuel M. Hawley, Louis Betz, John J. Pulley, C. H. Deppe and John W. B. Brand; Ex-committeeman B. F. Saul; Secretary Leo Day Woodworth.

## Georgia Bankers Convention

GEORGIA bankers composing the Georgia Bankers Association and the Country Bankers Association of Georgia met in joint convention in Macon, March 22-24, and returned home with renewed courage and determination to face the readjustment which must continue through the approaching crop season. The sessions from beginning to end were in the nature of experience meetings and practically all of the addresses and discussions were by "home talent," bearing upon the local problems with which Georgia is now most concerned.

The exceptions were addresses by W. B. Thompson of New Orleans, on "Better Prices for the Next Cotton Crop," and by Harold J. Dreher, vice-president of the Federal International Banking Company of New Orleans, on "How the Federal International Banking Company Will Help." Both of these addresses were singularly helpful.

The convention opened with a banquet, Jesse B. Hart, president of the Macon National Bank, acting as toastmaster, at which there were several vaudeville numbers on the program. The only other entertainment was a luncheon at the close of the convention by the Macon Clearing House Association. Everything else was strictly business, including the agricultural luncheon on Wednesday, at which the Georgia Bankers Association ratified the action

proposed by the Executive Council to trustee with the University of Georgia the Ex-Presidents' Fund, amounting to nearly \$6,000, to be used for making loans to deserving boys and girls who seek an education in agriculture or domestic science without sufficient means to defray all of their expenses.

During the interval between the last two conventions many venerable and distinguished bankers who were either founders of the association or loyal members throughout its history and who had served as officers at various times, had passed away and suitable resolutions were adopted, naming Horace A. Crane of Savannah, Wm. F. McCauley of Savannah, B. I. Hughes of Rome, L. P. Hillyer of Macon, L. C. Hayne of Augusta. Separate resolutions were adopted in tribute to Llewellyn P. Hillyer, who was not only one of the founders of the association, but served it as secretary for twenty-one years, and was officially active thereafter in various capacities, including the presidency. Mr. Hillyer served two terms as a member of the Executive Council of the American Bankers Association. He is the only secretary the Georgia Bankers Association has had with the exception of the incumbent.

The joint convention approved a plan to create by contributions from member banks a fund of \$40,000 to \$50,000, to be used in advertising banking in the

abstract, with the double object of educating Georgia people in all of the various functions which a bank performs and of teaching Georgia people that the safest place to keep their money is in the bank. This plan was left in the hands of a committee headed by Wilson M. Hardy of Rome, which is now engaged in working out the details.

Separate business sessions were held by the Georgia Bankers Association and the Country Bankers Association of Georgia.

The business sessions were executive, but in all other convention activities a number of visiting bankers from out of the state were welcome guests.

The new officers of the Georgia Bankers Association are: President, Courtney Thorpe, president Savannah Bank & Trust Co., Savannah; first vice-president, H. P. Hunter, cashier First National Bank, Elberton; second vice-president, J. S. Peters, vice-president Bank of Manchester, Manchester; third vice-president, C. E. Martin, vice-president Citizens Bank, Fort Valley; fourth vice-president, Abial Winn, cashier First National Bank, Valdosta; fifth vice-president, H. Lane Young, vice-president Citizens & Southern Bank, Atlanta; secretary, Haynes McFadden, 312 Candler Building, Atlanta; treasurer, E. L. Henderson, cashier Commercial Bank, Cedartown; general counsel, Orville Park, Macon.

# The Food Draft Plan

By W. GORDON BROWN  
American Relief Administration

IN November, 1919, Mr. Hoover described to the directors of the American Relief Administration European Children's Fund his scheme for adult food relief in Central Europe, which later came to be known as the Food Draft Plan. Reports from his representatives all over Europe stated that the port warehouses in Hamburg and Danzig were choked with packages of food and clothing sent by individuals in this country to relieve the suffering of their relatives and friends abroad. The transportation systems of Central Europe were in a chaotic state and these thousands of packages, many of them containing food that had deteriorated in quality, could not be moved to their destinations. As he had done in Belgium at the beginning of the war when some ten million people were threatened with starvation, Mr. Hoover undertook to solve the problem, which involved setting up the machinery by means of which the foreign born and those of foreign extraction could safely and economically supply the highest food value to the starving in Europe. He proposed to maintain stocks of staple foodstuffs in warehouses located at centers of food shortage in Poland, Austria, Germany, Czecho-Slovakia and Hungary. He proposed to sell orders on these warehouses calling for the delivery of fixed quantities of food at prices calculated to include the actual cost of the food plus transportation, insurance, administrative expense and a small margin of safety to provide for contingencies which might arise in carrying out such an operation on a large scale. He proposed to sell these warehouse orders in this country to be mailed to friends and relatives in hunger-stricken Europe, the receiver to "cash" them at the warehouse just as one would cash a draft at a bank and receive the equivalent value in foodstuff.

The plan was laid before the Committee on Commerce and Marine of the American Bankers Association and its indorsement secured. The Association offered its

complete cooperation and circulars were sent to more than 20,000 member banks asking them to act as salesmen for the food drafts, calling for the delivery of unit packages to cost \$10 and \$50, made up to give the greatest amount of nourishment per pound of weight and per dollar of value.

Initially five main warehouses were established under the supervision of American personnel at Hamburg, Vienna, Warsaw, Prague and Budapest and shipments of foodstuffs to honor food drafts began to go forward in December, 1919, to Hamburg and Danzig for distribution to the warehouses. An executive clerical and accounting staff was assembled and a book-keeping system installed, copied with modifications after that in use by the banks in their foreign drawings departments.

## Cooperation of Banks

With the original circular, which was mailed to the banks on January 8, 1920, was a form to be used in applying for a supply of draft forms. The announcement of the plan met with immediate response from the banks and within a few days after the circulars had been mailed applications for the drafts came in to the Relief Administration's New York office and drafts were soon on sale at several thousand banks throughout the country.

The first food draft was sold on January 23, 1920, and from that date the sales increased until March, in which month they amounted to over \$823,000, or over 43,000 drafts. During the spring and summer of 1920 and until about two months ago, the sales averaged about \$400,000 a month, since which time they have gradually decreased, indicating an improvement of food conditions in some parts of Europe. As the plan became better known and its efficiency gained the confidence of the people in this country, more banks took on the sale of the drafts, with the result that at the present time they are sold by some 4,800 banks

in the United States, Canada, Alaska, Mexico, South and Central America, Australia, England, France and Denmark.

After the plan got under way it was apparent that due to the distances and difficulties of transportation, additional warehouses were necessary. From time to time, as the need developed, branch warehouses were established, bringing the total number of delivery stations to forty-two.

All of the food was purchased in and shipped from this country and agreements were entered into with the governments of the countries in which the plan was operated, whereby reduced freight rates were granted and the food was held free from requisition in the government rationing systems. Many of the warehouses were loaned by the governments and subsidies were granted for the local overhead costs. As an example of the manner in which the foreign governments cooperated it might be mentioned that the German government raised the parcel post weight limit to allow the shipment of the \$10 packages to any point in Germany by parcel post.

Post-cards were given out at the warehouses on which a brief appeal was printed and these cards mailed in thousands to friends and relatives in America. In this way many individuals were brought into communication with friends and relatives whose whereabouts had been unknown since before the war. Representatives of the Relief Administration at Vienna encouraged organizations and societies to send appeals to similar organizations in this country, and as a result substantial contributions of food drafts were forwarded to the Vienna Public Library by the trustees of the New York Public Library and by the New York Fire Department to the Vienna Fire Department. A number of American firms with branches in Europe sent food drafts to their branch managers and employees and a Vienna merchant who sold a bill of goods to an American firm asked that payment



The American Relief Administration "Branch Bank" in Vienna Where Drafts Were Cashed in Food

be made in food drafts. Thousands of persons in Europe who had no friends or relatives in this country sent appeal postcards to persons whose names they obtained from newspapers and magazines. One such appeal was addressed to "Hazel Dawn Broadway." A Viennese who held a life-insurance policy with one of the large insurance companies wrote the company asking for a food draft, saying it would be cheaper to feed him than allow him to starve. One man in Budapest got hold of a New York telephone directory and sent appeals to New York doctors, using their telephone numbers as addresses. One Viennese lady sent her photograph with a letter describing herself and asking that a husband be obtained for her. In cases where a large number of appeals were sent by the same person the Relief Administration was so informed by the New York office and an investigation was made. In

only a very few cases was it found that those who sent the appeals were impostors.

In Europe the work of receiving the food shipments and distributing them among the various warehouses is supervised by less than fifty Americans, most of whom have been working under Mr. Hoover's direction for several years. This organization has now developed a system for handling the food drafts which has been brought to a high degree of efficiency. The food packages are made up at the five main warehouses and are sent out at regular intervals to the branches. In Hamburg a large majority of the packages have to be shipped by parcel post or express to the homes of the beneficiaries. On these packages the Relief Administration pays transportation charges and also insurance in favor of the beneficiary. On the other hand, in Vienna most of the deliveries are to people who live in

the city, the warehouse at one period delivering as many as 1,000 packages in a single day. The large packages weigh some 300 pounds and the problem of getting this amount to his home was at first quite a difficult one for the food draft holder. However, push-cart owners soon saw their opportunity and there grew up a taxi service to deliver packages.

In handling over 285,000 drafts it was inevitable that a certain number of claims would be presented for non-delivery or for food received in a condition unfit for use, and in every such case the Relief Administration made an investigation and an adjustment where it was found to be at fault. But far greater than the number of claims was the number of letters received from beneficiaries expressing their joy at receiving the first good white flour they had eaten since before the war. The following are typical:

"In November, 1920, when the Bolshevik army invaded the town of Lomza, the whole of our family hid itself in a cellar before the atrocities of the enemy. Being cut off from the rest of my friends and having no means of communicating with them, we were left to the mercy of the supreme nature to what the future may bring us to, but a week or so before the dark cloud had spread its deadly wind over our roof I received a food draft from ———, Doylestown, Pa. With this draft I went to the central offices of the A. R. A. W. in Warsaw, where I received the food. Oh, what joy it was when the hour of our misery was struck!

In the cellar we remained for some days, and no doubt we would be subject to starvation and buried there without ever anyone knowing what happened to us. But no, this was not the case and many thanks to the magnificent organization which was set up by Herbert Hoover, we were saved. In the cellar we made up a stove, and having flour, oil, rice, milk, cocoa and sugar we managed to keep the hungry wolf out of our newly adopted quarters.

Again I thank Herbert Hoover and the whole of the organization for their splendid activities which they have created for humanity and Poland in general. Here I am bound to remark and ask everyone what good would it be to me if I had millions of marks in my pocket and confined in a cellar for over a week without food?"

"I wish that I could write better English, but I hope that you be able to read this letter. I was buying food drafts for over a year in different banks in Chicago and outside of Chicago. But first a great many people told me not to buy no draft for Europe that the people can't eat the things its no good. And I was afraid also to buy because I'm just a poor working man. But I got a poor forsaken sister in the most forsaken place in Europe, her name is ———, address ——— Mauer bei Wien, Austria, which lost her husband in this great war 6 years was left with 6 children which she was suffering from starving with for 5 years until she found me with the Franciscan Fathers as a brother in the order and asked me for help and save her with her little children from starving. And the Rev. Father Provincial got me from the bank the first American food draft for 50 dollars for Europe which she received 3 weeks after and saved her from starving and since ever then that was March 17th 1920. Since then I have been buying relief draft every 2 months and for every one I was getting a wonderful report from my poor forsaken sister from the great things she have been getting from the warehouse in Vienna, Austria, for which we are so greatly thankful to the company of the American Relief Administration from which I kept my poor sister with her 6 children a life up to this day and thought it would be my duty to let the American Relief Administration know that we are very thankful for the great help."

The work which the banks of this country have done in making

this operation possible stands out as one of the important examples of the manner in which our business men will respond to a call for co-operation in a great humanitarian cause. The issue of the drafts calls for considerable clerical work, and although the banks could deduct a small commission for each draft sold, a large percentage of them performed this service without charge, the commission being turned over to the European Children's Fund to help defray the cost of supplying some 3,500,000 undernourished children with one supplementary meal a day.

In the original circular to the banks it was stated that any profits which might accrue from the sale of food drafts would be turned over to the European Children's Fund and at the close of business on July 30, 1920, the sum of \$605,000 was distributed among the five countries in proportion to the amount of drafts sold for each country. A final distribution of net returns will be made after the sale of drafts has been discontinued and the accounts have been audited.

Representatives of the Relief Administration during the past few months have made a careful survey of the food conditions in Europe and have reported that there has been some improvement and this

summer's crops will bring about further improvement. As a result the governments of the countries in which the plan has been operated are arranging to abandon their control of local food supplies. In view of this the Relief Administration decided to close its food draft department and circulars announcing that the sale of food drafts would be discontinued at the close of business April 30, 1921, were sent to all selling banks a few weeks ago.

On that date closed another chapter of the history of American humanitarian effort which brought emergency relief in the amount of about seven million dollars to about one million people in Europe, and the bankers of America may well be proud of their share in the work, for without their hearty cooperation it could not have been done. Aside from the physical suffering which has been mitigated, it is fair to say that the food draft plan has renewed in the hearts of hundreds of thousands of the people of Europe confidence in America's good will and sincerity of purpose. This confidence is surely destined to be of great importance in the future in its influence on our commercial and political relations with those countries of Europe whose faith in mankind was nearly blotted out by five years of the horrors of war.

## Death of Sol. Wexler

Sol. Wexler of J. S. Bache & Company died in New York, April 22. Prior to becoming a member of this firm he was president of the Whitney-Central National Bank of New Orleans.

Mr. Wexler has been connected prominently with the American Bankers Association for a long time. He was a member of the Currency Commission from its incep-

tion in 1906, and was a member of the Executive Council, representing the Clearing House Section, in 1907-1908. He was also a member of the Executive Council in 1911-1914, during which time he served on the Bills of Lading and Constitutional Revision Committees. Mr. Wexler was a member of the Economic Policy Commission in 1919-1920.

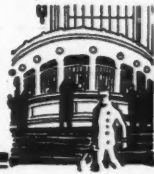
The North-Western Trust & Savings Bank announces that its capital will be increased from \$750,000 to \$1,000,000, effective April 15, 1921. One hundred thousand dollars will be added to the surplus of the bank, making the total capital, surplus and undivided profits \$1,350,000. The resources of this bank have been increased

from ten to twenty million dollars in the past two years.

J. H. Beall, formerly active vice-president Bank of Lenoir, Lenoir, N. C., has been elected president, succeeding Major G. W. F. Harper, deceased; G. F. Harper has been elected vice-president and J. C. Seagle reelected vice-president; A. G. Foard, formerly assistant cashier, is now cashier.



# CLEARING HOUSE SECTION



## Report of President A. A. Crane

**F**OLLOWING the annual meeting of the Association in Washington, the members of the Executive Committee met and organized by the election of Mr. James Ringold of Denver as chairman. To our great regret we were immediately confronted with the necessity of looking for a new secretary, as Mr. Matthew, who had been handling the work most efficiently, presented his resignation, to take effect January 1, he having accepted a most desirable position with Mr. Drum, our Association's President—once again the evidence that the training and experience gained as secretary of this Section opens wider opportunities for usefulness.

Accepting the inevitable, the committee took steps to fill the position, and after the consideration of numerous possibilities appointed Mr. D. A. Mullen of the Colonial Trust Company, Pittsburgh, to the secretaryship, and he assumed his duties about the middle of last January. Mr. Mullen is a live wire, as the activities of the Section give proof, and the committee made no mistake in his selection.

In Mr. McNally's report to this Council at the meeting last May many of the lines of effort of the Section were mentioned, and I shall again refer to them for your information as to their progress.

**Membership:** Of course, the principal activity is the promotion of the organization of new clearing houses, thus increasing the membership and interest in the Section. There are still a few existing clearing houses not yet members, but it is confidently expected that they will soon join. The membership of 255 clearing houses last October has been increased to 265 at this time, and this membership comprises more than 3,500 banks of all classes, and probably includes 75 per cent. of the banking capital of the country.

The Section is carrying on at this time an active campaign for the organization of new clearing houses, and it may be confidently predicted that a number of new ones will be in operation before the end of the year.

The county clearing house is also being actively promoted. Our secretary has enlisted the services of one of the bankers of Lebanon, Pa., where a county organization is in successful operation, to help in the organization of similar clearing houses in Pennsylvania, and this will be rapidly followed by similar work in other states. Many county organizations can be put into operation, and that they will be of invaluable service to the banks which are members in the collection of checks, as well as in many other ways, is undoubted.

**Clearing House Examiner System:** For some time this Section has endeavored to interest the larger clearing

houses throughout the country in the clearing house examiner system. Our secretary has communicated with the officers of over sixty clearing houses throughout the country that are at the present time without such a system of examination, and to date one clearing house association, that of Hutchinson, Kan., has installed its own manager and clearing house examiner, and it is the smallest city in the country to take this forward step. We believe that since the Hutchinson Clearing House Association has adopted this idea that many of the smaller clearing house associations will do likewise. Favorable replies have been received from the officers of the clearing houses located in Little Rock, Atlanta, Boston, Chattanooga and Jacksonville. The officers of the Clearing House Associations at Dallas, Buffalo, Hartford and Pittsburgh expect to consider the matter at an early date.

To still further the clearing house examiner system, a committee of three was appointed at the Washington convention for the primary purpose of continuing further conferences of clearing house managers and examiners at the annual convention in Los Angeles. The unqualified success of the Washington conference promises excellent future results.

Another subject of great importance is that of the standardization of the size of checks and drafts. Mr. Macfadden, chairman of the Committee on Forms of the State Secretaries Section, called a meeting in Chicago on March 8, at which time our secretary was present. This matter was thoroughly discussed with representatives from several of the large bank note and lithographing companies. It was decided at that meeting to hold the matter in abeyance until the Pinehurst meeting, at which time there would be sufficient data on hand to bring this matter to a successful conclusion.

The members of the Executive Committee of this Section, and also of the State Secretaries Section, met this morning and discussed the matter of such a standard form of check which would be acceptable to the bankers of the country, and constructive progress in that direction is assured. We are very much indebted to the bank note and lithographing companies for their hearty support in this matter, and it requires their cooperation to assure the success of such standard forms and drafts.

**Condensed Form of Financial Statement:** The officers of this Section felt that sufficient publicity had never been given to the condensed financial statement form which was approved by the officers of this Section in 1918. It was decided to revise this form slightly, which was done, and the secretary sent

a copy of this form to every bank represented in the Clearing House Section, and we are glad to report today that the Section has had requests from hundreds of banks throughout the country for a supply of these forms. To date over 20,000 statements have been sent to banks making this request and the orders are coming in daily. This statement form has been approved by the National Association of Credit Men. These forms have been furnished to the banks without any expense whatsoever to the Association.

**Clearing House Transactions:** We have believed for some time that the number of clearing houses reporting their total bank transactions should be increased, as such information indicates more exactly business activity than does total clearings alone. A special effort has been made to interest the clearing houses in this matter and our report shows that we have increased the number of cities reporting total bank transactions since last October by seventy-eight cities now making this report, and we hope to interest many more before the Fall meeting.

**Book of Forms:** This matter has been brought up from time to time at our conventions and Executive Council meetings. We have investigated the matter thoroughly and found that at the present time it would be inadvisable to publish a new book. That the plates from which the old forms were printed have been destroyed, and with the present cost of labor and material it seems impracticable to compile such a book at this time. Therefore, this matter will have to be dropped for the present, as the expense in proportion to the benefits is prohibitive.

**Universal Numerical System:** Since the inauguration of this movement our Section has been advocating the use of the numerical system. At the present time at least 95 per cent. of the banks are using it. As new banks are organized from time to time they are notified that such a system is in operation. This plan has been a success and it will perpetuate itself with but little effort on our part.

**No Protest Symbol Plan:** The Section has been instrumental in having a large number of banks adopt this symbol. We feel that from time to time publicity should be given in the monthly Bulletin, also in the JOURNAL, which will keep this matter before the attention of the bankers throughout the country and ultimately make its use as practical and universal as the numerical system.

**Statistical Reports:** Last year at the Pinehurst meeting, among the activities outlined by the president and chairman of this Section in their reports it was

advocated that a bureau be established for gathering statistics on the cost of insurance, both bond and burglary. Inasmuch as this matter comes under the jurisdiction of the Insurance Committee and the Protective Department, and no work has been done, we believe that we should drop this matter and leave it entirely in the hands of the Protective and Insurance Departments of the Association. They are much better equipped to secure the information, if it is desired.

The Section has in mind other constructive activities which will be followed up as soon as our plans can be properly matured.

**Finances:** The appropriation allowed by the Association for the use of this Section for the year 1920-1921 was \$9,150, of which \$447.85 was deducted for rent, since the Association is assuming that overhead, leaving a balance of \$8,737.15 to carry on the work for the year. Up to and including April 1, 1921, the sum of \$4,805.55 has been expended, leaving a balance on hand of \$3,931.60 to carry on the work of the Section until the close of the fiscal year, which amount we believe will be ample.

During the balance of the year the work of the Section will be followed up constructively. As the clearing houses represent the activities of all classes of banks for their own locality, so in our opinion should the Clearing House Section of the American Bankers Association represent those activities which are of importance to all classes of banks in the Association, as represented by the various Sections, not interfering or duplicating those activities which are of special interest to the Sections as such, but assisting and cooperating in those

things which are important to all. In this direction there is an unlimited field for service open to this Section, and I can assure you that the officers, members of the Council and secretary will devote their untiring efforts in every way possible to this work.

**Activities of the Clearing House Section**

The following activities were recommended by the officers of this Section for the balance of the year:

That we encourage in every way possible the organization of new clearing houses, city, county and country, with special effort on the county organization plan. The Committee firmly believes that many county clearing houses should be organized which will greatly facilitate the handling of checks in the country districts.

The further extension of the Clearing House Examiner System. At this particular time a great many clearing house associations are giving this matter serious consideration and before very long, your Committee feels that many associations will install such a system.

**Standardization of Checks:** That the Clearing House Section cooperate in every way possible with the State Secretaries Section in helping to bring about a uniformity in the size of checks and drafts.

**Acceptances:** That every effort be made to educate the banker to the use of the acceptance.

**Transactions:** That we endeavor to interest the clearing houses that are not reporting their total bank transactions. Instead of thirty-eight clearing house

associations reporting these figures, we should have at least one hundred of the active clearing houses making these reports weekly. In the minds of the officers of this Section, these figures would give us a barometer for the real business conditions throughout the country.

**Financial Statement Form:** The officers of this Section feel that much progress has been made in interesting the banks throughout the country in the standard form of financial statement and that we should continue to further interest the banks in this form. Requests have been pouring into the office and hundreds of banks are adopting this as their standard form of statement.

**Analysis of Accounts:** Developing a plan of analysis of accounts, individuals, firms and corporations, and the encouragement of the application of a monthly service charge against all unprofitable accounts.

Also, that we continue to publish the monthly bulletin, giving the clearing houses throughout the country any new ideas that may be of benefit to them.

**No Protest Symbol Plan:** It was decided that we give this Plan publicity from time to time in the JOURNAL and also in the *Clearing House Bulletin*, bringing to the attention of the bankers throughout the country its advantages.

**Clearing House Examiner System**

The Hutchinson Clearing House Association of Hutchinson, Kan., has installed the Clearing House Examiner System. Mr. Geo. T. McCandless was appointed Manager and Clearing House Examiner.

**Clearings and Total Bank Transactions**

FOR FIRST QUARTER, 1921 (JANUARY, FEBRUARY AND MARCH)  
(See page 582 of February JOURNAL for figures for last quarter, 1920)

The up-to-date business barometer, total bank transactions, is a most accurate criterion of business conditions and development. It is therefore desirable that at least 100 of the leading cities compile these figures and report them weekly to the Clearing House Section. This Section will send you upon request a supply of postal cards for reporting these figures. We give below a report from following cities for the three months ending March 31.

Clearing House Association	Clearings	Total Bank Transactions	Clearing House Association	Clearings	Total Bank Transactions
Atlanta .....	\$549,902,056	\$861,010,557	New Orleans.....	\$585,414,714	\$1,277,399,459
Boston .....	3,649,633,321	5,432,440,419	Oakland .....	123,395,708	233,079,744
Buffalo .....	468,684,728	772,062,949	Pittsburgh .....	2,010,014,624	*
Cedar Rapids.....	30,271,163	145,686,513	Providence .....	125,577,800	383,921,700
Chattanooga.....	71,209,486	120,812,450	Richmond .....	567,159,149	921,678,138
Cincinnati .....	749,654,908	2,114,226,385	Sacramento .....	70,407,306	261,939,761
Des Moines.....	126,888,672	653,047,358	San Francisco.....	1,631,000,000	2,751,613,000
Detroit .....	925,118,939	1,151,034,000	St. Joseph.....	155,179,227	921,539,657
Fort Wayne.....	22,937,231	169,484,473	Scranton .....	61,742,536	224,333,410
Galveston .....	94,369,784	353,941,000	Seattle .....	331,443,041	733,162,825
Grand Rapids.....	69,310,130	241,683,276	Sioux City.....	76,323,589	155,516,000
Hartford .....	118,647,940	489,456,633	Spokane .....	116,927,136	329,107,859
Houston .....	312,192,816	899,040,637	Springfield, Mass.....	55,176,358	181,373,156
Huntington, W. Va.....	22,936,894	68,447,237	Stamford .....	28,257,699	*
Indianapolis .....	171,717,000	667,937,000	Tacoma .....	54,647,789	192,103,068
Joplin .....	13,567,477	29,927,611	Topeka .....	37,759,645	*
Kansas City.....	1,923,483,715	2,877,560,648	Trenton, N. J.....	43,637,559	141,905,051
Lincoln, Neb.....	46,185,121	*	Vicksburg .....	4,384,311	20,746,278
Los Angeles.....	1,015,959,000	2,743,877,000	Wichita .....	142,605,762	*
Louisville .....	296,987,282	787,692,659			
Memphis .....	203,426,350	569,290,269			
Minneapolis .....	812,227,848	2,635,850,450			
Muskogee .....	52,147,909	72,973,992			
				\$17,740,166,445	\$32,586,910,722

\*No report.





# NATIONAL BANK DIVISION



## Division Work and Progress

**T**HE Executive Committee of the National Bank Division, in session at Pinehurst, N. C., in connection with the meeting of the Executive Council, A. B. A., May 2-7, afforded an opportunity for the presentation and discussion of a number of subjects in which national banks are deeply and continuously interested. Likewise, it was the occasion for a recital of the activities and the accomplishments of the officers and the various standing committees. At no time in the history of the Division was there more genuine interest manifested in its possibilities and in its efforts. The attendance fell slightly short of 100 per cent., but the deficiency in numbers was not reflected in either the quality or the volume of enthusiasm displayed.

The necessity for an amendment to the National Bank Act to permit extensions of charters of banks which have already renewed their charters under authority of the extension acts passed in 1882 and 1902 was laid before the committee, which voted to urge such enactment.

Another amendment approved would change the law now requiring that circulating notes issued to any bank prior to extending its period of succession shall be redeemed at the Treasury Department, and that the expense of engraving new plates from which shall be printed the notes issued to the extended bank shall be borne by it. The committee recorded itself as favoring use of the same plates and notes after extension as before. By this means there would be saved the great expense of preparing new plates and printing new notes, and there would also be avoided the loss of the vast number of new notes now destroyed each year.

Also, there was presented a tentatively drawn bill for the establishment of a uniform national bank currency. The sense of the meeting was that such a currency would mean an immense saving to the government and to the banks as well. Instead of being compelled to keep locked in its vaults two or three plates for each of the approximately 8,000 national banks, the Treasury Department would need only one plate or set of plates for each denomination of note printed, and in addition the now complicated and burdensome system of recording and destruction of notes would be in a great measure simplified. The adoption of this amendment would automatically avoid the necessity for the one immediately preceding.

A suggestion that the size of national bank notes be reduced was disapproved as productive of too much inconvenience and loss in handling currency unless all notes should be treated likewise.

The endeavors of the Division were shown to have been varied since the annual convention last October, but always with a desire and intent to serve the interests of its members and be helpful to the Association of which it is a part.

President Drum of the Association appeared before the committee at its first meeting. He spoke of the work of the A. B. A., of its accomplishments and its ambitions. He pointed out co-operation as the key to a greater and more efficient Association, and he urged that each Division and Section in the performance of its individual work keep constantly before it a vision of the true purpose for which it exists and a realization of the necessity for harmonious relations with each other and cooperation with the parent body if the ends that are within the reach of the Association are to be attained.

### Federal Legislation

From the several committees charged with special duties came reports indicating their constant pursuance of the subjects given into their care. Part of the work of the Division has been to watch the progress of legislation in Congress and report thereon to the General Association and to individual members. Prevention is always quite as desirable as cure, and reports showed that in co-operation with representatives of the Association the Division was able to present to committees of Congress the banker's viewpoint on several matters inimical to banks and the banking public alike. Also it was given opportunities to make known its position of approval of certain matters of legislation proposed in the interest of sound banking principles.

### Crimes Against Banks

The serious proportions that the crime wave sweeping over the country have attained, the boldness and frequency of depredations committed against banks and suggestions for remedies and prevention thereof were discussed at length. The committee reported attempts to obtain drastic laws in several states and favored more vigorous methods to attempt to stamp out crime. It favored the enactment of a law to give Federal protection to members of the Federal reserve system and directed that a communication to the Executive Council should stress the necessity for such an enactment.

### Trust Departments of National Banks

The report submitted by the Committee on Trust Departments recognized the

almost unlimited field for beneficial action. It pointed out, too, that the work in many particulars dovetails quite closely into that of the Trust Company Division and calls for cooperation and harmony of action. However, to the committee it was equally apparent that along lines applicable to national banks alone there is need for independent action which needs not be inimical to the interests of other agencies.

It was shown that 1,390 national banks are authorized to exercise fiduciary powers, and that during the year 1920 original grants of such authority were made to 246 banks. It is quite evident that this feature of national banking has obtained a firm footing and that continued growth is to be expected, especially in the light of decisions of the highest courts in a number of states and of the United States establishing the unquestioned right of fiduciary activities of national banks in these states in the absence of permissive legislation and in the face of express statutory prohibition.

The difficulties that have been encountered in some states by national banks operating trust departments, seeking to take advantage of the opportunity afforded state-chartered institutions of depositing securities in order to avoid the necessity of giving bonds in each individual case, were pointed out. In Missouri counsel presented the facts to the Attorney General so completely and comprehensively that a favorable ruling was obtained. In New York a curative plan, the result of which is not now known, was presented to the Legislature. In Minnesota the Attorney General, following an opinion of the Federal Reserve Board, ruled adversely, though the question was later adjusted satisfactorily by enactment of a special law very recently signed by the Governor.

The question of advertising the trust department was dwelt upon at some length. Banks desiring to so advertise should present their matter in a dignified and attractive form, the phraseology of which need not be objectionable to any other agency. It was pointed out that there is a wealth of advertising matter of which perhaps all members are not advised, and that the Division could render a very helpful service by assisting them in the procurement and the placement of the more effective forms.

### Savings Departments of National Banks

The Committee on Savings Departments presented a report showing that during the last calendar year 4,599 national banks paid interest at from 4 to 5 per cent. on deposits other than bank

deposits; 398 paid rates over 5 per cent. and as high as 6 per cent., and that twenty-seven of them paid in excess of 6 per cent. Except through inquiry of the individual banks it was not possible to gather accurate statistics, though it was asserted that far the greater part of the \$3,631,000,000 of time deposits carried by national banks was in savings departments. That represented an increase of half a billion dollars during the last year.

Attention was called to the practice that has been cultivated, or at least suffered to grow, in some sections of the country of permitting depositors to check against their savings accounts. This was pointed out as a thorn in the side of conservative banking—as a violation of the principles upon which savings departments were established—and calling for some concerted attempt toward correction.

The entry of national banks into the savings field has aroused but little antagonism and has not been detrimental to other banks. It has not been devoid of good results. The publicity incident to the efforts of other banks in localities where they sought to thwart the purpose of national banks, and the competition engendered thereby have produced great accumulations of deposits theretofore not entrusted to banks and the results have been beneficial generally. The committee urged the same specialized attention to the savings department as is accorded the commercial and gave

assurance of an equally satisfactory return.

**General Activities**

Other performances by the Division as a whole and by the officers and by individual members were recounted and commended by the committee. In the report of the committee to the Council of the Association some of the work accomplished since the last annual convention was recited. This report is carried elsewhere.

The National Bank Division feels that it has opened up a field where the possibilities for service to member banks and to the Association are almost unlimited. It feels that in matters of legislation and of research and in the procurement of helpful information within the knowledge of government agencies it is intended to serve the best interests of the Association, and to this end it pledged its facilities.

**Acceptances Against Goods Shipped on Consignment**

The Federal Reserve Board recently received an inquiry as to whether acceptances drawn against commodities shipped to foreign countries, to be held on consignment by the shippers' agents until sales have been effected, are eligible for purchase in the open market by a Federal reserve bank when it is anticipated, that although the goods are not actually sold at the time the ac-

ceptances are drawn, they will be sold before the maturity of the acceptances.

The board has ruled that under Regulation A, Series of 1920, Section B, subdivision (b) (1), a draft drawn by an American exporter covering cotton consigned to his European agent may be eligible for rediscount when shipping documents covering goods actually shipped for export are attached at the time the draft is presented for acceptance, although the goods covered by the documents have not been sold, but are merely shipped on consignment to the exporter's agent abroad. Similarly the board is of the opinion that acceptances drawn under the circumstances presented are technically eligible for purchase in the open market, provided that the goods are actually shipped for export and shipping documents covering such goods are attached to the draft at the time it is presented for acceptance, and provided that in other respects the drafts comply with the law and the board's regulations governing open-market operations.

Although such acceptances are technically eligible for purchase, the Federal reserve bank before purchasing the acceptances should be reasonably sure that the goods will be sold before the maturity of such acceptances, for, as stated, the use of acceptances is proper only where it is anticipated at the time the acceptances are drawn that they will be liquidated out of the proceeds derived from the sale of the goods under the acceptance.

**OFFICIAL NOTICE**

**STATEMENT FOR MAY 1, 1921**

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 April 1, 1921.

STATE OF NEW YORK, COUNTY OF NEW YORK.—Before me, a Notary Public in and for the state and county aforesaid, personally appeared James E. Clark, who, having been duly sworn according to law, deposes and says that he is the editor and business manager 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:

<p><i>Name of—</i>                  Publisher, G. E. Bowerman                  Editor, James E. Clark                  Managing Editor, None                  Business Manager, James E. Clark</p>	<p><i>Post-office address—</i>                  5 Nassau Street, New York, N. Y.                  5 Nassau Street, New York, N. Y.                  5 Nassau Street, New York, N. Y.</p>
--	--

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.)

<p><i>Name of—</i>                  The American Bankers Association</p>	<p><i>Post-office address—</i>                  5 Nassau Street, New York, N. Y.</p>
--	--

(A voluntary, unincorporated association of 22,989 banks; John S. Drum, Mercantile Trust Company, San Francisco, Calif., President, and G. E. Bowerman, 5 Nassau Street, New York, N. Y., Executive Manager.)

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) JAMES E. CLARK  
 (Signature of Editor and Business Manager)

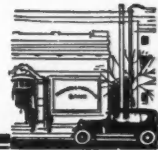
(Signed) RICHARD W. HILL,  
 Notary Public, Westchester County  
 Bronx County Clerk's No. 25  
 Bronx County Register's No. 2268  
 New York County Clerk's No. 488  
 New York County Register's No. 2356  
 (My appointment expires March 30, 1922)

Sworn to and subscribed before me this 19th day of March, 1921.

[SEAL,



# STATE BANK DIVISION



## Mid-Year Report of Division Activities

By E. C. McDOUGAL, President

*To the Executive Council of the American Bankers Association:*

The State Bank Division of the American Bankers Association now has 11,722 voting members, an increase of 531 since the first of last September. The associate membership of the Division is 1,346, making a total of 13,068. The State Bank Division particularly appreciates the spirit of cooperation now existing between itself and the other Divisions and Sections of the American Bankers Association.

The State Bank Division as a whole is not at present interested in any legislation at variance with or in addition to the general legislative program of the American Bankers Association, and the Division Committees on State and Federal Legislation are confining their activities to supporting the Association legislative program.

The Committees on Exchange—the Committee of Seven of the State Bank Division and the Committee of Five of the American Bankers Association—are cooperating with the National and State Bankers' Protective Association in endeavoring to obtain Congressional action authorizing charges for the collection of checks. The State Bank Division pays the traveling expenses of the two committees at necessary meetings, with the understanding that the National and State Bankers' Protective Association shall pay any other expenses that may be incurred. The National and State Bankers' Protective Association has engaged a man to look after the interests at Washington, but this man has no official connection with either the Committee of Seven or the Committee of Five.

The State Bank Division has gone on record as favoring legislation in respective states that will enable state banks to perform trust functions under substantially the same conditions as national banks are authorized so to do. The Division officers are giving information and explanation regarding the inauguration and operation of trust functions to members that make inquiries.

The State Bank Division has recommended by resolution the enactment of legislation in states where such legislation does not already exist, enabling state-chartered banking institutions to invest in the capital stock of Edge Act corporations on substantially the same terms as national banks are authorized to make investments of the same character.

Much of the correspondence conducted by the State Bank Division pertains to matters of bank service, and the Division is particularly interested in the work of the Committee on Public Edu-

cation of the American Bankers Association.

Not only is the State Bank Division cooperating with the National Association of Supervisors of State Banks, but its committees and officers are making special efforts to keep in close personal touch and friendly acquaintance with the individual state supervisors. Without such personal contact the cooperation between the two bodies, which is of vital importance to both, would be incomplete.

The State Bank Division is cooperating and sharing the expense with the State Legislative Committee of the American Bankers Association in a study of state banking laws, under the supervision of Judge Paton, General Counsel of the American Bankers Association, with the expectation of presenting the subject in a simple and systematic manner.

### Executive Committee Meeting

A meeting of the Executive Committee of the State Bank Division of the American Bankers Association was held at Pinehurst, N. C., Tuesday, May 3. The members of the committee present were Messrs. McDougal, Hecht and Phillips. President McDougal presided. The committee discussed in detail the activities of the Division and approved the report of President McDougal to the Executive Council of the American Bankers Association, which appears on this page. The Deputy Manager officially reported the death of Hon. Michael J. Dowling, chairman of the Division Committee on Exchange. A resolution was adopted that "The State Bank Division of the American Bankers Association has received with profound regret announcement of the death of Hon. Michael J. Dowling, doubly distinguished as a banker and a patriot, who transformed physical handicaps into mental and moral achievements."

On nomination by President McDougal and approval of the committee, Charles de B. Claiborne, director of the Whitney-Central Trust & Savings Bank of New Orleans, was appointed a member of the Committee on Exchange and made chairman in place of Mr. Dowling. Mr. J. D. Phillips, vice-president and cashier of the Green Valley Bank, Green Valley, Ill., was similarly appointed a member of the Committee on Exchange to fill the vacancy occasioned by the death of Fred Collins.

On motion, duly seconded and carried, the State Bank Division reaffirmed its former action favoring legislation in respective states that will enable state banks to perform trust functions under substantially the same conditions as na-

tional banks, and directing the Deputy Manager to give to inquirers information and explanation regarding the inauguration and operation of trust functions.

The subject of further publicity for statistics regarding state banking institutions was discussed, and a committee, consisting of Messrs. Hecht and Allen, appointed to consider the matter.

The program of the Los Angeles convention was discussed at some length and it was the sense of the committee that one full session should be devoted to the subject of Par Clearance, with opportunity for full and free discussion of the subject. The subjects of Farm Mortgages and Savings Departments in Commercial Banks were also considered as suitable subjects for the program.

### Bank Commissioner Merrick Resigns

Hon. Frank W. Merrick, Commissioner of Banking in Michigan, has resigned. Mr. Merrick has been Commissioner of Banking for the past six years, during which time the institutions under his supervision have grown from \$400,000,000 to over \$1,000,000,000 in resources, and there have been no failures of Michigan State banking institutions. He has been President of the National Association of Supervisors of State Banks since 1919 and has made his influence felt throughout the United States as an advocate of thorough and efficient banking supervision.

### New Bank Supervisors

Information has been received that in Kansas Hon. F. H. Foster has been appointed Bank Commissioner to succeed Hon. Walter E. Wilson. In Washington Hon. John F. Duke has been appointed Bank Commissioner to succeed Hon. Claude P. Hay; Hon. Wm. E. Tuttle, Jr., succeeds Hon. Frank H. Smith as Commissioner of Banking in New Jersey, and in Maine Hon. Fred F. Lawrence succeeds Frank L. Palmer as Bank Commissioner.

### Eliminating Overdrafts

Commissioner of Banking Marshall Cousins of Wisconsin is waging a systematic war against the overdraft evil in the banks under his supervision. Thus far, in the space of one year, he has reduced overdrafts over \$340,000, and in response to his report of February 21 fifty-two banks reported no overdrafts, while 316 reported overdrafts of less than one-tenth of 1 per cent.

# New Banks Organized

## ALABAMA

Andalusia—Andalusia National Bank. Capital, \$200,000. President, C. A. O'Neal; cashier, R. N. McLeod.  
Arab—Bank of Arab. Capital, \$25,000. President, Hogan Jackson; cashier, Joseph J. Bain.

Foley—South Baldwin State Bank. Capital, \$15,000. President, W. F. Hilcher; cashier, A. N. Hayselden.

Phil Campbell—First State Bank. Capital, \$25,000. President, A. M. Grimsley; cashier, W. C. Evans.

## ARKANSAS

Mammoth Springs—Peoples Bank. Capital, \$10,000. President, John Reed; cashier, J. F. Martin.

Marshall—Bank of Marshall. Capital, \$10,000. President, Sam G. Daniel; cashier, Hardy Kuykendall. (Succeeded Arkansas National Bank.)

## CALIFORNIA

San Rafael—Tamalpais Bank. Capital, \$200,000.

## COLORADO

Keenesburg—First State Bank. Capital, \$15,000. President, W. D. Bish; cashier, A. L. Austin.

Palisades—Producers Exchange State Bank. Capital, \$25,000. President, Harry B. Davis; cashier, C. B. Canfield

## CONNECTICUT

Hartford—Commonwealth Bank & Trust Company.

## ILLINOIS

Chicago—Boulevard State Savings Bank.

Chicago—Central State Savings Bank. Capital, \$50,000. President, Walter M. Mitchell.

Grant Park—The First National Bank. Capital, \$25,000. President, August Buchmeyer; cashier, P. A. Hubbell.

## INDIANA

Foraker—Farmers & Merchants Bank. Capital, \$15,000.

Knox—Farmers State Bank. Capital, \$25,000.

## IOWA

Storm Lake—Commercial Trust & Savings Bank. Capital, \$100,000. President, James F. Toy; cashier, L. W. Mitendorf.

Yale—Farmers State Bank. Capital, \$30,000. President, Wm. Cordis; cashier, Guy E. Heater.

## KANSAS

Hanover—Community State Bank. Capital, \$40,000. President, John T. Martin; cashier, John T. Murphy.

Topeka—Security Trust Company. President, J. M. Kirkpatrick; secretary-treasurer, J. V. Abrahams.

## KENTUCKY

Central City—Citizens Union Bank.

## MARYLAND

Baltimore—Atlantic Trust Company. Capital, \$500,000. President, E. L. Norton; treasurer, J. Bosley Jessop.

## MICHIGAN

Cass City—Pinney State Bank. Capital, \$50,000.

Detroit—Merchants & Mechanics State Bank.

Grand Rapids—Commonwealth Bank.  
Hermansville—The First National Bank. Capital, \$25,000. President, G. W. Earle; cashier, J. H. Woolley.

Trout Creek—Trout Creek State Bank. President, J. S. Weidman, Jr.; cashier, Percy W. Saxton.

## MONTANA

Scobey—Citizens State Bank. Capital, \$25,000. President, H. J. Christensen; cashier, L. V. Hanson.

Bearcreek—Miners and Merchants Bank. Capital, \$40,000.

## NEBRASKA

Norfolk—Security State Bank. President, Geo. H. Gutri; cashier, Chas. J. Hulac.

Stanton—Peoples State Bank.  
Verdon—Farmers State Bank. Capital, \$25,000.

## NEW JERSEY

Leonia—The First National Bank. Capital, \$50,000. President, Theodore Willich; cashier, George C. Felter, Jr.

## NEW YORK

New York—International Acceptance Bank, Inc. Capital, \$2,250,000.

Roosevelt—The First National Bank of Roosevelt. Capital, \$25,000. President, Charles E. Whitehouse; cashier, Peter Stephen Beck.

Painted Post—The Painted Post National Bank. Capital, \$25,000. President, Lyman B. Hodgman; cashier, Ray H. Stevens.

Pelham—The Pelham National Bank. Capital, \$50,000. President, L. Ogden Thompson; cashier, G. M. Hendricks.

## NORTH DAKOTA

Milton—Farmers and Merchants Bank. Capital, \$15,000.

New Rockford—Security Bank. Capital, \$30,000.

Prosper—First State Bank. Capital, \$15,000.

## OHIO

Cleveland—Reliance Trust Company. Capital, \$200,000. President, Chester G. Dixon; cashier, H. S. Cragie.

## OREGON

Prineville—Bank of Prineville. Capital, \$25,000.

## PENNSYLVANIA

Abbottstown—Peoples Bank. President, Reuben Altland; cashier, W. R. Robinson.

Philadelphia—Broad-Girard Trust Company.

Philadelphia—Mercantile Trust Company. Capital, \$200,000.

Philadelphia—Sherwood State Bank. Capital, \$50,000.

## TENNESSEE

Kingsport—Interstate Trust & Savings Bank. Capital, \$25,000.

Memphis—Madison Bank & Trust Company. Capital, \$100,000.

## TEXAS

Houston—Varner Trust Company. Capital, \$250,000.

## VIRGINIA

Lovingson—The First National Bank of Nelson County at Lovingson. Capital, \$50,000. President, W. B. Lea; cashier, H. D. Mawyer.

## WASHINGTON

Hillyard—Citizens State Bank. Cashier, S. A. Anderson.

Nooksack—Farmers & Merchants State Bank. Capital, \$15,000.

## WEST VIRGINIA

Morgantown—Commercial Bank. Capital, \$100,000. President, W. H. Davis; cashier, W. H. Ashcroft.

Williamson—Williamson State Bank. Capital, \$35,000.

## WISCONSIN

La Farge—La Farge State Bank. Capital, \$35,000. President, L. C. Bekedal; cashier, John W. Langley.

## Community Trusts

Seven points showing the advantages of the Community Trust plan to the community, to the donor, to charities and philanthropies have been summarized in a circular by the New York Community Trust, as follows:

1. The ability of the trust, through its broad powers, to transfer to live charities without unreasonable delay and expense funds left to an originally worthy but later obsolete philanthropy.

2. The opportunity afforded for the maintenance of some broad charity in which the donor is interested, while at the same time granting great flexibility in the meeting of unforeseen future contingencies.

3. The creation of a general community fund made up of unrestricted gifts from men of small means as well as from men of large means—this fund to be distributed by a committee representing the community and thinking and acting from the standpoint of the community as a whole.

4. The preservation of the principal and the proper investment of the funds bequeathed by charitable donors through the security of qualified institutions acting as trustees.

5. The possibilities for the prompt correction of under or over-endowment of memorial and similar gifts and for securing adequate endowments for worthy charities by reason of the confidence engendered in the minds of donors.

6. The facilities afforded for establishing an experimental charity in a safe and convenient way, without jeopardizing the endowment.

7. The education of the public against eccentricity and impracticability in the making of wills, by giving publicity to the failure of such cases to fulfil the wishes of the donor.

# To Avoid Cancellations

After a long investigation as to the cause of cancellations the Chamber of Commerce of the United States offers these suggestions:

Draw contracts in conformity with the law of the state in which they are completed or accepted—making the obligations of both the seller and buyer equitable.

Provide in them for arbitration in case of dispute either under the state law, rules of trade organizations, or other adequate agency.

Incorporate questions in your credit inquiries, the answer to which will establish the applicants' cancellation record.

Consider it a duty and a privilege in protection to American business standards to report on inquiry those who unjustly and habitually disregard their contract obligations.

Establish an honor roll of those who have dealt with you for a term of years according to contract or terms—and let them know why.

Where transactions cannot be covered by written agreements find means for putting a premium on good faith and insist on your employees living up to it also.

Stand for Golden Rule policy throughout your business, taking loss if necessary to demonstrate you mean it.

Without preaching, keep before your employees and your trade continuously the value of good will built on kept promises.

Urge your trade or commercial organizations to record their disapproval of all practices which have led to the present unsatisfactory conditions. It will help strengthen the weak.

Take an advance stand personally for American business integrity and let it be known. The force of example is very powerful just now.

Oral contracts are as binding as written if legal requirements are complied with; the obligation to perform is equally strong.

# Mortuary Record of Association Members

REPORTED FROM MARCH 26, 1921, TO APRIL 25, 1921

Barkham, James R., assistant cashier United Savings Bank, Detroit, Mich.  
Barney, Robt. D., president Farmers and Merchants State Bank, Kilbourn, Wis.  
Bell, H., vice-president and director First Stamford National Bank, Stamford, Conn.  
Carpenter, Chas. D., vice-president Big Rapids Savings Bank, Big Rapids, Mich.  
Clapp, Arthur B., president Brattleboro Trust Company, Brattleboro, Vt.  
Converse, Edmund C., director Bankers Trust Company, New York City.  
Dodge, Hiram D., vice-president First National Bank, Wagoner, Okla.  
Eckley, George C., vice-president First National Bank, Schenectady, N. Y.  
Fletcher, Wm., president First National Bank, Collinsville, Ill.  
Goodnow, William T., president First National Bank, Sayre, Pa.

Greene, Warren A., president Amwell National Bank, Lambertville, N. J.  
Harper, Major G. W. F., president Bank of Lenoir, Lenoir, N. C.  
Hayden, Joseph O., president Somerville National Bank and president Somerville Trust Company, Somerville, Mass.  
Hopkins, Robert D., chairman of board Drivers and Mechanics National Bank, Baltimore, Md.  
Hudson, E. F., president Citizens National Bank, Lancaster, Ky.  
Hughes, B. I., president First National Bank, Rome, Ga.  
Hughes, John, director Peoples Bank of Buffalo, Buffalo, N. Y.  
Hutson, Jesse C., vice-president Isola State Bank, Isola, Miss.  
James, Harry W., vice-president National City Bank, Chelsea, Mass.

Lippincott, Healings, vice-president National State Bank, Camden, N. J.  
McDonald, John J., president Beneficial Saving Fund Society of Philadelphia, Philadelphia, Pa.  
McKenzie, A., cashier State Bank, Eagle River, Wis.  
Newman, Wingate W., president Newman and Snell's State Bank, Niles, Mich.  
Parker, W. C., vice-president Catta-raugus Company, Bank of Little Valley, Salamanca, N. Y.  
Past, James D., banker, Washington Court House, Ohio.  
Reardon, James, president Bank of Millbrook, Millbrook, N. Y.  
Smith, Arthur H., president First National Bank, Chico, Calif.  
Wexler, Solomon, member J. S. Bache & Co., 42 Broadway, New York City.

# Changes in Personnel

Claud F. Hoffman, formerly cashier First National Bank, Wessington Springs, S. D., is now second vice-president; Earl B. Moles, formerly first assistant cashier, has been appointed cashier; Paul F. Heberlein has been advanced from second assistant cashier to first assistant cashier; Frank M. Johnson is now second assistant cashier.

The First National Bank of Montgomery, Ala., celebrated its fiftieth anniversary on April 18, 1921. A. M. Baldwin is president of the institution, A. S. Woolfolk vice-president and H. T. Bartlett cashier.

treasurer and assistant secretary. Charles W. Bostwick and Louis A. Bristol have been reelected vice-presidents and John V. Whitbeck, Jr., has been reelected attorney.

At a meeting of the executive committee of the board of directors of the Guaranty Trust Company of New York on April 21, E. M. Bentley was appointed an assistant treasurer of the company and William H. Hamilton was appointed an assistant secretary at the company's Brussels office.

Delbert Dinehart, formerly president Hudson River Trust Company, Hudson, N. Y., has been elected chairman of the board; Robert W. Evans, formerly vice-president, has been elected president; E. Washburn Scovill has been made a vice-president; Charles W. Clapper, heretofore secretary and treasurer, is now vice-president and secretary; Frank S. Clapper, formerly assistant secretary and assistant treasurer, has been elected

Fred M. Breen, probate judge of Wexford County, has been appointed trust officer of the American Loan and Trust Company of Detroit, Mich.

James W. Perkins of Montgomery & Co. has been elected president of Farmers Loan and Trust Company, New York, succeeding Edwin S. Marston, retired.

# Membership Changes

REPORTED FROM MARCH 26, 1921, TO APRIL 25, 1921

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The Executive Manager of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL.

Alabama.....	Sheffield.....	Peoples Bank succeeded by Tennessee Valley Bank.	Louisiana.....	Alexandria.....	First National Bank succeeded by Guaranty Bank and Trust Company.
Arizona.....	Wickenburg.....	Central Bank closed.	Mississippi.....	Clarksdale.....	Delta Bank and Trust Company closed.
	Willcox.....	Central Bank closed.	Nebraska.....	Blair.....	Banking House of A. Casteller closed.
California.....	Los Angeles.....	Union National Bank consolidated with Union Trust and Savings Bank as Los Angeles Trust and Savings Bank. Union Trust and Savings Branch, Pasadena, California.		Sidney.....	Huntman State Bank, Huntman, Gurley, P. O. merged with Liberty State Bank, Sidney.
	Sacramento.....	Sacramento Valley Bank and Trust Company succeeded by California Trust and Savings Bank.	New Mexico.....	Mountainair.....	Mountainair State Bank, liquidating.
Colorado.....	Keenesburg.....	First National Bank changed to First State Bank.	New York.....	New York.....	Liberty National Bank consolidated with New York Trust Co.
Washington, D. C.....		Society for Savings and Loans succeeded by Departmental Bank.	Ohio.....	Beaver.....	Bank of Beaver closed.
Florida.....	Arcadia.....	Hughes Trust and Banking Company changed to Florida Trust and Banking Company.	Oklahoma.....	Wanette.....	State National Bank consolidated with Security State Bank.
Georgia.....	Savannah.....	Hibernia Bank absorbed by Citizens & Southern Bank.	Pennsylvania.....	Beaver.....	First National Bank closed.
Idaho.....	Craigmont.....	Craigmont State Bank, Craigmont, Idaho.		Philadelphia.....	Saller and Stevenson succeeded by C. S. Patton and Company.
Illinois.....	Monica.....	Auten and Auten, Bankers, discontinued.	Texas.....	Eastland.....	City National Bank succeeded by Security State Bank and Trust Company.
	Princeville.....	Auten and Auten, Bankers, succeeded by Home State Bank.	Utah.....	Green River.....	Commercial and Savings Bank succeeded by Commonwealth Bank.
	Sullivan.....	Merchants and Farmers State Bank closed.	Virginia.....	Lovington.....	Bank of Nelson converted into First National Bank.
Iowa.....	Germania.....	Farmers and Drivers State Bank, Germania. Name of city changed to Lakota.	Wisconsin.....	Oshkosh.....	Exchange Bank and State Bank of Oshkosh consolidated as State Exchange Bank.
	Rome.....	Rome Savings Bank closed.	Alaska.....	Seward.....	Harriman National Bank changed to First National Bank.
	Sioux City.....	Union Trust and Savings Bank closed.		Seward.....	First National Bank in voluntary liquidation.
			South America.....	Bolivia.....	Denniston and Company, Orunu, Bolivia, S. A., closed.

## New and Regained Members from March 26 to April 25, 1921, Inclusive

### Alabama

Bank of Slocomb, Slocomb 61-492.

### Arkansas

First National Bank, Dardanelle 81-599 (regained).  
Planters Bank, Lockesburg 81-633.  
National Bank of Mansfield, Mansfield 81-249 (regained).  
Farmers State Bank, Russellville 81-616 (regained).

### California

Commercial National Bank, Alameda 90-102.  
Southern County Bank, El Monte 90-786 (regained).  
Crescent Heights National Bank, Los Angeles 90-253.  
Citizens State Bank, San Luis Obispo 90-259.  
First National Bank, Suisun City 90-530.

### Colorado

Fort Lupton State Bank, Fort Lupton 82-244.  
First State Bank, Frederick 82-353.  
Bank of Eye, Eye 82-428.

### Florida

State Bank of Apopka, Apopka 63-223.  
Citizens Bank, Frostproof 63-340.  
Phifer State Bank, Gainesville 63-48.  
Merchants & Planters Bank, Sneads 63-346.  
Bank of Commerce, Tampa 63-30.

### Idaho

Jefferson State Bank, Menan 92-254 (regained).

### Illinois

Rockton State Bank, Rockton 70-1989.  
Sorento National Bank, Sorento 70-1594.

### Indiana

Farmers State Bank, Churubusco 71-1052.  
First National Bank, Fort Branch 71-576.

### Iowa

Des Moines Chapter, American Inst. of Banking, Des Moines.

## BANK CHECKS

Must Be Canceled

An Uncanceled Check is a Potential Liability

Effectively canceled checks are your customers' permanent receipts.

An Acceptable Cancellation must be

Unalterable  
Definite—Legible  
And Include DATE

**CUMMINS PERFORATOR COMPANY**  
Formerly THE B. F. CUMMINS CO.

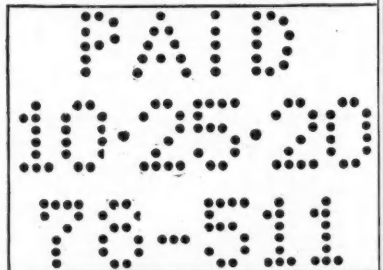
Makers of Punch Hole Marking Machines Since 1887

4752 RAVENSWOOD AVENUE, CHICAGO

NOTE—

Cut out and send us this ad and let us send you a machine with YOUR A. B. A. number—on 30 days trial—this without risk or obligation on your part.

—NOTE

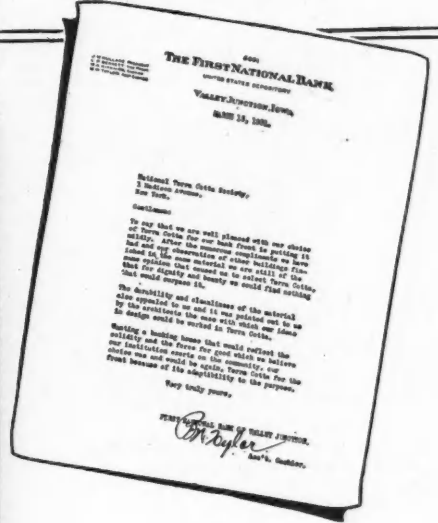




FIRST NATIONAL BANK  
VALLEY JUNCTION, IOWA

THE LYTLE COMPANY  
Architects and Engineers

Cream Matt  
Glazed Terra Cotta



*"For DIGNITY and BEAUTY—  
Nothing to Surpass It"*

**B**ANKERS are admittedly conservative. And so, quite naturally, we were pleased with Mr. Taylor's letter (reproduced above) regarding the First National Bank, Valley Junction, Iowa.

The entire front of this building is Terra Cotta. The cornice, the cartouches over the piers, and the medallions—all the detail and ornament which add so much to the building's interest—bear witness to the facile plasticity of this material.

Terra Cotta has unlimited adaptability to

form and color, combined with permanence.

Terra Cotta's remarkable fitness for bank construction is demonstrated by bank buildings all over the country. Many splendid examples are illustrated in our brochure, "The Bank." You will find it a valuable reference book on bank architecture and worthy of careful study. If you would know the story of Terra Cotta in general, ask for "Terra Cotta Defined." Either or both of these brochures will gladly be sent free to you if you will address National Terra Cotta Society, 1 Madison Ave., New York, N.Y.

# TERRA COTTA

*Permanent*

*Beautiful*

*Profitable*

When writing to advertisers please mention the "Journal of the American Bankers Association."

**Iowa—Continued**

First National Bank, Little Rock 72-994.  
First National Bank, McGregor 72-533.  
Pleasanton Savings Bank, Pleasanton 72-1531.

**Kansas**

Guaranty State Bank, Aulne 83-727.  
Marion County State Bank, Florence 83-352 (regained).  
Farmers State Bank, Kingman 83-211 (regained).

**Kentucky**

First National Bank, Adairville 73-353.  
Peoples State Bank, Frankfort 73-64.

**Kentucky—Continued**

Louisville Chapter, American Inst. of Banking, Louisville.  
Commercial Bank, Midway 73-656.  
Union County Bank & Trust Co., Morganfield 73-184.  
First National Bank, Owensboro 73-41 (regained).  
Bank of Prospect, Prospect 73-583.  
Southern Deposit Bank, Russellville 73-168.  
Smith Mills Deposit Bank, Smith Mills 73-604.

**Louisiana**

Jefferson Trust & Savings Bank, Kenner 84-192.

**Maine**

Mechanics Savings Bank, Auburn 52-52.  
Forest City Trust Co., Woodfords Branch, Portland 52-13.

**Maryland**

First National Bank, Havre De Grace 65-57 (regained).

**Massachusetts**

I. B. Reinherz, Inc., 84 Salem St., Boston 83-1378.  
Boulevard Trust Company, Brookline 53-243.  
Highland Trust Co., Somerville 53-129.

**Michigan**

Dime Savings Bank, Dix-Artillery Branch, Detroit 9-21.  
Dime Savings Bank, Military-Michigan Branch, Detroit 9-21.  
Dime Saving Bank, North Detroit Branch, Detroit 9-21.  
Dime Savings Bank, Sherman-Chene Branch, Detroit 9-21.  
Whittlesey, McLean & Co., Penobscot Building, Detroit.

**Minnesota**

First National Bank, Adrian 75-329.  
Graceville State Bank, Graceville 75-1395.  
First National Bank, Pequot 75-1440.  
First State Bank, Walnut Grove 75-575.

**Missouri**

Bank of Bloomsdale, Bloomsdale 80-1481.  
Farmers State Bank, Easton 80-1609.  
Farmers Bank, Farmington 80-270 (regained).  
Jackson County Bank, Independence 80-81 (regained). (Omitted from March list).  
Community State Bank, Kansas City 18-43.  
Corn Exchange Bank, Kansas City 18-41.  
Independence Avenue Bank, Kansas City 18-38.  
Land Credit Bank, Osceola 80-1690.

**Montana**

Anaconda National Bank, Anaconda 93-35 (omitted in error from December list).

**Nebraska**

Farmers State Bank, Concord 76-1175.  
Security State Bank, Homer 76-510.  
Obert State Bank, Obert 76-1145.

**New Hampshire**

First National Bank, Peterboro 54-120.

**New Jersey**

First National Bank, Leonia 55-516.

**New York**

National Savings Bank, Albany 29-9 (regained).  
St. Lawrence County National Bank, Canton 50-538.  
American Bank, Lackawanna 50-1011.  
Bankers Trust Co., 57th St. Office, New York 1-103.

**New York—Continued**

Commercial Exchange Bank, Broadway Branch, Broadway at 26th St., New York 1-77.  
Farmers Safe Deposit Co., 475 Fifth Ave., New York.  
International Acceptance Bank, New York 1-322.  
Romulus National Bank, Romulus 50-1028.  
Valley Stream Nat'l Bank, Valley Stream 50-1030.

**North Carolina**

Planters Bank & Trust Co., Lumberton 66-579.  
Pinetops Banking Co., Pinetops 66-416.

**North Dakota**

Citizens State Bank, Grano 77-603.  
Farmers & Merchants State Bank, Lakota 77-107.

**Ohio**

Midland Bank, Cleveland 6-90.  
Pleasant Hill Banking Co., Pleasant Hill 56-1108 (regained).  
Rittman Savings Bank, Rittman 56-1129.  
Youngstown State Bank, Youngstown 56-54.

**Oklahoma**

Citizens Bank, Meeker 86-631 (regained).

**Pennsylvania**

Seward Deposit Bank, Seward 60-1570.  
First National Bank, Shoemakersville 60-1557.

**South Dakota**

Farmers National Bank, Bridgewater 78-172 (regained).

**Tennessee**

A. K. Tigrett & Co., Central Bank Bldg., Memphis.

**Texas**

Anson State Bank, Anson 88-461.  
Guaranty State Bank, Kilgore 88-1997.  
Guaranty State Bank, Rising Star 88-841.

**Utah**

Dixie Stockgrowers Bank, St. George 97-135.

**Virginia**

Planters' Bank, Bridgewater 68-320.  
Cumberland Bank, Cumberland 68-344 (regained).  
Farmers Bank of Forest, Forest Depot 68-621.  
Weyers Cave Bank, Inc., Weyers Cave 68-455.

**Washington**

Davenport National Bank, Davenport 98-146 (omitted in error from December list).  
Dryden State Bank, Dryden 98-425.  
First National Bank, Kirkland 98-440.

**West Virginia**

Commercial Bank, Morgantown 69-97.

**Wisconsin**

Home State Bank, Bristol 79-962.  
Security State Bank, Eau Claire 79-82.  
Farmers Bank, Omro 79-633.  
Bank of Prentice, Prentice 79-655.  
Noll's Bank, Waterford 79-416.

**Canada**

Crown Trust Co., Montreal, Quebec.

**South America**

Denniston & Co., Oruro, Bolivia (regained).



## 1921 Will Make Way for Thinkers

Fighters will score heavily in 1921—the big prizes of the year are destined for men who *know and understand*.

Preparedness wins advertising and business battles. It is a product of experience with the addition of forethought and the absence of fearthought.

An important preparation period for business men in this year of 1921 is the forthcoming

### Seventeenth Annual Convention Associated Advertising Clubs of the World

Atlanta, June 12-16

There, problems of new distribution will be considered seriously and helpfully by hundreds and thousands of experience-taught minds.

In effect this meeting will be the Great Business Class Room of the current year, dealing with advertising—the powerful motivating force of modern business.

Alert business men will travel a long way for this short course in practical marketing. Be one of them. Make reservations now for your June trip to Georgia.

**Exhibits of Domestic and Foreign Advertising**, demonstrating the use of practically all recognized mediums, and arranged solely with a view to helping the convention delegate, will be a special feature which, alone, will make the trip worth while.

In June, Atlanta is at its best. High on a ridge between the Gulf and the Atlantic, fanned by cooling breezes and clad in gay summer attire, it is, as proved by United States Weather Bureau reports, a delightful place in June.

For complete information as to railroad rates, hotel reservations, etc., please address the

**ASSOCIATED ADVERTISING CLUBS**  
110 West 40th Street  
New York City

*Atlanta is famed for its hospitality*

## MEMBER AMERICAN BANKERS ASSOCIATION

Put the above sign on the windows of your bank and under your newspaper advertisements. It will help the Association and likewise help yourself.



11

y  
w

r

0  
m

on

ta

ill

20.  
rn

1).

lle

78-

g.

7.  
41.

97-

44

pot

68-

98-  
ber

82.

(re-