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Topics of the Month

THE A. B. A. CONVENTION

THE forty-fourth annual convention of the American Bankers Association will be held in Chicago the last week in September. The promise is for the largest and most important convention the Association has ever had. Within a night's ride of Chicago there are 12,000 banks, not all members of the Association, but all intensely interested in banking affairs, business conditions and the nation's progress. Ten years ago the convention at Chicago showed the largest number of registered visitors of any bankers' convention ever held. Ten years ago the American Bankers Association had 9,800 members. At that time there were about 6,800 national banks and less than 14,500 reporting state chartered institutions, or 25,000 of all kinds. There are now more than 30,000, of which 7,700 are national banks. In ten years the total banking resources of the country have increased from $17,642,705,000 in 1908 to nearly forty billions now. The membership of the Association has increased from 9,800 in 1908 to 18,700 now and probably 7,000 members are within a night's journey of Chicago.

Neither the increase in the number of banks, in banking resources nor in the membership of the Association tells the story of the importance of the convention. The figures are relative; the importance is absolute. Never before has the country been engaged in such a gigantic enterprise as the present war, whose magnitude is as well marked by the cost in dollars as by the cost in men and materials. Before another year has passed the debt of this Government will reach fifty billions, and billions must yet be raised by loans and taxes.

The burden of these great financial undertakings falls on the banks. Their duties are no longer limited to the routine credits of business. Their operations and their opportunities are vitally affected by every turn of the government's financial wheel. Like agriculture and industry, the banks must furnish fighting men. Like the others they must ignore depleted forces and take on new work. They must sell bonds, advance money, keep books for the public, act as fiscal agents for the treasury and stand guard over the forces of production. They must watch legislation, anticipate conditions, keep business confident and forget about profits. They stand firmly as the bulwark of the nation and it would be more than surprising if they do not flock to Chicago in unprecedented numbers to discuss the great events in which they are playing such conspicuous parts, to contribute of their experience and knowledge to their fellows and to gather information and inspiration from the treats in prospect.

Business after the war is to the prudent of only less concern than the present great business of winning complete victory. The world's outlook on business has changed. Everything economic is in a state of flux. Governments, by common consent, are engaging in enterprises foreign to their natures. They are "taking over" business, we often hear. It may be nearer the truth to say that business is taking over government. There has been a change in both. Business finds opportunity for the ultimate demonstration of its ability to produce materials regardless of profit; government finds opportunity for new demonstration of its capacity to foster and encourage business. The most conservative thinker of unprejudiced mind is as yet not sure that the government should go on operating the railroads, but he is very sure that there should be no return to the wastefulness and extravagance of the competition formerly enforced by law.

There is, among numerous other things, a manifest tendency to force a departure from the general system of banking now in vogue. Regardless of the advisability or desirability of a change, the bankers are supremely interested in any prospective change. It is obvious that they must stand together. Too long have the political powers exercised their will without regard to consequences other than the realization of some theory. By playing one set of bankers against another, by forcing divisions, they have found it possible to nullify or mitigate the force that could be exerted by all.

The Chicago convention in September is likely, therefore, to set a new mark in banking progress and focus the attention of bankers on the things essential to the welfare of the nation. There should be 10,000 bankers in attendance.

THE NEXT LOAN

The next Liberty Loan is tentatively scheduled to begin September 28 and end October 19. Only the probable dates have been announced. The amount will be fixed after a careful examination of the condition of the treasury and an estimation of income from all other sources. It is assumed that the loan will call for something between six and eight billions. Even if it is the smaller amount the capacity of the country to buy bonds will be put to a new test. The reduction of the time of the campaign to three weeks will call for fast preparatory work and sharp action.

The indefinite continuation of the war, as well as previous experience, indicate that the country will be on a basis of four loans a year. What can be done is well known from what has been done. For instance, we know that the people can buy and the money market can digest a $4,000,000,000 bond issue in approximately three months without any serious disturbance. The digesting process is made easier and quicker by the issuance of treasury certificates in anticipation of the loan. It has not yet been proved by experience that a bond issue of $6,000,000,000 or $8,000,000,000 can be absorbed. But we may look forward with confidence. A tremendous educational work was done in the previous three loans. The people have been made fully aware of their responsibilities. The organizations are experienced and from dozens of experiments the plans that will work have been sifted out. There are now something like 16,000,000 owners of Liberty bonds. Every one of them knows how to handle his finances to permit the purchase of these securities. The banks have their partial payment plans worked out. In fact, for the fourth loan, half the work that was necessary in the first and second, has been done, and much was done in the third that will not have to be done over again. In addition to everything else, the soldiers of the United States are fighting in France. They have justified the hopes of the country and disappointed the sneering Huns. Their deeds of valor and sacrifice send thrills through every American heart. They are daily advancing unanswerable arguments for support from home. Three weeks should be time enough in which to demonstrate that the machinery for fighting is perfectly co-ordinated with the machinery for financing.

WAR SAVINGS

The War Savings campaign received a great impetus in July. The well-organized forces redoubled their efforts. Thousands of pledges were secured for future savings, but the money receipts tell only a small part of the story of economy and sacrifice. Inculcating habits of thrift is of greater importance than the returns in dollars and cents. Stamps bought are only one form of expressing the thrift idea. There have been many purchases of war stamps to the maximum amount of $1,000. Such purchases, however, if paid for by a check against funds in bank, are much less significant and of no greater value, than the gaining of one stamp through self-denial and curtailment of the customary expenditures.

The treasury has profited to the extent of nearly half a billion through the sale of stamps, but the people have profited infinitely more through the practice of economies that emphasize appreciation of the needs of a country at war. There are districts whose chairmen say boldly they do not care for sales of stamps in large lots. If these can be paid for out of money saved they are appreciated; the primal purpose is to encourage the saving habit in everyone.

If economy is increased and saving becomes the universal rule, the money product will take care of itself.

LABOR AND THE WAR

In the whole scheme of war economics nothing has been more vexatious than the question of wages and the attitude of organized labor toward industries essential to war. Strikes have been frequent and compulsion has been used as well to delay munitions and ships as against trades not directly connected with war work. Employers have made blunders and the government has often disregarded costs in the desire to secure speed. The "cost plus" contracts exercised a disorganizing influence and sent wages skyward.

But profiteering has been under the ban from the beginning. It may be controlled by taxation against the earnings of capital and curtailed by the rationing of materials. But labor profiteering went unrestrained until the plan to go into effect August 1 was developed. After that labor will not 'e allowed to shop around for the highest wage to be found anywhere. It will be placed where it is needed. The War Labor Policies Board has announced that its purpose is to establish for the nation the same standards that have been set in specific trades by labor bargains. This is not to be construed as a precedent, but solely as a war measure. Trades may not bid against each other for workmen and non-war business will not be allowed to outbid employers engaged in war work.

This plan will end the custom of appeals by wage-earners to the government. The government becomes a party to every agreement and will enforce every agreement thus reached. This policy will place upon labor the necessity of living up to its agreements or admit its disloyalty.

This obligation of regarding its contracts with seriousness will not be considered a hardship by anyone outside of the unions. Labor will be placed in the same position as capital and the standardized wage will be only another form of price-fixing which we have learned by experience leaves the maximum as the minimum also.

If labor declines to abide by these terms and rules, the compulsory inference will be that its purposes are political, not economic or patriotic, and it seeks to make war the excuse for the nationalization of industry.

ECONOMIC READJUSTMENT

In business, as it is affected by the varying forces called into play by war, the tendency is toward placing everyone on the same basis of reward that soldiers get, less the physical pains or the ultimate sacrifice. In other words, there is evidenced a general belief that no one should profit from the war. The man at the front and the man getting ready for the front offer everything for the nation's success. The man at home should have no advantage; whatever he gives, it must be less than many thousands at the front have given and it cannot be more than many thousands are ready to give. We have not yet come to regard life as cheap or profit as the one aim of all effort.

In fact profit has been displaced by service as the aim of effort. This is one of the benefactions of the war. It is this that is forcing all the readjustments which extend not only economically but reach out and pervade all departments of activity.

The readjustments are going on before us constantly. The one counteracting or hampering influence is the necessity of keeping business going. To denounce the profiteer is not to denounce profits. There must be gain and the incentive to it or our economic structure would crumble. Heed must be given to the intricate relationships of business and their interdependencies. If we concede profits as an incident to service we must concede taxes as the equitable consequence. If we deny the workman the wage that competitive bidding for his services and the power of his union may give, it is only to deny him what is being denied his employer. These, too, are the incidents of service.

A survey of the situation in its larger aspects shows many new and strange forces at work in bringing about these readjustments. Governmental and legislative power are conspicuous but not less interesting is the general willingness to surrender personal advantage or benefit, once the way is cleared of inequities. There is, in fact, no difficulty quite commensurate with that of getting exact justice into the new adjustment. Nobody objects to taxes provided everybody is equitably taxed. It has been the inequities of the tax scheme that have caused the complaint. The spirit of those charged with making the new tax bill is different and better and the product of their efforts will be better for that reason.

It is a slow process by which the multifarious activities are brought into new relationships and given a new purpose, but slow only in contemplation of the speed desired. In reality the changes are coming with remarkable swiftness and they are being accepted with remarkable unanimity. When the first impulse and the final desire of everybody is to serve, the gain of a living will still be assured but there will be neither waste nor extravagance. The measurable realization of this ideal will instantly allay fear of failure and bring assurance of success.

TAX PAYMENTS

Several months ago the bankers of the country were very much concerned over prospective Federal income and excess profits taxes: They strongly urged that the government permit of instalment payments; they feared that many of their clients would find great difficulty in meeting their tax bills; they felt convinced that the demands that would be made upon them for loans for the purpose of effecting tax payments would be so large as to subject the banks to a great strain; they looked forward to a money "stringency"; and in short, the matter of providing for the Federal tax payments appeared to present a most trying problem, with great and dire uncertainties.

As June 15 approached, some of the bankers began revising their earlier views, and eventually when the Internal Revenue Collectors closed their offices at midnight of that date and a hasty survey was taken of the situation it was discovered that the tax day had come and gone and that the banks were none the worse for it. The tremendous payments were effected without embarrassment and, strange as it may seem, without causing any disturbance to the money market. The transaction was concluded with the utmost ease—with such surprising ease that it was a matter of astonishment to the financial world.

The latest available figures show that the total income and excess profits tax receipts for the whole country amounted to $2,821,340,801, and that other revenues brought the total of internal revenue receipts to the sum of $3,671,918,236.

The reason why these huge tax payments were handled so smoothly was that the Treasury Department exercised good judgment and foresight in taking steps to facilitate the work of collection, and more particularly the task of redistributing the tax receipts after collection.

Early last November the Secretary of the Treasury decided to offer for public subscription 4 per cent. treasury certificates, maturing June 25 and acceptable in lieu of cash for the payment of taxes. Each succeeding month he made a similar offering and the total of the certificates sold amounted to about $1,535,000,000. The following table shows the sales each month:

Certificates Dated	Amount
November 30, 1917	$690,000,000
January 2, 1918	490,000,000
February 15, 1918	80,000,000
March 15, 1918	100,000,000
April 15, 1918	70,000,000
May 15, 1918	105,000,000
	$1,535,000,000

There were two distinct advantages in the sale of these certificates. In the first place, the government placed itself in the position where it could anticipate the tax receipts. In the second place, by the sale of the certificates it afforded taxpayers an attractive investment pending the payment of their taxes. The monthly sale of the short-term obligations also had the effect of bringing about a gradual withdrawal of funds from the banks for tax purposes instead of creating a situation where practically all of the tax payments would be made within a day or two and thereby cause an unusual concentrated strain on the banks.

Besides arranging for the sale of these tax certificates, the Treasury Department, in co-operation with the Federal reserve banks set up a plan by which the checks received by Collectors of Internal Revenue in payment of taxes were promptly redeposited with the banks on which they were drawn and the amount of the checks credited to the account of the treasury as a government deposit. Under this arrangement, the tax payment transaction resolved itself into a simple book entry, the individual bank debiting the account of its depositor and crediting the account of the government. This plan worked out so well that there was no need for any shifting of funds or any readjustment of the position of the various banks.

As a result of these efforts, the banks, instead of suffering by reason of the tax payments, in reality benefited from the operations because the conversion of a general deposit into a government credit released the normally required reserves, the law providing that banks need not maintain legal reserves against government deposits.

Experience proved that corporations and individuals did not find it necessary to borrow money from their banks for the purpose of meeting their tax bills—as had been expected by a great many bankers—and the total loans of this character were relatively small in the aggregate.

To the great success of the Liberty Loan campaign and Red Cross drives must be added the splendid showing made by the United States in regard to the heavy tax payments.

OLD GOLD AND SILVER

With the co-operation of the Government Assay Office, the women of New York City have opened an office at which old gold and silver may be presented for appraisal and sale or transformation into War Savings stamps or certificates. The office has been doing a thriving business. All kinds of articles of jewelry and plate have been offered, and at times the appraisers have been several days behind in their work. The articles are sent to the assay office where a nominal charge is made for converting the materials into a product of the fineness demanded for coinage purposes.

If the plan were given nation-wide application the sum of the country's gold and silver stocks would be appreciably increased. Aside from gold and silver articles, treasured for various reasons or in constant use, there is a great quantity of what may be called gold and silver junk held in the millions of homes of the nation. The greater part of it is to be classed as valuable war material going to absolute waste. Its conversion into War Savings stamps or certificates would have the double value of putting it into investment form and increasing the resources on which the credit of the nation is built up.

Germany long ago called for all the materials of this kind that could be garnered. Undoubtedly the same thing has been done in France and the other belligerent nations. The opportunity in this country is greater than in any of them. This idle and useless gold and silver should be brought to light and put to work. The plan adopted in New York seems adequate and it is working well. The treasury is interested and the franking privilege has been used for the sending out of thousands of circulars. The assay offices will give aid and encouragement.

REGISTER LIBERTY BONDS

As Director-General of the Railroads, Secretary McAdoo recently advised all railroad employes who are the owners of Liberty bonds to have them registered. The question of the care and custody of the bonds held by many millions of owners is becoming daily more important. The Treasury Department has given it considerable study. Liberty Loan Committees are making extensive investigations, but, as yet, the problem has not been solved.

The easy way was to have the banks assume responsibility for the safe keeping of the bonds. This has been extensively done and many institutions have done it for their customers without charge. But custody involves risk and responsibility, and vault and safe capacity is in many places limited.

While the conditions are being thoroughly investigated, bonds valued at many thousands of dollars have been lost or stolen. Acting in co-operation with the Treasury Department, the Federal Reserve Board and the Federal reserve banks, the Protective Department of the American Bankers Association has undertaken to gather information about lost or stolen bonds and to publish it in the Protective Section of the JOURNAL monthly. It will be of great assistance in this work if all banks will report promptly to the Protective Department the loss of any Liberty Bonds, with number, series and amount. A card index of lost bonds will be kept and information as to any bond whose loss has been reported will be instantly available.

MAJOR DELANO

Frederic A. Delano, after nearly four years as a member of the Federal Reserve Board, is now a major in the Engineer Corps and will leave soon for France. There his long experience and ability as a railroad man will be found of marked assistance in working out the problems incident to the vast army transportation system and the construction of terminals for the ports where supplies are handled.

Major Delano's departure from Washington was the first break in the personnel of the Federal Reserve Board as it was originally constituted. In the make-up of the Board, as provided by law, he was rated as a "representative of industry," as distinguished from the men of "actual experience in banking or finance," and geographically he represented the Chicago Federal reserve district.

While still a railroad president, Major Delano was interested in finance and he was a close student of the suggested plans for the reformation of the banking system which began with the Aldrich-Vreeland Act and continued with the work of the National Monetary Commission. He was, therefore, unusually well equipped for the position on the Federal Reserve Board.

The wisdom of his selection was more than justified in the work he has done during his incumbency of the position. His broad grasp, familiarity with business conditions and his knowledge of men, all found opportunity for application in this pioneering work of organizing and building up the new banking system. He has worked indefatigably on the many problems and has stood sturdily for soundness and democratic methods. The bankers of the country will wish him success in his new field of effort and regret over his departure will be mingled with the hope that in the selection of his successor the same wisdom will be displayed and the same good fortune be realized.

GERMAN PROSPECTS AFTER THE WAR

Germany seems to be very much aware that the war against her is economic, as well as military. The former is as much a matter of concern as the latter, and her business men regard it as the more serious. The military struggle can be ended by victory, defeat or a draw and peace can be negotiated. Whatever happens in that regard Germany as an economic unit will remain, but the position she will occupy in the world of trade depends not on Germany, but on the world.

Having set out to bring the world under her commercial domination by the exercise of her military power, Germany is now wondering if she can retain or regain a commercial position if she suffers a military defeat or the struggle goes to a draw. It may be regarded as a confession of doubt of the military outcome when the German economists and business men begin to consider and speculate on the future of her trade and the economic attitude of her present enemies. Such speculations have great significance, if it is conceded that commercial ascendancy was the aim of German arms. There are two phases of the question—what the allied and neutral nations will do and what plans they are discussing and how Germany regards this half-formed but wholly-planned economic alliance against her.

The movement against Germany and Germany's position after the war is both official and unofficial. Lord Robert Cecil, British Under-Secretary of State for Foreign Affairs and Minister of Blockade, in a comprehensive statement last month, said that an economic association of twenty-four allied nations is already in existence. President Wilson fixed the qualifications which Germany must declare for admission when he said last December that if the German people, after the war is over, should "continue to be obliged to live under ambitious and intriguing masters interested to disturb the peace of the world," it might be impossible to admit them to the partnership.

Lord Robert showed that Germany is the one obstacle to free economic intercourse among the nations. Her whole policy toward all the groups of peoples, from the Artic to the Black Sea, is contrary to the trade principles the allied nations indorse. Economic independence and free choice are about the last things Germany seems disposed to allow the peoples within her reach. It has been practically demonstrated that Germany has given to the nations she has conquered exactly what she planned to mete out to the world.

There has been no change in Germany's attitude beyond some sophistical statements as to Belgium and an unswerving claim that a condition precedent to everything is the restoration of her lost colonies.

However, Germany is wondering, and apparently alarmed over the economic agreement against her. Spain, Holland and the three Scandinavian countries are the only European countries not at war. Germany has lost her last African colony. Japan and China are arrayed against her. In the western hemisphere Cuba, Panama, Brazil, Guatemala, Nicaragua and Costa Rica have all declared war against Germany, and Bolivia, Honduras, Hayti, Peru, Uruguay and Ecuador have all severed diplomatic relations with her.

Thus it is no longer necessary for three or four or ten nations to enter into a compact against Germany; twenty-four nations are already bound together by unanimous adherence to well-defined principles, and they have only to agree to work together in economic union.

This economic confederation, based on principles of free choice and independence, have within themselves certain movements which may not be ignored. The British Seamen's Union, in ordering a boycott against Germany last year, provided that one month be added to the boycott's term for each new atrocity. The sinking of the hospital ship, *Llandovery Castle*, automatically extended the period to five years and nine months. The merchant seamen of France have given this boycott their indorsement. The Liverpool Cotton Exchange, by unanimous vote, has resolved that no member should trade, directly or indirectly, with Germany or Austria for ten years after the war. The American Defense Society has begun a campaign for a boycott of German manufactures. These are only a few of the actions already taken. Some millions of persons have already made individual resolutions, and it would be more than strange if some of them do not live in Norway, thousands of whose sailors have been drowned and whose ships have been sunk indiscriminately.

A DEAD LANGUAGE

The effort to extirpate the German language from American schools is progressing successfully. The German language newspapers have decreased in numbers and influence. A German word falls with a jarring sound on the patriotic ear. The use of one provokes a violent reaction. Sentimental objections that literature, like music, is universal, invariably miscarry. Germany has given the world little of literary value and that little is generally a Jewish product. The reasons for uprooting the German language are, however, far from sentimental. Germany has realized the value of extending the use of the Teuton language. It has been part of the policy of exploitation. The forced teaching of German in Poland and Alsace-Lorraine and the suppression of other tongues are characteristic. Bismark said that the greatest obstacle to Germany's penetration of world markets was the wide use of English.

The elimination of the German language is, therefore, to be regarded as part of the war against Germany and part of her punishment for upsetting the world. It will stand also as a barrier to any German plans for the exploitation of things German after the war is over.

The reasons then are both military and economic. They are also, from the American viewpoint, social. This country has suffered a diminution of its democracy and unity from the clannishness of foreigners and the upbuilding of German quarters in cities and of German rural communities. If the process of Americanization is to be successful, the German language must go. It is a harsh, guttural, growly language. Spoken, it assaults the ear; written, it is a blur of ink.

GERMAN PLANS

Germany's response to these movements is varied, but always characteristic. The professors make learned diagnoses of Germany's economic independence, drawing their conclusions from an assumption that Russia, Persia, Turkey and the Near-East will remain as a field for her efforts at exploitation. There is almost daily an inventorying of prospective assets and new assurances that even if Russia and Persia can't raise enough cotton that "paper yarn of quite good quality" is being produced and the "manufacture of textiles from nettles has been resumed." Rubber cannot be had, but "a good substitute for the tropical raw material has been produced"; there will be a shortage of leather, but Germany exported so much formerly that the supply will undoubtedly be sufficient for her domestic needs, etc.

An analysis of the great variety of these articles indicates that Germany is whistling to keep up her courage. This conclusion is verified now and then by some traveler who says the constant question Germans ask themselves is whether the world will associate with them in the future. Even the neutral observer may no longer ask himself if such questions mark the workings of a guilty conscience, because even the neutral observer concluded long ago that there is no such thing as a German conscience.

Germany is an outlaw nation. Whatever the outcome of the war, she will be shunned of men. A century of penance and decent living will be too short to purge her of her crimes against decency, humanity and civilization.

A. D. W.

Financing the War Industries

Operations of the War Finance Corporation Show the Working Out of a Process of Evolution—The Question of Assistance to Public Utility Companies Still Not Adjusted—Record of the Former Capital Issues Committee of the Federal Reserve Board.

BY HOMER JOSEPH DODGE
Editor "Bankers' Information Service"

LIKE practically all new governmental enterprises, the War Finance Corporation, recently created by Congress to extend financial aid to war industries, is having difficulties in settling down to a stable program of operation. With its machine scarcely yet in action, it has been assailed by growing pains.

No sooner had the American people entered the war, bringing new calls upon the financial resources of the country, than it appeared that some new government institution must be created to aid in handling the financing of the great industrial machine upon which successful prosecution of the war so greatly depends. The War Finance Corporation, a half billion dollar company, owned by the government, was established by Congress to bring the desired aid when the normal sources of money were too insistently called upon by heavy tax measures and heavier war loans.

The War Finance Corporation Act opens two avenues through which war industries may obtain aid. They are, first, the indirect method, provided by Section 7 of the Act which says that Corporation may make advances

"To any bank, banker or trust company, in the United States, which shall have made, after April 6, 1917, and which shall have outstanding, any loan or loans to any person, firm, corporation or association conducting an established and going business in the United States, whose operations shall be necessary or contributory to the prosecution of the war, and evidenced by a note or notes, but no such advances shall exceed 75 per centum of the face value of such loan or loans, and to any bank, banker or trust company which shall have rendered financial assistance, directly or indirectly, to any such person, firm, etc., by purchase, after April 6, 1917, of its bonds or other obligations, but no such advance shall exceed 75 per centum of the value of such bonds or other obligations at the time of such advance, as estimated and determined by the Board of Directors of the Corporation."

These advances shall be for a period not exceeding five years.

The bankers of the country have voiced some opposition to this method as placing upon them the burden of tying up their capital, or securities representing it, for long periods of time—a practice repugnant to the principles of the Federal Reserve Act and modern commercial banking practice. Some of these bankers do not regard this measure of aid as very material.

The second method, as provided by Section 9, is as follows:

"The Corporation shall be empowered and authorized, in exceptional cases, to make advances directly to any person, firm, corporation or association, conducting an established and going business in the United States, whose operations shall be necessary or contributory to the prosecution of the war (but only for the purpose of conducting such business in the United States and only when in the opinion of the board of directors of the Corporation such person, firm, etc., is unable to obtain funds upon reasonable terms through banking channels or from the general public), for periods not exceeding five years from the respective dates of such advances, upon such terms and subject to such rules and regulations as may be prescribed by the board of directors of the Corporation. In no case shall the aggregate amount of the advances made under this section exceed at any one time an amount equal to 12½ per centum of the sum of (1) the authorized capital stock of the Corporation ($500,000,000) plus (2) the aggregate amount of the bonds of the Corporation authorized to be outstanding at any one time when the capital stock is fully paid in."

The section further provides for the giving of acceptable security, and throws other safeguards about the transactions contemplated.

The method of obtaining financial assistance offered by Section 7—the indirect method—is said by the banks to be not wholly acceptable because they must invest their funds on a long-time basis. The second or direct method afforded by Section 9 is not available except in emergencies. This stops any easy outflow from the capital stock of the Corporation.

But the directors of the Corporation take the position that their fund is an emergency fund and should not be brought into use except upon imperative call, in the event of which the obstacles will seem slight compared to the need. The fact that such an emergency fund exists will stabilize the money market and aid in financing war industries.

In a number of cases in which industries have applied to the Corporation for loans and the Corporation has signified a willingness to grant them, the need has vanished because on the strength of the willingness of the Corporation—a government body—to grant assistance, the banks, which theretofore had refrained from financing, had come forward and agreed to make the desired loans.

In this respect, the Corporation already has operated in the same manner that the famous Cotton Pool did on the outbreak of the European War in 1914. It will be recalled that although a $100,000,000 pool was formed to save the cotton crop, it was not drawn upon, the very existence of this stabilizing influence being sufficient to prevent a drop in the cotton price.

The fact that comparatively little business has been done so far by the Corporation therefore does not annoy the directors. They feel that they are serving by merely standing and waiting, their readiness to aid being as good as the tangible aid itself.

Members of the War Finance Corporation have largely taken the criticism directed toward them as a matter of course in line with normal development. They recall that the Federal Reserve Board in its early days was the target of a great amount of criticism of methods which the Board has outlived. It will be remembered that in the early days of the operation of the Federal reserve system, the banks declined to engage in rediscounts, entertaining a belief that to do so would to some extent impugn the solvency of their institutions. It was not until some of the foremost bankers and government officials in the country urged the adoption of a rediscounting policy at the convention of the American Bankers Association last September at Atlantic City that rediscounting commenced in any considerable volume. The War Finance Corporation feels that the same process of development must be passed in connection with the making of advances to war industries through the indirect system, that is, through the banks. It is felt here that the existing prejudice on the part of the banks against making advances which will place capital in a static position will pass away.

At least it can be definitely stated that no effort is being made by the Corporation to secure amendment of the Act in this respect. For the first months of operation, the effect of the attitude of the banking community doubtless will be to increase the number of direct loans which the Corporation must make.

Partially because of the hesitancy on the part of the bankers about tying up their funds in long-time loans, the indirect method of financing has not been much used. Several indirect loans have been effected by the Corporation, through banks, but these have not been as large or important as the direct loans made. The Corporation has not made announcements of the indirect loans, only those made by the direct system being made public.

Up to July 20 the direct advances made by the War Finance Corporation amounted to $42,555,500, of which $1,000,000 was advanced at 6 per cent. interest and the balance at 7 per cent. These advances were as follows:

May 23	To The Northwestern Electric Company	$1,000,000*	6%
May 28	To The United Railways of St. Louis	3,235,000	7%
June 20	To The Brooklyn Rapid Transit Company	17,320,500	7%
July 16	To The Bethlehem Steel Corporation	20,000,000	7%
		$42,555,500	

The advance to the United Railways of St. Louis was followed by an attack on the Corporation in Congress, it being alleged that the St. Louis Railways management had not been of a character to merit aid from the government, especially in view of the fact that the Corporation had adopted a policy of not, as a rule, aiding public utilities.

The public utility question has been one which has brought forth several expressions from the Administration, including one from the President in which he declared that local communities and local regulatory bodies should be liberal in granting increased rates to public service corporations in these war times to enable them to meet the increased cost of operation.

Secretary of the Treasury McAdoo has expressed it as his opinion that the public utility question should be disposed of by the granting of rate increases; and the War Labor Board, of which former President Taft is a joint chairman, has declared that if necessary to grant living wages to employees, public utilities should have higher rates.

The state railway and public utilities commissions have not been in thorough accord with this view, many of them holding that there has not been a measurable change in the elements of what constitutes a reasonable rate. The position of these commissions has been that charges of such a general nature as public utility rates are based on principles which should not be disturbed by seasonal and abnormal fluctuations in costs.

(*Authorized but not paid out.)

It is stating it mildly to say that the business and financial community of the United States was disappointed when the War Finance Corporation evinced an early disposition to route the most of its assistance indirectly through the banks, absorbing into more or less permanent use their capital, which modern banking practice has ever increasingly dictated should be kept liquid and free of the trammels of fixed investment. The atmosphere of the proceedings leading up to the enactment of the War Finance Corporation Act had been wholly such as to lead financiers and business men to believe that a direct measure of financial aid unsnared by any red tape was contemplated.

In the February issue of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, I pointed out that the War Finance Corporation Act would develop not so much as an emergency aid in financing business as a measure for the conscription of capital and that regulation of wealth would outweigh assistance to capital in the operation of the law. This has been the course pursued, the Corporation seeking to guide the banks' funds into definite channels which the government approves and the Capital Issues Committee seeking to curtail the use of capital in any enterprises except those having the sanction of the Administration.

The question of the measure of assistance to be given public utilities has been one of the most vexed questions which so far has come before the Corporation and the Committee. Although the public utilities of the country, laboring under increased wage and material costs and generally unable to increase their rates, had confidently expected that the enactment of the new law would bring them relief, a new situation confronted them as soon as the Corporation was organized. On May 24 the directors of the War Finance Corporation issued a statement to the public reading as follows:

> The directors of the War Finance Corporation have under consideration applications from many public service corporations doing business in various sections of the country for loans aggregating a large amount.
>
> The directors of the War Finance Corporation do not feel that they have any authority under the law to make loans except upon adequate security as required by the Act, and they are convinced that the inability of a utility company to earn a sum at least sufficient to pay its fixed charges, taxes, maintenance and repairs, is conclusive evidence of the inadequacy of its own obligation as security. The directors of the Corporation feel that the localities served by these various public utility enterprises should not expect the War Finance Corporation to make advances to any utility company whose statement shows that it is in actual need of increased revenue. It is a matter for the local authorities to determine whether or not an increase in rates sufficient to maintain the enterprise as a going concern should be granted. It is urged, therefore, that the proper authorities give prompt consideration to applications made by public utilities for permission to increase rates, in order that the directors of the War Finance Corporation may know when applications for loans are presented by public utility corporations whether or not they will be able to give adequate security.

Attentive to the teachings of the advocates of the Federal Reserve Act, the American banking community had generally accepted the theory of absolutely liquid investments for the commercial banks of the country. More and more, in recent years, the investment banking business, except certain pretentious railroad and vast industrial financing operations, has been segregated to the investment banking field, while the great commercial banks have confined their operations to short-time loans. This theory is the fundamental basis of the Federal Reserve Act and the regulations of the Board are perhaps firmer upon the question of absolute liquidity of investments than upon any other point.

This being so, the adoption of the attitude that the indirect loan method of assistance presented by the War Finance Corporation should be resorted to wherever possible, leaving the direct loan method inoperative, came as a distinct surprise.

The Corporation announced that it would not make advances to such enterprises as public utilities where the bad condition of the companies made their securities weak (which, of course, was the very reason why assistance was needed), and yet the suggestion was made that the indirect method of financing through the banks was preferable to direct aid from the point of view of the Corporation and therefore should be adopted. This placed the banks in the position of being expected, to some extent, to bear the burdens regarded as too heavy for the institution set up for the purpose of giving emergency aid.

The attitude of the Corporation was set forth in the following statement issued by that body on May 28:

> In view of the applications for direct advances which have been filed with the War Finance Corporation, the directors wish to point out that an erroneous impression seems to exist in certain quarters that the Corporation is intended primarily to make direct advances to borrowers under the "exceptional cases" clause of the Act. This, however, is not the purpose of the Act, which was designed primarily to enable credit to be extended by the War Finance Corporation through the banks of the country to "war industries"—that is, to those industries whose operations are necessary or contributory to the war. In other words, the resources of the War Finance Corporation are not intended to be loaned directly to war industries unless in an exceptional case, but only indirectly through the banks. As the Secretary of the Treasury stated before the Committees of Congress when the bill was under consideration, "the provision of the bill permitting direct loans by the Corporation, in exceptional cases, is intended to provide for those *rare* instances where it may be made to appear to the Corporation that a *meritorious* borrower is being unwisely discriminated against by the banks." In the progress of the bill through Congress advances under the exceptional cases clause were further restricted both as to security and as to the amount which could be advanced—thus indicating the intention of Congress that in order to obtain an advance under this clause the borrower must show some exceptional circumstances clearly entitling him to relief.
>
> In no circumstances was it the intention that the War Finance Corporation should make loans except upon adequate security.
>
> It is expected that the greatest usefulness of the War Finance Corporation will be found in its operations through the banks. As the Secretary of the Treasury stated before the Senate Finance Committee, the organization of the War Finance Corporation should be regarded "primarily as a measure to enable the banks, * * * to continue to furnish essential credits for war industries and enterprises which are necessary or contributory to the prosecution of the war. In Europe central banks, which correspond to our Federal Reserve Banks in a sense, are permitted to grant to banks and bankers loans upon stocks and bonds upon certain well-defined terms; but here the Federal reserve banks are not permitted to do that, the Federal Reserve Act having specifically contemplated advances of that character only upon what we call liquid or commercial paper, and therefore the Federal reserve banks are not permitted to rediscount any paper for their banks which is secured by fixed investments. The Federal Reserve Act does not provide for this, and the War Finance Corporation is designed as a war emergency to fill this gap."
>
> The Corporation was organized to provide an instrumentality to which the banks of the country could resort to obtain accommodation on advances made by them to war industries upon a character of security not available for rediscount at a Federal reserve bank. It is hoped that as need arises the banks of the country will avail themselves of the facilities thus afforded so that they may be amply able to extend credit to those industries of the country which are necessary or contributory to the prosecution of the war.
>
> From the applications received by the War Finance Corporation there seems to be an impression in certain quarters that the Corporation was specially designed to provide funds for meeting maturing obligations, particularly those of public utility companies. The law expressly provides that the Corporation shall not make *direct* advances to provide funds to meet such maturing obligations except possibly in some rare case which could clearly be brought within the "exceptional cases clause." Of course, the Corporation will stand ready to lend its assistance to banks and bankers in proper cases where they have themselves made advances to war industries, whether for the purpose of meeting maturing obligations or otherwise, and direct advances in deserving cases that come clearly within the provisions of the law.
>
> Holders of maturing obligations, whether of public utilities or of other concerns, which may find themselves unable because of temporary conditions to meet their commitments punctually, should consider whether in the public interest as well as their own they should not co-operate by consenting to reasonable renewals. Public utility companies particularly, in co-operation with the communities in which they operate, should have the opportunity of adjusting themselves to the changed conditions brought about by the war.
>
> No machinery has been specially provided for direct purchases of obligations of the public utilities, whether to meet maturities or otherwise, either through the War Finance Corporation or through any other governmental agency. The situation of these public utility companies is therefore quite different from that of the railroads, where Congress has made specific provision for the purchase of their securities by the government in certain exigencies, yet even the railroads are expected, wherever possible, to meet their own maturities and to pay what the money is worth to accomplish that end. It must be remembered that the railroads are under Federal operation, and their rates are subject to Federal control, and that the government is therefore in a position to see to it that their charges shall be sufficient to meet the cost of the service rendered. In the case, however, of the public utilities, neither their operations nor their rates are subject to Federal control. Wherever the charges do not amount to adequate compensation for the services rendered, relief can be had only through the appropriate local authorities, and time is essential to enable the companies and the communities in which they operate to reach a satisfactory solution of this important problem. It is not a problem which can be disposed of by having the Federal Government through the War Finance Corporation assume the burden of financing the operations of these local companies except in exceptional circumstances which may make it a matter of national importance that advances

should be made. The local authorities will no doubt respond as promptly as possible, in cases where relief is needed because of changed conditions, as it is clear that the soundness and efficiency of public utilities is intimately connected with a vigorous and successful prosecution of the war.

The Capital Issues Committee of the War Finance Corporation is a separate unit. This body is charged with the duty of discouraging new security issues of a non-essential character which would absorb money needed in industry directly valuable to the war program. The Committee has effected a widespread organization, having appointed local committees in each Federal reserve district. Even from the local committees there are further ramifications extending into the remoter parts of all sections of the country. The men serving on these local committees are charged with the duty of seeking to discourage new enterprises of a non-essential character which would absorb capital, and are doing so to a considerable extent.

Security issues of war industries and enterprises believed to be worthy are sanctioned by the Committee, although in no sense guaranteed as to soundness from the business point of view.

The old Capital Issues Committee, the voluntary organization appointed by the Federal Reserve Board in response to the clamor which arose for some machinery for the dissemination of the advice as to new financing which Secretary McAdoo announced last December he had to give, did yeoman service in the curtailment of indiscriminate use of credit during its lifetime, which ended with the organization of the war Finance Corporation and its Capital Issues Committee. A summary of the operations of the old committee from January 12 to May 17, the period of its existence, shows results as per the table at the foot of this page.

War industry has not been wholly without assistance while awaiting the creation of the War Finance Corporation. The War Credits Board which was appointed by the Secretary of War last fall has been extending very tangible assistance to contractors directly engaged upon war work. This body was created under authority of the Urgent Deficiency Law approved October 6, 1917, which provided "that the Secretary of War and the Secretary of the Navy, during the period of the present emergency, from appropriations available" may make advances to contractors for supplies in amounts not exceeding 30 per cent. of the contract price. Under the Act security for these advances is required. The Board now consists of Lieut.-Col. M. W. Thompson, Sig. Corps, U. S. A. (of the firm of Thompson and Black, Financial and Industrial Engineers, New York City); Lieut.-Col. Chas. Elliot Warren, Ord., N. A. (President Lincoln National Bank, New York City), and Fernando P. Neal (Chairman of the Board, Southwestern National Bank of Commerce, Kansas City, Mo.). The Board maintains an office at 40 Wall Street, New York, in addition to its headquarters at the War Department in Washington, and has a staff of forty-one persons. This staff is composed of bank presidents, vice-presidents, managers of credit departments, bond houses, financial lawyers, accountants and statisticians, financial engineers and others expert in the analysis of finance. Among them are five "dollar-a-year" men.

This body has worked quietly and little has been said or written about it, but between November 20, 1917, and June 30, 1918, it advanced to contractors engaged upon war work $253,571,004, against which it holds securities to the value of $450,000,000. These securities are held in the trust department which the Board has created.

Interest is charged on these advances to contractors at rates fixed from month to month by the Board. The present rate is 7 per cent.

The War Credits Board has accomplished a great deal toward speeding up production of material. At the beginning of American participation in the war, capital was not readily available because of tax and war loan demands and because the contracts were of unprecedented magnitude. It early appeared that some steps in the way of financial relief would have to be taken. Many plants were unable to expand and hire labor at the increased wage rates without government assistance, so the advance payment system was devised and the Board established.

As indicative of the value it has been to the industrial community, 350 applications for advances have been made to the Board and a large percentage of them favorably acted upon. With the aid of the advance money obtained, the plants have been able to expand phenomenally.

CAPITAL ISSUES COMMITTEE OF THE FEDERAL RESERVE BOARD

Summary of Issues Acted Upon January 12 to May 17, 1918

	Municipal	Public Utility	Industrial	Total
Amount considered	$86,878,512	$172,069,605	$219,510,269	$478,458,386
Amount disapproved	19,791,665	6,000,000	39,900,000	65,691,665
Aggregate approved	$67,086,847	$166,069,605	$179,610,269	$412,766,721
Less "refunding"	21,392,312	125,860,284	111,411,900	258,664,496
Aggregate new issues	$45,694,534	$40,209,321	$68,198,369	$154,102,224
New issues last year same period	108,952,865	107,504,075	287,754,684	504,211,624
Analysis of new issues approved:				
Amount original applications	$65,486,199	$46,209,321	$108,098,369	$219,793,889
Amount approved	45,694,534	40,209,321	68,198,369	154,102,224
Curtailment effected	$19,791,665	$6,000,000	$39,900,000	$65,691,665
Analysis of applications informally discouraged:				
Number	8	3		17
Amount	$8,915,000	$7,360,000	$3,590,000	$19,865,000

Economics and Finance After the War

The League of Nations Will Be Essentially an Economic Regulative Authority—All the Old Commercial Fields Have Been Broken Up by the War and New Ones Must Be Created—Governmental Supervision to Occupy an Increasingly Important Rôle.

BY ARTHUR SELWYN-BROWN

REVOLUTIONARY readjustments of immense importance in American financial practices, commerce and politics will result from the war. The close connection now existing between the government and national finance, and the supervision of railroad, shipping and industrial materials, probably, may be modified, but not abandoned. An era of government supervision has been ushered in by the war and must be permitted to run its course. Many indications point to a coming period of governmental co-operation in finance and commercial developments.

Governmental supervision of finance, transportation, monopolies and foreign commerce is not a new policy. It has been exercised in many countries for a number of years; but the war may cause the practice to become more general, even in countries like the United States and the British Empire, where individual freedom is so firmly established. Germany is largely responsible for this changed policy.

When the German Empire was founded in 1870, it was recognized that the Germans were not a people practiced in original thinking and of sufficient inventiveness to enable the empire to forge ahead of other European countries. But they were a people capable of being drilled and politically led. So it was proposed to take advantage of the national psychological traits and turn them to political account by training. A most elaborate educational system was devised and some of the finest technical schools in Europe were developed with the view of training an army of scientific, artistic, commercial and industrial specialists. At the same time, shipping, industrial and scientific works were established in Germany and, under German supervision, in foreign lands. Later on, banks and financial agencies were promoted in Germany and abroad, and ways and means were devised and carried out for the orderly development of German finance, industrial organization and foreign enterprises. It was in this manner that German foreign commerce, German shipping, finance and foreign political influence were evolved. And it was to increase these influences that the war was chiefly brought about by Germany. It was designed as a war of predatory aggrandizement.

Germany taught that militarism and war are necessary adjuncts to foreign commerce. War is neither a science nor art, but a preparer of extended commerce.

It was upon such a basis that the German Empire was developed and Germany's foreign interests were obtained. These were so successful that, no matter how badly Germany is beaten in the war sooner or later, many of the sounder principles upon which Germany's foreign trade and influence were founded will again be practiced, but on a larger scale than ever.

But the war has opened the eyes of the world regarding German methods, and other countries have determined to follow them. They must follow them; because their war costs are so heavy, they will have to extend their international trade, to get much of the money needed to meet their war indebtedness. They must increase their national wealth.

The period after the war will be chiefly devoted to reconstruction and to foreign trade extension. No nation will be able to progress while holding an isolated position. The nations which trade with each other on a free basis will be the nations that will make the greatest progress and reap the greatest wealth.

Germany's main principles of foreign trade promotion were sound. The first principle was based upon the securing and maintenance of accurate knowledge of foreign markets. The German consuls in foreign cities employed commercial reporters to make daily rounds and report all the data that could be used for improving Germany's foreign trade and finance. These commercial reports were cabled to the commercial department of the German Foreign Office each evening. On the following day, they were sent to firms specializing in business with the particular locality covered by the report. Just before the war, for instance, the German Consul in Petrograd, Russia, had an elaborate commercial field force of fourteen assistants, and numerous agents and sub-agents, which regularly canvassed every town and village in the Russian Empire. His central office was informed by telegraph, and by mail, of even the smallest local requirements, and these reports were relayed to Berlin where copies were distributed to banks and firms that would be interested.

In addition to this consular trade service, similar services were operated by German banks, by firms associated to promote trade in particular countries and districts, and by private commercial reporting bureaus like the Schimmelpfeng Information Company.

The information collected by these various agencies was classified and tabulated. It thus became available for permanent reference.

When a trade reporter, or a traveling salesman, visited a village, he made a list of the merchants, noted the extent of their stocks, class of customers catered to, and lines in which the best business was done. He estimated the resources, character and ability of the proprietors of the stores, by noting the exterior appearance of a store, the quality of the window display, the arrangement of the stock, treatment and behavior of the customers and similar data usually employed by credit appraisers. Then he would visit the local banks, state how he proposed giving credit to the storekeepers on his list, and sought their opinions. He was in this way able to check, or confirm, his own credit appraisals.

When the wants and credit rating of a foreign store are known, sales can be made when goods are put up so as to be attractive to it, the price is low and proper credit terms are offered. Attractive, low-priced goods always win under competitive commercial conditions.

German merchants constantly asked themselves: "Can I produce cheaper than others?" If they felt they could, they knew they could gain foreign trade. The decisive advantage in all contests for driving foreign trade sales rests with that salesman who can quote the cheapest prices. German export houses knew from experience that success in foreign trade is chiefly a matter of cheap production, transportation and financing. The conquest of any specific foreign trade is chiefly a question of low-cost production and cheap selling prices combined with good credit terms.

The financing of foreign trade was carefully studied by Germans. They made an elaborate analysis of British trading methods, and used British banks and discounts. Having found ships and other material transports for his foreign trade goods, a German merchant had to obtain banking accommodation to use as a commercial carrier. This was easily found in London, where an enormous discount business is done. Germany used London discounting facilities for promoting, not only its foreign commerce and shipping, but largely for conducting its internal industrial operations.

Credits create demands for goods, and they are essential in all foreign countries where business is conducted on a simple scale and where financial institutions are not numerous and large. Credit, when soundly granted, must be self-liquidating. So German foreign credits were extended to permit retail merchants to dispose of the goods to their customers. In Russia, where turnovers are slow and liquidation difficult, long credits are necessary; but in England and the United States the credit periods are short. Experience teaches the proper credit periods to be granted in order to encourage a healthy foreign trade in any particular country.

To reduce losses resulting from the widespread granting of credit and to enlarge his trading field, the German exporter planned his business on the principle of the wide geographical distributing of sales, whenever that was possible. And he knew that there are many more small storekeepers than large ones. From these observations, the successful principle of small units and great totals was developed.

Small village stores are, as a rule, carefully managed. They are good mercantile risks; because they are conservative and small. Their aggregate number being large, and any single indebtedness small, while the area covered is extensive, risks of crises and failures are reduced to a minimum.

Much of the success of German salesmen in foreign countries was due to their principle of reducing a buyer's efforts to a minimum. The seller undertook all risks and delivered free at the merchant's establishment whatever was ordered, and all credits were cared for by the seller. The merchant's only concern was the distribution of the goods among his customers after they were received at his store. Naturally, no cash with order, or on delivery, or F. O. B. Chicago, Detroit or Boston system could be made to compete with an efficient credit system like that practiced by the Germans.

The direct speculative interests taken by German banks in goods exported, and in manufacturing industries, were not essential to their foreign trade expansion; although in numerous instances as, for example, in shipbuilding and munitions, they were helpful.

The war has broken up the old commercial fields. New ones must be developed. And as Germany will be entirely a different country when peace is restored, the foreign trading field will largely fall into other hands. There will be large inducements for America to step out and take up a share of Germany's interest in foreign commerce; but this will require much preparatory work. A census of the world's wants must be taken; proper data will have to be collected and tabulated; branch banks must be widely established and credits organized. Above all, costs and transportation rates must be reduced. The trade principles outlined above must be strictly adhered to, and our manufacturers' slogan should be: "Good goods at the cheapest prices, sold on easy terms." They never did business in such a way, and many will experience difficulties in making such radical changes in their methods; but the principles suggested in that slogan are a *sine qua non* of successful foreign commerce.

The League of Nations, to which the United States is committed, will be a vast power in the new after-the-war world. This league, which President Wilson in his Fourth of July address said, "shall make it certain that the combined power of free nations will check every invasion of right and serve to make peace and justice the more secure," while nominally a judicial organization, will essentially be an economic regulative authority.

Germany has treated her military organization merely as an auxiliary of her economic system. The civilized nations of the world are fighting to destroy Teutonic militarism; but this can only be done properly by destroying the economic basis of the military organization. If this were not done completely, within a few years, German industrial and commercial penetration, carried on more efficiently and effectively than ever, would sow the seeds of discord, and eventually destroy the League of Nations. Indeed, the main object of the Teutonic powers after the war would be to disrupt the peaceful nations now allied against them by economic means. And those means would essentially comprise the economic penetration of the allied countries and unfair trading through foreign German-controlled combines and trusts. Most elaborate organizations, with these objects in view, have already been formed in Germany. Germany's unfair trading and economic activities in foreign lands were so successful before the war that it is essential for the Allies to prevent their employment again when the war is over. This will compel the Allies, or the League of Peace, to embark on a great economic campaign. And this will cause more attention to be given to economic constructive administration and policies than to the international law suits and investigations.

The League of Peace will be chiefly controlled by economic and financial interests, and its economic and financial powers promise to be more powerful than its military and naval. It will apply economic pressure rather than military force.

These new principles of world government will lead to a profound change in our old economic methods. Customs penalties and boycotts will be applied against enemy and recalcitrant states only. The nations within the League will have to apply their economic resources for the good of all and that, practically, will lead to internal freedom in trade and the pooling of resources. General reciprocity will supplant the former means of trade restriction by tariff walls. Foreign commerce will be stimulated, not strangled. Peace will be supported by avoiding many causes of international ill-feeling, and by the economic power of the League of Peace being available to discipline any state that would discriminate by tariffs, or military force, against a member of the League.

The United States will be a great creditor nation when peace is restored. We will draw a large income from abroad and this will cause us to change our attitude towards foreign commerce. Holding large numbers of foreign securities, we will take a larger interest in foreign countries and their welfare. And we will have to protect our securities and reinvest the returns from many of them. We will not be able to realize upon them for many years, and it would be economically unsound to attempt to do so. It is probable that immediately after the war there will be a rapid expansion in credit, and this would bring about conditions leading to a general desire for reinvestment rather than to realization.

Among the questions that will arise from these profound changes will be that of the rapid mobility of capital within the Allied nations and the internationalization of credits. Our own financiers, foreseeing the great fields international investments will open for them after the war, are organizing international banks, discount, insurance, exporting and shipping companies. These activities all confirm the view that there will result from the war immense readjustments in political, financial, economic, industrial and commercial practices and policies, not only in America, but throughout the world. They appear to indicate revolutionary financial changes in the near future.

An economic League of Nations has already been created. It comprises twenty-six countries now at war with Germany or which have severed all relations with the German people.

Germany has shown how she is wedded to monopolies, high tariffs, exclusive trading treaties and economic spheres of interests. Her dealings with Russia, Poland, Finland and other subjected countries during the war indicate her weakness for commercial looting, punitive damages and the establishment of exclusive economic, commercial and financial privileges. These practices are economically, politically and morally unsound and must be carefully avoided by all the more advanced nations.

Germany's present economic actions strongly indicate how changed business conditions now are and how pregnant with new economic problems is the immediate future.

The war has caused an enlargement of the sphere of the government and led to a corresponding expansion of the naval system, and these in turn, naturally, will lead to analogous and corollary changes in commercial and financial methods for which we must now effectively prepare.

QUARTERLY STATEMENTS OF COUNTRY CLEARING HOUSES

SECOND QUARTER—ENDING JUNE 30, 1918

(See page 791 May JOURNAL for statement for first quarter)

Clearing House	Number of Checks Handled	Volume of Checks	No. banks using the Country Clearing Dept.	Number of towns upon which Checks are handled	Number of banks upon which Checks are handled	Number of letters sent out daily (Average)	(a) Operating cost per Check (b) Operating cost per $1,000
Atlanta	1,218,603	$74,645,463.15	6	800	1,200	1,000	(a) .01025 (b) .167
Detroit	553,069	30,294,484.94	11	550	865	525	(a) .01 (b) .155
Kansas City	868,658	42,515,940.74	15	2,501	6,127	1,300	(a) .0104 (b) .21
Louisville	775,000	25,179,884.26	7	1,251	2,153	450	(a) .05 (b) .19
Nashville	452,913	23,896,771.28	5	550	900	425	(a) .007 (b) .17
New York City	2,201,903	403,220,403.86	38	370	912	860	(a) .007 (b) .036
Oklahoma City	No record	4,450,282.45	5	320	580	120	(a) Not given (b) .18
Omaha	No report						(a) (b)
Richmond, Va.	1,012,993	64,805,547.00	5	852	1,400	785	(a) .0078 (b) .122
St. Louis	1,486,415	72,327,041.75	15	2,070	3,300	1,780	(a) .00845 (b) .174
TOTAL	• 8,559,553	$741,335,819.43	107	9,264	17,437	7,245	

FOR A BANKER-ROTARIAN MEETING

B. F. Harris, of Champaign, Ill., was elected chairman of the bankers' section of Rotarians at the recent International Convention of Rotary Clubs at Kansas City.

There are more than seven hundred banker rotarians, and it occurred to Mr. Harris to try to see that all of the banks represented by these seven hundred rotarians were members of the American Bankers Association, and that as many banker-rotarians as possible come to the Chicago A. B. A. convention, and while there get together in a banker-rotarian meeting. Still greater importance is given to the meeting from the fact that John Poole, president of the Federal National Bank of Washington, D. C., is the new international president of Rotary.

Mr. Harris specially requests that Rotarians write him any suggestions they may have with reference to making this rotarian session attractive and constructive.

The Pipe-Line Principle for Domestic Exchange

A Parallel in Operation—Present System of Settlement of Individual Balances Likened to the Shipment of Oil in Separate Packages, Rather Than Through the Central Reservoirs of the Pipe Lines—Foreign Exchange for Many Years Has Been Conducted on the Pipe Line Plan.

BY ROBERT D. KENT

IN the course of a long study of the question of domestic exchange, more popularly known as the out-of-town check question, I have frequently been impressed with the striking analogies which are suggested by the terminology employed in discussing matters of banking and currency. The words and phrases used to described the workings of domestic exchange are applicable with quite as much accuracy to a description of the transportation and storage and measurement of water or any other liquid. Not only are they applicable, but they are often identical, being in many cases taken over bodily from the science of hydraulic engineering, which, though younger than the science proper of finance, has long out-stripped it in adopting technical terms for the exact nomenclature of the things of which it treats.

This similarity and identity of terms are curious, but a closer study of the parallel reveals that they are also significant. They are significant of the fact that similar principles govern the conditions and activities involved in the fields of both sciences. Indeed, it may fairly be said that in domestic exchange money and claims are being transmitted, and in hydraulics liquids are being transmitted, all under the operations of the same laws regulating current and currency, reservoir and reserve, liquid commodities and liquid assets, amount of liquid contracted for delivery and current liabilities, and velocity of circulation, so much employed by writers on political economy.

A further parallel is readily seen in the similarity of results attending financial panics and frozen hydraulic plants. In the one currency and credit move slowly and occasionally come to a halt, just as in the other the water in a system of piping becomes frozen and will not circulate. Restored confidence affects the circulation of currency and the extension of credit precisely as the heat of the sun thaws out the pipes and causes the water to flow once more. I am sure that students of banking and monetary principles will find much of value in further study of the principle here enunciated.

It is permissible to go a step farther and point out the likeness of domestic exchange and the circulation of blood in the human body. The same hydraulic laws apply as in other comparisons, but in addition there is a remarkable analogy of function. The human organism is imperfect, abnormal and even dead without proper circulation; the economical organization of the commonwealth is inefficient, erratic and worthless without proper circulation.

Emergencies in the economic fabric of a community and emergencies in the water supply of a village are best met by analogous means. Instead of the unscientific methods of allaying a financial panic formerly in vogue Mr. Warburg advocated some years ago in his campaign for monetary improvement large central reserves which could be applied when and where needed, just as a bucket of water in each house of a village for fire-fighting purposes should be superseded by a system of pressure water mains through which an adequate supply could be delivered at any time at the strategic point of need.

Now to come to the concrete: Why not make a scientific study of domestic exchange to determine whether the principles which govern the storage and transmission of oil or water in hydraulic engineering could be recognized, whether they could be applied, and to what extent they could be applied to the economy and advantage of the whole country?

It is authoritatively stated that between 2,000,000 and 2,500,000 checks are issued each day to be sent out by mail, and that the amount thus constantly outstanding, or the "float" is approximately $500,000,000. Under the ruling of the Federal Reserve Board each one of this vast number of checks, even though it bears the name of the maker, and the names of the payee and of the member bank as indorsers—in other words, three-name paper—is not honored in receipt but must be forwarded to the payer bank and the returns received before they become available.

The Federal reserve bank knows the strength and standing of the member bank. The checks received in any one day may not amount to more than 5 per cent. of its capital and surplus. In all probability the balance due by the Federal reserve bank to the member bank is eight to ten times the amount of the checks received. The member bank knows the strength and standing of its customer and indorser—the payee of the check, and also that this payee has necessarily an intimate knowledge of the strength and standing of the maker of the check. The Federal reserve bank, notwithstanding all of these safeguards, will not honor the check until returns have been received some days later, and in so doing declines to perform a proper and ordinary banking function, for as Professor Irving Fisher, the political economist, has said, "That is what banks are for."

The same Federal reserve bank stands ready to honor immediately almost any amount of paper with the same three names upon it, provided that it runs for a period of sixty or ninety days. It refuses to honor the paper when it is in the form of a check and but two or three days are required for it to reach the bank where funds are waiting its presentation.

Now to get back to the analogy, consider the transportation and distribution of oil. It is delivered at a pipe-line station and a certificate for the proper number of gallons is issued. The exact identity of that particular lot of oil is lost, but the same number of gallons is by certificate deliverable at the point agreed upon. The pipe-line system, with its storage tanks, contains the promiscuous general supply of oil, which flows by gravity (with occasional helps from the pumps) to the point where it is wanted.

In the case of domestic exchange there are thousands upon thousands of cities and towns which have each day exchange to add to the general supply or float. The same towns and cities have to pay on the same day exchange on themselves to an amount that will in all probability be within 10 per cent. of the outgoing amount for the day Taking the country as a whole, the sum of all the debits will exactly balance the sum of all the credits on any given day. The amount in transit—the float—may be greater or less than it was yesterday, but two facts cannot be disputed: that whatever amount is taken out the same amount has been put in elsewhere; and that at any point the amount going out is within about 10 per cent. above or below the amount put in on the same day, leaving a small net debit or credit to be marked against or in favor of the point in question.

As a matter of fact, we have erected and constantly maintain a system of Federal reserve banks, member banks and state banks which are the equivalent of an elaborate system of piping to transport our domestic exchange. We are justified in asking why it is not so operated as to make full use of these already established facilities, so admirably adapted to receive all the exchange and distribute it, crediting and charging each day. Let the credits and debits apply mutually to balance each other, as they will, since the one is sure to be 90 or 95 per cent. of the other, one way or the other, and on the day following clear up the small difference in a proper and simple manner.

It is estimated that the loss of interest on the float is $20,000,000 annually. It should be understood that this is a true loss—not a case of Peter gaining at John's expense, while John gains at the expense of Peter; it is a case of Peter and John paying interest on money when they do not receive the proper return for their interest, viz.: the use of the principal during the several days now required for collection. Nor does anybody else ever gain the use of the money—it is tied up and has no use attached to it. Like the core of the apple the boy asked the other boy to give him, "There ain't gonna be no core."

At least $15,000,000, and possibly $17,500,000, of the last amount could be saved if the principle of cancellation were applied, that is, if only the *balance* and not both the full credit and the full debit were transported from origin to destination, thus releasing for use all of the money involved except, say, ten parts out of 200, or 5 per cent., which alone would have to be transported with the loss of two or three days now sacrificed on the use of the whole amount, the sum of both debit and credit. This would be applying pipe-line methods in place of the methods of separate-package shipment. Inasmuch as we are dealing in both cases with liquid commodities, we should in both cases take advantage of the properties of liquids; it pays in the handling of oil and it will pay no less in the handling of domestic exchange.

Just imagine a thousand towns and cities each obliged in the course of its daily business to ship and receive from 2,000 to 50,000 gallons of oil in ten-gallon containers, the in and out shipments, as a rule, being of nearly the same quantity of exactly the same kind of oil. It would not be long before a system was created to operate so that all orders were matched incoming against outgoing and shipments made only of the balance remaining, and later still providing for proper book settlement of balance except in rare cases, where there was real need of transporting the oil itself because a city's storage tanks were depleted.

This is exactly the monetary problem which confronts the cities and towns of the country. Moreover, the pipe lines and storage tanks are already installed and operating. But they operate so that so many units of money are slowly pumped from A to B in one pipe, while a few gallons more or less are pumped in another pipe from B to A. If the respective amounts are X and Y, then we have X plus Y dollars held out of service for two (let us say, to be moderate) days, and we consume enough fuel and maintain enough pipes to accomplish the transportation. Why not transport Y minus X dollars and cancel the rest on the books of the central reservoir station with which both A and B are connected, the next day or the next week, and save nineteen-twentieths of the loss of interest, not to mention the same proportion of fuel and maintenance charges? Why not cancel the debits and credits until a small balance remains, and cancel the balances against each other in the books of the Federal reserve banks, and let tomorrow's credit balance apply on today's debit balance, and ship money at stated intervals and when money is actually needed? Why not save nineteen-twentieths of the lost interest and four-fifths of the clerical labor, space and supplies?

At this point I think I hear myself being told why not. It is all very fine in theory, but we apprehend that difficulties will be found in trying to work the matter out practically, say the critics. Now these critics are sincere men, and they are also fair men. Yet since I have had forty years of experience unusually rich in opportunities to verify the attractive possibilities of the principle which I am presenting, I am going to ask them to bear with me a little further. I invite them to examine an instance of the principle of cancellation and shipment of balances which has proved absolutely practical on a vast scale for a long term of years. Foreign exchange is a highly systematized science; it functions with complete satisfaction and machine-like accuracy, and for many years it has been conducted substantially on the principle of the pipe-line system, which I advocate for domestic exchange.

It is admitted that some thought and work will have to be applied in order to change to the system proposed, but no insuperable difficulties will be encountered, and after the change is made we will wonder why it was not done before. The problems to be met with in making the change differ in degree but not in kind with the problems confronted in foreign exchange.

Liberty Loan Flotations Have Created a Great Army of Bond Buyers

Government Securities Not the Only Ones Purchased by the Small Investor—Statistics Show that General Investment Market Has Not Been Adversely Affected by Liberty Bond Sales, But on the Contrary Has Been Improved Through the Tendency to Diversification.

BY I. NEWTON HOFFMANN

SINCE America's entrance into the European War a little over a year ago, the United States Government has issued and sold to the public approximately $10,000,000,000 of Liberty Loan bonds.

What effect has the flotation of this huge volume of securities had on the general investment market of the country and upon all other bonds? An analysis of the situation shows that while the bonds of railroad, industrial and public utility corporations have suffered to a slight extent by reason of the competition of government bonds, the sale of these billions of Liberty bonds, conducted simultaneously with vigorous campaigns designed to educate the public in respect to the wisdom and dire need for thrift and economy, has been helpful, and will in the end greatly benefit the dealers whose business it is to distribute securities.

A careful inquiry into the effects of the Liberty Loan bond sales on the market for other securities leads to the conclusion that the government's offerings have not been detrimental to the general market. This conclusion becomes manifest when it is recalled that the depreciation in the values of the standard railroad and other bonds set in long before the initial offering of Liberty bonds; and that the security market was already pretty well adjusted to war conditions when the United States entered the conflict and began to raise funds for the prosecution of the war. In other words, in the consideration of the effect of the flotation of ten billions of United States bonds upon the security markets, care must be taken not to confuse the effects resulting from the Liberty loans with the many other co-existent or previously established war factors which exerted an important influence upon investment securities.

It will be recalled that the depreciation in the value of the old-established line of bonds began long before this country entered the war; and that the decline in market prices was primarily the result of the heavy demand for funds on the part of the Allied governments which were obliged to pay high rates of interest for accommodations. The investment yield on the bonds of the foreign governments was so high in relation to the investment basis on which the high-grade railroad bonds were selling that it was only natural that a readjustment of values should take place. Although the two classes of securities are different and it is not contended that one should sell on exactly the same basis as the other, still the disparity was so great that the high-grade bonds declined in price to a point where their investment yields were more consistent with the selling basis of the foreign government securities.

In this connection mention should be made of the fact that another factor in the readjustment of market values was the general increase in the cost of money. Money rates naturally advanced with the increase in the demand for funds on the part of the Allies and on the part of American business interests which required additional capital for the conduct of their business, a portion of which was strictly of a war character. With the increase in the price for money, the bond market had to readjust itself. It is manifest that under normal conditions when the call loan rate is 2 or 3 per cent., a 4 per cent. bond may be worth par, but that when money brings at least 6 per cent. a 4 per cent. railroad bond must sell considerably under par. It is clear that the investment yield of securities is regulated to a great extent by the rate for money and when the demand for funds brings about an advance in quotations, the price of bonds must undergo a corresponding decline.

As soon as the United States declared war against Germany it began to make plans for financing the struggle through the sale of its bonds. The program provided that this government should make advances to the Allied nations, and this provision immediately stopped the continuous flotation of foreign government securities in this market.

Another war measure was the appointment of a Capital Issues Committee, at first an entirely voluntary organization without power, but subsequently a body created by legislation and having the force of the government behind it. These committees passed upon applications for permission to issue new securities and they were instrumental in restricting new issues to financings essential to the war. The result of the operation of these committees has been that a great many corporations and municipalities which in the regular course of business would have offered to the public millions of dollars' worth of new bonds and notes, have been prevailed upon to limit their output considerably. Consequently the total amount of new securities issued has been much less than normal and as a result the investment funds of the people have been conserved for use in the purchase of Liberty bonds.

As an indication of the decrease in the output of new securities it is interesting to note that the total for the first six months of the current year was about $690,000,000, which compares with approximately $947,000,000 for the corresponding period last year—a decrease of about 27 per cent.

The total sales of bonds on the New York Stock Exchange in the past year indicate an increase compared with figures for the preceding twelve months, but this increase is due entirely to transactions in Liberty Loan bonds, the trading in all other bonds having been much lighter in volume.

Another condition operating to clear the investment market for the benefit of Liberty Loan bonds has been the taking over of the railroads by the Federal Government. Although since the beginning of the year when the government assumed control over the carriers, some few railroad corporations have sold securities publicly, on the whole the offerings of new railroad issues have been unusually small.

The striking fact about the placement of Liberty Loan bonds is the fact that the government obligations were purchased by millions of people who never before in their lives had bought bonds. This being an established fact, it is apparent that the sale of Liberty bonds to a new class of investors did not operate to detract from the general investment market, for it is manifest that in the absence of Liberty Loans these very same subscribers would not have bought railroad or other corporate securities. These new investors had not previously bought securities for one or more of the following reasons:

1. Ignorance.—They had never been educated on the subject and did not understand the meaning of a bond, or anything about investments.

2. Incentive.—Many persons who formerly were able to buy corporate bonds did not do so because there was no incentive and consequently they were satisfied to keep their money in a savings bank or to make commitments in real estate. In the case of the Liberty Loan there was the appeal to patriotism that moved many a citizen to buy bonds. The initial purchases stimulated an interest in bonds generally.

3. Lack of Confidence.—A great many people had lacked confidence in investment securities. They had heard of losses sustained in Wall Street through gambling or speculation in stocks and they had heard of railroad and corporate reorganizations and assessments made upon stockholders, etc., so that they were timid to buy high-grade securities and did not have the knowledge or intelligence to distinguish between speculative ventures in stocks and the purchase of high-grade bonds for investment.

4. Lesson of Thrift.—The war and the educational campaigns conducted in connection with the sale of Liberty bonds and War Savings stamps and the insistent demand that the people "save" has taught many men and women to save part of their weekly wage or business income. It is generally recognized that millions of people in this country save today who never before practiced that virtue. Not having accumulated any funds through saving, naturally these persons could not have played the rôle of bond buyers before the war.

5. Larger Incomes.—As a result of the war, the big demand for labor and the extraordinary increase in the scale of wages and in the profits of manufactures, a mass of persons have recently accumulated funds which are ready for investment; while before the war these very persons could not have been bond buyers even if they had the inclination, for the simple reason that they did not have the funds to invest.

The war and the Liberty Loan campaigns have brought about a wonderful change in the general investment situation. The educational work has been effective in creating a multitude of bond buyers. Once having been informed on the subject of investments, via the route of the Liberty Loan, thousands of bond subscribers have cultivated a keen interest in the subject of investments. Having once, twice or thrice bought Liberty bonds, these people are now anxious to get a taste of other bonds—perhaps bonds which would furnish them a higher yield than that obtainable from Liberty bonds.

All bond dealers are unanimous in their assertion that the Liberty Loan campaigns have been instrumental in creating thousands and hundreds of thousands of new bond buyers. Their experience in the recent flotations of corporate bonds and short term notes has demonstrated that a considerable portion of subscribers to the new issues have been not regular customers, but new ones—in a large number of instances persons who had never bought any bonds excepting Liberty Loan bonds.

Inquiry has shown that many citizens believe in a diversification of investments and adhere to that policy even in respect to government bonds. A great many of the new bond holders are willing to do what they believe to be their share in regard to subscriptions to Liberty Loan bonds, but at the same time they do not feel that all of their savings should be placed in these securities. They are consequently seeking other securities and are investing part of their accumulated savings in the new security issues that are being offered from time to time.

An examination of the sales sheets of the large bond distributing houses shows that all of the recent issues have been bought by small investors. While in the old days the sheet was short and contained the names of relatively few purchasers, each with a substantial amount against his name, nowadays the sales sheets are very long and contain new names against which there are noted very modest purchases.

These sales sheets tell the story. They make the bond dealers happy. They show that they have gained new customers. They indicate that the new security issues now being sold obtain a wide distribution; and that consequently the bonds are not likely to be thrown back on the market as frequently happens when a $10,000,000 issue is disposed of to a handful of buyers in large blocks. Furthermore, the long sales sheets are reassuring to the dealers for the loss of one or two small customers, or a dozen small customers, is not as damaging to their business as the loss of a single customer if he happens to be a large one. The saying "In numbers there is safety" applies to the bond business.

Although the Liberty Loans have caused a readjustment of values of other securities, particularly municipal and state bonds, which have tax exemptions features similar to those of the 3½ per cent. Liberty bonds, on the whole the distribution of the government loans has not seriously affected the market for other investment securities. It is proper that the investment yield of the obligation of the United States Government—the best security in the world—should be lower than the investment yield of a public utility or industrial bond and always there will be found buyers who have preferences either for one or the other class of bonds. The two are not in the same class and consequently cannot be regarded as competitors.

In view of the large army of bond buyers that the Liberty Loans have mobilized, in view of the habit of thrift that the campaigns have effectively inculcated, in view of the general educational work that has been done and is bearing fruit, it is safe to assert that the flotation of ten billion dollars of American War Loan bonds will in the long run enure to the benefit of the general investment market of the country, bring about larger business and profits to the bond distributing agencies of the United States and, lastly, make better citizens out of the American population.

A prominent banker has said: "Sales of Liberty bonds prevent the growth of anarchism; sales of corporate securities prevent the spread of socialism."

Grist from the News Mill

THE following report is made by the Internal Revenue Department: "Congress estimated when the War Revenue Act was under consideration that it would yield in connection with existing laws, $3,400,000,000 in the fiscal year 1918, as compared with $800,000,000 collected in the fiscal year 1917. The amount of taxes collected from all internal revenue laws to the close of the fiscal year 1918 is $3,672,000,000, or $272,000,000 more than estimated by Congress. The force of office and field employees has been increased from about 4,000 to approximately 8,000. The cost of collecting the $3,672,000,000 received in 1918 was about $12,000,000."

DURING the month of June the Federal land banks of the United States loaned to the farmers $8,343,430. Of this amount the Federal Land Bank of Spokane loaned $1,262,800; Houston, $913,233; St. Louis, $820,777; Omaha, $804,950; New Orleans, $801,725; Louisville, $735,900; Wichita, $656,100; Columbia, $636,995; Springfield, $500,400; Berkeley, $468,200; St. Paul, $406,400, and Baltimore, $335,950.

The total amount of mortgage loans placed since the establishment of the Federal land banks was $109,517,308 on July 1 and covered 48,297 loans closed. Up to June 1 44,765 loans, amounting to $101,376,318, had been closed.

During June, 1916, applications were received asking for $5,127,011, about one-fourth the number of applications received during May. During the same period 2,516 loans were approved, amounting to $6,793,527.

VIGOROUS efforts are being made by the Alien Enemy Custodian to close out the business interests and take over the remaining properties of all foreign insurance companies classified as "enemies" or "allies of enemy" under the Trading with the Enemy Act. Included in this classification are four marine companies, thirteen fire companies, two life companies and one casualty company, and also four companies incorporated in the United States but under enemy ownership. Before the war these companies had a large patronage in the United States and their destruction will release a vast amount of insurance to be replaced with American companies or with such other foreign companies as are allowed to continue in business. An opportunity is thus presented for the organization and development of a number of new American companies.

A "PADLOCK clause," intended to prevent loss of revenue to the government pending enactment of new tax legislation, has been proposed to the Ways and Means Committee by Professor Frank W. Taussig, Chairman of the Tariff Commission and an expert on taxation.

This clause would make effective certain levies as of the date of introduction of the tax bill in the House and thereby prevent taxpayers disposing of commodities affected as soon as it is definitely known what the new tax sources are to be and before the measure can be enacted into law.

THE permanent organization of district Committees on Capital Issues in each of the twelve Federal reserve districts has been completed. This organization replaces the temporary committee that has been serving since February. Each new district committee is composed of fifteen or more bankers and business men of the district. The selection of these committeemen has been made with a view to obtaining the widest possible representation geographically and with respect to the many interests concerned. The chairman of the Federal reserve bank in each district will act as chairman of the committee, and the governor of the reserve bank will act as vice-chairman. An executive committee of not more than seven members of the district committee, residing in easy distance of the Federal reserve bank, will move regularly to consider the applications referred to it by the Capital Issues Committee in Washington.

PROVOST MARSHAL GENERAL CROWDER has ruled that bank clerks are not to be placed in the non-essential class, but that those subject to the draft may remain in their present classifications until they are regularly called by the various local boards for military service. The matter was taken up and pressed to a decision by President Hinsch, who took action as the result of a rumor that bank employees were to be classed with those engaged in non-essential employment under the "Work or Fight" rule. General Crowder wrote: "The recent so-called "Work or Fight" regulation does not affect registrants who are officials of banking institutions or clerks employed in banks. In other words, under the present selective service regulations, bank officials and bank clerks may remain in such employment until they are regularly called by their various local boards for military service."

THE amendment pending before Congress to amend Section 11 of the Federal Reserve Act in regard to the limitation of loans to 10 per cent. of the capital and surplus, reads as follows: "Upon the affirmative vote of a majority of its members, the Federal Reserve Board shall have power to suspend a limitation imposed by Section 5200 of the Revised Statutes of the United States, which provides in substance that the total liabilities to any national or member bank of any person, company, corporation, or firm for money borrowed, including in the liabilities of the company or firm the liability of the several members thereof, shall at no time exceed one-tenth part of the amount of capital stock of such national or member bank actually paid in and unimpaired, and one-tenth part of its unimpaired surplus; *Provided, however*, That in any case in which such limitations are suspended the Federal Reserve Board shall require, as a condition of such suspension, that the notes, drafts and bills of exchange, or other evidences of debt, discounted by a national or member bank in excess of the amount provided by Section 5200 shall be secured by a first lien upon cotton, corn, wheat, or some other staple agricultural products, or by obligations of the United States. The Federal Reserve Board shall, by regulation, prescribe the length of time that such limitation shall be suspended, and the amount that any person, firm, or corporation may be permitted to become liable to a national or member bank under the provisions of this Act."

OF the world's output of crude petroleum the United States supplies over 70 per cent. In 1917 we produced in this country 342,000,000 barrels of oil as against 300,000,000 in 1916, 210,000,000 in 1910 and 64,000,000 in 1900. Yet, with the greatest production in history, demand continues to exceed supply. Our next competitors in oil output are Russia, with 75,000,000 barrels in 1916 (which was very greatly reduced last year); Mexico 40,000,000 barrels for the year mentioned; Rumania 10,000,000 barrels (also materially cut down last year); and the Dutch East Indies and India with 13,000,000 and 8,000,000 barrels, respectively, to their credit.

THE amount of bonds issuable under the First Liberty Bond Act of April 24, 1917, was limited by the Second Liberty Bond Act of September 24, 1917, to $2,000,000,000. The Second Liberty Bond Act authorized an additional issue of $7,538,945,460 of bonds. The Third Liberty Bond Act of April 4, 1918, authorized an additional issue of $4,461,054,540 of bonds and the new Liberty Bond Act authorizes an additional issue of $8,000,000,000 of bonds. The total bond authorizations since the declaration of war now amount to $22,000,000,000. The Secretary of the Treasury has estimated the expenditures for the fiscal year ending June 30, 1919, at $24,000,000,000. It is proposed to raise at least $8,000,000,000 of this amount by taxation. It will, therefore, be necessary to raise about $16,000,000,000 by the sale of bonds before July 1, 1919.

THE Chamber of Commerce of the United States has authorized the appointment of an Agricultural Committee of five members to be selected from the states of Minnesota, Georgia, Iowa, Pennsylvania and Illinois. Members of this Committee must have large interests in the field of practical farming and must have business relationships of sufficient importance to enable them to direct any inquiries from the joint view of business and agriculture. The reason for the creation of the committee as outlined by the Board of Directors has its origin in an argument presented at the annual meeting of the Chamber in April, indicating that the National Non-Partisan League had predicated its campaign in part at least on the accusation that "Big Business" was dealing unfairly with agricultural interests and that certain abuses had become sufficiently pronounced to arouse the spirit of the farmers to the point of organizing a strong campaign, even political, if necessary, to correct the abuses.

THE Board of Directors of the Chamber has before it many of the arguments of the League and feels that an inquiry into their truth or falsity is absolutely necessary. The committee has been instructed to employ whatever investigators are necessary to conduct a thorough inquiry in the states of Minnesota, Iowa, Kansas and Colorado. The investigators will be instructed to visit farms, to attend the League's councils and meetings, both county and state, and to follow complaints that seem well founded in order that they may present to the public the facts gathered without regard to the effect on the interests complained against. The Board of Directors believe that if the alleged abuses exist business itself will be first to endeavor to find a remedy and to join the agricultural interests in whatever action is necessary to bring an improvement. It is proposed that the period of the inquiry shall be from the present until the close of the meetings of agricultural associations in the fall and early winter. Reports of the committee's findings will be submitted to the agricultural communities and will be made public at a time and in a manner best calculated to serve the interests of the agricultural communities in whose behalf the inquiry is to be conducted.

THE 219 American cities having more than 30,000 inhabitants derived only 3.5 per cent. of their total revenues from the liquor traffic during the year 1917. The proportion represented by this figure has shown a continuous decline during recent years, having fallen from 6.4 per cent. in 1907 to 5.5 per cent. in 1909, 5 per cent. in 1911, 4.8 per cent. in 1913, 4.2 per cent. in 1915, and 3.5 per cent. in 1917. These figures refer in each case to the group of cities estimated to have more than 30,000 inhabitants in the year specified. This group comprised 157 cities in 1907 and 1909, 193 in 1911, 199 in 1913, 204 in 1915, and 219 in 1917. The foregoing are among the facts presented in a report entitled "Specified Sources of Municipal Revenue: 1917," soon to be issued by the Bureau of the Census.

For the 219 cities of over 30,000, taken as a group, the proportions which the various classes of revenues formed of the total during the fiscal year 1917 were: Property taxes, 63.9 per cent.; earnings of public service enterprises, 10 per cent.; special assessments and special charges for outlays, 7.8 per cent.; highway privileges, rent and interest, 5.5 per cent.; subventions, grants, gifts, donations and pension assessments, 4.1 per cent.; liquor taxes, 3.5 per cent.; earnings of general departments, 2.5 per cent.; business taxes other than liquor (including those collected without the issue of licenses) and non-business license taxes, 2.1 per cent.; fines, forfeits and escheats, five-tenths of one per cent.; and poll taxes, two-tenths of one per cent.

A COMPARISON of the proportions which the numbers of cities receiving liquor taxes represented of the total numbers covered by the 1903 and 1917 reports, respectively, indicates roughly the progress of the movement for the suppression of the liquor traffic since 1903. One hundred and thirty-three cities out of a total of 146, or more than nine-tenths, received liquor taxes in 1903; whereas in 1917 only 155 cities out of a total of 219, or about seven-tenths, received such taxes. The decline in municipal revenues from the liquor traffic during recent years has been so pronounced that the gross amount of such revenues dropped from $41,364,527 for 199 cities in the fiscal year 1913 to $39,606,956 for 204 cities in 1915 and to $36,974,797 for 219 cities in 1917.

The Census Bureau considers the falling off in this class of municipal revenue of sufficient importance to justify a study of certain sources from which revenues to take the place of those formerly supplied by the liquor traffic can be derived. These sources are specified as "Special assessments, business taxes other than on the liquor traffic, general license taxes and license taxes on dogs."

THE percentages which the receipts from taxes on the liquor traffic formed of the total revenues in the cities which collected liquor taxes during the fiscal year 1917 ranged from 16.2 per cent. in East St. Louis, Ill., to seven-tenths of one per cent. in New Castle, Pa. For the ten cities which, according to the census of 1910, ranked highest in population, the percentages that liquor contributed to the total revenues during the fiscal year 1917 were as follows: New York, 2.2; Chicago, 8; Philadelphia, 4.1; St. Louis, 4.2; Boston, 2.7; Cleveland, 4.1; Baltimore, 5.6; Pittsburgh, 3; Detroit, 3.1; and Buffalo, 3.2.

THE following statement of the amounts of the credits granted the Allies is authorized by the Treasury:

Belgium	$133,480,000
Cuba	15,000,000
France	1,765,000,000
Great Britain	3,345,000,000
Greece	15,790,000
Italy	660,000,000
Russia	325,000,000
Serbia	9,000,000
	$6,268,270,000

A PLAN for aiding disabled soldiers to find useful employment after their return from service has been devised by the Farmers and Merchants Bank of Greenville, S. C. The bank is to keep on file a list of farmers, business men, corporations and other employers of help, who are willing to give employment whenever possible to partially disabled soldiers. At the same time, soldiers returning are invited to place their names with the bank, where every effort will be made to find satisfactory occupation for them.

AT the request of the Treasury Department, the War Industries Board has listed gold mining as an essential industry. The decision is interpreted to mean that every possible assistance would be given the gold mines in obtaining their materials, short of interfering with essential war work.

A LIMITED number of copies of Volume Ten of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, comprising the issues July, 1917, to June, 1918, inclusive, have been bound in blue morocco uniform with the bindings of previous years and are for sale while they last at $4 a copy.

ANDERSON D. BUCKNER, a member of the Executive Council of the American Bankers Association from 1912 to 1914, is dead at the age of fifty-six. He was president of the Paris National Bank of Paris, Mo.

THE British Treasury has given permission to Lloyds Bank to absorb the Capital and Counties Bank on the basis of one share of Lloyds plus £2 cash for each share of Capital and Counties. Lloyds Bank also announces a "union of interests" with the National Bank of Scotland and the London and River Plate Bank, although the two institutions named retain their separate entity.

A LONDON despatch states that official sanction has been given to the absorption of the London, Provincial and Southwestern Bank by Barclay's Bank, under the title of the latter. The deposits of the combined institutions aggregate over £210,000,000. The combined authorized capital will be £20,000,000.

THROUGH the Allied Industries Corporation, a large number of American manufacturers have formed a combination for the purpose of developing foreign trade, under the authority given by the Webb-Pomerene law. Besides opening foreign markets for American goods, the corporation will conduct in New York a permanent exposition of American manufactured articles intended for export and foreign articles seeking import. The corporation is headed by Alfred I. DuPont, who recently purchased the Grand Central Palace in New York for exposition purposes.

UNIFORM SIGNATURE CARDS FOR BANK OFFICERS

The inconvenience of the present method of exchanging officers' signature cards between correspondent banks has led a Seattle banker to suggest the adoption of a uniform card for use by members of the American Bankers Association, which means, practically, more than two-thirds of the banks in the entire country. In a letter to the JOURNAL the author of the proposal says:

"It has occurred to this bank that the present system of signature cards is very inconvenient, inasmuch as practically every bank in the country has its special form and size of card. Whenever there is a change in the official staff, this bank has to notify all its correspondents. Our correspondents then send in their signature cards, which have to be filled in and returned. This takes such a long time that another change of officers is generally due. I suggest that at the next convention we take up the idea of a uniform signature card for all banks, of practical form and sufficient size. Then when a change occurs in the staff the bank could send these cards immediately, giving all the signatures. We are enclosing specimen of our own signature card."

EGIL MACK,
Cashier, Scandinavian-American Bank.

The specimen referred to is a card four by six inches, with plenty of room for the signature of the president, four vice-presidents, the cashier and four assistant cashiers. The main features involved in the suggestion seem to be that the cards shall be of an agreed, uniform size capable of going into one of the standard file drawers, and that the cards shall be acceptable by all banks. In this way an announcement of change of personnel could be accompanied by the signature card ready to file, thus eliminating two letters out of the three now required.

How Trade Acceptances Create Better Business

Experience with Flour Millers in the State of Washington Shows the Value of the New Method of Handling Accounts—All Parties to the Transaction Benefited, and Particularly the Banker.

BY W. S. ALLEN
Assistant Manager Fisher Flouring Mills Company*

IT has been rightfully said that the use of the trade acceptance is the most up-to-date, efficient, economical and patriotic method of doing business. The flour millers can vouch for it being efficient and economical, and as to it being patriotic, what better method for the mobilization of credit than the trade acceptance? Today we, as a nation, are busy mobilizing all of our resources, and there is nothing more vital than our commercial credit.

The trade acceptance method of extending credit was put into effect by the flour mills of western Washington on July 1, 1917, so it is necessary to go back previous to that date to show the benefits derived from the use of the acceptance.

The open account method put the mills in a dual capacity—that of seller and that of banker.

Practically all sales were on "open account" and the terms were 2 per cent. ten days, or thirty days net. The terms, however, were abused and really meant nothing. The discount period was interpreted in the cities as 2 per cent. on the 10th of the following month, which at times might mean, if a sale were made on the 2d of the month, 2 per cent. in forty days or a discount in ten days more than the net terms. In the country 2 per cent. in thirty days was usually taken. This abuse of the discount naturally caused an abuse of credit and many accounts ran sixty and ninety days and even longer. This condition required constant dunning on the part of the collection department and the assistance of the sales department to collect these delinquent accounts. Using salesmen as collectors reduced their efficiency. Old accounts led to numerous unjust claims. Long credits meant a large list of bad debts. Interest on delinquent accounts was easy to charge but to collect led to so many disputes that as a general practice interest was not charged.

The "open account," briefly, meant an abuse of terms of sale, loss of interest, unearned discount, unjust claims, bad debts, all of which meant disputes, disputes, disputes.

About April, 1917, the millers and grain dealers of Seattle, Tacoma and Everett held a meeting and decided to go out of the banking business and adopt the trade acceptance method, which had been urged by Mr. Shephard, Seattle Manager of the Federal Reserve Bank. The signed indorsement of bankers in seventeen towns in western Washington was first secured. This indorsement was printed and enclosed in a letter to the trade, stating that after July 1, 1917, we would discontinue "open accounts" and would sell on the following terms:

Thirty days net covered by trade acceptance or ½ per cent. for cash, sight draft, or payment by first mail after receipt of acceptance.

*Address before Washington State Bankers' Association, Yakima, Washington.

The discount of ½ per cent. is based on 6 per cent. money and the object of allowing the discount for check by return mail was to satisfy such customers who might have been in the habit of discounting and also because of the impracticability of selling in some towns on sight draft or C. O. D. terms. Acceptances were sent to every customer with the invoice for amounts of $25 or over and for smaller amounts acceptances were sent twice a month, even for amounts as small as $1.

The first objection to our terms came from the discounter because of the reduction of discount. This we could satisfactorily explain, as we had reduced our prices 2 per cent. and had abandoned the practice of a trade discount in favor of a cash discount based on actual value of money. The discounter further complained that ½ per cent. for cash was too small a discount and that we were in league with the bankers to prevent their getting a fair discount. To this we replied that we were offering them the same discount that the bank would charge us and that we would rather have our customers discount the acceptances than to have our bankers do so. Today we hear little about discount, except when an occasional customer takes discount in ten days when he should have paid in four or five.

The practice of special discounts for prompt payment of accounts is a relic of the Civil War, when discounts of 2 per cent. to 6 per cent. were given on staple articles; in fact, discounts of 6 per cent. in ten days and 4 per cent. in thirty days were given. The trade acceptance has corrected this unjustified condition of discounting, and also practically all the disputes about unearned discounts.

We had less difficulty than one would imagine in getting our customers to sign acceptances. Every banker in the western part of Washington was advised as to what we had written our mutual customers—we coached our sales force—terms were clearly stated on orders, and literature was mailed.

I do not mean to convey the idea that we did not receive any objections, for some of our customers were most strenuous kickers. In our letter to the trade we stated that if we had not made ourselves quite clear, for them to write us, or to be sure to ask their banker. One customer replied:

"You say—'be sure to ask your banker,' you might as well 'tell your troubles to the submarines,' and as to this banker's indorsement which you enclose, of course the bankers are not fools and they know a good thing for the bank when they see it."

This was particularly interesting, as the writer of the letter was also the president of the bank in the town in which he operated the store.

The principal objections advanced by the customers were that they never signed notes, that they never paid drafts, that it interfered with their bookkeeping and that it reflected on their credit. The difference between a note, draft and trade acceptance was explained, and it was proved to them that an agreement to pay for goods in accordance with the terms of sale was a help to their credit, particularly so when their banker saw the acceptances coming through regularly and the necessary money in the bank on date of maturity to pay same.

As an illustration—we are today granting larger credits under the trade acceptance method than we did under the "open accounts" for the reason that we know that our customers are doing business on a *sounder* basis than ever before.

As to the bookkeeping complaint—bookkeeping is the retailer's weakness, so we always send our customers two acceptances, one to be signed and returned to us, and the other to keep for a "follow up."

To some objectors we call attention to the fact that the trade acceptance is being urged by the Federal reserve bank, that it is a government policy, and that it is their patriotic duty to further its use. The objectors to the acceptance today are few, in fact, many who objected have become real "boosters." Retailers that were poor credit grantors and poor collectors have been brought to change their methods, and many who believed they could not change their ways are surprised at the satisfactory results.

The trade acceptance has done wonders for the millers, and all who have tried it would not go back to the old method of "open accounts." It has reduced our outstanding accounts, and has made all accounts *liquid and negotiable.* I should not say all, because when an acceptance does not come back it has to be treated as an "open account" and collected. No further credit is granted, however, because our terms are "discount or trade acceptance," except, of course, to Federal, state, muncipal, public service and such other corporations as are not in a position to sign, but exceptions are kept to the minimum.

As to interest, before we used the acceptance we rarely if ever collected interest without a dispute, which meant a disgruntled customer. Today the customer *expects to pay* interest and considers it a *favor* if extra time is granted. If a customer desires sixty days' credit and he is worthy we grant it, but we include thirty days' interest in the acceptance. If a customer requires extra time he usually writes us before due date of acceptance. If an acceptance is not paid at maturity and the customer is asked to state what day he can pay the account, then a note with interest to due date is taken unless it is necessary to force collection. The trade acceptance has *given* to the miller the interest he is entitled to without *any disputes.*

As to unjust claims, these were formerly maae when accounts were past due, and to collect same strong methods were necessary; in fact, at times suit with all its hazards had to be resorted to. *Today* claims have to be made before the acceptance is signed or the acceptor has no standing. Unjust claims are now few and far between, and the trade acceptance is responsible for this improvement.

As a comparison of outstandings, on March 31, 1917, under "open account" method, our "accounts receivable" were equivalent to forty-eight days' sales, whereas on March 31, 1918, under trade acceptance method, our "accounts receivable" were equivalent to thirty-two days' sales. This is a reduction of sixteen days without forcing collections, and in spite of the fact that under the "open account" method there was a very advantageous discount, whereas today the discount is strictly a cash one—½ per cent.

Just consider, with credit sales averaging $10,000 per day this means $160,000 more working capital, to say nothing of our outstandings being in a negotiable form for emergency use.

Bad Debts.—Our losses for the past eleven months under trade acceptance are 21 per cent. of corresponding preceding eleven months under open account. This is easily accounted for because losses invariably come from old and delinquent accounts. Today, due to the acceptance, we should know on the 31st day as to whether an account is paid. If the acceptance is returned marked "N. S. F." it is the "fire bell" to the credit-man to get busy.

A doubtful account will usually pay an acceptance and let the "open account" wait.

The only party justly entitled to oppose the trade acceptance is the poor business man, the undesirable credit risk, or, in other words, the man we are all trying to dodge.

There are several ways in which a banker can materially assist in the furthering of the use of the trade acceptance, and one is a uniform method of handling. Acceptances should be handled as checks, by charging them direct to the customer's account without any further reference to the customer and without any additional charge other than that which is made for a check, because the acceptance, if properly handled, takes the place of a check.

To the banker, however, is due a great deal of the credit for the good work he has rendered us in the furthering of the trade acceptance with our customers, but there is still work to do and we feel sure of the bankers' hearty co-operation.

In this connection, one of the prominent bankers of the northwest, realizing the bank's legal responsibility as to charging the acceptance to the customer's account, and not wishing to offend his customer, and at the same time desiring to further the use of the acceptance, has adopted the policy—on the arrival of an acceptance—to request the customer to call at the bank. He stated to the customer that the acceptance has been charged to the customer's account as directed by law. If there is any misunderstanding about the acceptance method it is then cleared up, but to be doubly sure, this banker has the customer sign a card which authorizes the bank to charge all acceptances to his account. This card is taken for the effect it has on the customer and to make him realize his responsibility.

Such is the co-operation we need to make the acceptance universal.

There are two other minor matters which require attention:

Acceptances marked "N. S. F." should be returned just as promptly as checks.

Acceptances made payable at a bank should be presented to that bank and not direct to the customer.

With the bankers' assistance in the educating of our mutual customers to the value of the acceptance, and also with the bankers' co-operation in the standardizing of the method of handling the trade acceptance, a greater volume of good business on a sound basis can be credited to the benefit of all concerned.

Just as the increased use of the checking account has increased the volume of business that can be transacted, so will the use of the trade acceptance still further build up the volume of business handled, and the trade acceptance, being built on the basis of a charge for the use of the money involved, is not only a sound but a profitable instrument from the bankers' viewpoint.

The miller should take a further step forward in this trade acceptance movement. Up to date he has generally made a point of not discounting acceptances. It is my opinion that in the interest of furthering the use of the acceptance, if a banker should request a mutual customer's acceptance be sent to him for discount the miller should comply with this request.

The trade acceptance has worked wonders—it has made the retailer a better and safer buyer, a better creditman, a better collector, and a respecter of terms of sale. It is making him a better merchant. The quicker the acceptance is generally adopted the quicker the reduction in retailer failures.

The trade acceptance has given the miller liquid accounts receivable, reduced bad debt loss, made possible the collection of interest, has almost eliminated unjust claims, has made for greater efficiency of the selling force, as salesmen can give entire time to selling, in fact, it has practically done away with disputes, and made business a real pleasure.

Last, but most important, are the benefits to the banker—the trade acceptance diverts to the bank the business that properly belongs to it. It makes more desirable risks, it gives the banker a good line on his customers' method of doing business and permits of more liberal accommodations; it means two-name paper—in fact, it creates better business.

The value of the trade acceptance to the buyer, seller and banker is so apparent that it is not understandable why it is necessary at times to have to argue in favor of it.

I hope that our experience with the trade acceptance will convince bankers of the greater need for more earnest co-operation between all parties concerned, and that more efficient, economical and patriotic methods of doing business will be our sincere study.

LIBERTY MOTORS

General Secretary Farnsworth of the American Bankers Association, on his return from attending important meetings in Chicago, spent a short period in his home city—Detroit, Mich.—and through the courtesy of his old-time friend, Norval A. Hawkins, sales manager of the Ford Motor Company, visited the Ford plant in Detroit.

Liberty motors are manufactured by the Packard Motor Company, Cadillac Motor Company, the Lincoln Company and the Ford Motor Company; and aeroplane bodies in large quantities by the Fisher Body Company.

The statement having been made in the past few months that the Liberty motors were not up to the standard and not equal to some of the foreign motors, the General Secretary embraced this opportunity for a special investigation. Sixty days ago the Ford Motor Company commenced the construction of suitable buildings and the placing therein of machinery to manufacture the Liberty motor. The company is now manufacturing twenty-five motors a day and expects to increase this to 100 motors a day. Every modern appliance is brought into the manufacture and thorough test of the motors before they are placed in the machines. The Ford Motor Company has devised every possible method to manufacture a perfect machine and is doing so.

From the best of authority and from tests made of the Liberty motor, the emphatic statement can be made that the Liberty motor today is the best motor for aeroplane purposes in the world. It is as near perfect as it is possible to make a motor, and with it wonderful results can be accomplished.

Set up in the plant complete is also a sample of the "Eagle" destroyer, 210 feet long, a formidable boat of great speed, entirely of steel construction. This "Eagle" will be perfectly equipped in every particular as it stands in the factory. The "Eagles" are being manufactured in the Ford plant on the Rouge River, where twenty-one "Eagles" can be on the ways at one time.

The Ford Motor Company is also manufacturing several other formidable war weapons, on which the mechanical staff of the Ford Company is giving its best efforts, under the direct supervision of the Ford Company's mechanical genius, Mr. Wills.

WOUNDED, BUT BACK IN THE FIGHT

The following interesting letter has been received from Roy A. Cooper, cashier of the First National Bank, Heavener, Okla.:

"Referring to your circular letter of some days ago requesting information regarding the bank men engaged in "over seas" duty, have to announce that the writer is just in receipt of a letter from Mr. E. T. Plummer, our assistant cashier, that he is recovering from wounds received in action at Chateau-Thierry at the time of the offensive in June.

"Plummer, in writing from the hospital in Paris, states that the doctors dug some twenty-two shrapnel or slivers out of his back and neck which were left him by a Big Bertha shell bursting over the machine-gun company he was with. Plummer did not say the feelings reminded him of old times, but the writer assumes the feelings of the shrapnel and slivers are similar to small shot received from an angry farmer whose melon patch had been invaded and Busy Bertha consisted of an old ten-gauge shotgun.

"However, we are pleased to say that Plummer writes that he is—or was—rapidly recovering and that the next week (this was written June 21) he would be back in the front rank, and we assume he is in the fight there this week."

"In the Service" from American Banks

The American Bankers Association has undertaken to compile each month statistics showing the number of men who have left banking positions to go into the army or navy, and also a Roll of Honor containing the names of those who have already lost their lives in the service of their country. Every bank in the country, whether a member of the American Bankers Association or not, has been asked to send in the desired information on the fifteenth of each month. Only the *number* of men who have joined the army and navy will be reported, and the *names* of those *who have lost their lives.* Banks are particularly requested not to send in the names of those who have gone into the service, but only the names of such men as have been reported dead.

On the blanks sent out by the Association, returns have been made by 3,942 banks from forty-eight states, the District of Columbia, Alaska, Cuba and Canada. Of this number, 667 banks report having sent no men into the service. The remaining 3,275 banks have furnished the army with 10,168 men, of whom 1,657 are commissioned officers, and the navy with 2,120 men, of whom 165 are commissioned officers. This makes a total of 12,288 men given to the two branches. Of the above, 214 have lost their lives in the service.

The first list of names was published in the July JOURNAL. Following are additional names received in time for publication in this issue:

THE ROLL OF HONOR

(Died in the Service of Their Country)

Citizens State Bank, Gooding, Idaho.
Derwood B. Dickinson, Private.

Woodlawn Trust & Savings Bank, Chicago, Ill.
Philip Culver, Seaman.

The Springfield Savings Bank, Springfield, Iowa.
Fay E. Gunnison, Private.

Jamaica Plain Trust Company, Jamaica Plain, Mass.
Robert H. Petts, Seaman.

Exchange Trust Company, Boston, Mass.
Stanley H. Ringer, Corporal.

First National Bank of Winona, Winona, Minn.
H. L. Kinne, St. Paul, Minn.

State Bank of Montcalm County, Coral, Mich.
Hugh S. Newell.

Michigan National Bank, St. Clair Heights, Mich.
Edgar E. Chamberlain, Private.

Bank of Commerce, Lexington, Ky.
Don M. Burris, Fireman.

The National Bank of Commerce in St. Louis, St. Louis, Mo.
Oliver C. Shands, Private.

Southeast Missouri Trust Company, Cape Girardeau, Mo.
Charles Y. Blockledge, Yeoman.

State Bank of Willow Springs, Willow Springs, Mo.
Harry H. Fleming, 1st Lieutenant.

Bank of Blackwater, Blackwater, Mo.
Roy W. Redd, Private.

Union Bank & Trust Company, Helena, Mont.
H. H. Hibbard, 1st Sergeant.

The United States National Bank, Omaha, Neb.
Ivan Sweeney, Private.

Somerville Trust Company, Somerville, N. J.
William Wachter, Top Sergeant.

Albany Trust Company, Albany, N. Y.
William Hellicous, Private.

Bank of Long Island, Jamaica, N. Y.
Charles Hoerning.

Chase National Bank, New York, N. Y.
Louis W. King, Private.

Brown Brothers & Company, New York, N. Y.
Lieut. William Baillie Fraser-Campbell.

Citizens Commercial Trust Company, Buffalo, N. Y.
Lieut. Earl T. Williams.

E. Naumburg & Company, New York, N. Y.
W. W. Lillie, Private.

Guaranty Trust Company, New York, N. Y.
Robert Gray, Jr.
Winthrop V. Rodewald, Corporal.
J. C. Amy, Private.
Wilmer Bodenstab, 2nd Lieutenant.
Sergeant Kreller.

American Trust Company, Charlotte, N. C.
Joe Orr, Marine.

Citizens National Bank, Raleigh, N. C.
T. H. Watson, 2nd Lieutenant.

Farmers State Bank of Dodge, Dodge, N. D.
Ezra W. Barrows, Private.

Cleveland Trust Company, Cleveland, O.
Charles S. Woods, Lieutenant.

Union National Bank, Pittsburgh, Pa.
Charles E. Gibson, Seaman.

Braddock National Bank, Braddock, Pa.
Charles R. Holahan, Private.

The Wayne Title & Trust Company, Wayne, Pa.
Wallace Craig Dickson, Private.

The Land, Title and Trust Company, Philadelphia, Pa.
Harold Atkins, Private.
Roy Simpson, Private.
Edgar Lloyd, Private.

The Philadelphia Saving Fund Society, Philadelphia, Pa.
Orville S. Kidwell, Sergeant-Major.

West & Company, Philadelphia, Pa.
Lovell S. Barlow, Lieutenant.

National Bank of Jersey Shore, Jersey Shore, Pa.
Charles E. Peterson, Sergeant.
Roscoe M. Wolf, Sergeant.

The Farmers Bank, Kutztown, Pa.
C. E. Merkel, Corporal.

The National Bank of Fairmont, Fairmont, W. Va.
Arlington Fleming, Sergeant.

Putnam County Bank, Hurricane, W. Va.
Walter Draper, Private.

Bank of Oakfield, Oakfield, Wis.
Fern W. Bristol, Private.

Oshkosh Savings and Trust Company, Oshkosh, Wis.
Howard L. Smith, Lieutenant.

Canadian Bank of Commerce, Toronto, Canada.
A. W. Aitchison, Lieutenant.
G. F. Allan, Private.
Arthur H. Allen, Lieutenant.
B. S. Anderson, Driver.
R. Anderson, Private.
R. M. Appleby, L. Corporal.
R. D. Arden, Lieutenant.
S. Badley, Private.
C. T. Balderston, Lieutenant.
L. H. Barnard, Lieutenant.
F. F. Barnes, Private.
L. M. Bean, Private.
R. S. M. Beatson, Lieutenant.
G. A. Beck, Lieutenant.
D. H. Bell, Captain.
A. W. Bevan, Private.
F. Black, Corporal.
F. P. Blacklay, Private.
H. Blackwood, Private.
W. M. Blott, Lieutenant.
R. D. Briscoe, Lieutenant.
A. E. Browne, Lieutenant.
C. E. Buzzell, L. Corporal.
J. Cagney, Private.
L. E. Callaghan, Private.
F. B. Cameron, Lieutenant.
D. J. M. Campbell, Lieutenant.
W. L. Carmichael, Lieutenant.
T. A. Christie, Sgt.-Major.
G. E. Clarke, Lieutenant.
J. Cowie, Private.
E. W. A. Cronheim, Gunner.
J. C. Currie, Private.
F. F. B. Darley, Private.
C. deFallot, Captain.
R. S. Deuel, L. Corporal.
F. E. Dodge, Corporal.
G. C. Duffus, L. Corporal.
H. A. Duncan, Captain.
Elderkin, W. A., Private.
L. Elsley, Lieutenant.
F. L. Emmerson, Private.
E. H. Exshaw, Private.
W. H. Falkner, Lieutenant.
R. M. Ferguson, Lieutenant.
K. C. Findlay, Acting L. Corporal.
I. M. Fisher, L. Corporal.
E. Fitton, Private.
J. A. M. Forbes, Private.
W. H. Fowler, Private.
G. W. A. Fraser, Sergeant.
J. Freeman, Private.
(Count) O. K. J. V. Frijs, Private.
W. N. Galaugher, Lieutenant.
J. A. K. Gildea, Lieutenant.
N. A. Gillespie, Private.
V. A. Gillespie, Private.
F. F. Godsman, Private.
A. Godwin, Private.
C. Gordon, Lieutenant.
D. E. Gordon, Lieutenant.
F. J. Guy, Private.
G. R. Hales, Private.
R. N. Hanna, Private.
A. W. Harding, Private.
H. W. Harrison, Lieutenant.
F. Harrison, L. Sergeant.
W. Henderson, Private.
R. S. Hillary, Gunner.
J. T. Hoare, Lieutenant.
G. K. Holland, Lieutenant.
D. B. Hope, Driver.
I. H. Huehn, Private.
E. Ibbotson, Lieutenant.
W. Irvine, Private.
G. H. Jackson, Private.
J. R. Jessop, Lieutenant.
R. E. N. Jones, Lieutenant.
J. R. Keith, Sergeant.
A. M. Kerr, Corporal.
A. E. Kinghan, Lieutenant.
M. P. Lane, Lieutenant.
G. E. Latimer, Private.
F. K. Lefroy, Lieutenant.
E. G. Leitch, Actg.-Bdr.
G. M. LeThicke, Private.
W. S. Lindsay, Private.
C. W. Lipsham, Private.
R. M. Livingstone, Private.
S. G. O. Lloyd, Sergeant.
W. B. Logan, Private.
J. Low, Private.
M. M. Lupton, Sergeant.
K. H. C. Macardle, Lieutenant.
E. C. MacCallum, Lieutenant.
A. Martin-Davey.
E. C. Mee, Lieutenant.
R. D. Miles, Lieutenant.
R. B. Miller, Corporal.
E. C. W. Mockler, L. Corporal.
C. K. B. Mogg, Actg.-Captain.
A. G. Morris, Lieutenant.
A. E. B. Morton, Lieutenant.
R. B. McCarthy, Lieutenant.
J. A. B. McClure, Lieutenant.
J. J. McEachern, Gunner.
J. W. McFarland, Private.
J. D. McNulty, Gunner.
I. L. K. Nuttall, Private.
N. T. Paterson, Private.
F. W. Paton, Lieutenant.
G. Stewart Patterson, Private.
N. E. Patton, Private.
G. M. Pirie, Private.
D. M. Pittendrigh, Private.
S. H. Rapson, Private.
C. W. F. Rawle, Lieutenant.
H. G. Raymond, Sergeant.
S. T. Read, Private.
C. A. Richards, Private.
N. H. Ricketts, Lieutenant.
J. S. Rodgerson, Lieutenant.
G. Rogers, Corporal.
H. J. Rouleau, Private.
J. E. Ryerson, Captain.
E. Ryrie, Lieutenant.
C. V. Scott, Private.
J. R. D. Scott, Private.
S. B. Simpson, Lieutenant.
N. F. Sinclair, Sgt.-Major.
G. C. M. Skead, Sergeant.
G. F. Skelton, Private.
C. B. Smillie, Sergeant.
Jas. Stewart, Sergeant.
S. H. Stockwell, A. Sergeant.
A. T. Stoner, L. Corporal.
F. H. Striker, Private.
D. A. Sutherland, Lieutenant.
G. D. Tainsh, Private.
E. C. Templeton, Private.
W. Tucker, L. Corporal.
W. J. S. Tydd, Lieutenant.
N. C. Watson, Lieutenant.
P. B. Watson, Corporal.
R. L. Webster, Corporal.
N. A. Wheadon, Private.
H. Wilbraham-Taylor, Private.
A. P. Williams, L. Corporal.
J. Williamson, Private.
A. M. Wilson, Corporal.
H. F. Wilson, Private.
A. C. Wittet, Private.

Reserve Board to Publish Business Index

THE Federal Reserve Board has announced that in the near future it expects to undertake the establishment of a series of indexes of business conditions, for regular publication in its monthly bulletin. These indexes will supplement the monthly reports on business conditions which the twelve Federal reserve agents compile and which are incorporated in the bulletin. The Board states that the indexes will be presented for the purpose of affording data as nearly definite and authoritative as they can be made with reference to the progress of business, changes in economic conditions, and general alterations in the financial and banking situation. Preliminary to the initiation of this series of indexes, the Board has deemed it desirable to furnish a general account of what is intended in this connection, both in order to assist in obtaining the co-operation of those whose aid must be enlisted in order to make the undertaking a success and also to furnish a complete explanation of the scope and purpose of the proposed undertaking.

It is the intention of the Board to use largely material gathered by other governmental, state and municipal agencies, commercial organizations and trade journals, and to supplement the material thus obtained by information received through channels of its own, particularly the Federal reserve banks and agents, and also member banks. Working arrangements have already been effected with most of the Washington offices and services whereby all statistics of a periodical character not treated as confidential will be supplied to the Board for its use in the preparation of its condensed reports. In this manner the market movements, including receipts, shipments, stocks in hand, and prices of leading commodities, will be made available. These data, properly classified, will be used for computing index numbers showing changes in the physical volume of trade, visible stocks, consumption, etc.

Under the head of indexes of business conditions the Board includes all statistics relative to production, consumption, transportation and prices which may be regarded as affording definite indications of the character and trend of changes occurring from time to time in the economic organization of the country and in the activity exhibited by that organization. The Board is already collecting such data, which includes compiled statistics covering the following topics:

(a) Prices, both retail and wholesale, exhibited as actual series and also as index numbers, computed with reference to a specific base. Such prices are furnished by the Federal Government in the publications of the Bureau of Labor Statistics, while several index numbers are computed and issued from time to time by private investigators. The principal series of index numbers now available are Dun's, Bradstreet's, *The Annalist's*, Gibson's and two forms of the series compiled by the Bureau of Labor Statistics. A complete scientific study of the various characteristics of these series of index numbers has been prepared by Professor W. C. Mitchell and published by the United States Bureau of Labor Statistics (whole No. 173). Selective use will be made of this series of index numbers and particularly of the data published by the Bureau of Labor Statistics, with a view to correlating changes in prices with changes in the production and movement of commodities.

(b) Reports of Production.—Many of the chief industries of the country issue, at intervals, statements showing the production and shipment of their output at varying intervals. This is true of the basic industries such as iron, steel, coal, copper and other leading mining industries. Figures are given on the basis of reports received from the principal producing factors in the given lines to which they relate, and with them are frequently associated data showing the quantities of the given products on hand at points of shipment or in storage at the chief points for assembling and distributing the output. In some of these lines figures are collected and issued by governmental agencies, but in most cases the data rendered currently available are supplied chiefly or only by the producers or distributers themselves. The main lines of industry in which basic statistics of this class can be obtained are the following, viz.: Coal, iron ore, pig iron, steel, cement, tin, lead, copper, sugar, meats, hides, skins, leather, boots and shoes, lumber, etc.

(c) The Railway Administration of the United States has under consideration a plan for the furnishing of compiled statistics relating to the movement of goods. With this plan completely carried out it will be feasible to exhibit the movement of chief items entering into freight movements from period to period. These statistics exhibit the extent and character of changes in the movement of essential materials, and throw light upon the activity of industry by indicating the extent to which such materials are being demanded and produced in order to supply consumption. Selected tabular data intended to exhibit the relative changes in such movements are thus essential in forming an idea, at any given time, of the extent and activity of manufacturing, besides furnishing information regarding the claims of the sections producing and shipping such articles upon other regions of the country where they are manufactured or consumed.

(d) Banking and credit statistics are relied upon to show not only the character of the credit situation from the standpoint of internal bank organization, but also the conditions under which business is able to obtain the accommodation it requires from those who control the supply of liquid capital and credit. Such statistics include not only deposits, clearings and reserves, but also data showing variations in commercial rates of interest and discount on specified classes of loans. The material for a study of variations in banking and credit is peculiarly extensive and rich, but at certain points has heretofore been incomplete. Inclusive and valuable statistics of the national banking system are prepared by the Controller of the Currency, while the work done by the Federal reserve system in gathering data relative to the condition of member banks in the larger cities has become familiar through the pages of *The Federal Reserve Bulletin.* In sundry of the states satisfactory statistics concerning the condition of state banks are published from time to time by the local departments of banking. One of the most serious gaps in our banking information has been found in the lack of authoritative data concerning discount and interest rates for standardized classes of paper. The Federal reserve system has already done something toward standardizing interest and discount rates. Before long it may be able, with its twelve Federal reserve banks and the branches,which will soon number upward of fifteen, to furnish authoritative quotations of interest and discount rates at the principal financial centers of the country, and so far as possible to reduce these to an index number basis.

(e) Figures relating to savings are considered of importance because they show, at least approximately, the surplus of production over consumption and thus furnish a clue to the volume of new wealth created from time to time and rendered available for reinvestment, and thus for use in increasing or carrying on the productive capacities of the country, thereby affording employment to labor. The data relating to savings have thus far been among the less satisfactory of those available to students of economic progress. With the development of the new system of income and excess profits taxes it is, however, hoped to obtain more satisfactory information, at least within restricted fields, concerning the development of wealth and the growth of savings. This will at least be possible with reference to corporate savings and investments.

(f) Data designed to show the extent of employment at any given time in the country at large throw light on the activity of industry and also upon the purchasing and consuming power throughout the various industrial sections into which the population is divided. The degree of employment and unemployment, and the general level of wages, furnish an exact index of the economic condition of population in any given line of business. The recent entry of the Government of the United States into the industrial field as a large employer of labor and its efforts to secure a better distribution of available workers enable it to furnish reliable information concerning the conditions affecting the movement and demand for labor in certain fields as well as the distribution of the available supply of workers in the specified classes of industry.

The Federal Reserve Board says that the establishment of a series of business indexes for the nation as a whole is only the first step forward in the eventual development of a complete series of business indexes. It is the Board's intention to extend the system generally throughout the several Federal reserve districts, securing in each district the establishment of satisfactory indexes relating to the condition of the chief industries situated there, and obtaining, as a result, reliable and authoritative reports of local business conditions.

RECOMMENDATIONS OF CO-ORDINATION COMMITTEE

At the Spring Meeting of the Executive Council, American Bankers Association, held at Hot Springs, Ark., in May, President Hinsch made a number of recommendations in his address and report, suggesting that a special committee be appointed to consider these questions and report at the September meeting in Chicago.

The Council appointed a Committee on Co-Ordination of Activities. This committee met in Chicago July 14, the following members of the committee being present: Waldo Newcomer of Baltimore, Md., chairman; S. B. Montgomery, Quincy, Ill.; Guy E. Bowerman, St. Anthony, Idaho. President Hinsch attended the sessions and by special invitation General Counsel Paton and General Secretary Farnsworth went from New York to be present for information and consultation.

The committee spent the entire day in considering the suggestions of President Hinsch and authorized Chairman Newcomer to prepare a report and certain amendments which will be submitted at Chicago in September.

Among the many recommendations which will be made by this special committee to the Council are the following:

Enlarging the Administrative Committee by placing thereon the President of the Trust Company Section, the Savings Bank Section, the State Bank Section and the National Bank Section;

Placing on the Executive Council the Vice-Presidents of the following Sections—Clearing House, State Secretaries and the American Institute of Banking;

Enlarging the functions of the various Sections in the handling of legislative matters;

Making the Agricultural Commission a standing commission of the convention;

Placing on the Executive Council the Chairmen of the Currency and Agricultural Commissions;

Providing for the establishment of a Bureau of Statistics;

Arranging for the presence of some of the officials of the Association at the various state conventions of next year.

The committee was very earnest in its endeavors to consider all of the interest of the Association and in formulating recommendations that would inure to the benefit of the Association and its membership of 19,000.

WORK OF THE A. B. A. AGRICULTURAL COMMISSION

In an address delivered before the Michigan Bankers Association, at Charlevoix, June 25, Chairman Hirsch of the Agricultural Commission of the American Bankers Association presented an outline of the work of the Commission and of the agricultural committees of the state associations. He particularly stressed the important results obtained by the Wisconsin, Washington and California associations as a result of the joint banker-farmer meetings at the agricultural colleges.

In his address, which was entitled "Partners—The Banker Joins the Farmer in the Campaign for Increased Food Production," Chairman Hirsch called attention to the important part played by bankers, in conjunction with the government forces, in the increase of our food, feed and meat supplies. He recommended that state quotas be established, and pointed out that it was equally practical to fix a state or a county quota for increased food or livestock production as it was to fix quotas for the sale of Liberty Bonds, and that in fixing these measures of increase, based upon acreage or some other just standard, bankers would be called upon for important service.

An interesting feature of Mr. Hirsch's address was that referring to the employment of bank agriculturists by some twenty-five banks. This is a new departure—the banks are employing demonstration agents who visit farmers and encourage the use of scientific methods in the cultivation of the soil, seed selection, seed testing, livestock development, etc. These bank agriculturists bear the same relationship to the country banker that the new business department does to the city bank. They are pointing out new ways by which the country bankers can increase their business and put their business upon a sounder basis, and, at the same time, they are adding new wealth to their communities—they are really "creators of wealth."

The Agricultural Commission has had a busy year, and its publication, the *Banker-Farmer*, is now reaching nearly twenty thousand bankers monthly, and has a total circulation of some thirty-five thousand copies monthly.

Plans for the A. B. A. Convention

THE forty-fourth annual convention of the American Bankers Association will be held in the city of Chicago, the week beginning September 23. In keeping with the times, it will be a "War Convention." The sessions of the sections and the Association will be given up largely to discussion and addresses on the all-absorbing topics of the times.

It is a little early yet to announce the speakers for the General Convention, as the list embodies Cabinet officers, representatives of foreign governments, members of the United States Senate and heads of the important departments of the government. As the convention is still two months off at this writing, tentative promises only can be made; but the members of the Association who will attend this convention can be assured that the speakers from whom final acceptances will be received will be of a character to command the greatest attention.

The program for the week will be in accordance with former ones of national conventions:

Monday Morning, September 23—Committee meetings of the Association and sections.

Monday Afternoon, September 23—Annual meeting of the Executive Council.

Tuesday and Wednesday, September 24 and 25—General meetings of the six sections of the Association—Trust Company, Savings Bank, Clearing House, State Secretaries, National Bank and State Bank.

Thursday Morning, September 26—Opening of General Convention. Concert by one of Chicago's famous bands. Invocation. Addresses of welcome by a representative of the state of Illinois and bankers of Chicago. Annual address and response to addresses of welcome by President Hinsch. Annual reports of the Officers. Addresses.

Thursday Afternoon—Addresses. Following these sessions a meeting of the Committee on Nominations.

Friday, September 27—Opening with a brief concert. Addresses. Report of Committee on Nominations.

Friday Afternoon—Addresses. Installation of officers.

In war times it is not consistent to have elaborate entertainments. The bankers of Chicago, however, do not feel that it would be proper to eliminate entirely the entertainment features; but they will be to an extent arranged with a view of giving their guests some war atmosphere. It has been planned, if proper arrangements can be made, to have the guests make a visit to the Great Lakes Naval Station on Saturday morning, September 28. This is one of the greatest war bases in the country, and will be of unusual interest to those who have not visited any of the great camps. There will probably be a theatrical entertainment on Wednesday and Friday nights of convention week and a suitable entertainment for the ladies on one of the days of the convention at one of Chicago's famous country clubs.

As provided for under the constitution, the new council will meet on Saturday morning.

The Congress Hotel and Annex has been selected as headquarters. It is particularly well adapted for headquarters purposes, having so many large rooms which can be used for the various section meetings and the committee meetings, and for the registration. All of the committee meetings and section meetings will be held at the Congress Hotel and the general sessions of the convention across the street at the Auditorium Theater.

For hotel reservations communicate at once with John R. Washburn, Chairman of the Hotel Committee, c/o Continental & Commercial National Bank, Chicago, Ill.

The Chicago bankers never do anything by halves; and all arrangements in their hands will be carried out in the best manner possible. It is predicted that the coming convention will be the largest and most important in the history of the Association.

Joint Meeting of Sections

In accordance with instructions issued by the Administrative Committee at the Hot Springs meeting, the Section Secretaries have outlined and submitted to the Section Presidents for approval the following tentative program:

1—The Federal reserve system from a general viewpoint.

2—Discussion of membership in the Federal reserve system, from the viewpoint of a member, by a representative of a bank under state jurisdiction, that is, a member of the system.

3—Discussion of membership in the system from the viewpoint of an eligible non-member, by a representative of a bank under state jurisdiction, that is, an eligible non-member of the system.

4—Discussion of membership in the system, from the viewpoint of an ineligible non-member, by a representative of a bank under state jurisdiction, that is, an ineligible non-member of the system.

5—General discussion—open forum—free for all.

Practical men of wide experience will be selected as speakers for the main topics under consideration. All bank and trust company delegates are urged to plan to attend this meeting, as information of vital importance to every banker will be developed.

Council of State Banking Associations

On July 15, in St. Louis, Mo., supervisors of state banks and trust companies and representatives of various state banking institutions established an organization which has been entitled, "The United States Council of State Banking Associations." According to the articles of association, "The objects of this organization shall be to promote the general efficiency and welfare of the American banking system, to obtain co-operation between states and with the national government in securing sound, uniform and constructive legislation, both state and national, and to bring about a general strengthening of the banking, financial and general economic conditions of the nation."

W. H. Booth, vice-president of the Security Trust and Savings Bank of Los Angeles, heads the new council. Mr. Booth will come to New York shortly to consult with local bankers regarding the organization and offices which are to be opened here. The other officers are: William MacFerran, president of the State Savings Bank of Topeka, Kan., vice-president; George W. Rogers, vice-president of the Bank of Commerce of Little Rock, Ark., vice-president; F. H. Sisson, vice-president of the Guaranty Trust Company of New York, secretary, and William B. Boulton, of Morristown, N. J., treasurer.

The executive committee, comprising one member from each of the twelve Federal reserve districts of the United States, has been chosen as follows:

First District, Albert O. Brown, Manchester, N. H.; Second District, Charles H. Sabin, president Guaranty Trust Company of New York; Third District, George H. Earle, Jr., president Finance Company of Philadelphia, Penn.; Fourth District, Malcolm McGiffin, president Fidelity Title and Trust Company, Pittsburgh; Fifth District, Emory L. Coblentz, president Central Trust Company, Frederick, Md.; Sixth District, Forrest Lake, president Seminole County Bank, Sanford, Fla.; Seventh District, H. A. Moehlenpah, Clinton, Wis.; Eighth District, Charles C. McCain, vice-president and secretary Bankers' Trust Company, Little Rock, Ark.; Ninth District, George G. Johnson, vice-president First and People's State Bank, Thief River Falls, Minn.; Tenth District, Charles L. Engle, president Commercial Bank, El Reno, Okla.; Eleventh District, Travis Oliver, vice-president Central Savings Bank and Trust Company, Monroe, La.; Twelfth District, John S. Drum, president Savings Union Bank and Trust Company, San Francisco.

Functions of New Body

The scope of the new council is indicated in the following resolutions which were adopted by the representatives of the state banking associations of thirty-three states present at the St. Louis meeting:

"Whereas, The extraordinary conditions through which the world is now passing has developed new problems and greater responsibilities which must be met and solved by the bankers of the United States, and fully realizing that the welfare of the nation can best be served by the fullest extension of both the national and state banks systems, neither system conflicting with the other, but each co-operating with and assisting the other in financing the war, in developing our natural resources and in extending our commerce; therefore, be it

"Resolved, By the representatives of state banks, trust companies and private banks in association assembled in the city of St. Louis, Mo., on July 15, 1918, as follows:

"First—That we approve the call for this meeting, which was made by the supervisors of state banks and trust companies.

"Second—That we recommend that state banks, trust companies and private banks, savings banks, located in the several states form a state organization for the purpose of conserving and protecting those local privileges and interests which have been developed and become inherent in state financial institutions; and for the further purpose of securing such legislation as may be necessary to perfect the state banking systems.

"Third—We recommend that such state bank sections of organizations co-operate with existing state bank organizations in so far as their interests do not conflict.

"Fourth—It is not the purpose of this association to oppose or in any way antagonize the Federal reserve system as at present constituted, but it is our desire to aid and assist the Federal Reserve Board in every way possible for the promotion of safe and sound banking.

"Fifth—That this council co-operate with the American Bankers' Association and the bankers' associations of the several states in all matters affecting banking interests, and it is not our purpose to withdraw in any way support from either of said associations.

"Sixth—That we renew and redeclare our allegiance to Woodrow Wilson, the commander in chief of our army and navy. We pledge 'all that we are and all that we have' to a victorious termination of the great conflict between mediæval autocracy and the free people of the world. In our organized capacity we stand ready to respond in the future as state banks have responded in the past to every call made by our government for either moral support or financial aid.

"Seventh—That the secretary of this association be and he is directed to forward a copy of these resolutions to the President of the United States and to the Secretary of the Treasury; also a copy to the President of the American Bankers Association and to the presidents of the several state banking associations and to the chairman of the Federal Reserve Board."

Cotton Conference for Government Control

AT a conference of cotton interests in New Orleans on July 5 steps toward a permanent organization were taken. W. W. Woodson of Waco, Texas, was chosen as president; L. M. Pool, of New Orleans, vice-president; and W. A. Philpott, Jr., of Dallas, Texas, secretary. A committee was chosen to go to Washington to present to the government authorities the desire of the conference expressed in the following resolution:

"*Whereas,* In the present struggle of the free peoples of the United States and the Allied Nations against the insatiate ambition of a maddened military autocracy, next in importance only to the supply of food is the supply of raw materials for the making of clothing, and

"*Whereas,* The supply of such raw materials, other than cotton, has been materially reduced by consumption, thereby increasing the need for cotton and the intrinsic value thereof, and

"*Whereas,* The demand for transportation facilities for the carrying of soldiers and war supplies has reduced the shipping available for cotton, thereby interrupting temporarily the law of supply and demand and confronting the producers of cotton and the banks financing them with a task beyond their resources, and

"*Whereas,* The cotton plant yields besides the fiber the cotton seed which has been found to be essential in producing fats and feed and an impairment of the agricultural organization raising cotton would therefore be disastrous to the nation.

"*Whereas,* A large supply of this essential raw material will be of inestimable value to the government of the United States in any negotiations with the enemy governments, either on the occasion of peace adjustments or the later commercial re-adjustments following the close of the war, as well as for the use of the Allied Nations and friendly neutrals during the progress of the war, therefore

"*Be it resolved,* That this meeting petition the President and the Congress of the United States to create a corporation to be known as the United States Cotton Corporation with the power to buy for account of the United States Government such cotton as may be offered for sale without other available buyers at a price to be now fixed by the President of the United States.

"That concurrently therewith arrangements be made whereby there shall be insured to the consumer of cotton fabrics a price consistent with the price of the raw material, allowing to the manufacturer a safe and reasonable return upon his operations.

"That a committee from this meeting composed of one producer and one banker from each cotton growing state be sent to Washington to present this petition and take such other steps as may be necessary to secure the consummation of this plan."

Other resolutions adopted at the convention are as follows:

"*Resolved,* That this meeting recommend that in each cotton growing state, a committee be formed headed by the Agricultural Commissioner of the state and including the president of the Farmers Union, the president of the Bankers Association and the head of the State Market Department to organize a definite propaganda throughout the state looking to the withholding from the market by the producer of as large a proportion of the crop as possible, the details of the plan in each state to be worked out by the Commitee of that state."

Priority of Cotton

"*Whereas,* The prospects indicate a cotton crop of greater proportions for the season of 1918-1919 than was harvested in 1917-1918; and

"*Whereas,* The welfare of our nation demands that cotton be transported as freely as possible from its point of origin to our spinning centers so as to be enabled to properly furnish our government with necessary clothing and other needed materials for the use of our navy and army, as well as for our civilian population; so be it

"*Resolved,* By the Association of Southern State Bankers and cotton producers in session in New Orleans, July 5, 1918, that we urge and request Director General McAdoo to instruct the Priority Board that subject to other more pressing war needs he see that ample transportation facilities are furnished to move the cotton crop from points of origin to shipping centers; and be it further

"*Resolved,* That each delegate present take this matter up on their return home and have each business organization make a similar request of Director General McAdoo; and be it further

"*Resolved,* That a copy of this resolution be presented to Director General McAdoo, Washington, D. C.

Regarding Steamship Lines

"*Whereas,* We are gratified at the announcement of Hon. Edward N. Hurley, Chairman of the United States Shipping Board before the students of Notre Dame College in Indiana that in 1920 the United States of America will dominate the seas with our merchant marine; and

"*Whereas,* Figures taken from the United States Department of Agriculture have demonstrated the fact that the south is producing now more than one-third of the food crops of our nation and, therefore, is not only feeding itself, but is aiding to feed our fellow citizens in other parts of our country, and, also, in sending large quantities of food stuffs abroad; and that with our cotton we are practically clothing the civilized and uncivilized nations of the world; and

"*Whereas,* Notwithstanding this fact, the farmers of the south have been impressed with the necessity of producing more food and feed stuffs, and are loyally and patriotically doing so; and

"*Whereas,* In the selecting and adjustment of routes for the new steamship lines which are being established, press reports indicate that efforts are being made to concentrate practically all lines from New York and other North Atlantic ports; and

"*Whereas,* The South Atlantic and Gulf States not only possess an immense sea area, and ports with ample water and shipping facilities, but in addition to this, there is an immense area from the Mississippi Valley and the West, as well as from adjacent southern states, the product of which can be more easily and economically transported to foreign shores from South Atlantic and Gulf ports than from any other port; and

"*Whereas,* The freight congestion at South Atlantic and Gulf ports has been reduced to a minimum; and

"*Whereas,* The congestion of the North Atlantic ports is on an increase; so be it

"*Resolved,* By the Conference of Southern State Bankers and cotton producers now in session in New Orleans, July 5, 1918, That we urge that in the arranging of routing and sailing points between different steamship lines, the South Atlantic and Gulf States be given their full pro rata so as to accommodate the immense tonnage from farm and factory, of which the South Atlantic and Gulf ports are the natural outlet; be it further

"*Resolved,* That each delegate present take this matter up on his return home and have each business organization and each farmers' organization make a similar request of Mr. Hurley; and be it further

"*Resolved,* That a copy of this resolution be presented to Hon. Edward N. Hurley, Chairman of the United States Shipping Board."

The conference also went on record as favoring Senate bill No. 4747, which, if passed, will permit the Federal Reserve Board to waive Section 5200 of the National Bank Act, which limits loan power of a national bank to any one individual at 10 per cent. of capital stock, in order that banks may carry cotton drafts.

The American Bankers Association was represented at the convention by the following delegates: Lynn H. Dinkins, L. M. Pool, Walker Broach and G. O. Vincent of New Orleans, La.; W. W. Woodson, Waco, Texas.

GUARANTY OF DEPOSITS

FROM THE FEDERAL RESERVE BULLETIN

The following resolutions relating to guaranty of bank deposits were adopted at a meeting of the Federal Reserve Board, held on June 25, 1918:

Whereas, It is important that nothing should impede the unification of the banking system of the country under the Federal Reserve Act, to which the President called attention in his statement of October 13, 1917:

> "The Federal Reserve Act is the only constructive financial legislation which we have ever had which was broad enough to accommodate at the same time banks operating under powers granted by the general government and banks whose charters are granted by the respective states. The unification of our banking system and the complete mobilization of reserves are among the fundamental principles of the act."

Whereas, Such unification is threatened by the proposed plan for the guaranty of deposits in national banks:

(1) Because it would tend to stimulate a spirit of competition and antagonism between state-bank systems and the national banking system.

(2) Because of the difficult and embarrassing situation in which such state banks, which, owing either to insufficient captalization or to existing contractual or trust obligations, could not convert into national banks would be placed.

(3) Because of the agitation which would be produced in many states to secure local legislation for the guaranty of deposits in state banks, thus destroying the harmony now happily developing and almost established between state and national bank systems, as evidenced by the increasing number of state member banks in the Federal reserve system and the cordial co-operation which many States are giving to the policy of the Federal Reserve Board in seeking to bring about a unification of the American banking system under the Federal Reserve Act.

Whereas, There is no sufficient evidence to establish that there are great sums of currency and specie now in hiding which would be drawn out and deposited in national banks were such deposits guaranteed beyond what is already being accomplished by the postal savings system and the war savings stamp associations.

Whereas, in the judgment of the Board no plan of insurance, either applied to bank deposits or to any other form of credit or property, is sound or can long be successfully maintained where a uniform premium is assessed upon all participants, good or bad alike, or equitable unless the insurance privileges be extended to all member banks at their election.

Whereas, The extension of the principle of insurance to bank deposits raises large and most difficult questions of general governmental policy which ought to be decided only after the most mature consideration.

Whereas, The Government could not safely and wisely undertake the guaranty of bank deposits without exercising a degree of control over banking loans and investments, which would, in effect, amount to the government guaranty of such loans and investments, and thus bring banking credit under the complete control of the government.

Whereas, the hardships now suffered by depositors of insolvent banks could be materially lessened by the establishment of a fund for the prompt liquidation of the valuable assets of failed banks; Therefore

Be it resolved, That the Board deprecates the injection into the banking situation at this time of the bitterly controverted question of guaranty of bank deposits as prejudicial to the development of the Federal reserve system and as menacing to the successful financial conduct of the war, because of the agitation of mind produced in the business and banking community.

Be it further resolved, That it is the judgment of the Board that a fund, under the administration of the Federal reserve banks, might well be set up to provide and insure immediate determination of the value of the assets of failed member banks of the Federal reserve system and an immediate distribution of the estimated value of such assets among depositors, pending their final liquidation; this to the end that the hardship and injury now sustained by depositors of failed banks, because of the delays to which they are subjected in receiving their pro rata of the assets of failed banks, may be reduced to a minimum.

In casting his vote in favor of this resolution, Governor Harding stated that while he had always been opposed to a government guaranty of deposits made applicable by compulsion to all national banks and had so expressed himself, he had had, prior to June 5, several brief and informal conversations with the Comptroller of the Currency regarding certain features of a guaranty system, including a voluntary plan, which warranted the Comptroller in including him in the "majority of the Board" to which reference was made in the circular letter of that date issued by the Comptroller, but after a careful and deliberate consideration of the whole proposal, he had reached a definite conclusion as expressed in the foregoing resolutions.

Federal Control of Labor for War Industries

ON August 1 the supplying of war industries with common labor will be centralized in the United States Employment Service of the Department of Labor, and all independent recruiting of common labor by manufacturers having a payroll of more than 100 men will be diverted to the United States Employment Service. This is in accordance with the decision of the War Labor Policies Board and approved by the President on June 17. (The War Labor Policies Board is composed of representatives of the War, Navy and Agricultural Departments, the Shipping Board and the Emergency Fleet Corporation, the War Industries Board, and the Food, Fuel and Railroad Administrations. Its chairman is Felix Frankfurter, Assistant to the Secretary of Labor.)

The above action was found necessary to overcome a perilous shortage of unskilled labor in war industries. This shortage was aggravated by an almost universal practice of labor stealing and poaching. While the restrictions against the private employment of labor apply only to common labor at the present time, these restrictions will, as soon as possible, be extended to include skilled labor. In the meantime, recruiting of skilled labor for war production will be subject to Federal regulations now being prepared.

This drastic change in the nation's labor program has been found necessary in order to protect the employer and the employed, to conserve the labor supply of the communities and to cut down unnecessary and expensive labor turn-over (which, in some cases, is as high as 100 per cent. a week), and to increase the production of essentials. While non-essential industries will be drawn upon to supply the necessary labor for war work, the withdrawal will be conducted on an equitable basis in order to protect the individual employer as much as possible.

Under the operating methods adopted, the country has been divided into thirteen Federal districts, each district in charge of a superintendent of the United States Employment Service. The states within each district are in turn in charge of a state director, who has full control of the service within his state. In each community there is being formed a local community labor board, consisting of a representative of the United States Employment Service, a representative of employers and a representative of the employed. This board will have jurisdiction over recruiting and distributing labor in its locality.

A survey of the labor requirements is being made, and in order that each community may be fully protected, rulings have been issued that no labor shall be transported out of any community by the United States Employment Service without the approval of the state director; nor shall any labor be removed by the Service from one state to another without the approval of the United States Employment Service at Washington. Every effort will be made to discourage any movements from community to community or state to state by any other service. This labor program has the approval of all producing departments of the government, through the War Labor Policies Board. It must be understood that farm labor will be protected, for the industrial program distinctly includes special efforts to keep the farmer supplied with labor.

The requirement that unskilled labor must be recruited through the sole agency of the United States Employment Service does not at present apply in the following five cases:

1. Labor which is not directly or indirectly solicited.
2. Labor for the railroads.
3. Farm labor—to be recruited in accordance with existing arrangement with Department of Agriculture.
4. Labor for non-war work.
5. Labor for establishments whose maximum force does not exceed one hundred.

When the survey of labor requirements has been made and the aggregate demand for unskilled labor in war work is found, each state will be assigned a quota, representing the common labor to be drawn from among men engaged in non-essential industries in that state. These state quotas will in turn be distributed among localities. Within each locality, employers in non-war work, including those who are only partially in war work, will be asked to distribute the local quotas from time to time amongst themselves. Quotas by localities and individuals are to be accepted as readily as they are for Liberty Loan and Red Cross campaigns. This plan of labor quotas is a protection for all communities. The object is to keep any community from being drained of labor, and to use local supply, as far as possible, for local demand. The situation, however, is such that in certain cases some men may have to be transported over long distances.

This is probably the most drastic action that the government has taken since putting the National Army draft into effect. The absolute necessity for this program can be seen when it is realized that in Pittsburgh, for instance, there are advertisements calling for men to go to Detroit; while in Detroit street cars there are posters asking men to go to Pittsburgh. This same condition is apparent all over the United States, and in the consequent shifting of labor a great part of our war effort is dissipated.

Operation of Oklahoma's Guaranty Fund

Below will be found the annual report of the treasurer of the Guaranty Fund of Oklahoma. It contains some significant information and the disclosure that the creditable reduction in Guaranty Fund warrants should be gratifying to every state banker. The outstanding warrants now amount to only $143,526.95, as against $647,273.42 on June 30, 1917. In other words, the debt of the fund has been materially decreased. The warrants mark the amount of money the well managed and solvent banks of the state have had to advance to support the fund and thereby maintain the badly managed ones.

The statement that "the state banking system of Oklahoma now stands in the front rank" is undoubtedly justified but it seems to have attained that position despite the guaranty law and because conditions developed by that law made it absolutely necessary that the supervision of the banks be turned over to men who were competent, honest and jealous of the reputation of the state. Once this was done great progress was made, but the statement plainly indicates that the task set for these officials was made the harder by the necessity of rehabilitating the Guaranty Fund.

"During the period referred to," says the report, "there were only two banks taken charge of by the commissioner." This is an excellent record, but even the casual reader will infer that it was due to competent supervision and not to the Guaranty Fund law.

RECEIPTS

Cash on hand March 31, 1918		$45,321.86
Collections on General Assessments		206,863.11
Collections on Assessments of Banks Liquidating		1,222.41
Collections on Failed Banks:		
Alva Security Bank, Alva	$585.65	
Bank of Commerce, Alva	20.00	
Anadarko State Bank, Anadarko	319.50	
State Bank of Calumet	4,750.00	
State Bank of Capitol Hill	900.00	
Bank of Elgin	30.00	
Bank of Foraker	239.17	
Bank of Lawton	52.50	
Farmers & Merchants Bank, Mountain View	1,042.01	
Peoples Bank & Trust Company, Muskogee	2,232.23	
Union State Bank, Muskogee	124.94	
First State Bank, Oklahoma City	398.61	
Night & Day Bank, Oklahoma City	103.65	
Oklahoma State Bank, Oklahoma City	69.02	
Planters & Mechanics Bank, Oklahoma City	10.00	
Ponca State Bank, Ponca City	5,246.00	
First State Bank, Pryor	4,117.10	
Creek Bank & Trust Company, Sapulpa	1,000.00	
Farmers & Merchants Bank, Sapulpa	225.00	
Oklahoma State Bank, Sapulpa	98.51	
First State Bank, Shattuck	111.25	
Bank of Stilwell	525.95	
Bank of Snyder	10.00	22,211.09
Interests on Daily Balances		1,052.55
Total		$276,671.02

DISBURSEMENTS

Payment on Warrants	$247,689.20
Payment Interest on Warrants	7,322.31
Cash on hand June 30, 1918	21,659.51
Total	$276,671.02

WARRANT ACCOUNT FOR QUARTER ENDING JUNE 30, 1918

Total Warrant Indebtedness March 31, 1918		$387,991.73
Warrants issued in re burglarizing following banks:		
Bank of Elgin	$500.00	
Planters State Bank, Tushka	500.00	
First State Bank, Wister	400.00	1,400.00
Rebates		876.41
Warrants issued for claims arising in connection with First State Bank, Dewar		984.01
		$391,216.15
Warrants paid during quarter		247,689.20
Total Warrant Indebtedness June 30, 1918		$143,526.95

P. C. DINGS,
Treasurer.

The fiscal year ending June 30, 1918, has been a very successful one for the Guaranty Fund of Oklahoma, as will be seen from the report herewith submitted.

On June 30, 1917, or one year ago, outstanding Guaranty Fund warrants amounted to $647,273.42. Today, outstanding Guaranty Fund warrants amount to $143,526.95. This reduction should be very gratifying to every State banker.

During the period referred to there were only two banks taken charge of by the Commissioner, the First State Bank of Dewar, and the Citizens State of Tulsa, neither of which caused the Fund a loss.

On June 30, 1914, the Guaranty Fund debt had reached $845,431.98. The statement rendered the state bankers on that date was no less than appalling to some; not only was the debt at that time enormous, but the Banking Department was in the midst of two serious failures, and it seemed impossible to avoid increasing the debt largely in taking care of the situation.

That the guaranty law was nearly strangled at its birth is a fact well known to those best acquainted with its history, and for several years some who had favored the law, as well as many others who opposed it, were of the opinion that it would not long survive. There was also a doubt in the minds of those charged with its administration as to whether or not it could be tided over to safety. But ultimate success has been conclusively proven and I think the report here submitted is under all the circumstances a most creditable one and should be gratifying, not only to the bankers, but to every citizen of the state as well.

We are now reaping a justly earned reward. Ridicule has been changed to commendation, for the state banking system of Oklahoma now stands in the front rank, comparing favorably with the best not only at home but in all the states throughout the entire country.

The real estate owned by the Banking Department is being advertised, placed upon the market, and sold as fast as possible. The statute of limitation does not run against the state and it is the policy of the Department to take judgment in so far as possible against makers of notes held, whether good or bad, if there seems to be a semblance of a chance for collection either now or in future years.

P. C. DINGS,
Treasurer.

Oklahoma City, June 30, 1918.

FEDERAL RAILROAD CONTRACT ASSAILED

The Financial Committee of Seventy of the National Association of Owners of Railroad Securities held a meeting in New York July 18 at which twenty-one cities and twenty states were represented. Resolutions were adopted declaring that the contract for Federal control of railroads in the form of the tentative draft submitted by government representatives would not only threaten the integrity of the investment of railroad security owners, but also the credit stability of the country. The resolutions are as follows:

"*Resolved,* That the action of the sub-executive committee and the special committee of this association, represented by the delegation attending the meeting of the Railway Executives' Advisory Committee, held at the Grand Central Terminal, on July 12, as presented in the resolution then passed by them, is hereby approved and confirmed, and that this committee regards the contract in its present form as unacceptable in the respects set forth in the letter from the president of the association to T. DeWitt Cuyler, chairman of the Railway Executives' Advisory Committee, dated July 11.

"*Resolved,* That in the judgment of the financial committee of the National Association of Owners of Railroad Securities the amendments to the contract embodied in the document this day considered by this committee should be insisted upon and the two committees which have been conducting the negotiations with the representatives of the government are hereby requested to take up further negotiations on these lines with the representatives of the Director General and in such other directions as the committee may see fit.

"*Resolved,* That in the judgment of this committee the execution by the railways of a contract in the form proposed in the tentative draft submitted by the government representatives would not only threaten the integrity of the investment of the railroad security owners, but also the credit stability of the country, and that such action should be prevented.

"*Resolved,* That this committee as a Committee of the Whole request, and if possible secure, a hearing before the United States Railroad Administration in such directions as may be deemed feasible for the purpose of presenting to these authorities the dangers to the financial credit of the railroads of the country involved in the execution of the contract in its present form.

"*Resolved,* That a copy of these resolutions be sent to the directors and executives of the various railroads over the names of this committee."

CLEARINGS AND TOTAL BANK TRANSACTIONS

FOR SECOND QUARTER, 1918 (APRIL, MAY AND JUNE)

(See page 791 of May JOURNAL for figures for first quarter, 1918)

Clearing House Association	Clearings	Total Bank Transactions
Atlanta, Ga.	$538,164,000	$686,567,000
Cedar Rapids, Iowa	25,037,000	153,755,000
Cincinnati, Ohio	719,788,000	2,179,576,000
Des Moines, Iowa	126,686,000	525,229,000
Detroit, Mich.	792,755,000	1,715,793,000
Fort Wayne, Ind.	17,394,000	143,740,000
Grand Rapids, Mich.	66,719,000	156,257,000
Hartford, Conn.	104,373,000	257,892,000
Houston, Texas	158,133,000	....
Indianapolis, Ind.	180,321,000	587,617,000
Kansas City, Mo.	2,283,725,000	3,184,764,000
Los Angeles, Cal.	370,841,000	703,798,000
Louisville, Ky.	324,894,000	1,110,278,000
Memphis, Tenn.	134,623,000	783,934,000
Minneapolis, Minn.	353,969,000	1,956,623,000
New Orleans, La.	643,953,000	1,101,004,000
Oakland, Cal.	78,428,000	157,023,000
Omaha, Neb.	697,082,000	....
Portland, Me.	33,217,000	114,034,000
Providence, R. I.	152,382,000	376,402,000
Richmond, Va.	538,211,000	1,091,762,000
Sacramento, Cal.	42,959,000	210,852,000
San Francisco, Cal.	1,306,934,000	2,719,364,000
St. Joseph, Mo.	214,917,000	1,197,681,000
Scranton, Pa.	50,191,000	155,407,000
Seattle, Wash.	445,078,000	863,089,000
South Bend, Ind.	15,906,000	42,820,000
Spokane, Wash.	99,511,000	208,525,000
Springfield, Mass.	50,608,000	157,413,000
Stockton, Cal.	23,782,000	49,645,000
Tacoma, Wash.	58,540,000	152,805,000
Toledo, Ohio	130,746,000	....
Trenton, N. J.	35,628,000	126,767,000
Tulsa, Okla.	139,746,000	....
Vicksburg, Miss.	4,087,000	17,520,000
	$10,959,328,000	$22,897,936,000

Note: Houston, Omaha, Toledo and Tulsa total bank transactions not reported—hence omitted.

LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

Deduction of Government Bonds in State Taxation of Bank Shares

A CONSIDERABLE number of letters have been received at the office of the General Counsel indicating that there is more or less of a wide-spread impression among bankers that Congress has this year passed a law which permits the owner of bank shares in paying taxes to the state to deduct from their value, the value of Liberty or other Government Bonds owned by the bank. This impression is erroneous, as no such law has been passed by Congress. A provision of this nature was inserted in the Third Liberty Bond bill when same was introduced and was passed by the House in modified form, but it was struck out in the Senate and did not become law. A provision of the same kind had previously been introduced in the House in a bill (H. R. 8935) to amend Section 5219, U. S. Revised Statutes, relating to the state taxation of national bank shares, but this bill was never reported. The American Bankers Association, through its Committee on Federal Legislation, has also taken a certain stand upon the subject, which has been approved by the Executive Council. It may be of interest to briefly give the history of proposed legislation on this subject, as this will indicate the status of the matter and show that down to the present time no legislation of this kind has been passed by the present Congress.

On January 18, 1918, Mr. Glass introduced H. R. 8935, which proposed to amend Section 5219, U. S. Revised Statutes, relative to state taxation on national bank shares by inserting a provision "that in determining the value of the shares the par amount of any bonds or other interest-bearing obligations of the United States owned by the Association shall be deducted from its assets." This bill has never been reported.

At a meeting of the Committee on Federal Legislation of the American Bankers Association in Washington on March 11, 1918, this bill was considered and the following was adopted:

> "We favor the amendment of Section 5219, U. S. Revised Statutes, as provided in H. R. 8935, with the exception that the relief from taxation to the extent proposed by this amendment is not advisable at this time. We favor and urge Congress to amend Section 5219 so that banks may deduct from their assets in determining the value of the shares the average amount of United States Government bonds and other non-taxable securities held, exclusive of the average amount of such securities deposited to secure circulation or United States deposits. The total amount permitted to be deducted shall be determined by and limited to such proportion of the amount of such United States Government bonds and other non-taxable securities only as the capital, surplus and undivided profits of the bank bears to the total of capital, surplus, undivided profits and deposits, exclusive of United States Government deposits, of said bank."

At the meeting of the Executive Council in Hot Springs on May 10, 1918, the above stand was approved, and it was further resolved that similar legislation be urged by the Committee on Federal Legislation upon Congress giving like right of deduction to state banks and trust companies, either as an amendment of the United States Revised Statutes or as matter of independent legislation.

In the meantime, on March 29, 1918, the Third Liberty Bond bill was introduced by Mr. Kitchin (H. R. 11,123), Section 5 of which provided:

> "In determining the value of the shares of any national bank, state bank, trust company, or other banking institution, for the purpose of taxation by any state, or any of the possessions of the United States, or any local taxing authority, the par amount of any bonds or other interest-bearing obligations of the United States, owned by such bank, trust company or banking institution shall be deducted from its assets.
>
> "If any part of this section shall for any reason be adjudged by any court of competent jurisdiction to be invalid such judgment shall not affect, impair, or invalidate the remainder of this section, but shall be confined in its operation to the part thereof directly involved in the controversy in which such judgment shall have been rendered."

The last paragraph of the above was doubtless inserted to guard against the contingency of invalidating the whole provision should that part which relates to state banking institutions be adjudged unconstitutional or invalid.

In reporting the Third Liberty Bond bill the Committee on Ways and Means, referring to Section 5, said:

> "All the liberty bond acts have provided that the bonds shall be exempt from state and local taxation. Your committee is advised that notwithstanding this provision, certain states are indirectly taxing these bonds by including the value of such bonds in determining the value of the capital stock for taxation purposes. This condition raises a very serious question, because if the States are permitted to tax government bonds, when the Federal Government cannot tax municipal and state bonds, the Federal Government will soon be placed in a position where it cannot provide the necessary money to finance this war.
>
> "It has been suggested that states ought not to be deprived of taxes they are enjoying on government bonds already issued. As a matter of fact, the states have not had that source of revenue heretofore, and it has never been supposed they would get anything from the taxation of government bonds, and they are not being deprived of anything to which they are entitled. Your committee believes that we ought to make it perfectly clear that the states must not begin to derive revenue from the taxation of government bonds or certificates of indebtedness in order that there will be no difficulty in the future about it.
>
> "To meet this situation this section amends Section 7 of the bond act of September 24, 1917, by adding the following paragraph" (the report inserting the provision of Section 5 above quoted).

This bill passed the House on April 2, 1918, Section 5 being changed to read as follows:

"In determining the value of the shares of any national bank, state bank, trust company or other banking institution, for the purpose of taxation by any state or any of the possessions of the United States or any local taxing authority, there shall be deducted an amount equal to the same proportion of the value of the shares as the par amount of any bonds or other interest-bearing obligations of the United States issued during the present war owned by such bank or trust company or banking institution bears to its gross assets.

"If any part of this section shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder of this section, but shall be confined in its operation to the part thereof directly involved in the controversy in which such judgment shall have been rendered."

The bill then went to the Senate Committee on Finance, which reported it in amended form, striking out entirely Section 5. Concerning same, the report said:

"The Committee recommends that Section 5 of the House bill amending Section 7 of the act of September 24, 1917, be struck out. This section of the House bill has proved the subject of much debate, and in order to expedite the passing of the bond bill it is proposed that the subject-matter of this section be left to be dealt with in a separate bill if it should be found expedient to do so."

The Third Liberty Bond bill as finally passed omitted this amendment; therefore, it is seen that down to the present time there is no provision of the national statutes under which the owner of bank shares in rendering same for state taxation is permitted to deduct from their value the value of government bonds owned by the bank.

OPINIONS OF THE GENERAL COUNSEL

PAYMENT OF STOPPED CHECK BEARING FORGED INDORSEMENT

Where a bank is notified by its customer not to pay his check, and thereafter in violation of the stop order, makes payment to an innocent holder under forged indorsement, it has been held that the case does not fall within the general rule allowing the drawee to recover money paid upon a forged indorsement but that the bank, making payment in face of the stop order, is precluded from setting up the forgery of the indorsement and cannot recover the money paid from an innocent holder who has received payment.

From Mississippi—A customer of "A" bank issues duplicate checks, at the same time notifying bank and stopping payment on originals. Originals and duplicates are both paid, and error not detected until about two weeks has elapsed. It then develops that indorsements upon originals were forged. "A" bank then returns items to "B" bank, through whom they were received in Clearing, and asks for reimbursement on account of indorsement. "B" bank contends that payment having been stopped upon these items it should have been notified immediately on payment, as it might have protected itself had the irregularity of the transaction been called to its attention earlier. "A" bank contends that the stop payment order only involves it and its customer, and that "B" bank would be liable upon the forged indorsement either upon the originals or duplicates at any time the irregularity was detected. Please advise us whose loss this is.

The duplicate checks in this case were rightly paid and the question is who should stand the loss as between the drawee bank which paid the originals upon forged indorsements, or the holder bank which received payment through the Clearing House.

Eliminating the stop payment feature, there would be no question but that the drawee would have a right of recovery under the general rule that money paid under mistake of fact may be recovered. Under this rule, the right of a drawee to recover money paid upon a check bearing a forged indorsement has been adjudged in numerous cases where no act of negligence or injurious delay worked an estoppel.

But in the present case the drawee had been instructed or notified by the drawer not to pay the checks, notwithstanding which it paid same upon forged indorsement. The question is whether the notice not to pay charged the drawee bank with knowledge or put it on inquiry as to equities so as to preclude its recovery of the amount from a holder receiving payment under a forged indorsement.

In one view it may be argued that a notice not to pay is something which only affects the relation between bank and customer and does not affect the bank's rights if it pays the check under mistake as to genuineness of indorsement, against the holder receiving payment. But, on the contrary, it might be contended that the notice not to pay puts the bank on inquiry that there is something wrong about the check and if it pays, despite such notice it is charged with knowledge which such inquiry would disclose. One reason why a bank is held entitled to recover money paid upon a check bearing a forged indorsement and denied such right where the signature of the drawer is a forgery, is that in the former case the mistake as to genuineness is mutual between holder and drawee while in the case of forgery of the drawer's signature, the bank is presumed to have knowledge of the genuineness of the signature which the holder does not possess and, therefore, it is bound by such knowledge and where it makes payment notwithstanding, it is estopped to deny the genuineness of the drawer's signature as against a *bona fide* holder. Applying this reasoning to the case of payment of a stopped check bearing forged indorsement it might be argued with some show of reason that the drawee bank having received a stop payment order, would be put on inquiry as to the genuineness of indorsement, as the fact of forgery might have been ascertained as the result of inquiry, and where it makes such payment to an innocent holder, the mistake of fact as to the genuineness of the indorsement would not be mutual and the drawee bank would be bound and concluded by such payment. As against this it might be argued that the holder impliedly warranted the genuineness of the payee's indorsement to the drawee.

There is only one decided case that I know of which directly passes upon the question raised, namely, National Bank of Commerce *v.* First National Bank, 152 Pac. (Okla.) 596. In that case it was decided (I am quoting the official syllabus by the court): "Where a drawee bank pays a check upon which the payee's indorsement is forged to a holder and subsequent indorser thereof, said bank may, under the Negotiable Instruments Law, unless precluded from setting up the forgery, recover the amount paid from the one to whom payment is made; but where said bank is directed by the drawer thereof not to pay such check, and thereafter, negligently failing to observe such direction and contrary thereto, pays the same, it is precluded from setting up the forgery, and cannot recover the money so paid as against an innocent holder for value."

In that case the court said: "In the instant case there is no allegation that defendant was not an innocent holder for value of the check in question, while it is alleged that two days prior to the date on which the drawee bank paid the same it was directed by the drawer not to do so, but negligently failed to observe such direction, and contrary thereto and without authority did pay the same. Under such circumstances, we are of opinion that plaintiff is precluded from setting up the forged indorsement as against an innocent holder, and therefore hold that the petition does not state facts sufficient to constitute a cause of action."

It will be seen the court gives no reason for its conclusion that where a stopped check is paid upon a forged indorsement the bank is precluded from recovering the money paid, but the decision stands, nevertheless, as a precedent.

See, also, Public Grain & Stock Exchange *v.* Kuhne, 20 Ill. App. 137, in which it was held that notice to stop payment on a check, even though not a notice binding on the bank—the decision being rendered before passage of the Negotiable Instruments Act in Illinois and at a time when a check constituted an assignment and the drawer had no right to stop payment—is sufficient to place the bank on inquiry as to the equities against the check in the hands of the holder and the bank should not honor the check without making such inquiry as ordinary prudence would dictate.

In the light of the foregoing and based on the decision in the Oklahoma case above cited, I am inclined to think that the drawee bank in the case submitted by you having paid stopped checks on forged indorsements would be precluded from recovering the money from an innocent holder and that the loss would fall upon it.

DEPOSIT OF MILITARY COMPANY

Where the funds of a military company are deposited in bank by its commanding officer and such officer is succeeded by a new commander, the latter is entitled to control the deposit as the representative of the company.

From Iowa—A military company has a fund raised for them. The money is deposited in a bank under name "Company Fund—(Officer's name)." The officer is transferred to another company and regiment many miles away. The new commanding officer writes this bank for statement of the account. Should the bank send the new commander such statement?

The general rule is that where money of an association or corporation is officially deposited by an officer or a board of officers thereof, their successors in office are entitled to command and control the deposit.

In Indiana Trust Co. *v.* International Bldg. & Loan Assn., 165 Ind. 597, it was held that where the secretary of a building and loan association under color of his office receives money belonging to such association and deposits same in bank in his name as secretary, such money belongs to the association, and a succeeding secretary can check out such money for the association.

In Carman *v.* Franklin Bank, 61 Md. 467, it was held that where money is deposited in bank by a Board of Examiners, as such in their official relation and they are superseded in office by the appointment of a new board, the money so deposited belongs not to the former board but to the latter, and is subject to their check.

See, also, Tay *v.* Concord Sav. Bank, 60 N. H. 277; Lewis *v.* Park Bank, 42 N. Y. 463.

In the case stated, if the new commanding officer is the successor to the functions of the former officer with respect to control of the Company Fund, it would seem perfectly proper to send the new commander a statement of the company's account but, of course, the bank should have satisfactory evidence of the fact that the new commander has been appointed and of his authority to control the Company Fund.

NOTE WITHOUT PAYEE OR WITH PAYEE BLANK UNFILLED

A note wherein no payee is named or indicated with reasonable certainty is incomplete and not negotiable—Where the note contains a blank for the name of the payee which is unfilled, under the law merchant the instrument was payable to bearer and negotiable and carried implied authority to a bona fide purchaser to fill the blank and complete the instrument; but under the Negotiable Instruments Act the blank must be filled strictly in accordance with the authority given and if the holder negotiates such an instrument without authority, the purchaser is put on inquiry and it is subject to defenses in his hands.

From Minnesota—A customer offers for sale a note in which the name of the payee is missing. Is the note payable to bearer? It bears two indorsements.

1. Under the law merchant an instrument, to be negotiable, must name or indicate a payee. If it lacks a payee, it is not a complete, negotiable instrument. See, for example, McIntosh *v.* Lytle, 26 Minn. 336, where an instrument reading "D. & Co., Bankers: Pay to the order of, on sight, two hundred dollars in current funds," was held not to be a check, because no payee was indicated, and no action on it could be maintained against the drawer on its non-payment. This rule is embodied in the Negotiable Instruments Act, Section 8 of which provides that "where the instrument is payable to order the payee must be named or otherwise indicated therein with reasonable certainty." In Hilborn *v.* Pennsylvania Cement Co., 129 N. Y. Suppl. 957, it was held that an instrument whereby a person agrees to pay a specified sum at a designated place without mentioning any person to whom the pay-

ment shall be made, or without making the payment to bearer, is not a negotiable instrument, and an indorser thereon incurs no obligation.

It follows that if the instrument referred to by you as one "in which the name of the payee is missing" does not indicate a payee, it would not be complete nor negotiable.

2. But a distinction must be noted between the case of an instrument in which no payee is named or indicated and one in which, although no payee is named, there is a blank space left for the name of the payee. Assuming the note referred to by you is of this description, then under the rules of the law merchant (now changed by the Negotiable Instruments Act) the instrument was in effect payable to bearer and a bona fide holder to whom it was negotiated, would have implied authority to fill the blank and perfect the instrument. See McIntosh *v.* Lytle, supra in which the court said: "So when a bill, note or check is made payable to a blank or order, and actually delivered to take effect as commercial paper, the person to whom delivered may insert his name in the blank space as payee, and a bona fide holder may then recover on it." See also Steel *v.* Rathbun, 42 Fed. 390, where a promissory note was made payable "to the order of ———" and delivered for a valuable consideration. It was held the note was in legal effect payable to bearer and that one who bought it from a lawful owner and holder and afterwards filled the blank by writing in his own name as payee, was a bona fide purchaser.

3. But the Negotiable Instruments Act has made an important change in the rule of the law merchant in this particular. Section 14 provides:

> "Where the instrument is wanting in any material particular, the person in possession thereof has a prima facie authority to complete it by filling up the blanks therein. And a signature on a blank paper delivered by the person making the signature in order that the paper may be converted into a negotiable instrument operates as a prima facie authority to fill it up as such for any amount. In order, however, that any such instrument, when completed, may be enforced against any person who became a party thereto prior to its completion, it must be filled up strictly in accordance with the authority given and within a reasonable time. But if any such instrument, after completion, is negotiated to a holder in due course, it is valid and effectual for all purposes in his hands, and he may enforce it as if it had been filled up strictly in accordance with the authority given and within a reasonable time."

Under the Act, therefore, the purchaser to whom is offered a note with payee blank unfilled can no longer, as under the law merchant, regard the same as payable to bearer and safely purchase same with an implied authority to fill in the blank and enforce the instrument, but in order that the note may be enforced against the maker the blank "must be filled up strictly in accordance with the authority given." If the holder negotiates the note contrary to the authority given, it is subject to defense in the hands of the purchaser. The case of Hartington National Bank *v.* Breslin, 128 N. W. (Neb.) 658, affords an apt illustration. In that case defendant signed a promissory note which was perfect on its face, with the exception of a blank for the name of the payee, and intrusted it to his co-maker, who delivered it in that form to a bank two days later, before it was due, in violation of an agreement that it should be used by him in buying a meat market, that the name of the seller should be inserted in the blank, and that the note should be returned to defendant if not used for that purpose. The bank accepted the note at its face value and afterward inserted its own name in the blank as payee. The court held that the instrument was not enforceable against defendant within the meaning of that part of the negotiable instruments law relating to the filling of blanks and containing among other things the following provision: "In order, however, that any such instrument when completed may be enforced against any person who became a party thereto prior to its completion, it must be filled up strictly in accordance with the authority given and within a reasonable time."

See, also, to the same effect, Guerrant *v.* Guerrant, 7 Va. Law Reg. 639, where the holder of a note indorsed to him by the maker with payee blank unfilled with the understanding that it should be negotiated at one or the other of two banks in the city of Danville in taking up and renewing another note then outstanding and the holder negotiated the note contrary to agreement between himself and the maker, the court held that it was subject to defense in the hands of the purchaser. Prior to the Negotiable Instruments Act, the court said, the purchaser would have had authority to fill in the blank and enforce the instrument, but the act makes such an instrument incomplete when wanting in a material particular and when negotiated in that condition puts the purchaser on inquiry as to the extent of the authority. Had the holder filled up the blank before negotiation the result would, of course, have been different.

It follows from the above that whether the note referred to by you does not indicate a payee or whether it is payable to order with the payee blank unfilled, in neither case, under the Negotiable Instruments Act, is it safe to purchase such note; in the first case, not at all, in the second, without first inquiring of the maker whether its negotiation is pursuant to his authority. If there is no payee indicated, the instrument is incomplete and not negotiable; if there is a payee blank and it is unfilled at the time of negotiation, equally the purchaser is put on inquiry as to the authority of the holder to negotiate the note.

NOTES PAYABLE IN "LAWFUL MONEY" AND "GOLD COIN"

A note promising to pay so many dollars is payable in lawful money, *i. e.*, legal tender, and there is no necessity for a provision specifically making it so payable—A note payable in "gold coin of the United States" is specifically payable and enforceable in that medium.

From California—We have been considering the advisability of eliminating from all the notes payable to this bank, the words "Principal and interest payable in gold coin of the United States," and substituting "Principal and interest payable in lawful money of the United States." In examining one of the notes of the Federal Reserve Bank of this District, we observe that it does not specify that payment shall be made in any particular manner. Will you be good enough to give me your opinion as to the validity of a note that does not mention being paid in gold or in lawful money of the United States. Our reason for changing the notes is merely to be consistent, in that we refuse to pay gold over our counter and it does not seem right to demand payment in gold of indebtedness to the bank. Any information you can give me on this subject will be very much appreciated.

I see no necessity for making a note "payable in lawful money of the United States." Without that clause the note is so payable. A promise to pay so many dollars is a promise to pay the amount in whatever the laws of the United States declare to be legal tender. Miller *v.* Lacey, 33 Tex. 351. "The term 'lawful money' is understood to apply to every form of money which is endowed by law with the legal tender quality." Opinions of Attorney-Generals, Vol. 17, p. 123.

At a time when the Treasury notes of the United States were depreciated, the courts held that a debt, created by payment of gold could after the passage of the Legal Tender Act be paid off in Treasury notes, notwithstanding their depreciation. See, for example, Carpenter *v.* Northfield Bank, 39 Vt. 46; Sandford *v.* Hays, 52 Pa. St. 26. For this reason many contracts specifically provided for payment "in gold coin of the United States." In the case of Bronson *v.* Rodes, 7 Wall. 229, a bond was made payable, principal and interest, "in gold and silver coin, lawful money of the United States." Tender was made of the face amount in United States notes at a time when $1 in coin was equivalent in market value to $2.25 in United States notes. The Supreme Court of the United States held that payment must be made in accordance with the terms of the contract which was an agreement to deliver a certain weight of standard gold and silver coins, made legal tender by statute, and it could not be satisfied by a tender of United States notes which were also legal tender.

At the present day, however, when the United States notes of the Government, which are legal tender, are on a par with gold, there is no particular reason for retaining a provision making the amount payable in gold coin; although if retained, it is specifically enforceable and does not affect negotiability, the Negotiable Instruments Act expressly providing that "the validity and negotiable character of an instrument are not affected by the fact that it * * * designates a particular kind of current money in which payment is to be made."

PAYMENT OF FORGED CHECK

Drawee bank which pays check upon which drawer's signature is forged to a bank receiving same in good faith and paying out the money before notice of the forgery, cannot recover the money back.

From Texas—A man mailed a check on this bank to the bank at O——, Texas, for deposit, which we promptly paid when presented and afterward discovered it to be a forgery. Before such discovery, however, the O—— bank had paid out the money they had received from us on the forged check, and now the controversy is: Who is to absorb the loss?

The general rule is that a drawee bank which has paid a check bearing a forgery of the drawer's signature to a bona fide holder is bound by the payment and cannot recover the money back.

In Texas it has been held that a drawee bank cannot recover the money paid on a forged check where there is no negligence on the part of the person to whom payment has been made. Iron City National Bank *v.* Peyton, 15 Tex. Civ. App. 184; Moody *v.* First National Bank, 19 Tex. Civ. App. 278.

In the light of the above, your bank would have no right of recovery against the O—— bank, which received the money in good faith upon the forged check and must stand the loss.

PAYMENT OF FORGED CHECK

Where drawer's signature and payee's indorsement both forged, decisions conflict as to drawee's right to recover money paid on check to *bona fide* holder—In Washington, drawee paying forged check held entitled to recover unless holder prejudiced by receiving payment.

From Washington—We submit herewith a statement of facts for your consideration: On May 21 a forged check on another bank in this city, bearing a forged indorsement, was deposited by a customer of ours and paid through the Clearing House by the payor bank. The forgery was not discovered by the payor bank until June 14, when the check was returned by their depositor. The payor bank returned the check to us with a notation "forged indorsement" and was "taken up" by us in the usual course of business. We notified our depositor that the check bore a forged indorsement and asked him to reimburse us. Our method of collecting items of this nature from our customer was to present them to him and not charge them to his account. Before "taking up" the check our customer learned that the check was forged, as well as the indorsement, and upon advice from his attorney refused to reimburse us. We conferred with the payor bank and found that they were aware that the check was forged when they returned it to us and advised them that we were unable to recover from our depositor and that we thought that, inasmuch as the forged check had been paid by them, they should bear the loss. They, however, refused to do this and we find ourselves in a position of either losing the amount of the check, or bringing suit against our customer—neither of which we feel justified in doing, inasmuch as we are an innocent party to the transaction. We would appreciate very much your opinion regarding our status and our chance of recovering should we sue the payor bank for the return of the funds which we have paid them on the check.

The general rule adopted by a majority of courts is to the effect that a drawee bank which has paid a check bearing a forgery of the drawer's signature, cannot recover the money back from a *bona fide* holder who has received payment. This is an exception to another general rule which applies to a case where the drawer's signature is genuine but the payee's indorsement is forged, that money paid under a mutual mistake of fact may be recovered back. In the case of forgery of the drawer's signature, the drawee bank is presumed to have knowledge of the signature and is estopped to deny its genuineness against a *bona fide* holder, but in the case of forgery of the payee's indorsement, there is no such estoppel as the drawee bank is under no obligation, so far as the holder is concerned, to know that the payee's indorsement is genuine; in fact, the obligation runs the other way.

In the case stated by you, both the drawer's signature and the payee's indorsement were forged. In such a situation, there have been decisions both ways, in the different states, as to the drawee's right of recovery from a *bona fide* holder. I will cite some of these decisions.

Among the cases holding that where the payee's indorsement, as well as the drawer's signature, is a forgery, the drawee bank may recover the money paid on a forged indorsement notwithstanding the fact that the drawer's signature was also forged, are the following:

In Farmers National Bank *v.* Farmers & Traders Bank, 166 S. W. (Ky.) 986, it was held that if a bank pays a check upon which the name of a prior indorser is forged, it may recover the amount from the party to whom it was paid or from any party who indorsed it subsequent to the forgery, since the bank is not bound to know the signature of an indorser and besides the indorser of a check warrants the genuineness of all prior indorsements. Further, that where the signature of such check, so paid by the drawee, was also forged, the drawee could recover the amount from a holder who had acquired such check without inquiring as to the identity of the prior holder, under the general rule which permits a recovery of money paid under mistake of fact; such case not coming within the exception of such rule which does not permit the drawee to recover money paid under a forged check, but within the rule of forged indorsements.

Also, in First National Bank *v.* Northwestern National Bank, 152 Ill. 296 the drawee was held entitled to recover money paid to a collecting bank upon a check which contained a forgery of both the drawer's signature and payee's indorsement. It was held that while the drawee was estopped to deny the genuineness of the drawer's signature, such estoppel was mutual and bound both parties and as to both, the signature must be taken as genuine. But such estoppel did not extend to the payee's indorsement and the case fell within the rule that money paid upon a forged indorsement is recoverable.

Among the cases holding the contrary are the following:

In First National Bank of Marshalltown *v.* Marshalltown State Bank, 107 Iowa 327, the drawee was denied recovery of money paid upon a forged check although the indorsement of the payee was also forged. In this case the court said: "We concede the general proposition contended for by appellant that an indorsement of negotiable paper is a guaranty of the genuineness of all prior indorsements, though we must add that this rule has no applicability under the facts of this case. If, by reason of this forged indorsement, plaintiff had been led to pay this check to one not the owner of it, no doubt it could recover from any prior indorser upon whose guarantee it had a right to rely. * * * But how has plaintiff been injured by this so-called 'forgery' of an indorsement? The party to whom it paid the money was entitled to it, if the payment was to be made at all. If the indorsement had been genuine, it could not have recovered from Smith & Hauser on the ground that they were indorsers; for, as we have seen, as between all good faith parties to the check, its payment by the drawee is final. If Smith, who actually made this indorsement, did so in bad faith, and with knowledge of the forgery, he is still liable to the bank, not on his indorsement, but because of his fraud."

Also in State Bank *v.* Cumberland Savings & Trust Co., 85 S. E. (N. C.) 5, it was held that plaintiff bank, which, in the course of business, received through another bank a check purporting to be drawn on it and indorsed by a third person, whose signatures were both forged, and which had been cashed by defendant bank, in reliance upon the indorsement, "all prior indorsements guaranteed," and the custom to take such checks relying upon the exercise of due diligence on the part of the bank first cashing it, could not recover the amount paid on the forged check, as it should know the signature of the drawer, its own depositor.

Also in United States *v.* Chase National Bank, 241 Fed 535, holding that payment by a drawee of a check bearing forgery of the drawer's signature, was non-recoverable, the court said that the fact that there was also forgery of the payee's name, was not relevant.

There have been no decisions in the State of Washington upon this precise proposition. But in Canadian Bank of Commerce *v.* Bingham, 71 Pac. (Wash.) 43, the general rule denying recovery by a drawee of money paid upon a forgery of the drawer's signature, was modified and recovery allowed. In that case, a forged check on the Canadian Bank of Commerce was presented at Bingham's Banking House by some one whom none of the bank officials could recall and was cashed. It was indorsed by the name of a payee known to none of the officers of the bank. The forged check was paid by the Canadian Bank of Commerce to Bingham's Bank. The court in affirming a judgment for the plaintiff, awarding a recovery of the money paid, held that the rule requiring the drawee to know the signatures of its depositors would not defeat this action. It said the check was a forgery and never had any value and every one who advanced or paid money thereon did so as a result of deception and everyone who received money in consideration therefor, received something for nothing. As a general proposition, money so received cannot be withheld when demanded by the person who by mistake has paid the money for something he supposed to be of value, but which, as matter of fact and law, was valueless. The drawee was entitled to recover unless its negligence in mistaking its depositor's signature caused a loss to Bingham's bank. It was doubtless true, that the drawee was negligent in not discovering the forgery and notifying Bingham's bank, but it was also quite evident that Bingham, or whoever first cashed the forged check, was guilty of some negligence in not having the holder properly identified. But laying aside the question of negligence as to Bingham it did not appear that he suffered loss by reason of the negligence and delay of the bank. If Bingham had shown that at the time he was apprised of the forgery he was unable to collect the money which he had paid for said check but that he could have done so if the drawee had promptly detected the forgery, as it should have done, he would doubtless have a defense to the action. But nothing of this kind appeared. So far as the record showed Bingham, when apprised of the forgery, was in as good a position to have recovered from the party from whom he had received the check as he would have been had the drawee refused payment of the check and immediately notified him of the forgery. Under such facts, the drawee could recover.

Irrespective of the conflicting decisions in other states as to the drawee's right of recovery where both drawer's signature and payee's indorsement are forged, it would seem that the Supreme Court of Washington has modified the general rule denying recovery of money paid by the drawee of a forged check and has supplanted it with the more liberal rule allowing the drawee to recover money so paid where the holder receiving payment would not be in any worse position if compelled to refund than before he received payment.

Applying the law as thus outlined to the state of facts presented by you, it would seem that the drawee bank would have had a right of recovery unless, because of having paid this forged check, your bank would be prejudiced. The forged check was paid on May 21 through the Clearing House. The forgery was not discovered by the drawee bank until June 14, when the check was immediately returned and the money reimbursed by you. Your customer, however, from whom you received the check refused to reimburse your bank. Under such a state of facts, had you not refunded the money, it would seem under the law as laid down by the Supreme Court of Washington that your bank would have been liable to the drawee and that, in turn, you would have recourse upon your customer unless it should develop that between the time of receiving the money and of notification of the forgery your customer had parted with value because of payment of the check. Only in such event would the drawee be bound and would you have a right of action against the drawee bank to recover the money refunded. But assuming the fact to be, as it probably is, that your customer cashed this forged check and paid value therefor before depositing same in your bank and you in turn received payment from the drawee, the latter would have had a right of recovery against you because you would not be prejudiced by refunding the money—having recourse upon your own customer—and your bank having refunded the money to the drawee, it would seem that no action would lie on your part to recover it back again but that your only right of action would be against your customer who has received value from you upon a forged and worthless instrument.

ATTACHMENT OF BANK DEPOSIT

A writ of garnishment served against a deposit account at 9.01 A. M. takes precedence over the debtor's check received through the mail at 8.30 A. M. but not charged against his account until 11 A. M.

From Rhode Island—The question has arisen with the officers of this institution with regard to the payment of checks where the account has been attached. I would cite the following example:

> A check comes in for payment through our correspondents and arrives at the bank at 8.30 A. M. In the ordinary course of business this check is charged to our customer's account between eleven and twelve o'clock. When, in your opinion, is the check actually paid?

This question comes up as a result of an attachment which was placed on the account at 9.01 A. M. and the point we would like to determine is—whether this attachment operates as against the account even though checks come in through correspondents for payment and are received at the bank prior to the time of the attachment. We would also like to inquire whether, in your opinion, a bank account can be attached prior to 9 A. M. (which is the hour the bank opens for business)?

Where a check is received by the drawee bank through the mail, the liability of the bank to pay, does not become fixed upon mere presentment of the check but the check will be regarded as paid and the drawer's control over the funds ceases at the point of time when the check is actually charged to his account on the books of the bank. Thereafter the fund is held for the credit of the holder. (See opinion "Payment of check received through mail." JOURNAL, A. B. A., May, 1917, page 899, and cases cited.)

In the case stated, therefore, the checks were not paid at the time they were received in the morning's mail, 8.30 A. M., and not until they were charged to the drawer's account between 11 and 12 A. M., and it would follow that an attachment placed on the customer's account at 9.01 A. M., being served before the checks were paid, would have priority. Prior to acceptance or payment of the check the bank remained debtor of its customer for the amount and the mere presentment of the check did not constitute an acceptance or bind the bank to pay. The theory upon which a bank is entitled to defend in attachment or garnishment proceedings is that at the time of service of the writ, it is not indebted to the depositor, the defendant in the principal action. But at the time of the service of the writ, in this case 9.01 A. M., it was so indebted for mere presentment of the check prior to service of the attachment did not change its relation as debtor, the check not having been accepted or paid at the time of such service.

In reply to your further question whether a depositor's account can be attached prior to 9 A. M., which is the hour the bank opens for business.

The Rhode Island statutes provide for reaching debts due to defendants in civil actions and judgment debtors, and property of such debtors in the hands of third persons, by what is known as trustee process (writ of garnishment), served upon such third parties, such writs taking effect and the lien thereof attaching to all such debts and property from the date of service. (Gen. Laws R. I., Chap 299, Sec. 14.)

The statute provides that in the case of banks and banking corporations, the writ of attachment may be served by leaving an attested copy thereof with the cashier, treasurer or secretary thereof. (Ibid. Chap. 300, Sec. 22.)

With the exception that no civil process shall be served on Sunday, the Rhode Island statutes make no provision as to the time at which writs of attachment or other civil process shall be served, and, in the absence of statutory prohibition, I see no reason why a writ of attachment against a bank, under trustee process, when served upon the proper officer at the bank, would not be as effective when served during non-banking hours as it would be when served during banking hours.

STATEMENT OF BALANCE IN PASS-BOOK

It is the duty of a depositor to examine his pass-book and report errors within a reasonable time after balancing and his failure so to do will, according to some cases, estop him from thereafter questioning its correctness, if the bank would be thereby prejudiced, while other cases hold he is not thereby estopped, but that the burden of showing error is placed on the depositor.

From West Virginia—Administrator presents pass-book. Balanced 1912 and many times thereafter. Entry December $50 appears, 1911. No entry on bank's ledger for the $50 that was entered in pass-book December, 1911.

Overlooked in balancing. Deposit tickets of that date destroyed in flood. Administrator claims that the deposit appearing in pass-book December, 1911, is due him. Administrator unable to present checks used in making up balance 1912, January. Had the account been examined and book returned for correction in reasonable time and before tickets of that date were lost, corrections could have been easily made. Is the bank liable for this $50?

In the case stated, an item of $50 credited in a pass-book in December, 1911, was not entered on the bank's ledger to the credit of the depositor and was omitted in the balancing of the account in January, 1912, and in subsequent balancing. The book was balanced many times, but no claim was made that the bank had made an error until more than six years later, and then by the administrator of the depositor. In the meantime, the deposit tickets of December, 1911, had been destroyed in a flood and the administrator was unable to produce the checks which entered into the balance of January, 1912.

I do not think at this late day that the bank could be held liable for the $50. In Leather Mfrs. Bank *v.* Morgan, 117 U. S. 96, it was held that a depositor is bound to examine the returned pass-book and vouchers without unreasonable delay and report any errors which may be discovered, and if he fails to do so and the bank is thereby misled to its prejudice, he cannot afterwards dispute the correctness of the balance shown by his pass-book.

Some cases, however, hold that where a depositor fails to examine his pass-book within a reasonable time he will not be estopped from showing error in his account, but his neglect will place the burden on him to show the balance as returned was not correct. Rettig *v.* Southern Ill. Nat. Bank, 147 Ill. App. 193; Critten *v.* Chemical Nat. Bank, 60 N. Y. App. Div. 241.

In the case stated there was failure to report the alleged error within a reasonable time, depositor having acquiesced in the account rendered for more than six years, and this laches on his part would, I think, preclude recovery from the bank, particularly in view of the fact that such laches prevented the bank from discovering and rectifying the mistake, if there was one, or of proving the correctness of the account rendered, and would work a special damage to the bank. At any rate, the burden would be on the depositor's administrator to prove the mistake, and this would probably be an impossibility in the absence of the necessary documentary evidence.

INNOCENT PURCHASER OF RAISED BANKER'S DRAFT

Where a banker's draft is filled out with pen and ink without perforation of the amount, and the draft is subsequently fraudulently raised to an increased amount and perforated, an innocent purchaser of such raised draft would have no recourse upon the drawer except for the original amount.

From North Carolina—We would appreciate it very much if you will advise us on the following points of law. It is not infrequently the case, that we cash or credit for deposit, New York drafts, drawn by other banks in this section of the state, when the signatures of the drawers are familiar to us. Recently a case has arisen, which would make this practice hazardous to us, in the event that we, as innocent holders, had no legal recourse on the drawers of these drafts in the event of skillful alteration. The case in mind happened this way. A customer asked for several New York drafts for small amounts. The bank official who drew these drafts failed to perforate them, filling them out with pen and ink. The purchaser subsequently obliterated the writing in the body of the drafts, and using a protectograph, raised them to large proportions. The alterations were, of course, skillful, and would not have been detected in the ordinary course of business. The banks in a neighboring city, who cashed them, were familiar with the signature of the official signing them. They sent the drafts to New York for collection, and as the account of the drawing bank was overdrawn by these drafts, the alteration was immediately discovered. We think this is a matter of considerable importance to all banks, and we will appreciate very much any information that you can give us.

In the case stated, the bank purchasing the raised draft would have no recourse upon the drawer except to the extent of its original tenor, and would be the loser unless there was a prior responsible indorser. The loss in such a case would fall upon the person who purchased the raised draft from the forger.

Where the drawer of a check or the maker of a note leaves blanks unfilled or allows spaces to remain which facilitate an alteration by raising the amount without detection, there are cases which hold that such drawer or maker is liable for the increased amount to an innocent purchaser, while other decisions establish the rule that if the instrument is complete, without blanks, at the time of its delivery, the fraudulent increase of amount by taking advantage of a space left will not involve the maker in liability, there being no duty of the maker to the general public to anticipate and provide against the commission of such crime. See National Exchange Bank *v.* Lester, 87 N. E. 779, in which the New York Court of Appeals reviews the cases pro and con on this subject and holds in the case of a note fraudulently raised from $75 to $375, the note being a completed instrument without blanks at the time of execution, but unfilled spaces being allowed to remain by reason of which it was possible to raise the note, that an accommodation indorser thereof was not liable to an innocent purchaser except for the original amount.

In the case stated by you, the bank in issuing the draft filled it out with pen and ink with ordinary care but did not use a perforating machine. The writing was subsequently obliterated and a raised amount inserted, a protectograph was used and the raised draft negotiated to an innocent purchaser. I think in such case there would be no liability of the drawer to such purchaser except for the original amount. No case has yet gone to the extent of holding that the amount must be protected by perforation. The rule as stated in Critten *v.* Chemical National Bank, 171 N. Y. 219, is that "while the drawer of a check may be liable where he draws the instrument in such an incomplete state as to facilitate or invite fraudulent alterations, it is not the law that he is bound so to prepare the check that nobody else can successfully tamper with it." This rule was laid down in a case where the question involved was the duty and liability of the drawer to his banker to whom, in view of his obligation to pay the drawer's checks, a greater degree of care might be owing than to the general public who are under no obligation to purchase such checks.

News of the A. B. A. Sections

TRUST COMPANY SECTION

Prevention of Unnecessary Litigation

Several months ago a joint committee of the Chamber of Commerce of the State of New York and of the New York State Bar Association submitted a report upon the prevention of unnecessary litigation. The report was based upon an exhaustive investigation of many subjects constantly brought before the courts for adjudication. It was found that there was more litigation concerning wills than upon any other subject. It was also ascertained that 82 per cent. of this litigation was of a preventable nature. Fourteen rules designed to assist in preventing unnecessary litigation concerning wills were prepared by the Committee. One of the rules stated in part that "the maker of a will can, with reasonable certainty, forestall family discord and prevent wasteful litigation after his death (1) by planning his will wisely with reference to his family and estate, (2) by having it skilfully prepared and (3) by submitting it to at least one specially qualified legal critic, other than the draftsman, for independent interpretation and constructive criticism. In this manner, a fresh mind specially equipped and working on scientific lines, will usually so test a will before death as to discover latent germs of dispute in time for correction."

Based upon the findings of the Committee, the Trust Company Section became interested in assisting in the reduction of litigation concerning wills.

At a meeting of the Trust Company Section held in conjunction with the convention of the American Bankers Association, September, 1917, a series of charts to be used for the planning and testing of wills before death were on exhibition. On account of the attention attracted to these charts a resolution was offered and passed, calling for their reproduction and sale to members. This has been done and a large number of trust companies are engaging in this new activity. In a memorandum of additional suggestions in regard to the study and use of these charts, which was recently addressed to companies possessing the series, attention was called to the fact that the nature of a will contributes much to litigation. It is made by only one person and no agreement of opposing minds is required, as in the case of a contract. In making an important contract relating to property two or more lawyers are usually employed—one on each side—one to write the proposed contract and the other to criticize it. In this manner points for difference of opinion are usually discovered and corrected. In the case of a will, however, there is no "lawyer on the other side" to check up the will until death has made changes impossible. Then every flaw and ambiguity that should have been discovered and corrected before death, is laid bare by opposing counsel and becomes a basis for dispute or litigation.

Other detailed explanations designed to assist in an intelligent discussion of wills, thus increasing trust business, are also included in the memorandum, a copy of which will be forwarded upon request to any trust company interested.

More wills and better wills should result from the proper prosecution of this work.

Approval of New Security Issues

Several inquiries have been received at the section office as to whether it is necessary for trust companies to insist upon the approval of the Capital Issues Committee in respect to all new or additional securities they are called upon to issue.

The duty of trust companies is clear in this respect in that they must insist upon evidence of the approval of the Committee before undertaking the issuance of any new securities.

Program at Chicago Convention

Monday, September 23, 9:30 A. M.—Executive Committee Meeting.

Monday, September 23, 11:00 A. M.—Joint conference of Executive Committee with present and new State Vice-presidents.

First Session, Tuesday morning, September 24, 9:30:

(1) Invocation. (2) Address of Welcome, Lucius Teter, president Chicago Savings Bank & Trust Company, Chicago, Ill.

(3) Response, John W. Platten, president United States Mortgage & Trust Company, New York, and First Vice-president of Trust Company Section.

(4) Reports of (a) Executive Committee, Lynn H. Dinkins, president Interstate Trust & Banking Company, New Orleans, La., Chairman; (b) Committee on Legislation, Hon. Henry M. Campbell, chairman Board of Directors, Union Trust Company, Detroit, Mich., Chairman; (c) Committee on Protective Laws, Theodore G. Smith, vice-president International Trust Company, Denver, Colo., Chairman; (d) Special Committee on Publicity, James M. Pratt, vice-president Guaranty Trust Company of New York, Chairman; (e) Secretary, Leroy A. Mershon.

(5) Reports and roll-call of State Vice-presidents. Nomination and election of State Vice-presidents to fill vacancies.

Second Session, Tuesday afternoon, September 24, 2 P. M.

(1) Annual Address of President Frank W. Blair, president Union Trust Company, Detroit, Mich.

(2) "Uncle Sam as Custodian of Alien Property," by Ralph Stone, president Detroit Trust Company, Detroit, Mich.

(3) "The Work of the Capital Issues Committee," by John S. Drum, president Savings Union Bank & Trust Company, San Francisco, Cal., and member of the Capital Issues Committee.

(4) "Trust Service and the War"—by Francis H. Sisson, vice-president Guaranty Trust Company of New York.

(5) Address—exact title not yet fixed—by Hal H. Smith, member of the Board of Directors Union Trust Company, Detroit, Mich.

(6) "A Banking System in the Development," by A. D. Welton, manager Department of Public Relations, American Bankers Association.

Ample time will be given to discussion of questions not yet ready to announce, as well as those introduced at the meeting.

Exhibits of various kinds will be announced in the September issue of the JOURNAL.

Tuesday evening the Trust Company Section will assemble in a joint meeting with all sections of the Association, at which time various features of membership in the Federal reserve system will be set forth and discussed.

Against the Guaranty of Deposits

In the July issue of the JOURNAL attention was called to the special communication sent by President Blair to members of the section on June 10 relative to Senate Bill 4426 providing for the guaranty of deposits in national banks.

Replies to this communication received from all parts of the country indicate vigorous protests were filed with Congressmen against the passage of this bill. The Federal Reserve Board on June 25 adopted resolutions opposing the measure. A few of the reasons given by trust companies in voicing their opposition are as follows:

Principle is destructive of the spirit of prudence and the consciousness of responsibility to the public at large that now animates the banking fraternity. The banks have demonstrated that they are worthy of the confidence of the nation.

The injustice to honestly and wisely managed banks making good what is lost by dishonesty and mismanagement by some other banks is a premium on recklessness and incompetence. Under the plan as provided in this bill the public need have no regard for the character of the banker.

Fundamentally wrong in principle and would eliminate all initiative for conservative banking.

A properly conducted bank cannot fail, and if the banking department of the United States and the states do their duty the "wildcatters" will not get in.

If the only reason the Committee on Banking had for reporting this bill favorably is the one which they have given, these men should be returned to their constituents because their minds are wrong.

The bill is entirely opposed to all economic and business principles, as it destroys initiative and attacks the very foundation of banking ethics. We believe it is absolutely unsound to place a premium upon loose banking.

Passage of bill would be a rank injustice toward trust companies and state banks.

The passage of bill would not bring out hidden money, but would take money from state banks and trust companies.

At this time in particular, when the confidence of the savings public is shaken by the universal change of conditions, any such discrimination in favor of national banks would precipitate a general withdrawal of funds from non-Federal banks and the work and labor of years destroyed in a day.

Utterly vicious and a step on the road to national disaster.

A solvent bank would have to pay for the wrongs of another bank of whose existence it was ignorant and, therefore, powerless to check or prevent wrong practices.

The entire banking structure of the country will be weakened because certain stronger institutions under the proposed arrangement will advance credit and allow interest where sound banking practice would forbid it. The act approaches confiscation in that it takes without compensation the benefits to be derived from years of earnest endeavor to build up good will.

Liability to Broker's Tax

A recent inquiry to the Internal Revenue Bureau relative to liability to brokers' tax of banks in connection with certain mortgage and investment transactions resulted in the following reply:

"In answer to your first inquiry as to whether a bank making loans on mortgages on real estate for its own investment, charging the borrower a stated commission, and later, in the regular course of business, having occasion to sell these mortgages to customers or others at the face value, making no further charge, would be liable to brokers' tax, you are informed no liability to said tax would be incurred.

"As to your second inquiry regarding a bank which purchases bonds for its own investment at the market price and later, in the regular course of business, disposes of same to customers or others at the then prevailing market price, you are advised liability to special tax as broker would not be incurred."

Resources of State Institutions

An abstract of reports of condition of member state banks and trust companies of the Federal reserve system of May 10 shows 449 banks and trust companies with $5,738,000,000 resources, which is slightly in excess of 26 per cent. of the aggregate resources of all state institutions.

SAVINGS BANK SECTION

The communication Assistant Secretary of the Treasury Leffingwell writes is self-explanatory:

"DEAR MR. HARRISON:

"I received your letter of July 2. A mistaken impression has arisen from certain erroneous newspaper reports concerning Section 4 of the Fourth Liberty Bond Bill. Nothing in this section will interfere with the arrangements heretofore made under which large numbers of national banks, state banks, including savings banks, and trust companies, whether or not they are qualified depositories, and investment bankers, express companies, newspapers, department stores and other corporations, firms and organizations patriotically received and transmitted applications for the bonds without expense to the applicants, and under which subscribers have been recommended to avail themselves of the assistance of their own banks and trust companies and make payment through them.

"Mutual savings banks will accordingly be able to continue to do all that they have so patriotically done in the past in aid of the Liberty loans.

"The fourth section of the new bond bill contemplates that depositary banks should receive payments for Liberty bonds as agents of the United States rather than as the subscribers' agents. This, of course, would involve their becoming depositaries of public moneys. If, therefore, it is desired that mutual savings banks should be permitted to act as fiscal agents of the United States in connection with the sale and delivery of the bonds, the amendment should take the form of authorizing them to be depositaries of public moneys.

"In connection with the Second Liberty Bond Bill the Secretary of the Treasury suggested that the privilege of participating in deposits of public moneys under the Liberty bond bills be extended to mutual savings banks. The suggestion was rejected by the Finance Committee of the Senate for the reason, I think, that mutual savings banks are not generally authorized to give security for deposits and for the reason that they, or many of them, do not have capital stock."

In Memoriam

It is strange, indeed, how works the hand of Fate—that the two last ex-presidents of the Savings Bank Section should pass to the Great Beyond in the course of a few months.

Newton F. Hawley, treasurer of the Farmers and Mechanics Savings Bank of Minneapolis, Minn., president of the Savings Bank Section, 1916-1917, departed this life after a fortnight's illness of pleurisy, on Tuesday, July 16.

In Mr. Hawley's administration the section conducted a great, nation-wide thrift campaign which resulted in spreading the practice of thrift to every section of the country and gained international fame for the Association.

He was a loyal friend of the section's welfare and his advice and counsel were always sage and discreet. His character was of the highest type and his judgment always reliable. His career with his bank in Minneapolis affords a striking illustration of the adaptability of the average well-informed and well-trained American. Mr. Hawley was a lawyer and was induced to go into the savings bank field in order to re-establish the bank. He succeeded admirably in his task. He had a breadth of soul and sympathy which is rarely found. We mourn his loss deeply.

Liquidity

Very good advice is contained in the last letter that was written by Mr. Hawley before his death. The letter was sent to the Secretary of the Section by Mrs. Hawley with a note from her at the end of the letter where Mr. Hawley's signature might have been.

He refers to the necessity for greater liquidity of savings bank assets, giving his opinion as follows:

"First: I have long been in favor of greater liquidity of savings bank assets.

"Whatever may have been the history and custom of mutual savings banks in the past, in practice depositors expect savings banks to pay on demand and bankers plan to meet such expectation and hesitate if they do not, and in fact abandon entirely their right to require notice. This is especially true in the west where savings deposits are largely in savings departments of commercial banks or in certificates of deposits of such banks.

"If, therefore, through custom or expediency, it is thought best that savings banks should not ordinarily require notices of withdrawal, then it would be necessary that they be in condition to respond to large demands whether expected or coming without expectation. And in order to do so it necessarily follows that they must have assets upon which they can quickly realize.

"I do not, however, wish it to be understood that the right of requiring notice should be abandoned. On the contrary, if there should be a general inclination throughout the country to make withdrawals, savings banks should be in condition to require notice if it is thought best. I think, however, that with the Federal reserve system in operation and the growing practice of paying cash during sporadic runs the expediency of requiring notice will grow less and less. It would, of course, be folly for commercial banks to ever require such notice even when they reserve the right in pass books. And because of this fact in the west and south at least, where there are few mutual savings banks, it is quite likely that the mutual savings banks which are comparatively few in number must follow the necessary custom of the commercial banks and pay on demand even when there are runs.

"Second: If savings banks are to keep sufficient of their funds in liquid form to meet the necessities of ordinary and extraordinary business conditions, the question arises as to what course shall be pursued to render such assets readily turned into cash. There are two ways: first, by holding assets that are always marketable and standard in price, and second, by having obligations that are maturing immediately or within a very short time.

"My own opinion is that both policies should be pursued. A savings bank should keep on hand some securities that the officers feel can always surely be marketed promptly and without great loss. In some localities these assets might consist of farm mortgages, in others of government bonds, in others railroad bonds, public utility securities and the like."

Convention Program

The following is the tentative order of proceeding for the meeting of the Savings Bank Section to be held in Chicago at the time of the next annual convention of the American Bankers Association, Tuesday, September 24, 1918.

Morning

Call to Order.
Invocation.
Annual Address of President Noel.
Appointment of Nominating Committee.
"The Effect of the War on Railroad Securities."
Francis H. Sisson, Vice-Pres. Guaranty Trust Co., N. Y.
Second Speaker: Representative of United States Railroad Administration.
"Has America Sufficient Capital to Finance the War?"
David Friday, Thompson & Black, Financial Engineers, New York City.

"The Desirability of Public Utilities as a Savings Bank Investment."
Samuel Insull, President Commonwealth Edison Company of Chicago.

AFTERNOON

Call to Order.
Report of Secretary.
Report of Committees.
"War Work of the Savings Bank."
W. E. Knox, Comptroller Bowery Savings Bank, New York.
Ten prepared discussions: "Is the Short Term Liquid Security an Essential to the Proper Operation of a Savings Bank?"
New Business.
Report of Nominating Committee.
Election and Installation of Officers.
Adjournment *sine die.*

CLEARING HOUSE SECTION

Fined for Overdrafts—Charged for Service

The associated banks of Wilmington, Delaware, have established a rule under which no interest is paid on any account where the daily balance averages under $300. A charge of 50 cents per month is made on every account where the daily average balance is less than $300. A fine of $1 is assessed against every customer who gives a check against his account when the funds are not sufficient to cover such check. The application of this fine has practically eliminated overdrafts.

Six New Members Admitted

The following clearing house Associations have joined the Clearing House Section during the past thirty days: Binghamton, N. Y.; Elberton, Ga.; Estherville, Iowa; Kalamazoo, Mich.; Ocala, Fla., and Rome, Ga. The section is preparing a plan under which a monthly letter will be received from every clearing house covering new ideas, plans, systems, methods and practices which have been initiated during the previous thirty days. These will be briefed in the form of a bulletin, copies of which will be sent to every clearing house for distribution to its officers, committeemen and members, thus affording a monthly exchange of information relative to developments affecting the associated clearing house banks.

Not Members

The following clearing houses are not members of the Section: Ann Arbor, Mich.; Belton, Texas; Charlotte, N. C.; Connellsville, Pa.; Cordele, Ga.; Franklin, Pa.; Homestead, Pa.; Lynchburg, Va.; Medford, Ore.; Muncie, Inc., Palestine, Texas; Shreveport, La.; Vidalia, Ga., and Waco, Texas.

It is the hope of the officers of the section that every regularly organized clearing house in America will be enrolled in the section before the Chicago meeting, September 24.

Convention Call

The annual meeting of the Clearing House Section will be held in Chicago, September 24. A strong program has been arranged. The following subjects will be covered: The Modernized Clearing House, The Clearing House as a Factor in War and in Peace, The Federal Reserve Banks and Interest Rates, The County Organization Plan, Acceptances and Exchange—Foreign and Domestic, Condensed Statements, Service, Exchange and Collection Charges—(a) As affects banks in Federal reserve and branch Federal reserve bank cities, (b) As affects banks in other so-called reserve cities, (c) as affects country banks.

These subjects will be covered by practical bankers of national prominence. Information of tremendous value will be developed. Opportunity for general discussion will be afforded. Every clearing house should be represented by one or more accredited delegates.

Scientific Regulation of Interest Rates

The following rule and schedule of rates were adopted by the St. Louis Clearing House, June 25, effective July 1, 1918:

"No member of this association and no bank or trust company clearing through any member, shall agree to pay, or shall pay, directly or indirectly, on any credit balance payable on demand or within thirty days, or on any certificate of deposit so payable, by its terms, issued to or for the account of any bank, trust company or other institution conducting a banking business, or private banker or bankers, located in the United States or Dominion of Canada, interest at a rate in excess of 1 per cent. per annum when the then ninety-day discount rate for commercial paper at the Federal Reserve Bank of St. Louis is 2 per cent. or less, and an additional ¼ of 1 per cent. for every ½ of 1 per cent. that such discount rate of the Federal reserve bank shall exceed 2 per cent., except that the maximum rate paid or agreed to be paid on any such credit balance or certificate of deposit shall not in any case be higher than 3 per cent. per annum.

SCHEDULE

When the ninety-day rate for commercial paper at the Federal Reserve Bank, St. Louis, is:	The maximum rate to be paid on the above account shall be:
2 % or over, but less than 2½%	1 %
2½% or over, but less than 3 %	1¼%
3 % or over, but less than 3½%	1½%
3½% or over, but less than 4 %	1¾%
4 % or over, but less than 4½%	2 %
4½% or over, but less than 5 %	2¼%
5 % or over, but less than 5½%	2½%
5½% or over, but less than 6 %	2¾%
6 % or above	3 %

The New York Clearing House Association adopted a similar plan about three months ago. This move is in line with sound banking principles, and should be followed in a number of other important cities. The rule will operate to aid the Government in its war financing program.

District Numbers on Checks and Drafts

The Federal reserve banks have been encouraging their respective members to have their district number printed in large hair-line type on the face of their checks and drafts. If this plan is generally followed it is believed it will effect a saving of many thousands of dollars in labor and will greatly facilitate the handling of checks and drafts in the course of their collection.

Temporary Representative for Pennsylvania

Edward S. Lewis, assistant cashier of the Philadelphia National Bank, has been appointed state representative for the Clearing House Section for Pennsylvania to serve in the absence of O. Howard Wolfe during the remainder of the year. Mr. Wolfe is now in France doing Y. M. C. A. war work.

NATIONAL BANK SECTION

New Banks Chartered

During the year ending June 30, 1918, 168 national bank charters were granted. One hundred and fifty national banks increased their capital, nineteen national banks reduced their capital and twenty-four applications for national bank charters were rejected, the net increase in capital being $31,307,200. On the above date there were 7,718 national banks in America, being a net increase in number of eighty-three for the year.

Why the Demand for Guaranty of Deposits?

For over five months preceding June 5 there was not a failure of a single national bank in America. The losses to depositors, because of failed national banks during the past three years has been 1/3000 of 1 per cent. This improvement is largely due to the improved system of examinations on the part of the Comptroller's office and to close supervision by clearing houses of banks under their jurisdiction in the various large cities. This record indicates that there is no real demand or need for guaranty of bank deposits. The National Bank Section has received a vast number of letters from its members protesting against the passage of Senate Bill No. 4426 which is now on the calendar and which provides for the guaranty of all deposits of $5,000 and under, and $5,000 of every account averaging over $5,000.

Annual Meeting at Chicago

The annual meeting of the National Bank Section will be held at Chicago, September 25, 1918. A strong program is being arranged. Information of vital importance to every national banker will be developed at this meeting. The program includes the subjects:

National Banks and the Reconstruction Period,
Taxation,
Problems that Confront National Banks on Account of War Financing,
Relations that Should Exist Between Federal Reserve Banks and Their Members, and
General Discussion—Question of Common Interest to National Banks (all delegates invited to participate).

The speakers will be practical men of national prominence. Their names will be announced in the next issue of the JOURNAL.

Vice-Presidents for Alabama and Massachusetts

Owing to the resignations of the regularly elected Vice-president—B. W. Pruett and J. F. Sawyer for Alabama and Massachusetts, respectively—President J. Elwood Cox of the National Bank Section has, in accordance with the by-laws of the Section, appointed the following men to serve in their stead: Fred A. Bloodworth, cashier Morgan County National Bank, Albany, Alabama; and George E. King, president Appleton National Bank, Lowell, Mass.

STATE BANK SECTION

S. T. Smith, State Bank Commissioner of South Carolina, writes as follows:

"I know of no other means of developing the usefulness and prosperity of state banks other than:

"1st. State banks should perfect a reserve bank system by organizing a central reserve bank for each state, banks to be members and stock to be held only by its members.

"2d. If this is impractical, advocate law requiring state banks to carry their reserve in state banks.

"3d. I have received notice that the Comptroller of the Currency has recommended to Congress a bill to provide for guaranteeing deposits in national banks under $5,000. This law, if passed, will force state banks to pass a uniform law guaranteeing state bank deposits."

In 1862, H. H. Van Dyck, then Superintendent of Banks of the state of New York, said in his annual report: "The government and the banks are alike the agents of the people, designed to minister to their prosperity, happiness and independence. Each has their appropriate function, and in a time of great public exigency, each is under obligations to a common constituency, to contribute, as far as practicable, to the 'general welfare and common defense.' Nothing valuable can be gained by arraying them in antagonism. On the contrary, the harmonious and cordial action of moneyed corporations of every character, as well as of individuals, is absolutely essential to the maintenance of the public credit; through which alone can the government be enabled to thwart the paricidal efforts put forth to destroy the republican institutions under which we live."

From Ohio: "We have tried to accumulate a line of such paper as would be eligible for rediscount under the Federal reserve act, with a view to entering the system at some time when we might feel justified in doing so, but find it to be almost impossible to accomplish, owing to local needs and conditions, so that we are compelled to invest in mortgages, bonds and collateral loans, or limit our business to an almost ruinous extent. We must care for the needs of our customers or lose them and we must use idle money in ways which are available to us."

George H. Newhall, Bank Commissioner of Rhode Island, says:

"Since the organization of this department in 1908 to June 30, 1917, the combined assets of all of our trust companies, state banks and savings banks have increased from $184,918,000 to $278,301,000, an increase of $93,383,000. The commercial or general deposits have increased from $33,990,000 to $72,068,000, an increase of $38,078,000 or more than doubled. The savings deposits have increased from $107,622,000 to $161,465,000, an increase of $53,843,000.

"The number of depositors in savings banks and in participation or savings accounts in trust companies and state banks have increased from 179,738 to 245,124, an increase of 65,386 accounts.

"The above figures give some idea of the increase in the business of the banks under the supervision of this department since it was established in 1908. In addition to the banks the building and loan associations have increased proportionately. The Morris Plan Company, a loan and investment company, has also been put under this department's jurisdiction. This company has two branches besides the main office, and its large number of small borrowers and depositors makes a much greater increase in the work than its total resources indicate."

Program for the Annual Meeting

The program of the several sessions of the State Bank Section of the American Bankers Association at Chicago, Tuesday and Wednesday, September 24 and 25, will be arranged so as to be of special interest to country bankers. The importance of state banking institutions in the development of the United States is not generally realized, and President Huxford will endeavor to present some facts and figures on this subject. It is expected that the standing committees will submit something more than perfunctory reports, and some, if not all, of such reports will doubtless be followed by interesting discussions.

The State Bank Section is democratic at all times and under all circumstances, and the spirit of democracy will prevail throughout its sessions. There will be full and frank discussion of the relationship that exists and ought to exist between state banks and the American Bankers Association, and opportunity will also be afforded for the expression of opinion regarding the relationship between state banking institutions and national banks and national bankers. Among the subjects on the program of special interest to country bankers are: "Hazards in Everyday Banking," "Profit and Loss in Small Loans," "Contract Rates of Interest," "Charges for Presenting Drafts and Furnishing Credit Information," "Homestead Exemptions" and "Characteristics of Live Stock Paper."

The subject of "Fidelity and Burglary Insurance" will be thoroughly discussed at the meeting of the State Bank Section, Tuesday afternoon. The matter of organizing a new insurance company will be considered and all aspects of the subject will be presented.

Tuesday evening there will be a joint meeting under the auspices of the State Bank, Trust Company, Savings Bank and National Bank Sections of the American Bankers Association, for the purpose of discussing the Federal reserve system. The details of this meeting so far as arranged are described elsewhere in the JOURNAL.

AMERICAN INSTITUTE OF BANKING SECTION

The work of preparing the new Institute study courses in "Accounting" and "Credit" is nearly completed, and the details will be reported at the Denver convention in September. The new courses are intended to supplement the Institute standard courses in "Commercial and Banking Law" and "Money and Banking," and will be used in post-graduate work.

A. E. Ferguson of Denver Chapter writes as follows:

"One of the best programs ever arranged for an A. I. B. convention is already prepared. This is a time of big things. Great results must be achieved by the civilians at home as well as by our noble soldiers and sailors abroad. The cream of the young men in financial circles are members of the American Institute of Banking. Our greatest financial and business problems must be met by and with the assistance of these young men. Therefore, it is most fitting and necessary that these young men, and older ones, too, should meet in the forum of a national convention and discuss the great problems of today and get an exchange of ideas and a broadened view that will better fit and enable them to handle the tasks to them assigned. The convention program has been arranged with these things in mind.

"With due regard to the patriotic spirit of conservatism of this time, we are going to give you the best there is in the way of entertainment, for, at Denver's very door there are mountain parks and mountain roads second to none, not excepting even those of far-famed Switzerland. Just picture to yourself, if you can, an auto ride through Denver's beautiful parks, over her smooth boulevards, out through fertile Clear Creek Valley and up, up, up the winding Lookout Trail to the Mountain's summit, where a Hooverized meal will be stretched to the limit, while you bathe in the ever-changing beautiful colors of the glow of the last-departing rays of a Colorado sunset. Don't miss it! And then, well, I don't want to tell you about all of the good things in store for you, but how would you like to descend the mountain boulevard by moonlight, with the myriad lights of this city twinkling in the distance, with a stop at one of the country clubs where are many of Denver's fair daughters eagerly awaiting the assistance of some good looking delegate to join them in a whirl around the ballroom. Oh, yes! there are plenty of good looking fellows in Denver who will be glad to dance with your wife or sweetheart, so bring them along, of course.

"We urge each chapter to arrange to send a full quota of delegates, if possible. We feel that this is one of the most important conventions that will be held in the United States this year. Come prepared to join in the discussions, to get the most possible out of the convention program and to have the best time of your life between serious business sessions."

Harold J. Dreher a Lieutenant

Harold J. Dreher, of the National City Bank of New York, recently returned from Russia, has been commissioned a lieutenant in the United States Army. Mr. Dreher is an Institute graduate, a former Institute President and last year was chairman of the Institute Committee on Military Affairs.

Institute Men Promoted

The following are a few of the recent promotions of Institute men: L. B. Thomas, assistant cashier Merchants National Bank, Richmond, Va.; R. E. Towle and Leonard E. Rast, assistant cashiers Federal Reserve Bank, Minneapolis, Minn.; E. J. Wagenhals, assistant cashier Union State Bank, Minneapolis, Minn.; Howard Hall, assistant cashier Metropolitan National Bank, Minneapolis, Minn.; Walter Carey, assistant cashier State Deposit Bank, Minneapolis, Minn.

Honor Roll of the American Institute of Banking

The names of the following Institute men who have entered the military and naval service should be added to those published in previous issues of the JOURNAL:

FORT WORTH

Wm. Reeves, Jr.
Walker Moore
Jules Vogel
J. P. Berry
H. F. Walthall
M. P. Doss

ST. PAUL

Monroe Bailie
Rupert W. Chrest
Iver Danielson
Thomas J. Davies
Frank H. Delaney
George F. Dolan
Leif N. Foss
George H. Hanrahan
Gerald H. Harrington
Albert Johnson
George Olson
Archie G. Rockstroh
Harry L. Seaburg
Stanley J. Smith
Russell L. Tell
Roy Jenson
Archie Jenson
L. J. Van Brunt
E. J. Leinenkugel
Luther Harrison
P. Castner
Chas. Goodrich
Oliver Crowl
Goronwy A. H. Owen
Kenneth W. Beebe
John L. Sankovitz
Chas. S. P. Maxwell
Stafford L. Oberg
Bernard V. Minea
Einar S. Hansen
Ira Baer
Lawrence Doran
Clarence A. Maley
Richard Bystrom
Joseph A. Cavitzel
Frederick Gode
Carl H. Eichhorn
A. H. Bosshardt
Herbert J. Hunt
Julius Gerringer
Frank McGuire
Jos. H. Meyer
Merle Meyer
Warren Peterson
Thorwald Peterson
Ben Reinking
Leon I. Woods
John J. Bach
Edward Larsen
Chas. E. Mulliken
Ernest C. Nyberg
R. H. Johansen
Harry E. Kern
Harold Sauter
Arthur Kaese
J. Burns Allen
Arthur J. Pearson
Cyrus P. Brown, Jr.
Prentice F. Geer
Chas. F. Fuller
Lawrence W. Woodard

WILKES-BARRE

Butler O. Bower
Edward Byorick
John Chicallo
John F. Corrigan
R. G. Davenport
Charles E. Davies
Lester D. Flory
J. C. Lang
Charles Steward Mather
Francis J. Murray
R. J. Stout
Harold Tippett
D. R. Tredinnick

Institute Convention Program

The program of the Institute convention at Denver, September 17, 18 and 19, will be a most interesting one. The keynote of the convention will, of course, be the war, and as announced in the July issue of the new Bulletin of the Institute, the speakers, with possibly one or two exceptions, will be men of Institute development. Chairman Donald Mullen reports that there will be two daily sessions, morning and afternoon. One of these sessions will be devoted exclusively to "International Financial Questions During and After the War," and Fred I. Kent, Director of the Division of Foreign Exchange of the Federal Reserve Board, will lead the discussion. There will be a symposium on Trade Acceptances and a Chapter Presidents' Conference. Among the speakers will be John E. Rovensky, vice-president National Bank of Commerce, New York; J. A. Neilson, vice-president Mercantile Bank of the Americas, New York; John H. Puelicher, vice-president Marshall and Ilsley Bank, Milwaukee, and John J. Arnold, vice-president First National Bank, Chicago. As many of the delegates will arrive Monday, September 16, a get-together meeting will probably be arranged for that evening. On the evening of September 19 there will be a Hooverized dinner at which Hon. Julius C. Gunter, Governor of the State of Colorado, and Rev. Francis J. McConnell, resident Bishop of the Methodist Episcopal Church, will make the principal addresses. The entertainment features will be in accordance with the refined simplicity for which the people of Denver are noted.

MORTUARY RECORD OF ASSOCIATION MEMBERS

REPORTED FROM JUNE 25 TO JULY 25, 1918

Babcock, A. L., president Yellowstone National Bank, Billings, Mont.

Buckner, Anderson D., president Paris National Bank, Paris, Mo.

Bunce, H. L., president United States Bank, Hartford, Conn.

Dewoody, Wm. L., vice-president Merchants and Planters Bank, Pine Bluff, Ark.

Dickson, Howard S., vice-president First National Bank, Mount Vernon, N. Y.

Finley, Charles B., president National Bank of Elkton, Elkton, Ind.

Grant, Edward W., president National Bank of Liberty, Liberty, N. Y.

Hawley, Newton F., treasurer Farmers & Mechanics Savings Bank, Minneapolis, Minn.

Henderson, Fox, president Farmers and Merchants National Bank, Troy, Ala.

Kent, Addison D., president Union Banking Company, St. Joseph, Mich.

King, Arno W., director Union Trust Company, Ellsworth, Me.

Martin, Alvah H., president Merchants and Planters Bank, Norfolk, Va.

May, George E., president Commercial National Bank, Charles City, Iowa.

Sherwood, Geo. G., cashier Northern State Bank, Grand Forks, N. D.

Conventions of State Associations

NORTH DAKOTA

The sixteenth annual convention of the North Dakota Bankers Association staged at Mandan, July 11 and 12, was attended by more than 350 representative bankers. The sessions were well attended and were interesting and instructive. The annual address of President C. R. Green, of Cavalier, and the reports of the other officers and committees revealed a record of a year of constructive service to the banks and to the government.

A. R. Rogers, chairman for the Ninth Federal Reserve District, gave a report on the success of the individual allottment plan in the Liberty Loan campaign. Prof. F. E. Lurton, of East Grand Forks, Minn., made a magnificent appeal for "Universal Military Training." Joseph Chapman, vice-president Northwestern National Bank of Minneapolis, delivered an inspiring "Loyalty" address. He pointed out the dangers that attend the Non-Partisan League movement. Dr. Thomas F. Kane, president of the University of North Dakota, discussed the subject "Banking Service." The address "Government Financing," by Theodore Wold, Governor of the Federal Reserve Bank of Minneapolis, was a message of tremendous value.

Jerome Thralls, Secretary of the Clearing House and National Bank Sections of the American Bankers Association, addressed the Convention on the trade acceptance. Resolutions were adopted: (a) pledging aid to the government in all war activities; (b) favoring the widest possible use of the trade acceptance; (c) universal military training; (d) suggesting that the State Bank Section of the North Dakota Bankers Association and the State Bank Section of the American Bankers Association afford adequate and efficient means through which to handle questions of concern only to banking institutions operating under state charters; (e) commending the action of the Executive Council of the American Bankers Association in approving the recommendations of the Referendum Committee on the insurance proposition.

President Edgar L. Mattson of the Minnesota Bankers Association tendered the greetings and good wishes of his association to the convention.

Secretary Macfadden received many congratulations because of the efficient manner in which he had handled the Association's affairs during the year.

The entertainment features included a "coatless" ball, a musical and luncheon at the Mandan Country Club for the ladies, the famous war movie, "Pershing's Crusaders," golf and motoring.

The resolutions adopted follow:

As an expression of our support of the government of our country and of all legitimate business affairs of our state, be it

Resolved, That knowing and believing that the cause of America in this great war is just and righteous, and for that reason only, we believe that the one great purpose of all of our people at this time should be above all other things the winning of the war, and that this may come speedily, we do hereby pledge to President Woodrow Wilson, the Commander in Chief of our Army and Navy, to the Congress of the United States, to our soldiers and sailors on land and sea, and to all government authorities at home or abroad, our whole-hearted support of each and every government policy and activity initiated by them for the purpose of defeating the enemies of free government and the overthrow of autocracy in the world, so that the principles for which America fought in 1776 and for which this country has always stood may be the beacon light of liberty to the oppressed people of all lands.

Our hearts are with the men and women and our boys in the service of our nation, and we pledge to our government to the end that they shall be the very best and most efficient and most victorious fighting force the world has ever known, all the resources that are at our command in this state in order that we may do our best to fill all requirements made of us in subscribing for our share of government obligations and the support of associations engaged in government war relief work.

OUR FLAG HAS NEVER BEEN DEFEATED AND IT NEVER WILL BE.

We pledge our support to the Federal reserve system, fully realizing that it has united the financial resources of the country to such an extent that business has been preserved, while at the same time it has been possible to procure the enormous sums necessary to carry on the war.

We favor such modification in the present bonding act for feed and seed, as will eliminate the present provision, making such lien superior to an existing lien or mortgage; for the reason that said provision has caused the withdrawal of foreign money on real estate security, thereby causing a hardship to real estate owners, who are in need of such financial assistance.

We heartily recommend the action of the Executive Council of the American Bankers Association in approving the recommendation of their Referendum Committee that a Bankers Burglary Insurance and Surety Company be organized for the purpose of writing burglary and surety risks, said company to be managed and controlled by bankers; the experience of the North Dakota Bankers Mutual Casualty Company, since its organization, being conclusive evidence that such a company can safely and profitably carry these lines of bank insurance at much lower rates than are now being paid.

We recommend that the association adopt the recommendation of our president in his annual address, reading as follows:

That an Executive Council, consisting of three or more members, be elected by the national banks, to act in all matters affecting national banks only, and that a similar executive council be selected to handle all matters that affect state banks only, neither of these executive councils to displace the present executive council, but to be independent units.

We especially commend the good work of the Committee on Immigration for the consideration of the members of this association and we recommend that its report be given special attention by the Executive Council of the

CONVENTION CALENDAR

Date	Association	Place
Aug. 9-10	Montana	Billings
Sept. 4-5	Ohio	Columbus
Sept. 4-5-6	Illinois	Springfield
Sept. 5	Delaware	Wilmington
Sept. 13-14	Colorado	Colorado Springs
Sept. 17-19	American Institute of Banking,	Denver, Colo.
Sept. 18-19	Indiana	Indianapolis
Sept. 19-20	West Virginia	Huntington
Sept. 23-28	American Bankers	Chicago
Oct. 1-2-3	Farm Mortgage Bankers,	Kansas City, Mo.
Oct. 23-24	Nebraska	Omaha
Nov. 8-9	Arizona	Nogales
————	Wyoming	Laramie
————	Investment Bankers	St. Louis, Mo.

association, looking to some practical solution of this immigration problem that the greatest good may come to our state.

Resolved, That the North Dakota Bankers Association, in convention assembled, hereby commends the use of the trade acceptance as a means of improving the credit system and strengthening the banking position of the entire country.

Be It Further Resolved, That this association recommends that its respective members use their best efforts to fully inform their patrons who are possible users as to the merits of the trade acceptance, this with a view that the use of this valuable instrument shall become general throughout the state.

Resolved, That the universal military training of our American youth is a wise, needful and patriotic duty not only as a national preparation for the defence of our beloved country but as a necessary training for our youth in efficiency and usefulness and as an important factor in teaching true democracy in associating together the young manhood of the nation at a period in their lives when the best impressions of their duty to each other and to the nation can be made.

And Be It Further Resolved, That this association strongly recommends the enactment of such Federal and state laws as will best accomplish this most desirable result.

The following committee report was also adopted:

Your committee, to whom was referred the matter of organizing a national association of bankers working under state charters, separate and distinct from the national banks and bankers, beg leave to report as follows:

We look with disfavor on any plan which would divide state bankers from national bankers at this time when co-operation of effort and cohesion of all forces are so vital to the winning of the war.

We recommend instead that all state banks, not now members of A. B. A., should join without delay, thus contributing their influence to the splendid national organization now in existence.

The new officers of the North Dakota Bankers' Association are as follows: President, J. L. Bell, Bismarck; vice-president, J. J. Earley, Valley City; treasurer, A. H. Peterson, Mandan; secretary, W. C. Macfadden, Fargo; chairman of executive council, C. R. Green, Cavalier.

New members of the executive council are: G. H. Nesbit, Fargo, 3d Dist.; C. H. Doyon, Doyon, 2nd Dist.; C. D. Lord, Park River, N. E. Dist.; Wm. Roberts, Colfax, 4th Dist.; E. F. Volkmann, Fessenden, 5th Dist.; G. L. Gould, Glenburn, N. W. Dist.; Thos. Hayward, Beach, M. Slope.

A. B. A. officers: E. Beissbarth, Vice-President, Brinsmade; C. E. Bacheller, Fingal, member Nominating Committee; H. P. Beckwith, Fargo, alternate member Nominating Committee; M. C. Bacheller, Grand Forks, Vice-President Trust Company Section; B. V. Moore, Vice-President, Fargo, Savings Bank Section; E. J. Weiser, Vice-President, National Bank Section, Fargo; J. J. Earley, Valley City, State Bank Section.

WISCONSIN

The twenty-fourth annual convention of the Wisconsin Bankers Association was held at Milwaukee, July 9 and 10, and was regarded as one of the most successful ever held by that association, not only in the subjects for discussion but for the very large attendance of bankers from all sections of the state. The usual "Get Acquainted Dinner" was held the night before the convention, at which 350 bankers listened to patriotic addresses from men actively engaged in the service of their country, both at home and in the trenches. The convention proper was opened by the dedication of a service flag in honor of the 363 employees of Wisconsin banks who have enlisted in the service up to this time. The annual address of the president, annual reports of officers and committees and an address by M. A. Traylor, president Live Stock Exchange National Bank of Chicago upon the important subject of "Government Financing" completed the first half-day session. At the afternoon session J. H. Puelicher, Milwaukee, gave a report of the Wisconsin Thrift Stamp Campaign, and Geo. Woodruff, of Joliet, Ill., delivered a forcible address on the subject of trade acceptances.

The real treat of the entire convention was the patriotic address of P. W. Goebel, Kansas City, Kan., at the forenoon session of Wednesday, July 10, upon the subject, "Is the American Banker doing his Full Duty in the Present Crisis?"

Informal discussions of the following practical questions brought out much valuable information.

1. Chattel mortgage loans on live stock.
2. Relation of country banks to war financing.
3. How to stimulate greater interest among directors of banks.
4. Should the volume of a bank's deposits govern its capital?

The question of "How Can the Office of Banking Commissioner be Removed from Politics?" was also informally discussed. Gov. J. B. McDougal of the Federal Reserve Bank of Chicago was present and gave some interesting facts and suggestions regarding the Federal reserve system.

Resolutions commending the use of trade acceptances, opposing national legislation guaranteeing bank deposits, favoring agricultural development of the uncultivated land in Wisconsin, approving the action of the Executive Council American Bankers Association in its approval of the recommendation made by the Insurance Referendum Committee as to the organization of a Bankers' Casualty Company and recommending membership of state banks in the Federal reserve system, were adopted by the convention. New officers were elected as follows:

President: Ernest J. Perry, president First National Bank, Fond du Lac; vice-president, W. E. Sprecher, cashier State Bank, Independence; treasurer, W. A. Blackburn, State Bank of Bruce; secretary, Geo. D. Bartlett, Milwaukee.

At the election held by Wisconsin members of the American Bankers Association, L. A. Baker, of Manufacturers Bank, New Richmond, was elected for a three-year term to succeed H. A. Moehlenpah, whose term of office expires next fall. Geo. D. Bartlett, secretary of the association, was elected tentatively as a member of the Council for a one-year term, provided a sufficient number of new members are secured prior to the convention to give Wisconsin another member on the Council. E. M. Wing, of LaCrosse, was named as member of the Nominating Committee from Wisconsin and F. J. Carr of Hudson as alternate. Section vice-presidents elected follow:

National Bank Section, J. J. Sherman, president Citizens National Bank, Appleton. Savings Bank Section, J. M. Smith, cashier Lumberman's Bank, Shell Lake. State Bank Section, J. M. Holley, cashier State Bank, LaCrosse. Trust Company Section, O. C. Fuller, president Wisconsin Trust Company, Milwaukee.

Entertainment at this year's convention, at the request of the Executive Council, was considerably curtailed, and outside of the usual theater party consisted of a trip to the Great Lakes Naval Training Station, where some 40,000 sailors are now in training. Over 800 delegates and their ladies participated in this trip, which took the entire afternoon of Wednesday, July 10.

MINNESOTA

The attendance at the twenty-ninth convention of the Minnesota Bankers Association at Minneapolis, June 28 and 29, was more than 1000 strong. The keynote was "loyalty." The addresses of Joseph Chapman, vice-president Northwestern National Bank of Minneapolis, Governor Theodore Wold of the Federal Reserve Bank of Minneapolis, Gerhard M. Dahl, vice-president Chase National Bank, New York City, Howard H. Gross, president Universal Military Training League of Chicago and President Nicholas Murray Butler of Columbia University of New York City were afire with patriotism.

The address of President A. C. Gooding, of Rochester, Minn., and the reports of Secretary Geo. H. Richards, Treasurer J. F. Millard, of Willmar, Minn., and the various committees showed that the Minnesota Bankers Association had rendered valuable and efficient service during the year. Jerome Thralls, Secretary of the Clearing House and National Bank Sections, told of the rapid development in the use of the trade acceptance that is being brought about through the efforts of the American Trade Acceptance Council.

The results of the convention crystallized into the form of resolutions expressing loyalty to the government in all its war activities, urging the widest possible use of the trade acceptance and opposing the passage of Senate Bill 4426, providing for the guarantee of deposits.

The following officers were elected for the ensuing year: President, Edgar L. Mattson, vice-president Midland National Bank, Minneapolis; vice-president, M. J. Dowling, president Olivia State Bank, Olivia; secretary, George H. Richards, 611 Northwestern Bank Building, Minneapolis; treasurer, C. H. Draper, president First National Bank, Wells.

For the American Bankers Association and its sections: Vice-President for the State, W. A. Mahl, cashier, First National Bank, Winona; member of Executive Council, Cliff W. Gress, vice-president Citizens State Bank, Cannon Falls; member Nominating Committee, M. J. Dowling, president Olivia State Bank, Olivia; alternate, Edgar L. Mattson, vice-president Midland National Bank, Minneapolis; Vice-President Savings Bank Section, W. F. McLane, cashier Hennepin County Savings Bank, Minneapolis; Vice-President State Bank Section, F. L. Stone, president Swift County Bank, Benson; Vice-President Trust Company Section, H. D. Thrall, secretary Minnesota Loan & Trust Company, Minneapolis; Vice-President National Bank Section, W. J. Clark, president First National Bank, Windom.

WASHINGTON

The annual convention of the Washington Bankers Association was held at Yakima, June 14 and 15. The officers elected for the ensuing year are as follows: President, O. M. Green, vice-president Exchange National Bank, Spokane; vice-president, N. B. Coffman, president Coffman-Dobson Bank & Trust Company, Chehalis; secretary, W. H. Martin, cashier Pioneer National Bank, Ritzville (re-elected); treasurer, P. M. Serrurier, president Lynden State Bank, Lynden.

The A. B. A. elections were: Vice-President, S. A. Kimbrough, cashier Farmers National Bank, Colfax; member Nominating Committee, N. A. Arnold, president First National Bank, Seattle; alternate member Nominating Committee, W. D. Vincent, vice-president Old National Bank, Spokane.

VIRGINIA

The A. B. A. elections for Virginia are as follows: Vice-President, W. M. Addison, vice-president and cashier First National Bank, Richmond; member Nominating Committee, Thos. B. McAdams, vice-president Merchants National Bank, Richmond; alternate member Nominating Committee, W. E. McConihay, cashier Citizens National Bank, Covington.

IOWA

The thirty-second annual convention of the Iowa Bankers Association was held in Dubuque, June 19 and 20. The following officers were elected for the ensuing year: President, J. H. Ingwersen, president Peoples Trust & Savings Bank, Clinton; vice-president, M. H. Calderwood, president Eldridge Savings Bank, Eldridge; secretary, Frank Warner, 710 Fleming Building, Des Moines (re-elected); treasurer, O. F. Fryer, president Iowa Loan & Trust Company and Iowa State Savings Bank, Fairfield.

The A. B. A. elections were: Vice-President, L. A. Andrew, president Citizens Savings Bank, Ottumwa; member Nominating Committee, C. H. McNider, president First National Bank, Mason City; alternate member Nominating Committee, S. M. Leach, president Adel State Bank, Adel.

Fort Dodge was selected as the convention city for 1919.

LOUISIANA

The Louisiana A. B. A. elections for the ensuing year are as follows: Vice-President, Ben Johnson, vice-president Bank of Commerce, Mansfield; member Nominating Committee, A. T. Kahn, vice-president Commercial National Bank, Shreveport; alternate member Nominating Committee, J. P. Turregano, vice-president Commercial Bank & Trust Co., Alexandria.

SOUTH DAKOTA

At the recent annual convention of the South Dakota Bankers Association the following officers were elected for the ensuing year: President, Alex Highland, vice-president Aberdeen National Bank, Aberdeen; vice-president, Harry Wentzy, president Security Savings Bank, Rapid City; secretary, F. D. Peckham, president First National Bank, Alexandria; treasurer, R. A. Goodwin, vice-president Wakonda State Bank, Wakonda.

The A. B. A. elections were: Vice-President, G. A. Holmberg, vice-president Security National Bank, Sioux Falls; member Nominating Committee, R. D. Burr, president Montrose Bank, Montrose.

The next convention of the association will be held at Mitchell.

Sales of War Savings Stamps

Since the beginning of July, treasury receipts from the sales of War Savings securities have been particularly gratifying and more substantial than at any other time since the inauguration of the War Savings campaign. From July 1 to July 22, inclusive, cash received in the Treasury Department from this source amounts to $150,-728,578, this representing an average of $8,373,809 per banking day.

Total treasury receipts from the sales of War Savings and Thrift Stamps, for the period from the beginning of the campaign and up to and including July 22, amount to $447,820,970; this figure representing the purchase of War Savings Stamps to the maturity value of approximately $539,543,335.

Total Sales of War Savings Stamps and Thrift Stamps through post offices and Federal reserve banks for the month of June, and total sales from the beginning of the campaign to June 29, inclusive, compiled from reports received by the Treasury Department, are shown in the following table:

Grade	State	June Sales	Per Capita
1	Minnesota	$5,771,519.35	$2.47
2	Indiana	6,668,783.08	2.28
3	Iowa	4,672,889.07	1.96
4	District of Columbia	650,665.75	1.76
5	Oregon	1,500,955.38	1.74
6	Utah	760,453.51	1.70
7	Kansas	3,172,372.42	1.67
8	California (North)	2,796,179.40	1.50
9	Washington	2,265,449.62	1.45
10	Colorado	1,372,742.31	1.35
11	Ohio	6,905,124.70	1.31
12	Missouri	4,549,052.61	1.28
13	Nevada	135,011.36	1.21
14	Delaware	278,353.62	1.18
15	Rhode Island	739,429.24	1.17
16	Maryland	1,631,313.93	1.15
17	South Dakota	691,034.81	1.14
18	Wisconsin	2,804,879.70	1.10
19	West Virginia	1,547,518.18	1.08
20	Texas	4,522,404.39	.98
21	New Hampshire	435,817.15	.97
22	Maine	714,099.12	.91
23	Nebraska	1,161,547.60	.89
23	Wyoming	126,950.61	.89
23	California (South)	1,054,218.95	.89
26	Pennsylvania (West)	2,559,644.13	.88
26	Illinois	5,566,912.60	.88
26	Louisiana	1,647,850.65	.88
29	Massachusetts	3,089,622.81	.78
29	Arizona	207,207.07	.78
29	Connecticut	1,053,001.18	.78
32	New York (U)	3,786,603.45	.77
33	Montana	359,964.74	.76
33	Mississippi	1,521,940.63	.76
35	Vermont	267,261.76	.72
36	Pennsylvania (East)	4,052,856.56	.70
37	Oklahoma	1,466,742.38	.63
38	Florida	641,677.60	.62
38	Michigan	2,168,629.98	.62
40	Idaho	272,589.49	.60
41	New Jersey	1,756,819.95	.56
42	New York City	3,289,600.06	.55
43	Kentucky	1,282,249.42	.52
44	North Carolina	1,197,715.21	.49
44	South Carolina	817,606.61	.49
46	Virginia	1,123,395.61	.48
47	North Dakota	308,065.99	.46
48	Tennessee	1,046,451.95	.44
49	New Mexico	148,304.25	.42
50	Arkansas	692,954.55	.39
51	Georgia	978,907.83	.34
52	Alabama	629,112.39	.26
	Totals	$98,862,454.71	$.93
	Hawaii	$55,670.47	

Grade	State	Total Sales for Campaign to July 1	Per Capita
1	Nebraska	$21,671,820.04	$16.64
2	District of Columbia	2,779,720.47	7.52
3	Iowa	17,418,420.60	7.32
4	Kansas	11,026,214.54	5.83
5	Missouri	20,015,868.77	5.66
6	Indiana	16,436,635.35	5.63
7	Oregon	4,661,971.91	5.40
8	Ohio	27,746,683.84	5.27
9	Washington	8,035,750.36	5.18
10	Minnesota	11,597,918.77	4.97
11	Montana	2,221,795.60	4.71
12	Colorado	4,600,533.58	4.53
13	South Dakota	2,696,841.26	4.45
14	California (North)	7,921,360.08	4.26
15	Arizona	1,102,480.35	4.17
16	Nevada	444,085.27	3.99
17	California (South)	4,623,768.65	3.91
18	Utah	1,734,353.57	3.89
19	Delaware	889,161.13	3.78
20	Connecticut	4,975,281.25	3.72
21	Illinois	22,414,919.63	3.57
22	Pennsylvania (East)	20,416,785.22	3.52
23	Wyoming	484,841.65	3.40
24	Texas	15,453,841.39	3.38
25	Rhode Island	2,085,321.61	3.30
26	New Hampshire	1,453,466.28	3.26
26	Wisconsin	8,228,149.87	3.26
28	West Virginia	4,629,315.59	3.25
29	Maine	2,509,611.67	3.18
30	New York (U)	15,527,224.32	3.17
31	New York City	18,169,832.29	3.08
32	Maryland	4,062,478.33	2.88
32	Oklahoma	6,696,127.59	2.88
34	Pennsylvania (West)	8,016,272.30	2.76
35	Vermont	980,152.13	2.66
36	Massachusetts	9,873,010.05	2.52
37	Idaho	1,127,781.55	2.50
38	North Carolina	5,794,299.03	2.39
39	Arkansas	3,948,141.33	2.22
40	New Jersey	6,755,060.09	2.15
41	Virginia	4,779,996.37	2.12
42	Tennessee	4,799,701.60	2.06
43	Louisiana	3,466,226.15	1.86
44	Florida	1,827,020.50	1.77
45	New Mexico	605,146.68	1.72
46	Kentucky	4,151,783.53	1.71
47	Michigan	5,909,107.84	1.70
48	Mississippi	3,332,816.37	1.67
49	North Dakota	1,005,655.16	1.51
50	South Carolina	1,876,309.45	1.13
51	Georgia	2,963,807.38	1.03
52	Alabama	2,148,306.95	.90
	Totals	$368,151,175.29	$3.49
	Hawaii	$343,507.18	

TITLE CHANGES AMONG BANK OFFICERS

Following is a list of officers' title changes in institutions which are members of the American Bankers Association, reported to the JOURNAL from June 26 to July 25, 1918, inclusive. Members will confer a favor by notifying this department immediately of any such changes. Publication will be made only on receipt of information direct from members.

CALIFORNIA

Highland—G. T. Henslee elected president First Bank of Highland, succeeding N. L. Levering, resigned.

Hollywood—William P. Hooper elected president First National Bank and Hollywood Savings Bank; E. D. Dietz appointed cashier.

Riverside—William L. Peters elected president National Bank of Riverside, succeeding W. W. Phelps, resigned.

San Diego—W. B. Miller appointed cashier University Avenue Bank, succeeding E. G. Otis.

CONNECTICUT

Bridgeport—Edmund S. Wolfe, formerly assistant cashier National City Bank of New York, elected president First-Bridgeport National Bank, succeeding Charles G. Sanford, now chairman of board.

GEORGIA

Oglethorpe—J. B. Dodd appointed cashier Macon County Bank, succeeding B. F. Neal.

IDAHO

Meridian—J. A. Fenton, formerly cashier, elected president First National Bank, succeeding Charles P. Mace, resigned; E. S. Hardin elected vice-president, succeeding George Parkin, resigned; Edward L. King appointed cashier.

ILLINOIS

Chicago—Robert I. Hunt elected advisory vice-president Chicago Morris Plan Bank; J. Allen Haines resigned as vice-president and active head for period of war; Robert B. Umberger, formerly secretary and credit manager, now general manager.

Peru—E. Roth, formerly vice-president, elected president Peru State Bank, succeeding Thomas F. Noon, deceased; Hy. Hoerner elected vice-president; Otto J. Loekle appointed cashier, succeeding Adolph Hoss, deceased.

INDIANA

Elkhart—Charles A. Burns, formerly assistant treasurer St. Joseph County Savings Bank of South Bend, elected active vice-president St. Joseph Valley Bank, succeeding Frank A. Sage.

IOWA

Story City—H. N. Danhowe, formerly vice-president, elected president Story City National Bank, succeeding Joseph Marwick; Peter C. Danhowe now vice-president.

KANSAS

Wichita—J. L. Pryor, formerly vice-president Union Stock Yards National Bank, elected president Union National Bank, succeeding F. C. Hoyt.

Wichita—J. M. Reynolds elected vice-president Union Stock Yards National Bank, succeeding J. F. Pryor, resigned.

LOUISIANA

St. Joseph—J. C. Macpherson appointed cashier Bank of St. Joseph, succeeding Louis Buckner, Jr., resigned.

MAINE

Farmington—Charles H. Pierce, formerly vice-president, elected president Peoples National Bank, succeeding Geo. M. Currier, deceased; Roy F. Gammon elected vice-president.

MINNESOTA

Beaver Creek—Chas. C. Mertens appointed cashier First National Bank, succeeding A. J. Peters.

Minneapolis—A. E. Nelson, formerly cashier, elected vice-president Union State Bank; George G. Struthers, heretofore assistant cashier, appointed cashier.

St. Paul—A. W. Wallgren, vice-president Northwestern Trust Co., resigned.

MISSOURI

Marceline—Geo. F. Gucker, formerly vice-president, elected president Marceline State Bank, succeeding R. B. Cardy; Dan Wester elected vice-president and cashier, succeeding Mr. Gucker as vice-president.

MONTANA

Denton—N. O. Miller, formerly assistant cashier, appointed cashier Denton State Bank, succeeding George D. Aune, resigned.

Square Butte—John F. Sinclair elected president Square Butte State Bank, succeeding G. W. C. Ross.

Valier—F. S. Johnson elected president Montana State Bank, succeeding H. F. Hughes; H. M. Erickson elected vice-president; M. C. Wickware appointed cashier.

NEBRASKA

Bridgeport—Carroll Brown appointed cashier Nebraska State Bank of Bridgeport, succeeding T. B. Estill, resigned.

Chadron—R. F. Kitterman elected cashier First National Bank, succeeding B. L. Scovel, resigned.

NEW JERSEY

Westfield—Elliott G. Johnson, formerly assistant cashier Jefferson County National Bank, Watertown, N. Y., appointed cashier National Bank of Westfield, succeeding Howard Cline, resigned.

NEW YORK

Catskill—Samuel C. Hopkins elected vice-president Catskill National Bank, succeeding Judson A. Betts, deceased.

Kingston—Arthur A. Davis, formerly teller, appointed cashier Kingston National Bank, succeeding Samuel D. Scudder, resigned.

New York—James G. Blaine, Jr., elected vice-president Liberty National Bank.

New York—J. C. Chidsey, assistant vice-president National City Bank, resigned to become vice-president Houston National Exchange Bank, Houston, Texas.

Syracuse—Louis S. Brady, formerly cashier, elected first vice-president First National Bank; William A. Boyd, formerly assistant cashier, appointed cashier.

Yonkers—John J. Walsh, formerly vice-president, elected president Yonkers Trust Company; Joseph Hackett, formerly paying teller, appointed secretary.

NORTH CAROLINA

Elizabeth City—John R. Kilby appointed cashier First & Citizens National Bank, succeeding W. G. Gaither, resigned.

Goldsboro—Frank K. Borden, formerly vice-president, elected president Wayne National Bank, succeeding Edwin B. Borden, deceased; Walter E. Borden, formerly cashier, now first vice-president; William E. Stroud, formerly assistant cashier, appointed cashier.

NORTH DAKOTA

Bowman—O. M. Young, formerly cashier, elected vice-president Farmers & Mechanics State Bank; I. M. Stutlien, formerly assistant cashier First National Bank, appointed cashier.

Grand Forks—H. E. Johnson appointed cashier Northern State Bank, succeeding George G. Sherwood, deceased.

Northwood—H. H. Tufte appointed cashier First National Bank, succeeding H. E. Johnson, resigned.

Willow City—W. E. Kopple appointed cashier Merchants National Bank, succeeding F. C. Grimes.

OHIO

Dayton—William Stroop elected president City National Bank, succeeding Harry E. Talbott, now chairman of board.

OKLAHOMA

Oklahoma City—Prentiss Price elected active vice-president State National Bank, succeeding W. M. Bonner, resigned; George L. Cooke, formerly cashier, now vice-president; J. Arthur Williamson, formerly assistant cashier, appointed cashier.

Pryor—L. O. Bradford elected president American State Bank, succeeding A. J. Langer.

PENNSYLVANIA

Lititz—H. H. Diehm appointed cashier Lititz Springs National Bank, succeeding P. F. Snyder.

Mont Alto—John F. Neeley, formerly assistant cashier Bank of Landisberg, appointed cashier Mont Alto State Bank, succeeding Karl A. Rice.

Philadelphia—Daniel Houseman, formerly treasurer, now vice-president and treasurer Real Estate Title Insurance & Trust Co.

SOUTH CAROLINA

Columbia—David A. Childs, formerly assistant cashier, appointed cashier Bank of Columbia.

TEXAS

Austin—D. B. Gracy elected president Citizens Bank & Trust Company, succeeding Chester Thrasher, resigned; Eldred McKinnon elected vice-president and cashier.

Beaumont—Howard W. Gardner, formerly assistant cashier, appointed cashier Texas Bank & Trust Company, succeeding E. P. Bennett, resigned.

Houston—J. C. Chidsey elected vice-president Houston National Exchange Bank, succeeding Aug. De Zavala.

VIRGINIA

Coeburn—W. S. Dodd appointed cashier First National Bank, succeeding N. T. Shumate.

Roanoke—J. Tyler Meadows, formerly vice-president and cashier, elected president First National Bank; David W. Flickwir, heretofore vice-president, elected chairman of board; A. M. Nelson elected vice-president; J. H. Matthews, formerly assistant cashier, appointed cashier.

WASHINGTON

Olympia—F. M. Kenney, formerly cashier, elected vice-president Olympia National Bank; H. E. Van Arsdale, formerly assistant cashier, appointed cashier.

WYOMING

Glenrock—Z. R. Moses appointed cashier Glenrock State Bank, succeeding Charles H. Armour, resigned.

REGISTRATION AT THE ASSOCIATION OFFICES

REPORTED FROM JUNE 26 TO JULY 26, 1918

Agger, Eugene E., New York, N. Y.

Altsheler, John, president Farmers Deposit Bank, Horse Cave, Ky.

Altsheler, Sydney, 131 Riverside Drive, New York, N. Y.

Amery, Frank, treasurer Rutherford Trust Co., Rutherford, N. J.

Bishop, A. G., president Genesee County Savings Bank, Flint, Mich.

Chase, Clement, Omaha, Neb.

Clement, John B., vice-president and treasurer Central Trust Co. of Camden, N. J.

Cooke, Thornton, president Midwest National Bank, Kansas City, Mo.

Couse, W. J., president Asbury Park Trust Co., Asbury Park, N. J.

Crockett, J. D. M., Crockett, Couchman & Crawford, Kansas City, Mo.

Gavitt, W. S., president Gavitt National Bank, Lyons, N. Y.

Griffin, W. W., cashier National Bank of New Berne, Newbern, N. C.

Guild, Geo. A., vice-president Central National Bank, Topeka, Kan.

Hinsch, Charles A., president Fifth-Third National Bank, Cincinnati, Ohio.

Kramer, W. B., First National Bank, Scranton, Pa.

Maddox, Robert F., president Atlanta National Bank, Atlanta, Ga.

Marshall, H. D., vice-president Phoenix National Bank, Phoenix, Ariz.

Morley, G. A., Toronto, Canada.

Newcomer, Waldo, president National Exchange Bank, Baltimore, Md.

Orcutt, Fred H., vice-president Alpena National Bank, Alpena, Mich.

Phillips, Frank A., president Lambertville National Bank, Lambertville, N. J.

Radcliff, Wm. H., assistant secretary-treasurer Westchester Trust Co., Yonkers, N. Y.

Robinson, W. J., Robinson & Co., New York, N. Y.

Runkle, Delmer, president Peoples National Bank, Hoosick Falls, N. Y.

Russell, R. La Motte, president The Manchester Trust Co., So. Manchester, Conn.

Sanne, H. C., partner Huth & Co., New York.

Thorson, C. J., International Trust Co., Denver, Colo.

MEMBERSHIP CHANGES

REPORTED FROM JUNE 25 TO JULY 25, 1918

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The General Secretary of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL.

California	Los Angeles	Kaspare Cohn Commercial & Savings Bank changed to Union Bank & Trust Co.
	Santa Barbara	Santa Barbara Savings & Loan Bank consolidated with Commercial Bank as Commercial Trust & Savings Bank.
Idaho	Boise	Idaho National Bank liquidating.
	Sweet	Bank of Sweet changed to Farmers & Stockgrowers Bank.
Illinois	Lincoln	German American National Bank changed to American National Bank.
	Rock Island	German Trust & Savings Bank changed to American Trust & Savings Bank.
Louisiana	New Orleans	Bank of Orleans succeeded by Whitney Central Trust and Savings Bank, Bank of Orleans Branch.
New York	Brooklyn	German Savings Bank changed to Lincoln Savings Bank.
New York	New York	German Savings Bank changed to Central Savings Bank.
		Union Trust Co. merged with Central Trust Co. as Central Union Trust Co.
North Dakota	Balfour	German American State Bank changed to American State Bank.
Ohio	Cleveland	German-American Savings Bank Company changed to American Savings Bank Co.
Oklahoma	Owasso	First National Bank succeeded by First State Bank.
	Weatherford	German National Bank changed to Liberty National Bank.
Pennsylvania	Pittsburgh	Germania Savings Bank changed to Citizens Savings Bank.
West Virginia	Wheeling	German Bank changed to Wheeling Bank & Trust Company.

NEW AND REGAINED MEMBERS FROM JUNE 26 TO JULY 25, 1918, INCLUSIVE

Alabama

Bank of Berry, Berry 61-382.
First State Bank, Clanton 61-463.
First Bank of Fairfield, Fairfield 61-279.
Bank of Heflin, Heflin 61-309.

Arizona

Camp Verde State Bank, Camp Verde 91-110.

Arkansas

Pope County Bank, Russellville 81-120.
Bank of Truman, Truman 81-488.
Citizens Bank, Tuckerman 81-582.

California

Lassen Industrial Bank, Bieber 90-827.
Culver City Commercial & Savings Bank, Culver City 90-828.
American National Bank, San Bernardino 90-134.

Colorado

Citizens State & Savings Bank, Boone 82-394.
Citizens State Bank, Coloflats 82-371.
Kiowa State Bank, Kiowa 82-262.
State Bank of Simla, Simla 82-332

Connecticut

Milford Savings Bank, Milford 51-277.

Florida

Commercial Bank, Live Oak 63-315.

Georgia

Central Bank & Trust Corporation Mitchell St. Branch, Atlanta 64-6.
Colonial Trust Company, Atlanta 64-24 (Regained).
First National Bank, Claxton 64-403.
Bank of Duluth, Duluth 64-495.
Bank of Forsyth, Forsyth 64-259.
First National Bank, Pelham 64-288.
Farmers Bank, Winder 64-894.

Idaho

Bank of Murtaugh, Murtaugh 92-253.
Paul State Bank, Paul 92-249.

Illinois

Arcola State Bank, Arcola 70-635.
Avon State Bank, Avon 70-1787.
American Exchange Bank, Browns 70-1191.
First State Bank & Trust Co., Canton 70-222.
Farmers Bank, Chenoa 70-770.
Hill State Bank, Chicago 2-214.
Christian & Parsons Co., Chicago.
Farmers State Bank, Danforth 70-1248.
Elgin City Banking Company, Elgin 70-95.
Elkville State Bank, Elkville 70-1275.
Flanagan State Bank, Flanagan 70-1826.
Gilman State & Savings Bank, Gilman 70-772.
Peoples Bank, Girard 70-661.
Peoples State Bank, Hamilton 70-699.
Harmon Bank, Harmon 70-1342.
Litchfield Bank & Trust Co., Litchfield 70-353.
Commercial Trust & Savings Bank, Lomax 70-1777.
Farmers State Bank, Macon 70-1897.
Central Illinois State Bank, Mason City 70-672.
First State Bank, Matteson 70-1444.
Mt. Zion State Bank, Mt. Zion 70-1476.
State Bank of Nauvoo, Nauvoo 70-864.
Farmers & Merchants State Bank, New Braden 70-1485.
The Ogden Bank, Ogden 70-1080.
Farmers Bank, Ohlman 70-1051.
State Trust & Savings Bank, Peoria 70-5.
First National Bank, Ransom 70-1540.
Gallatin County Bank, Ridgway 70-854.
Carterville-Royalton Bkg. Co., Royalton 70-1562.
First National Bank, St. Elmo 70-794.
Shelby County State Bank, Shelbyville 70-469.
First National Bank, Sumner 70-747.
Peoples Bank, Virginia 70-1942.
Security Savings Bank, Waukegan 70-160.
First National Bank, West Salem 70-967.
Woodhull State Bank, Woodhull 70-981.

Indiana

Peoples Loan & Trust Company, Petersburg, 71-1126.
State Bank of Pierceton, Pierceton 71-619.

Iowa

Albion Savings Bank, Albion 72-1166.
State Bank of Allison, Allison 72-980.
Blue Grass Savings Bank, Blue Grass 72-1208.
Bradgate State Savings Bank, Bradgate 72-1216.
Citizens State Bank, Bristow 72-1220.
Clutier State Bank, Clutier 72-1252.
Dixon Savings Bank, Dixon 72-1290.
First National Bank, Dysart 72-678.
Citizens State Bank, Early 72-973.
Farley State Bank, Farley 72-820.
State Bank of Gladbrook, Gladbrook 72-700.
Producers Savings Bank, Green Mountain 72-1354.
Lake Park State Bank, Lake Park 72-930.
First National Bank, Lawler 72-889.
Farmers & Merchants Bank, Lenox 72-527.
Lytton Savings Bank, Lytton 72-1854.
Macedonia State Bank, Macedonia 72-1443.
Farmers Savings Bank, Meservey 72-1466.
Mitchell Savings Bank, Mitchell 72-1474.
Farmers State Savings Bank, New Vienna 72-1701.
Farmers Savings Bank of Holy Cross, North Buena Vista, 72-1847.
Benton County Savings Bank, Norway 72-990.
Farmers National Bank, Oskaloosa 72-126.
Iowa Savings Bank, Rock Rapids 72-407.
Rubio Savings Bank, Rubio 72-1567.
Selma Savings Bank, Selma 72-1577.
Union Trust & Savings Bank, Stanwood 72-1598.
Waukee Savings Bank, Waukee 72-1091.
Farmers & Merchants Savings Bank, Wellsburg 72-1117.
Whittemore State Bank, Whittemore 72-956.
Farmers Savings Bank, Wright 72-1928.

Kansas

Durham State Bank, Durham 83-811.
Elmo State Bank, Elmo 83-823.
Lone Elm State Bank, Lone Elm 83-921.

Kentucky

Bank of Arlington, Arlington 73-425.

Kentucky—Continued

First National Bank of Latonia, Covington 73-96.
Jefferson County Bank, Jeffersontown 73-522.
Lawrenceburg National Bank, Lawrenceburg 73-224.
Grayson County State Bank, Leitchfield 73-304.
Farmers State Bank, London 73-667.
Owingsville Banking Co., Owingsville 73-323.
Beaver Valley State Bank, Weeksbury 73-678.

Louisiana

St. Tammany Bank & Trust Co., Mandeville 84-202.
Bank of Maringouin, Maringouin 84-206.
Hibernia Bank & Trust Co., Industrial Branch, New Orleans 14-9.

Maine

Lewiston Trust Company, Freeport 52-188.
Lewiston Trust Company, Lisbon Falls 52-198.
Lewiston Trust Company, Mechanic Falls 52-204.

Maryland

Farmers Bank of Somerset County, Marion Station 65-179.
National Bank of Perryville, Perryville 65-256.

Michigan

Exchange Bank, Dimondale 74-625.
First National Bank, Eaton Rapids 74-343.
Jonesville Commercial Bank, Jonesville 74-1027.
Peoples Bank, Manchester 74-449.
Pompeii State Bank, Pompeii 74-797.

Minnesota

Appleton State Bank, Appleton 75-315.
First State Bank, Gaylord 75-472.
Goodhue State Bank, Goodhue 75-1160.
Houston State Bank, Houston 75-797.
First National Bank, Lanesboro 75-359.
First State Bank, Lindstrom 75-826.
Continental State Bank, Minneapolis 17-95.
East Hennepin State Bank, Minneapolis 17-86.
Liberty State Bank, St. Paul 22-75.

Mississippi

Bank of Lula, Lula 85-333.
Bank of Olive Branch, Olive Branch 85-466.
Bank of Ripley, Ripley 85-242.

Missouri

First National Bank, Bolivar 80-343.
Bank of Denver, Denver 80-951.
Commercial State Bank, East Lynne 80-1362.
Jacksonville Savings Bank, Jacksonville 80-1044.
Lafayette County Trust Co., Lexington 80-164.
Peoples Bank, Lincoln 80-804.
Hodiamont Bank, St. Louis 4-80.

Montana

First National Bank, Charlo 93-463.
Farmers State Bank, Jordan 93-413.
First State Bank, Winnett 93-411.

Nebraska

First State Bank, Alliance 76-988.
State Bank of Beaver Crossing, Beaver Crossing 76-415.
Burton State Bank, Burton 76-967.
Farmers State Bank, Dix 76-1082.
Bank of Doniphan, Doniphan 76-709.
Dwight State Bank, Dwight 76-715.
State Bank of Haig, Haigville 76-1062.
Farmers State Bank, Halsey.
Hyannis State Bank, Hyannis 76-1045.
State Bank of Melbeta, Melbeta 76-971.
Union State Bank, Omaha 27-62.
Surety State Bank, Osceola 76-1120.
Frenchman Valley Bank, Palisade 76-832.

Nebraska—Continued

Citizens State Bank, Peru 76-267.
Bank of Phillips, Phillips 76-838.
Farmers State Bank, Platte Center 76-524.
Farmers State Bank, Plattsmouth 76-1146.
Bank of Polk, Polk 76-511.
Rising City Bank, Rising City 76-470.
Rockville State Bank, Rockville 76-855.
Shelby State Bank, Shelby 76-436.
Stromsburg Bank, Stromsburg 76-200.
Stockham State Bank, Stockham 76-969.
State Bank of Surprise, Surprise 76-880.
American State Bank, Sutherland 76-1102.
First State Bank, Whitman 76-949.

New Jersey

Manufacturers National Bank, Newark 55-8.

New York

Citizens Commercial Trust Co., Black Rock Branch, Buffalo 10-15.
Citizens Commercial Trust Co., West Side Branch, Buffalo 10-15.
Citizens Commercial Trust Co., William Street Branch, Buffalo 10-15.
Huth & Company, New York, 1-716.

North Carolina

Merchants Bank, Durham 66-44.
The City Bank, Raleigh 66-32.
Citizens Bank, Wilmington 66-9.

North Dakota

First National Bank, Ambrose 77-332.
First State Bank, Benedict 77-513.
Security State Bank, Benedict 77-748.
Farmers & Merchants State Bank, Bowdon 77-340.
State Bank of Jessie, Jessie 77-623.
La Moure County Bank, Kulm 77-170.
Farmers State Bank, Linton 77-173.
Farmers State Bank, New Leipzig 77-955.
Security State Bank, Noonan 77-472.
Farmers State Bank, Rawson 77-825.
First National Bank, Sentinel Butte 77-484.
Shields State Bank, Shields 77-694.
German State Bank, Strasburg 77-843.
Citizens National Bank, Streeter 77-449.
Tokio State Bank, Tokio 77-878.

Ohio

Bolivar State Bank, Bolivar 56-897.
First National Bank of Carthage, Cincinnati 56-911.
Hamilton County Bank, Cincinnati 13-83.
Lorain County Savings & Trust Co., Elyria 56-199.
Miamisburg Banking Co., Miamisburg 56-504.
First National Bank, Senecaville 56-1146.
Commercial & Savings Bank, Xenia 56-316.

Oklahoma

Farmers & Merchants National Bank, Boswell 86-1096.
Bank of Foss, Foss 86-545.
First National Bank, Healdton 86-1057.
Security State Bank, Newkirk 86-244.
State Guaranty Bank, Okeene 86-410.
First State Bank, Willow 86-917.

Oregon

Bank of Beaverton, Beaverton 96-150.
Bank of Falls City, Falls City 96-170.
Klamath State Bank, Klamath 96-284.
First National Bank, Linnton 96-196.
First National Bank, St. Helens 96-287.
Bank of Shedd, Shedd 96-257.
Sheridan State Bank, Sheridan 96-112.

Pennsylvania

First National Bank, Black Lick 60-1087.
Peoples Bank, Maytown 60-1445.
Slovak State Bank, Uniontown 60-386.
Bank of South Williamsport, Williamsport 60-1478.

South Carolina

Bank of Bethune, Bethune 67-289.
Citizens Bank & Trust Co., Rock Hill 67-76.

South Dakota

Belvidere State Bank, Belvidere 78-505.
Bank of Clear Lake, Clear Lake 78-202.
Farmers & Merchants State Bank, Columbia 78-653.
Guaranty State Bank, Cresbard 78-729.
Security State Bank, Egan 78-695.
First National Bank, Goodwin 78-547.
State Bank of Grover, Grover 78-687.
Jackson County Bank, Kadoka 78-737.
Kimball Commercial & Savings Bank, Kimball 78-198.
Security State Bank, Lake Norden 78-731.
Farmers National Bank, Lake Preston 78-712.
First State Bank, Loyalton 78-723.
Farmers State Bank, Pierpont 78-381.
Farmers State Bank, Pukwana 78-466.
Farmers Savings Bank, Sherman 78-674.
First National Bank, Viborg 78-327.

Tennessee

Bank of Dyer, Dyer 87-224.
Medina Banking Co., Medina 87-308.
Citizens Bank, Troy.

Texas

Farmers Guaranty State Bank, Ambrose 88-1766.
Argyle State Bank, Argyle 88-920.
First Guaranty State Bank, Aubrey, 88-924.
Farmers & Merchants State Bank, Brashear 88-964.
First National Bank, Cooper 88-532.
First Guaranty State Bank, Dexter 88-1694.
First Guaranty State Bank, Era 88-1805.
Exchange State Bank, Fort Worth 37-14.
Golden State Bank, Golden 88-1073.
Planters & Merchants State Bank, Hearne 88-381.
First National Bank, McAllen 88-1809.
Farmers & Merchants State Bank, Mabank 88-1380.
Mineola State Bank, Mineola 88-500.
First State Bank, Otto 88-1215.
Farmers & Merchants State Bank, Quitman, Tex. 88-1634.
First Guaranty State Bank, Sadler 88-1281.
San Juan State Bank, San Juan 88-1399.
First Guaranty State Bank, Southmayd 88-1619.
First Guaranty State Bank, Tioga 88-1321.
First National Bank, Turkey 88-1800.
First Guaranty State Bank, Valley View 88-1675.
Citizens National Bank, Waco 48-3.

Virginia

Citizens Bank of Floyd County, Floyd 68-547.
Mutual Savings Bank, Portsmouth 68-69.
Broad Street Bank, Richmond 68-7.

Washington

Custer State Bank, Custer 98-370.
Rainier Valley State Bank, Seattle 19-67.
Specie Bank of Seattle, Seattle 19-72.
Security State Bank, Spokane 28-57.
Community State Bank, Valleyford 98-392.

West Virginia

Monongahela Bank, Fairmont 69-79.
South Branch Valley National Bank, Moorefield 69-222.
Bank of Ripley, Ripley 69-227.

Wisconsin

Union State Bank, Amery 79-973.
Farmers & Merchants Bank, Ashland 79-119.
American State Bank, Glidden 79-858.
Hollandale State Bank, Hollandale 79-559.
Citizens Bank, Kenosha 79-68.
Lyons State Bank, Lyons 79-592.
Farmers Exchange Bank, Merton 79-812.
Bank of New Richmond, New Richmond, 79-288.
State Bank of Wonewoc, Wonewoc 79-385.

Wyoming

Clearmont State Bank, Clearmont 99-75.
Converse County Bank, Douglas 99-154.
Stock Growers Bank, Lagrange 99-135.
Medicine Bow State Bank, Medicine Bow 99-100.