

Safety in Cooperative Organizations

By CHARLES J. BRAND

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Fundamentals of the Movement for Increased Efficiency and the Elimination of Duplicate Effort in the Distribution of the Products of the Farms. Three Most Frequent Types and Their Advantages. Total Business of the Societies May Amount to a Billion Dollars for the Present Year

A MORE precisely descriptive title of this brief article would be the question "What form of cooperative organization is safest for both farmers and bankers"?

I will try to show that what might be called a decentralized form of commodity cooperative organization is more likely to be successful in the long run than a highly centralized form of such an enterprise. The latter type has been adopted by certain groups of growers to an increasing extent during the past eighteen months.

There are many kinds of cooperative business institutions engaged in the marketing of the farmer's products. They differ very greatly, not only in details of structure and operating method but also in fundamental matters of policy—as different, for instance, in essence as are a republic and an absolute monarchy. In using this illustration I do not wish to be misunderstood; an absolute monarchy has its good points as well as a republic, in fact, many able, honest, well informed persons consider a monarchical form of government the only one well adapted to certain types of people and to practically all peoples during certain stages of their political evolution. In other words, I

am not questioning the highmindedness or desire to serve the best interests of the people of those advocates of cooperation who are fostering highly centralized organizations. I do find myself somewhat in disagreement as to the wisdom of so widespread and sudden an increase in their number and size without more experience as to their success over a period of time.

Extent and Importance

During the year 1919, the only period for which definite figures are available, 624,527 farms in the United States participated in the cooperative marketing of some part or all of their products. As there were enumerated by the census 6,448,000 farms, it is evident that practically 10 per cent. of the farms of the United States have a vital interest in cooperation. This is the first census that has secured information concerning this matter, hence it is quite likely that some units were not counted and that a larger value of product was handled cooperatively than appears from the figures. At any rate, nearly \$725,000,000 worth of crops were thus sold during the census year. Based upon this figure and having in mind the development that has

taken place during 1920 and 1921, I believe that a billion dollars' worth of product will be handled by cooperative organizations in 1922. Needless to say, so large a business should be developed on the sanest and safest possible lines.

The leading states in the order of value of product are as follows:

California	\$127,990,981
Minnesota	82,760,459
Iowa	59,403,626
Illinois	47,920,487
New York	44,906,247
Nebraska	44,755,140
Kansas	44,290,957
South Dakota	31,651,244
Wisconsin	28,884,215
	\$512,563,356

The above figures are quite significant when you take into account the fact that the group of states named are certainly among the most prosperous agriculturally of the whole country, six of the twelve leading states in the value of all farm crops being included in the nine named above.

While California leads in the total value of the products marketed cooperatively, Minnesota stands first in the percentage of its total number of farms utilizing the cooperative method. The extent of participation in the nine states named above is as follows:

(1) Percentage of farms selling through farmers' marketing organizations and (2) Percentage of farms reporting automobiles.

	1	2
Minnesota	43.9	57.1
South Dakota	27.1	69.4
Nebraska	26.2	75.6
Wisconsin	22.5	49.6
California	21.9	53.1
Kansas	20.4	62
Iowa	20.3	73.1
New York	12.2	35.2
Illinois	10.5	53

It would be interesting to compare the ownership of telephones, automobiles and other evidences usually regarded as disclosing prosperity to see whether in a broad way agricultural prosperity has not shown a pretty definite relationship to cooperative development, and in order to give some indication of the situation, the percentage of farms reporting automobiles has been set opposite the figures showing the percentage of farms selling through farmers' marketing organizations in the tabulation given above. This much is certain: no other group of nine states gives a greater evidence of agricultural wellbeing than those named, and one-fourth of the states of the union do four-fifths of the cooperative marketing.

Types of Organizations

With this crude picture of the present state of the cooperative movement, let us outline first the three most frequent types of cooperative enterprises:

1. The independent farmers' marketing unit such as the individual farmers' elevator at the local shipping station, the fruit shipping association which confines its membership to a single locality, or practically so, and the individual unit farmers' cotton warehouse. This is by far the most numerous group of cooperative agencies.

2. The federated organization which is made up of individual units confined largely to single localities like those outlined in (1) but unified into a central or federated agency which, either directly or through an employed marketing agency, disposes of the product of the local association's members.

3. The large central association which executes directly with individual growers a marketing contract covering a period of from one to five years, through the operation of which the farmer's product when harvested and delivered for marketing comes under the absolute control and direction of the central body. This type of organization may or may not have local branches, but when they exist they are of an informal character without authority to direct or control the marketing of the products of their own members.



EGYPTIAN COTTON

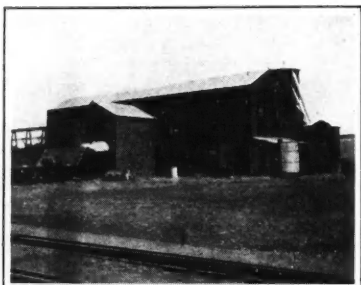
Long staple American grown Egyptian cotton in bales in the Association's ginyard at Tempe, Arizona. Note the bales are raised from the ground on dunnage to prevent country damage.

Functions of the Three

The organizations described under paragraph (1) market their products directly through their own manager under the direction of their board of directors or executive committee or certain officers to whom such responsibility has been delegated.

The local units described in paragraph (2) have a large voice in the marketing of their products and may even finally control the time, method and place of sale should they wish to reserve to themselves such authority. Usually they do not do this but retain sufficient power to exercise a strong influence upon the central agency through which the federation of locals arranges its marketing.

In the type of organization mentioned in paragraph (3) when once the grower signs his contract and delivers his product he cannot, without breaching his agreement, exercise the slightest influence over the disposal of his product; it is concentrated, stored and distributed



ARIZONA

Arizona Egyptian Cotton Growers' Association's gin at Tempe, Arizona. This growers' organization, assisted by the Department of Agriculture, has established a long staple industry second only to that in Egypt.

absolutely as if he had no ownership rights in it—in fact, with careful and proper safeguarding of interests of third parties in the case of crops affected by crop mortgages the grower practically conveys title to the centralized body.

One Commodity

Fundamentally, of course, cooperative organizations to be successful in the highest degree should center themselves either upon a single crop or upon a group of closely related crops. In other words, organize a cotton association to handle cotton. Do not attempt to tie up with its activities the marketing, for instance, of livestock, grains and fruits and vegetables. On the other hand, an organization intended primarily for the marketing of wheat can very well handle successfully any other grain likely to be grown in a wheat territory. Similarly, an organization intended primarily for marketing some particular fruit crop can adapt itself to handle successfully all of the fruit crops of a particular section. The same is true of vegetables and, furthermore, in almost any case organizations intended primarily to handle either fruits or vegetables can successfully dispose of the other class of crops as the market outlets are the same and the trade agencies dealing with them are the same. None of these agencies that have been mentioned would be fitted in their natural interests or contracts to handling poultry or dairy products or even dried or canned fruits and vegetables, as the enterprisers in the markets who handle these are a totally separate class of men.

Centralized organizations observe very rigorously and properly the principle that an organization should be built up around single commodities or industries.

The second fundamental principle is that the local unit should be completely, perfectly and strongly organized and should be the foundation stone of the marketing structure to be raised above it. This principle is violated in varying degree by the centralized form of cooperative organization. There may be situations or agricultural industries to which only the centralized type of organization can be applied. On this point I am in some doubt. Hitherto the method has been ap-

plied primarily to cotton and during the present season will be applied to tobacco. It is earnestly hoped that the efforts will be successful not only during the present season but permanently. In other words, the desirability of developing the cooperative method of doing business as an alternative for the competitive method in order that each may serve as a check upon the other and as a force to tend in the direction of compelling efficiency in both is such that we should do all in our power to develop whatever may prove in particular situations the most adaptable and at the same time safe form of cooperation.

A third fundamental in the conduct of a cooperative organization is that it shall not speculate in the grower's crops. By the same token it should not be so constituted as to tempt its operating officers and employees to create speculative conditions either by unduly withholding supplies or dumping or otherwise. Neither should its organic form be such as naturally to tend to any form of speculation. The owner of a product may with propriety assume speculative risks in his own behalf, but his agent, the cooperative marketing agency, treads on dangerous ground when it attempts to speculate for him.

Some people look upon cooperation as a religion. I look upon it as a method of doing business. It will stand or fall in exactly the measure that it produces profits and better intellectual, social and psychological conditions which will in themselves depend largely on the business benefits.

Centralized Organizations

Institutions of this type are usually organized on a large unit basis. In fact, their ideal might be expressed by saying the larger the

better. They usually confine themselves to the limits of a single state. Individual growers are brought into relationship with this state organization direct by means of a growers' contract. The informal local branch already mentioned is relatively impotent in its influence upon the contract between the individual grower and the state wide body. These state organizations, according to the ideal of the protagonists of this type of organization, may themselves be correlated into a geographically more inclusive overhead agency which ultimately if not presently will concentrate in its control, not the product of one state but that of four or five or ten or eleven.

Questions of efficiency and economy both in supervision and cost are powerful in their limiting influence. Centralized marketing organizations with widely scattered membership are of relatively recent origin. They have not yet had their trial by fire. They, by their nature, are in danger of being looked upon by their members as extraneous and far away enterprises operating on the farmer instead of for him. They fail to impress upon him constantly his individual responsibility and intimate contact with the operation of his business, for marketing his products is as much the farmer's business as growing them in spite of the fact that some of our old-fashioned

marketing agencies decline to yield to this idea.

Certain intellectual, social and psychological as well as business benefits must follow from a cooperative institution if it is to serve its vital purposes in a community. These benefits come from the education that intimate contact with business processes gives in the way of broadening the point of view, diversifying the interests and teaching the ways of business conduct to the grower. No community or region where cooperation developed

along its soundest and most tried lines exists will prove a fertile soil for Bolshevism or Communism. Cooperation successfully conducted, affords the best opportunity for the preservation of the most essential forms and qualities of individualism.

Another possible disadvantage of the centralized form of organization is that it concentrates the financial responsibilities and hazards for a very large volume of product and hence for a very large sum of money in a way that may prove hazardous. As a matter of prin-



IN CALIFORNIA

A hitherto unpublished picture taken on top of Mt. Rubidoux near Riverside, California, showing, seated in the center, the late G. Harold Powell, for many years General Manager of the California Fruit Growers' Exchange. Under Mr. Powell's leadership this organization has reached a membership of more than 10,000 growers. During the season ended October 31, 1921, its members shipped 33,677 cars of oranges and 9,915 cars of lemons, a total of 43,592 cars. Based on delivered value this product was worth over ninety-two million dollars. Mr. E. G. Dezell, formerly Assistant General Manager, has succeeded to Mr. Powell's responsible task.

There is a certain advantage that must not be ignored or belittled in the concentration under a single control of a large volume of product. The difficulty and danger lies largely in inability of a single person, artificial or natural, to do the amount of work that requires the effort of hundreds. Furthermore, problems of successful management not only of marketing operations but of selecting personnel and handling men are so difficult that there may be a fairly definite limit upon the amount of product that can be handled actually by a single

ple it is better to spread the risks in any enterprise for insurance purposes. These large organizations usually borrow from a relatively small number of banks, thus increasing the burden upon them and to a considerable extent ignoring the small banks of the local communities who are the natural source of credit for the grower. Financial catastrophies occur only occasionally and are produced by causes that do not often recur, nevertheless, it is wise not to create situations that are vulnerable even though crises are of infrequent occurrence. The point to be closely observed in this connection is that the advantages to be gained must outweigh the disadvantages and risks. In the case of some crops the centralized type of organization can be adapted more easily to quick action or may in its nature suit the product and its particular distribution problems more readily.

The writer would consider it exceedingly unfortunate if what he has said were interpreted as a wholesale condemnation of centralized organizations as described in this article. I believe that there may be temporary periods, especially at the outset of a cooperative enterprise, when the purposes to be served may call for a centralized type. Nevertheless the persons responsible in such cases should bear in mind the innate strength and the power that comes from the greatest possible participation by individual growers in the business of the associations or exchanges. A corporation with thousands of members actively interested in its wellbeing, furnishing business to it and as far as possible participating in its management is a far less vulnerable body than one owned by a few. The same is true of cooperative organizations in many respects.

For conve-

nience there follow, paragraphically, some of the points which distinguish the two types of organization.

Centralized Control

Centralized-control marketing organizations are usually distinguished by the fact that they

1. Are based on a single commodity or group of closely related commodities.
2. Are state-wide in their units of operation, called associations, and may contemplate the federation of several state units into one large central exchange.
3. Make their contact with the grower through the uniform contract direct from their central offices which are necessarily located at some distance from the great number of farmers, thus making frequent personal intercourse impossible.
4. May have informal branches in each production district or locality whose representatives may be privileged to attend meetings of the directors of the state-wide association but who can speak only in an advisory capacity.
5. Concentrate in the state association the borrowing of money for financing the marketing of products handled.
6. May own or lease and operate for the use of local groups, warehouses and other such facilities.
7. Handle products by the pooling method whenever that is adapted to the needs.

Decentralized Control

Decentralized-control marketing organizations partly in contradistinction, usually, among others, have the following characteristics:

1. Are based on a single commodity or group of commodities.
2. Have strong local or shipping point

units which bring the individual growers together by means of a uniform contract and which in turn contract with the central body usually called the exchange, for the marketing service to be performed by that body.

3. The local units are governed by boards of directors, with full power, selected from the membership. The members also elect the director whom the unit is permitted to send to the governing board of the marketing agency or exchange. In the case of very large organizations like the California Fruit Growers' Exchange, regional sub-exchanges handle certain features of the growers' business, thus relieving the local unit below and the exchange above.

4. The central body relies for its power upon the authority delegated by local associations which in turn obtain their powers from the individual grower.

5. When ownership of property such as packing houses, warehouses and similar facilities is necessary the local unit finances, builds, owns and operates them, observing, of course, the necessary rules of the exchange regarding grading, packing, handling, shipping, etc.

6. Assist the individual grower to negotiate loans locally, to care for his needs while marketing is in progress or arrange his loans for the whole local group.

7. Handle product by the pooling method whenever that is adapted to the needs.

Proper and Improper Purposes

The proper purposes of a cooperative enterprise are not to monopolize or corner or hoard supplies or to reduce production in order to elevate prices, nor is price fixing a proper activity for a cooperative organization functioning along sound lines. The true and most useful work of associations will be along some, all, or even additional lines not mentioned among the following:

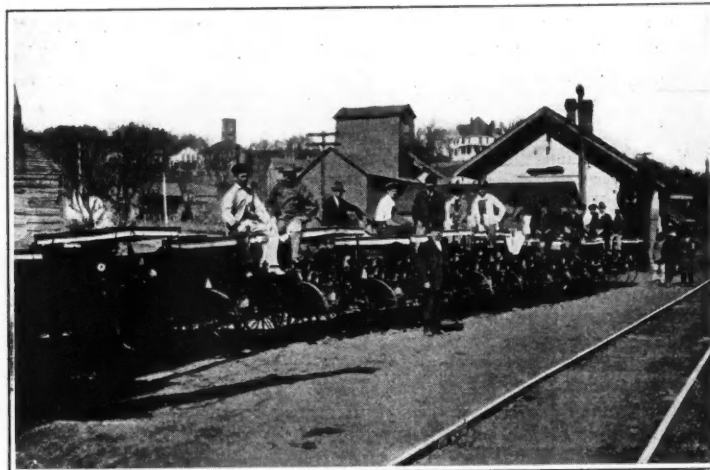
1. To improve methods of producing and handling crops.

2. To carry on operations that can be done better or cheaper by groups than by single farmers.

3. To own joint facilities too expensive or otherwise unadapted to individual ownership.

4. To assemble, grade, pack, ship and sell under advantageous circumstances.

5. To study probable supply and demand and to advise members as to proper



WORKS BOTH WAYS

Cooperation is applied successfully to buying needed supplies as well as to marketing products. The illustration shows 34 power sprayers bought for its members by a fruit growers' association in Kansas. Nearly \$100,000 worth of supplies are purchased cooperatively in a year.

limitation of the acreage of particular crops when unwise extension promises disaster or domestic or foreign over-production is threatened.

6. To reduce loss and waste through better handling and quicker disposal of products from the time they are harvested until they pass into consumers' hands.

7. To open new markets and bring about wider distribution by means of trade advertising.

8. To increase consumption, particularly by means of consumer advertising.

9. To reduce the cost of marketing and distribution by concentration of volume and by eliminating delays, unnecessary handlings and in some cases unwarranted speculative profits.

10. To secure better transportation facilities of all kinds, including equipment, schedules, car supply, terminals and diversion privileges and to help in getting lower freight rates when the facts demonstrate the economic soundness of reductions.

11. To keep in such close relation to the markets as to ensure prices that will return to the grower his fair share of what the consumer, processor or manufacturer pays for the product. This does not involve price fixing but price finding and coordinated selling.

12. To provide, through their own resources, or to employ and supervise sales facilities that will market the several crops in an orderly and efficient manner in fair and square competition with other agencies in the trade, whether of co-operative, corporate, partnership or individual character.



VIRGINIA

Head office of the Eastern Shore of Virginia Produce Exchange, Onley, Va., an organization confined to three counties that handled over \$9,000,000 worth of perishable products for its members in 1921. It is over twenty-two years old. Farms that were worth \$35 to \$50 an acre then are worth from \$150 to \$250 now.

At all times it should be borne in mind that cooperation is not a religion but a method of doing business. It will stand or fall by the results it gets. That criticism of, or complaint against, other types of agencies generally will be harmful and not helpful; that greater profits may not always accrue. The money test is not the only one to be applied to cooperation, but if the farmer earns more money many other good things will be in his grasp. Therefore, in my opinion, cooperation should be judged by whether it proves advantageous to the farmer—

1. By making farming more profitable.
2. By widening the farmer's interests.
3. By broadening his vision.
4. By improving farm community conditions.
5. By giving opportunity for better social and educational conditions.
6. By adding to the farm family's comfort and making farm life better worth living.

There are often harmful antagonisms between the usual marketing and merchandising agencies and cooperative organizations. These are usually due to unwise and too often unwarranted attacks by one on the other. All must stand on their own bottoms in our competitive system. Each should strive to understand the functions, aims, work and problems of the other in order that the goods needed and the services required by the people may be furnished satisfactorily at the lowest possible cost combined with the greatest social benefits to the community. Eliminating the middleman is a catchy phrase, but it is to be remembered that dismissing a workman without having one at least as good to put in his place never finished a job.

A Year's Improvement

By ALEX. DUNBAR

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THE banking and credit situation is today very much more secure than anyone would have dared to hope a year ago. The reserve ratio of the Federal Reserve Banks, then about 57 per cent., is now 77 per cent. During the week ending May 10, a new landmark was set in American Banking history when the gold reserves of the Federal Reserve System exceeded three billion (\$3,000,000,000) for the first time. This shows an increase of almost seven hundred million (\$700,000,000) compared with a year ago. Deposit liabilities stand at about one

billion eight hundred and three million (\$1,803,000,000), a slight increase compared with a year ago, while loans during this period have been reduced one billion five hundred and seventy-eight million (\$1,578,000,000). Federal Reserve has now only about five hundred and fifty million (\$550,000,000) of the paper of member banks as against loans to members of two billion one hundred and thirteen million (\$2,113,000,000) of a year ago and three billion four hundred and seventy-nine million (\$3,479,000,000) at the peak. Federal Reserve note circulation stands at about two bil-

lion one hundred and eighty-one million (\$2,181,000,000) as compared with two billion eight hundred and fifty-six million (2,856,000,000) a year ago. This total has been reduced by one and one-fourth billion from the peak of 1920. Mercantile paper rates stood at about 7 per cent. a year ago and bankers' acceptances were quoted at 5½ to 6 per cent. as compared with 3½ to 3¾ per cent. now. Discount rates at the Federal Reserve Banks were 6 to 6½ per cent., whereas the rate today is 4½ per cent. at all except three of the Western banks.

Federal Reserve Notes as Bank Reserves

By G. ALEX HOPE

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OUR banking system as a whole, and particularly the Federal Reserve, has been the striking point for a great many criticisms and assaults in the past two years. When the Federal Reserve Board refused to endanger the system by allowing the frozen credits of farmers to be accepted, Governor Harding and the other members were labeled as "tools of Wall Street," and when the discount rate was tardily raised the Board was accused of "conspiring against business."

Aside from these political or selfish thrusts, the economic structure of the system has been the subject of indirect sallies and while the first type of attack can well go unheeded the second merit careful analysis.

Used by State Banks

Most formidable in this latter group is the question of the economic validity of the use of Federal Reserve notes as bank reserves in state banks, in whose vaults a goodly number of them have found a place as such. National banks are prohibited from using them as reserves, so the practice is confined to state banks alone, but, considering only these, the condition is one with little or no economic justification and with comparatively few advantages for the economic risk involved.

That we may analyze clearly the exact condition, let us review very briefly the make-up of Federal Reserve notes, so that their dual character may be better understood. Federal Reserve regulations admit the following kinds of collateral, covering the notes to 100 per cent.:

- (1) Bills of exchange endorsed by a member bank;
- (2) Bankers' acceptances bought by the Federal Reserve Banks in the open market;
- (3) Gold and gold certificates;
- (4) Paper endorsed by member banks and drawn for purely commercial, agricultural or industrial

purposes or for trading in or carrying securities of the United States government—in other words, paper which is eligible for rediscount at a Federal reserve bank. With the exception of agricultural paper, which may run for six months, paper can be rediscounted by Federal reserve banks only up to ninety days.

The act also provides that a 40 per cent. gold reserve must be held against all note issues, but this need not be in addition to the above collateral, for gold and gold certificates are admitted as part of the first 100 per cent., and when so held by the Federal reserve agents are "counted as a part of the gold reserve which such bank is required to maintain against its Federal reserve notes in actual circulation."

A further provision of the act reveals, too, that the gold reserve behind these notes is not actually as much as 40 per cent., for it is provided that the gold redemption fund maintained by each Federal reserve bank at Washington shall count as a part of the required 40 per cent. reserve. This fund can be "in no event less than 5 per centum of the total amount of notes issued less the amount of gold or gold certificates held by the Federal reserve agent as collateral security."

Impairs "Homing" Quality

This brief outline of the "structure" of Federal reserve notes will show that the use of such instruments as reserves is making use of one form of credit as a foundation on which to pyramid other credit operations. This does not in any sense imply that Federal reserve notes are not suitable for circulation as currency, but it must be evident that the amount of backing for a note issue which is intended as a circulating medium is a vastly different matter from that required in the case of an issue to be held as reserves.

It will be seen that this improper use of partial credit instruments as

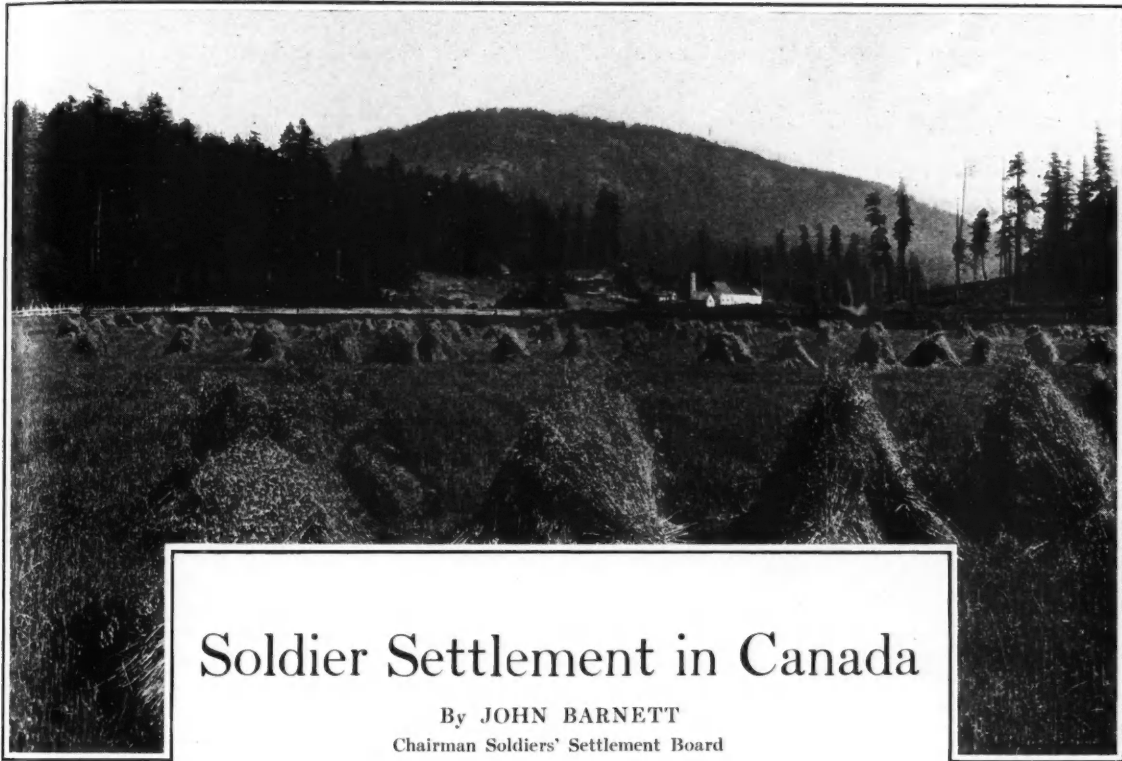
reserves is likely to be harmful to banks using them as such, but another and equally bad feature of this malpractice is the effect on their "homing" quality. Theoretically, the Federal Reserve Act provided amply for that fundamental requisite of any note issue—prompt expansibility and contractility. The short time collateral not only cares for seasonal contractility, as when bills are paid after harvest time, but also cyclical contractility, for there is less collateral available in times of depression, and vice versa.

Since the only way a Federal reserve bank has of retiring these notes is to have them come in as deposits from member banks, the use of them as reserves is defeating this end by making it impossible for the Federal reserve banks to get them out of circulation when the time comes for the currency to contract.

Attractive to Banks

As the gold supply of any country decreases little or none during depressions, but rather tends to increase, reserves mount to relatively high figures, just as they have in recent months. The outstanding notes, then, while still primarily credit instruments, are largely covered by gold, so that they become increasingly attractive to the banks that hold them as reserves just when it is most important that more of them go out of circulation.

The Federal reserve itself, then, is handicapped by something over which it can exercise no control and which is not only a hindrance to it, but a questionable policy for the state banks. It cannot be said that the latter are primarily to blame for their actions, the fault lies in permitting the notes to be used as such, but certainly a reserve without this partial credit character would be of greater value to the state banks and would give an added margin of safety to their depositors. It seems highly advisable in the interests of both that gold alone should be made the sole reserve in their stead.



Soldier Settlement in Canada

By JOHN BARNETT

Chairman Soldiers' Settlement Board

SOLDIER Land Settlement in Canada deserves more than passing consideration of all people and countries who are interested in the general problems of reconstruction and re-establishment. It is a real attempt to effect the re-establishment of ex-service men to the best national advantage. Its great object is to insure that no Canadian returned soldier, fitted by experience and desire for agriculture, should be lost to this, the basic industry of the country. To a very large extent the effort has been successful.

The American Republic is probably not, as Canada is, faced with the necessity of an increased producing agricultural population if it is to grow and prosper and pay off its war debts. The people of the United States are, however, faced with the necessity, as Canada is, of re-assimilating a large number of unemployed ex-service men. Soldier Land Settlement in Canada endeavors to meet the re-establishment need of the individual returned soldier and at the same time promote the general welfare of the

State, and the experience gained and the results accomplished have more than a local interest.

The work was originally commenced in 1918 under a Federal Act which created an administrative organization known as The Soldier Settlement Board, consisting of three commissioners. Loan privileges of an individual maximum of \$2,500 were provided, and the main object was to induce settlement on free prairie Federal Crown lands. The close of the war and the demands of heavy demobilization made it clear that if any large number of returned Canadian soldiers were to be placed on the land, a much more generous policy had to be adopted. As a consequence, in February, 1919, the authority of the board was enlarged greatly, and provision was made for the purchase of land, livestock and equipment, with the result that more than 44,000 returned soldiers have been accepted as settlers, of whom 27,000 have thus far been actually established on the land.

The maximum individual advances permitted by the act are:

for the purchase of land, \$5,000; for buildings and permanent improvements, \$1,000; and for livestock and equipment, \$2,000; making the possible total advance to any one settler \$8,000. Except in a few select cases, all settlers are required to pay an initial deposit of 10 per cent. of the purchase price of the land, thus leaving the net maximum advance at \$7,500.

All advances for land or buildings are repayable with interest at 5 per cent. in twenty-five equal, annual, amortized installments. Advances for livestock and equipment were free of interest for two years, and thereafter were repayable with interest at 5 per cent in four equal annual, amortized installments. Some amendments to the act have been made extending the terms of repayment of stock and equipment, and on account of the present slump in prices, the period of repayment may be still further enlarged.

The head office of the board is located at the Federal Capital, Ottawa, and district offices are maintained in all the provinces of the Dominion. In the Western

prairies, where settlement has been heavy, there is more than one district office to a province. With every group of from one hundred and twenty-five to one hundred and fifty settlers, the board places a trained and experienced agriculturist, known as a field supervisor, whose headquarters forms a sub-district. From the Atlantic to the Pacific, close touch is maintained with all settlers, and every effort is made to so direct their farming operations that the largest possible measure of success is obtained. The beneficial results thus far accomplished are, to a large extent, due to this field supervision organization, which is unique so far as land settlement or agricultural colonization is concerned.

State Assumed Risk

Owing to the fact that no settler could be expected to have much personal capital to invest in the undertaking, the financial risk had to be carried almost entirely by the state. A property security margin, such as is required by loan companies or rural credit societies, was not possible. The 10 per cent. initial deposit on the land does not provide any substantial margin on the advance for the purchase of the land itself, and offers no security covering the advances made for buildings or livestock, toward the purchase of which the settler contributed no initial deposit himself. The board holds title to all land and chattels purchased, and resells same to the settler on lien agreements. From an ordinary, commercial aspect, the risks to the capital invested were necessarily very great.

For this reason, the utmost precaution had to be taken to insure that all land, livestock and equipment were purchased at rock bottom prices. The efficiency with which this work has been performed has saved the country and the individual settler from much of the loss which must necessarily have followed the price deflation which has been so marked in the past twelve months. After all, however, the suitability and integrity of the individual settler offered the best means of safeguarding the public money invested in the venture.

Special qualification or selection committees, composed of technical agriculturists and practical, hard-

headed farmers, were utilized in every province to examine into the qualifications of each applicant, and his practical experience and general fitness. In all, 63,700 returned soldiers have thus far made application for the benefits of settlement. Of these, 44,000 have satisfied the board that they possess the necessary farming experience, and have sufficient general fitness and personal capital to warrant a reasonable belief in their ability to succeed on the land. Qualification or eligibility certificates have, therefore, been issued to these men. Of this 44,000, 27,500 have actually been established on the land and are, or have been, operating farms. Loans have been granted to 21,300,

annually in the four Western provinces on the first of October and in the Eastern provinces on November 1. On October 1, 1920, the first large repayment installments fell due. Roughly, 13,000 settlers were obligated to pay that Fall \$2,200,000. Crops were not uniformly good, and the prices of agricultural products had even then started to fall, but, despite these difficulties, nearly 10,000 settlers made their due payments in whole or in part, and in addition more than 1,000 settlers made over-payments or pre-payments where no payment was due. Altogether, the board was able to collect in from the settlers who had been established more than \$2,300,000.

This year the difficulties have been greatly increased. Nevertheless, the collection results are most encouraging. More than 60 per cent. of the settlers established have made payment in full or substantial payments on account, and between the first of October last and the first of March this year, approximately one and one-half million dollars of repayments have been collected. In addition to this, some 500 settlers have been able to repay their loans in full.

The greatest administrative difficulty which the board has encountered has been in connection with the handling of abandoned farms. The deflation in the price of livestock has been very marked, and in practically all failure cases very large losses have necessarily been taken where stock and equipment has had to be resold. Of the failure cases which have thus far occurred, more than 600 have been completely foreclosed, and all land and stock and equipment have been sold. In these cases there was a public investment of more than \$2,500,000, and on foreclosure sale the board has been able to realize a little more than the amount invested. In the majority of cases there have been substantial losses on stock and equipment, but the foreclosed lands have been resold at an appreciation of more than \$200,000, which has been sufficient to cover the stock and equipment losses. This is the strongest proof possible of the efficiency of the work done in purchasing land and equipment.

Arrangements were made very early in the operation of the work

Canada's Solution

This article tells how Canada is solving two distinct problems—the re-establishment of ex-service men and the reinvigoration of the agriculture of the Dominion, without drawing on the man power of Europe to accomplish the latter object. The presentation of the subject of soldier settlement in Canada is more than merely an interesting story of the readjustment of Canadian veterans; it is a valuable contribution to economic thought, with special reference to the soldier compensation problem in our own country.

and the balance were established on free federal lands without loan. Up to January 31, loans have been approved to the extent of \$87,784,000.

In the four years in which the work has been in progress, approximately 11 per cent. of the men established by loan have abandoned their efforts. This figure, however, includes deaths, recurrence of war disability, and even some cases where the settlers have been able to sell out at a profit. The actual out and out failures probably do not amount to more than 7 per cent. or 8 per cent. Including all moneys advanced by way of loan and all administrative expense, since the commencement of operations the board has expended \$96,000,000, of which sum more than \$13,000,000 has already been returned to the public treasury.

Dates of repayment have been standardized and payments fall due

with the leading implement companies of the country whereby a special discount was granted to soldier settlers on the purchase of new farm machinery, and the savings which have accrued to the settlers as a result of this arrangement aggregate nearly a million dollars. Very large savings have also accrued to each settler in the purchase of lands. After the prospective settler had gone out and driven the hardest bargain possible with the vendor of the land, the board has been able, by negotiation and appraisal, to reduce the price in the aggregate by more than \$4,000,000, thus saving this amount of money to those settlers who have been located on purchased farms.

While the re-establishment benefits have been very great, the national benefits which have accrued have been much greater. More than 50 per cent. of the men established have been settled on lands hitherto raw and unproductive. Approximately 600,000 acres of new land have been brought under cultivation. The farm crops raised by soldier settlers last year aggregated more than \$15,000,000. Considerably more than 100,000 souls have been retained in, or returned to, the basic industry of the country.

It is generally conceded that the war demonstrated that in a time of national peril settlers from alien European countries were not, as a rule, a national asset, but were rather a hindrance to concerted na-

tional effort and progress. The war also emphasized the economic advantage of a population closely knit together by language, aims, customs and civilization generally. Few of the most vigorous and the most unselfish of young Canadian manhood were left outside the ranks of the Canadian Expeditionary Force. In the main, the men who have taken up land are the pick of

those forces. The diffusion of the best of our young blood, in our rural communities, must have a tonic colonizing effect which will last for many years, and to some extent at least the problem of reinvigorating agricultural industry from our own people, rather than by drawing on the backward countries of Central Europe, has been solved.

Commends A. B. A. Work

The Missouri Bankers Association, at its convention in Excelsior Springs, adopted the following resolution:

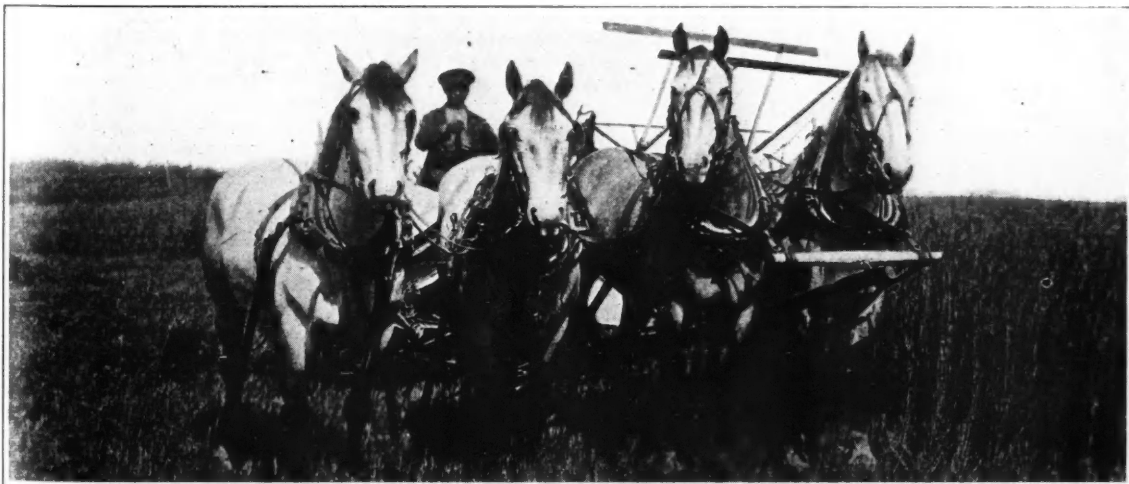
"We again desire to go on record as giving our hearty approbation to the work that is being done for the banks of the United States by the American Bankers Association. We especially commend the results obtained through the Protective

Department on which a considerable proportion of the funds of the Association is expended. We feel that membership in the American Bankers Association is an investment that is well worth while and hope that the percentage of non-membership in Missouri, which is conspicuously large as compared to some of our sister states, will be considerably reduced."

Holders of Railroad Bonds

The Railway Treasury Officers Association has called attention to the fact that with the added personal exemptions under the United States Revenue Act of 1921, the bankers are in a position to very materially aid the transportation companies by seeing that holders or railroad bonds containing the tax-free covenant, when filing ownership certificates with their coupons, use the proper exemption certificate.

Following this suggestion, it would help the railway corporations having tax-free securities, if the members of the American Bankers Association would suggest to their customers holding such bonds, the desirability of using the yellow certificate to the limit of their exemptions, before employing the white ownership certificates and causing the debtor companies to make unnecessary payments on that account.



Underwood & Underwood, N. Y.

Results of the Genoa Conference

By JOHN H. WILLIAMS, Ph.D.
Harvard University

LLOYD GEORGE'S policy has been to ask for much and to take what he could get. This has been illustrated repeatedly in the long series of conferences on reparations since the Treaty of Versailles. Each conference failed to achieve any great portion of its avowed program. Yet, in general, progress has been slowly made. If this statement is doubted, let the reader compare with the fantastical reparation terms of the treaty the much more moderate, if equally impracticable, program of the London Settlement of May, 1921; and let him compare with the latter the tentative reparations program for the present year.

Three Objectives

The Genoa Conference furnishes but one more illustration of Lloyd George's methods. The main purposes for which the conference was called were three: first, a general settlement with Russia by all the European nations; second, the reintroduction of Germany into good international society, and third, a pan-European treaty of non-aggression for a definite number of years.

Upon a first glance at the results of the conference all three purposes appeared to have been blocked. The first appeared to be blocked by the Russian demand for a large government loan and the demand of France and Belgium for restitution of private property nationalized by the Soviet. The second seemed to be frustrated by the Russo-German treaty. The third was impossible without a general Russian agreement and a solution of the reparations question suitable to France.

It being impossible to do all he had set out to accomplish at Genoa, Lloyd George tackled the problem of salvaging as much as was practicable of his original program. The results were the agreement for dual commissions to meet at The Hague for further study of the Russian problem and the six months' non-aggression pact.

So meager an outcome of so ambitious a program is disappointing.

It has been characterized by Lloyd George's critics as a weak attempt to disguise a total failure. That appears also to be the thought underlying Secretary Hugnes' refusal to participate in the new conference. As the Secretary predicted, the Genoa Conference, though announced in advance as exclusively economic, was primarily political. On the second day of the conference the *New York Times*' correspondent wrote: "Twenty-four hours of the Genoa Conference have shown that Lloyd George's primal task is to create an atmosphere in which economic problems may be discussed with a prospect of success." After six weeks of discussions that primary task still remained to be accomplished.

Yet it is premature to label the Genoa Conference a failure, or to predict a like fate for the meeting at The Hague, merely because the conference program was not carried through. A sympathetic observer can find much that is comforting, in the conference itself and the course of events during the six months preceding it; and the British Prime Minister may prove to be not unjustified in regarding the agreement to continue deliberations at The Hague and the temporary non-aggressive pact as distinct achievements which leave the way open for a more substantial subsequent advance.

One Achievement

The Genoa Conference achieved one great result by throwing into high relief the fundamental issue—whether the nations of Europe are to act in unison for economic reconstruction or are to be divided into one camp led by the Allies, who conquered Germany, and another camp led by Germany in cooperation with Russia. Though it undoubtedly impeded the work of the conference by increasing the suspicion and hesitancy of France, the Russo-German Treaty signed at Rapallo on April 16 more clearly defined this issue. The ultimate effect of the treaty may be to bring about a gen-

eral European agreement in less time than would otherwise occur; at least it is no longer possible for the world to blind itself to the fact that the possibility of such a cleavage exists.

For months before the Russo-German Treaty was signed it had been apparent that both countries had been seeking a commercial and political understanding. German bankers and manufacturers have granted credits to finance exports to Russia. Russian trade representatives have been active in Berlin. Two Russian foreign trade corporations have been organized in Petrograd with the help of German capital.

Commercial Campaign

The campaign of economic penetration through German banks, merchants and chambers of commerce which is being conducted in the new Baltic States, which are the import and export gates of Russia, is aimed primarily to secure control of the Russian trade. The German Eastern Bank has announced an increase of its capital for this purpose. The municipality of Königsberg, the East Prussian capital, has decided to form a "Frontier State Institute" for the extension of commerce to the east. Westphalian merchants have organized a German trade exposition at Moscow, and are arranging a German traveling exposition, which will visit Poland as well. German firms are increasingly resorting to export on consignment, sending goods into Russia without advance orders. The German export license law of December, 1919, whereby German exporters are required to maintain their prices close to the world market level, even though the German cost of production is much lower, is not enforced on sales to Russia, Austria, Hungary and the Balkan States, so that Germany can heavily undersell the United States, England and other high exchange countries in those markets without incurring any loss to the individual German exporter.

The Pre-War Markets

All these are signs that Germany recognizes the vital importance of regaining her pre-war markets in Eastern Europe. Before the war the export and the import trade of Russia was in the hands of German merchants, and Eastern Europe took about one-fourth of Germany's total exports, or as much as the United States, Canada, Latin America, the Orient, Australasia and Africa combined. Today each needs the products of the other more than ever before. The loss of Germany's colonies, the hostile attitude of Western Europe and other high-exchange countries toward German goods, the loss of coal and iron territory to France and of agricultural territory to Poland, combined with the exhaustion of stocks occasioned by the war, all unite to increase Germany's need of Russian food products and raw materials and to stimulate German efforts to find an outlet for its machinery and other manufactures in Eastern Europe.

In 1921, 88 per cent. of Germany's imports consisted of raw materials and food products and over 80 per cent. of her exports were fully manufactured goods. The only essential lacking for expansion of Russo-German trade is the restoration of Russia to economic health, and the Russo-Germany Treaty is an attempt to provide this essential.

Defense of Treaty

On such grounds as these the Russo-German agreement has been defended by some as the logical and desirable outcome of the conditions existing in Eastern Europe. The obvious rejoinder is that the treaty cannot hope to achieve its economic purpose. The first prerequisite of Russian reconstruction is the aid of foreign capital, and this Germany cannot hope to supply. To secure the assistance of foreign capital it is necessary, in turn, to stabilize the Russian government, so that foreign investors and traders may have reasonable confidence in the security of their loans. To this end the inflation of currency must be stopped, former debts recognized and some means arranged for their eventual payment. Arrangements to facilitate trade with foreign countries, combined with the granting of credits, would do much to bring

about Russia's rehabilitation. If in the process the German export trade could expand eastward, Germany supplying a substantial share of the goods while other countries supplied the needed capital, we should be one step nearer a solution of the reparations problem.

Slow Recovery

In endeavoring to assess the possibilities of a substantial economic recovery in Russia, and the importance of Russia's relation to the reparations problem, one must be cautious of overstatement. It must be remembered that the economic restoration of Russia and the exploitation of her great natural resources will be at best a gradual process, extending over many years. There is little immediate likelihood of German trade expansion toward Russia on a substantial scale. Before the war Germany was more important in Russian foreign trade than was Russia in German trade, and it is undoubtedly true for the present and future that Russia has more to gain than has Germany from a restoration of Russo-German trade to its pre-war footing. Germany's best markets today, as before the war, are in western Europe, though with the Allies displaying such marked hostility to German trade expansion there is at present, and there will probably long continue to be, a special motive not existent before the war for diverting a greater share of German goods to eastern Europe. Since, moreover, the reparation payments are designed to extend over a lengthy period, the long-run possibilities of German export trade to Russia are of great importance.

Despite the wide differences in point of view which developed at Genoa, it ought not to be impossible to achieve something positive in the course of the three months' discussion which is planned at The Hague. The unwillingness of France to arrive at hasty decisions in negotiations, whose effects will extend over years, is entirely understandable and will find much sympathy on this side. But Lloyd George's position is fundamentally sound: European economic reconstruction cannot be achieved until the concert of Europe is restored. Some progress was undoubtedly made at Genoa.

The Russians dropped their preposterous "counter-claims," which were probably put forward for trading purposes only. They professed willingness, also, to recognize the greater part of their war and pre-war financial obligations, though reserving the right to substitute compensation for property nationalized by the Soviet in place of restitution of such property to its foreign owners. It was this substitution to which Belgium and France refused assent.

Commercial Freedom

There has been discernible in the acts of the Russian government for months past a considerable change of attitude. The abolition of the state monopoly in internal commerce has been decreed. Small producers of the artisan class are to be allowed to work for the open market. It has been announced that private banking transactions are to be permitted side by side with national banking.

Cooperatives have been given a free hand to run and own industrial establishments. It is stated that larger factories are to be leased to private business men, to be operated on the basis of private enterprise. In May complete freedom of mercantile business was authorized by the Council of Commissars, the Council issuing a decree which makes it possible to open shops without permits. In all his recent interviews with business men and correspondents Leonid Krassin has declared that Russia does not propose to grant any monopoly in her oil fields or elsewhere and will not "sell her birthright," but wishes to admit foreign capital and the technicians necessary to achieve scientific and economic development of the oil industry on terms favorable both to capital and the Soviet government. Meantime the famine still rages. Under the circumstances, Tchitcherin's euphemism that "economic cooperation between the old and the new social orders is imperatively necessary" may be taken to indicate an attitude of humility such as the Bolsheviki would have scorned to show a year ago. In view of Lloyd George's parting warning at Genoa it is difficult to believe that the Soviet will be represented at The Hague, as it has announced it will be, without being prepared to make a further

substantial concession. Meantime England needs Russian trade to relieve her unemployment situation, and France has a pre-war investment in Russia of 18,000,000,000 gold francs.

How Far Can the Allies Go?

How far the Allies can go in insisting upon the stabilization of the government in Russia is problematical, but it ought not to be impossible to find a basis of agreement which would ensure the security and the freedom from arbitrary interference which foreign capital and foreign merchants must have if they are to give Russia the assistance she so urgently requires. Most Americans will approve of Secretary Hughes's position that we ought not to participate in a European conference which is primarily political, and that we ought not, as a government, to resume full relations with Russia until Russia herself gives evidence of her willingness and ability to adopt a policy of sound internal reconstruction.

American Private Capital

On the other hand, there is no reason why American private capital should not cooperate in the economic restoration of Russia, provided it can be done on a sound business basis. The insistence of the Soviet on foreign financial aid as a necessary condition to Russia's salvation has served to turn all eyes towards the United States, for it is recognized that effective aid for Russia is impossible without the participation of American capital.

The cooperation of Mr. Morgan with European bankers, at the invitation of the Reparations Commission, in discussing the feasibility of an international reparations loan for Germany is strong proof that American capital is prepared to assist Europe if a sound basis for credit can be found. That the attitude of the United States is not unsympathetic is further proved by the fact that in the first four months of this year the grand total of foreign government and foreign corporate issues in this country, exclusive of loans to Canada, was \$308,235,000. This export of American capital far surpasses that of any other equal period since the armistice.



Underwood & Underwood, N. Y.

GEORGE EDGAR VINCENT

George Edgar Vincent, who since 1917 has been president of the Rockefeller Foundation, New York, has accepted an invitation to deliver one of the principal addresses during the annual convention of the American Bankers Association, to be held in New York in October. For years he was a member of the faculty of the University of Chicago, and from 1911 to 1917 he was president of the University of Michigan. Dr. Vincent is a student of current problems, a man of vision and an exceptionally interesting speaker.

Capable of Productive Service

We should make a prompt determination of policy regarding the property still held by the Alien Property Custodian. It is perhaps not generally realized that today, three and a half years after the end of the war, the Custodian still holds about \$350,000,000 of property which is entirely idle and that Congress has not yet acted regarding its disposition. Such grounds as there were for the seizure of that property, as a protective war measure, no longer exist. The property which was seized belongs to somebody.

It is either the policy of our Government to confiscate that property permanently or to restore it to its rightful owners. That property is capable of immensely productive service in the present attenuated credit conditions of Europe, and it is of vital importance, therefore, that a final determination should be made as to what is to be its destiny and thus remove another of the elements of uncertainty which today so seriously affect the foreign exchanges and the whole basis of international trade and prosperity.—Mortimer L. Schiff.

Who Gains the Lead?

By JAMES E. CLARK

IN the time following the invention of the steam engine, and of other labor saving machines, when the manufacturing of England was moving from the cottages into factories, England gained a great commercial advantage because she developed these industries with greater rapidity than did other nations. Now that we are standing at the opening of a new era of civilization and all the world is concerned over rehabilitation and thinking mostly of finance and credits, it should be useful to recall that there are today similar advantages to be gained and opportunities to be lost. Development of an idea in mechanics is so rapid that now more than ever before the race will be for the quick. The individuals of any nation getting a lead in prosperity will of course share in its prosperity.

The average American, be he workingman or employer, leader of a movement or a mere passive unit

of a movement seeking for special advantage, may not realize that in gaining the advantage which he seeks he may in the long run not be achieving his own prosperity.

If the economic world is a whole then such things as national strikes and class drives have a significance beyond the dollars or the hours involved. It will be of small moment, for illustration, to get a fine advantage in the new tariff, for some one class or industry if in gaining that advantage we, item by item of the tariff bill, contribute to our own commercial undoing on a national scale.

It is almost inevitable that out of the present turmoil some great advantage shall be gained by some nation just as England gained in the instance cited. Slowly we have been moving toward the development of water power to take the place of steam. Some scientific advance, undreamed of today may give us the inside track in manu-

facturing during the ensuing years, and make easier both the production of power and the settlement of coal strikes. But the great point is that now more than ever the effects of social and commercial movements are likely to extend far afield and to react unfavorably upon those initiating and participating in them.

The wealth of a nation does not necessarily mean that its position is secure, that its leadership may not be wrested from it. The strength of a nation is in the intelligence and virility of its manhood and in the ability of the individual to contribute his part toward the common weal.

In the new order of things, shall we gain the lead because of our wealth and our credits, or shall we lose it through over confidence in our strength and because of our tendency constantly to improve our high standard of living?

An Empty Granary

THREE and one-half years have passed since the Armistice, but the devastation set in by the war goes on. According to some estimates the death rate in Russia from famine last winter approximates a death rate during a war.

The slow processes of famine do not furnish the same material for newspaper stories as do military movements. Silent hunger is but a poor tragedian compared with the ebb and flow of well fed, highly disciplined armies, and so without the stimulation of the war office bulletin and war correspondents' word pictures, it is easy to forget and to regard the destruction which began in 1914 as having ceased, while as a matter of fact the war is in effect still taking its toll of lives and property.

Weakened by hunger, demoralized by misrule, terrorized by a fantastic government system, Russians are to a large extent wasting their time and substance where famine is not doing both for them.

The extent of the waste is suggested rather than revealed by a recent dispatch from Odessa which tells of men starving and of a general exodus from the Ukraine once regarded as the "richest farming country in the world." The peasants are leaving the land, abandoning their possessions and flocking to the cities to escape crop requisition by the Soviets. The refugees hope to hold out in the cities until the dangers of crop requisition have passed. This year's crops will be negligible; next year there will be less.

The abandonment, we are told, has long been impending. Grain, accumulated in the old days of prosperity, was saved from the agents of the Soviets on the plea that it was necessary for seed, but now even the seed grain has been consumed and the producers are turning their backs on what was called the granary of Europe.

"In the German Colony of Gros Liebenthal, near Odessa," says the dispatch, "one city of 10,000 popu-

lation is said already to be in the grip of famine. In this section some 30,000 acres of grain were sown annually before the war. Today there is not a sheaf of wheat to be seen. In another section where 80,000 acres formerly were sown there are now 100 acres under cultivation."

The Ukraine prior to the war had a population of 40,000,000 and annually produced 20,000,000 tons of wheat. The fragmentary stories of the breakdown of a nation exceeding our own in population and in area and which might have with proper guidance even rivaled us in prosperity do not give a comprehensive picture of one of the greatest calamities of all times, but they do show conclusively that the calamity of 1914 did not end on Armistice Day.

These things should mean more to America than a minute or two of mere reading matter on subjects remote from our lives if not remote from our businesses. The whole

matter is dangerously close to home. There are millions of foreign born here with their old world suspicions and greeds, with crude ideas of government anywhere, with uneducated intelligence, with minds poisoned by demagoguery and with absolutely no knowledge of the moral principles on which this nation was builded. Their lack of knowledge of our history and of American ideals renders them possibilities for disturbance and for evil when their plastic feelings are played upon by fanatics. Plainly it should be a movement of sound business, if nothing more, to see that there is instilled into their minds a knowledge which will show them in which direction is their safety and prosperity.

Money and Food

THUS far only two of the major ills of Europe have not been realized in the United States—famine and currency debasement. All the others of the long list which was begun in August, 1914,—the murder of innocents, the epidemics, war itself, labor troubles and the post-war depression—found their way across the seas.

Though it is inconceivable that the two major ills referred to should now be experienced here, it nevertheless is a stern fact that the thoughts which overseas produced both are finding lodgement here. It is a matter of no small concern when Americans whose names are

household words, seriously offer for consideration fantastic money schemes at variance with the judgment of all financiers, at variance too with all sound currency doctrines. It is a matter of concern when the government of the United States has been manoeuvred into a position whereby it is compelled to pay for silver about 35 cents more per ounce than the market value and is compelled to coin silver dollars when there is no demand for them.

It is a matter of concern that there is a tendency among men to try experiments with money at a time when the trouble is not caused by lack of money but by the lack abroad of things in the exchange of which money is merely a convenience.

Someone lately has gone to the length of proposing a special kind of dollar for the payment of government employees, seemingly on the theory that values may be created merely by printing money, though the experience of Europe, where as the amount of money in circulation goes up the purchasing power of money goes down, is constantly before us.

We have been so used to an abundance and super abundance of foods that any suggestion of food shortage is pretty sure to excite ridicule. Food shortage usually comes under conditions which do not and probably cannot prevail here and yet even in this connection there are two conditions worthy of reflection. One is the recurring suggestion of crop limitation that prices may be increased, and unprofitable operations eliminated. The other may be illustrated by the high cost of moving crops. Human nature is the same the world over. In Europe men refuse to raise wheat because the government takes it away from them, and want ensues. In America farmers have an incentive to lessen production because transportation costs as well as other costs not immediately connected with production, take too much away from the producers.

The last two evils of Europe are not expected here, but why be inactive while men and movements are setting the stage for them!



SIR REGINALD McKENNA

British financier who has accepted an invitation to address the American Bankers Association during the annual convention in October. He is one of the most prominent European financiers, being chairman of the London Joint City and Midland Bank. Sir Reginald has served his government as First Lord of the Admiralty, Home Secretary and Chancellor of the Exchequer.

School Savings in Pittsburgh

By E. V. HAYS

Vice-President Union Savings Bank of Pittsburgh

WHILE the subject has been one of interest, and for many years Pittsburgh had a system of school banking, the Union Savings Bank has only recently installed a system of saving in all the public schools of the city.

The plan was inaugurated on October 18, 1921. On that day 56,250 students (68 per cent. of the total enrollment) opened bank accounts.

On March 15, 1922, the twenty-first deposit day, 73,725 accounts were operating, which is 85 per cent. of the total enrollment of our public schools. The net cash balance on deposit on March 15 was \$334,033.36, and we believe that this amount would have been almost doubled had the times and employment conditions been normal. So far as we know, this is an unprecedented record.

The installation of the accounting system was accomplished with speed and accuracy, and without calling on our office force except to a very limited degree, leaving with us perfectly balanced ledgers, which have been balanced weekly to date.

This, of course, required expert handling and organization. Not only was highly specialized effort necessary to get our 2,600 teachers back of the project, but the tremendous task of handling details in connection with the accounting was staggering in its immensity. Our opinion was, and the wisdom of it has been demonstrated, that the work could best be handled by an organization exclusively engaged in establishing school banking systems.

The bank in the school room distinctly belongs as a part of the curriculum. Stripped of hollow theory, it is a definite thing. A precise result for effort expended. A reward for self-denial. The total in the bank book on the first page is the sum of a series of achievements. It satisfies the human desire to observe growth and development.

There is then a two-fold advantage to be derived from the operation of school savings. First is the value to the individual, the educa-

tional value, and this comes first in a double sense. It must be genuine for the bank to finally benefit, and unless it is genuine there never can be any benefit to the bank. A further illustration: the sale of stamps to children is unsound educationally and the only value that a bank may hope to get through school savings is destroyed because no inconsiderable number of children will lose their stamps and this will not only react to the disadvantage of the bank, but will destroy the faith of a child.

So, first the school bank depository must be entirely fair to the juvenile depositor. Second, proper consideration of the teachers is essential. Third, well directed stimulation must be consistently carried on. With due consideration of these essentials, the ultimate advantage for the bank is a host of sincere friends who, through long and satisfactory dealing, become an asset.

We are highly gratified with the splendid progress made during the first few months the School System has been in operation.



THOMAS WILLIAM LAMONT

Prominent among the speakers at the annual convention of the American Bankers Association which will be held at Hotel Commodore in New York in October, is Thomas W. Lamont, of the banking house of J. P. Morgan & Company. Possessing a rare knowledge of the financial affairs not only of the United States but of the world, Mr. Lamont's opinions will command the greatest respect, and his address is expected to be a valuable contribution to the counsels of the convention.

Certification of Altered Checks

By THOMAS B. PATON
General Counsel

SUPPLEMENTING articles in the February and March issues of the JOURNAL on this subject the following developments are of interest:

Proposed Amendment

At the spring meeting of the Executive Council of the American Bankers Association a suggestion of the Committee on State Legislation that the following amendment to the Negotiable Instruments Act be recommended for enactment in the various states was adopted.

Amend section 62 of the Negotiable Instruments Act to read as follows: (new matter in italics):

Section 62. The acceptor by accepting the instrument engages that he will pay it *as drawn* according to the tenor of his acceptance; and admits:

1. The existence of the drawer, the genuineness of his signature, and his capacity and authority to draw the instrument, and

2. The existence of the payee *named by the drawer* and his then capacity to indorse.

But the acceptor does not admit the genuineness of the body of the instrument other than the drawer's signature.

This amendment is necessary by reason of a decision of the Supreme Court of Illinois that under the Negotiable Instruments Act a bank which certifies a check upon which the payee's name has been erased and the name of the forger inserted as payee, is responsible upon the check to a subsequent holder in due course who acquires the check through indorsement of the payee's altered name by the forger. Full explanation of this decision is published in an article in the February, 1922, JOURNAL.

Suggested Form of Certification

In the March, 1922, JOURNAL the following form of certification was suggested to safeguard banks against liability in view of the recent decision of the Supreme Court of Illinois.

"Certified without liability for genuineness except as to maker's signature."

In the above, the words "without liability for genuineness except as to maker's signature" were intended to be a disclaimer of liability in case the check was not genuine in any particular; expressing in negative form and by implication what, if stated positively, would be "without liability for non-genuineness except as to maker's signature." Criticism has been made, however, that this form might be construed as disclaiming all liability for genuineness except as to maker's signature; in other words, that the certificate virtually means nothing for, where a check is genuine, the bank negatives the obligation incurred by the word "certified" by expressly providing that it is not liable on a genuine check.

To avoid any such possible difference of interpretation, the following form is suggested, after due consideration, as preferable to the form heretofore suggested:

"Certified, payable only if unaltered since originally drawn by the maker."

Negotiability

Inquiry has been made whether a form of certification which is virtually a promise to pay only on condition that the instrument is genuine would affect its negotiability. Under the Negotiable Instruments Act, an instrument to be negotiable, "must contain an unconditional promise or order to pay a sum certain in money." The question is whether a form of certification which would make the instrument not payable in the event of alteration before certification, would be a conditional promise to pay within the meaning of the act.

It has been held that a formal expression of a condition that is implied in the giving of a bill or note does not affect negotiability. Thus a written instrument acknowledging receipt of a certain sum and promising to pay to a certain person or order "upon return of this receipt" was held not to be payable condi-

tionally. *Frank v. Wessels*, 64 N. Y. 155. So it has been held that the negotiability of a certificate of deposit is not affected by a provision making it payable on return of the certificate properly indorsed, *Cassidy v. First Nat. Bank*, 30 Minn. 86; *Kirkwood v. First Nat. Bank*, 40 Neb. 484; *Imilie v. Stevens*, 39 Vt. 315. In these cases, without the expressed condition, the instrument would be payable only upon return.

Equally, wherever the courts would hold, in line with earlier cases, that certification only binds the bank to genuineness of maker's signature and sufficiency of funds and that the bank is not liable where a check has been altered before certification in any respect other than maker's signature, the form of certification suggested would be only what would be otherwise implied by the law and negotiability would not be destroyed.

But in Illinois, where the Supreme Court has recently held that the bank which certifies a check upon which the payee's name has been erased and the name of the forger inserted as payee, is responsible upon the check to a subsequent holder in due course who acquires it through indorsement of the payee's altered name by the forger and where, under the reasoning of the decision, certification of a raised check would be equally binding on the bank—and in any other state which might hereafter adopt the Illinois judicial view—it might perhaps be contended that the conditional certification impaired the negotiable character of the obligation upon the following line of reasoning: By certification, the drawer and prior indorsers are discharged and the instrument issued by the bank is a new promise to pay only on condition of genuineness of the body of the instrument; without such condition, the instrument, although altered before certification, would be absolutely payable, but with such condition it would be payable only in the event it had not been altered before certification; that, therefore, the promise to pay is not absolute

and unconditional but conditioned upon the existence of a fact unknown to the bank and this would destroy negotiability.

Whether such a contention would prevail is problematical. It would only have force in any event in states such as Illinois. The serious

question presented by the Illinois decision is whether banks should cease entirely to certify checks for the holder or should certify with a limitation of liability to facts within their knowledge. It is possible that such a limited certification would be held to impair the future negotiabil-

ity of the certified check in Illinois and in any other state where the decision of the Illinois court might be followed. The question then would seem to be whether it is better to use such a limited certification, with the possibility that negotiability is destroyed or not certify at all.

Current Developments in Congress

THOMAS B. PATON
General Counsel

THE House of Representatives on May 23 took final action on two measures in which the members of our Association are particularly interested.

Farmer on Federal Reserve Board

After extended debate, the House passed the bill of Senator Kellogg (S. 2263) designed to place a representative of agriculture on the Federal Reserve Board. The bill as passed was substantially the same as it came from the Senate, only minor amendments reported by the House Banking and Currency Committee being agreed to. Under the bill as passed, provision is made for an additional appointive member of the Federal Reserve Board and in selecting appointees the President "shall have due regard to a fair representation of the financial, agricultural, industrial and commercial interests and geographical divisions of the country." The words "financial" and "agricultural" are not in the present law. The requirement of the present law that "at least two (members) shall be persons experienced in finance and banking" is omitted. The bill as passed amends the first portion of Section 10 of the Federal Reserve Act so that it will read (new matter in italics; matter eliminated in parentheses):

Sec. 10. A Federal Reserve Board is hereby created which shall consist of *eight* (seven) members, including the Secretary of the Treasury and the Comptroller of the Currency, who shall be members ex-officio, and *six* (five) members appointed by the President of the United States, by and with the advice and consent of the Senate. In selecting the *six* (five) appointive members of the Federal Reserve Board, not more than one of whom shall be selected from any one Federal Reserve District, the Presi-

dent shall have due regard to a fair representation of the *financial, agricultural, industrial, and commercial interests* (different commercial, industrial) and geographical divisions of the country. The *six* (five) members of the Federal Reserve Board appointed by the President and confirmed as aforesaid, shall devote their entire time to the business of the Federal Reserve Board and shall each receive an annual salary of \$12,000, payable monthly together with actual necessary travelling expenses and the Comptroller of the Currency as ex-officio member of the Federal Reserve Board shall, in addition to the salary now paid him as Comptroller of the Currency, receive the sum of \$7,000 for his services as a member of said Board.

The Secretary of the Treasury and the Comptroller of the Currency shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank. The appointive members of the Federal Reserve Board shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed. Of the *six* (five) members thus appointed by the President (at least two shall be persons experienced in banking or finance. One) *one* shall be designated by the President to serve for two, one for four, one for six, one for eight, and *the balance of the members* (one) for ten years, and thereafter each member so appointed shall serve for a term of ten years unless sooner removed for cause by the President. Of the *six* (five) persons thus appointed, one shall be designated by the President as governor and one as vice governor of the Federal Reserve Board. The governor of the Federal Reserve Board, subject to its supervision, shall be the active executive officer. The Secretary of the Treasury may assign offices in the Department of the Treasury for the use of the Federal Reserve Board. Each member of the Federal Reserve Board shall, within fifteen days after no-

tice of appointment, make and subscribe to the oath of office.

The bill as passed adds the following to Section 324 of the Revised Statutes:

"No Federal Reserve Bank shall have authority hereafter to enter into any contract or contracts for the erection of any building of any kind or character, or to authorize the erection of any building, in excess of \$250,000 without the consent of Congress having previously been given therefor in express terms: Provided that nothing herein shall apply to any building now under construction."

On May 24 the Senate agreed to the House amendments to the bill, which now goes to the President and probably will be signed before this issue of the JOURNAL reaches our members.

National Bank Charters

The House of Representatives, on May 23, passed the bill (H. R. 9527) for unlimited charters of national banks, but on May 27 the bill was reported from the Senate Committee on Banking and Currency, with amendments limiting the period of succession to ninety-nine years. As passed by the House the bill amended Section 5136 of the Revised Statutes of the United States by taking out the provision empowering a national bank "to have succession for the period of twenty years from its organization" and providing for succession until dissolved by act of its shareholders owning two-thirds of the stock, unless its franchise shall become forfeited by reason of violation of law or unless it shall be terminated by act of Congress hereafter enacted. Following is the bill as reported to the Senate (new matter italicized; matter omitted in brackets):

That section 5136 of the Revised Statutes of the United States be amended so that the paragraph therein designated as "Second" shall read as follows:

"Second. To have [perpetual] succession until ninety-nine years from July 1, 1922, or from the date of its organization if organized after July 1, 1922, unless it shall be sooner dissolved by the act of its shareholders owning two-thirds of its stock, or unless its franchise shall become forfeited by reason of violation of law, or unless it shall be terminated by [provision of] Act of Congress [hereinafter] hereafter enacted."

SEC. 2. That all Acts or parts of Acts providing for the extension of the period of succession of national banking associations for twenty years are hereby repealed, and the provisions of paragraph second of section 5136, Revised Statutes, as herein amended shall apply to all national banking associations now organized and operating under any law of the United States.

Amend the title so as to read: "An Act to amend section 5136, Revised Statutes of the United States, relating to corporate powers of associations, so as to provide succession thereof for a period of ninety-nine years or until dissolved, and to apply said section as so amended to all national banking associations."

(Note: Since this article was typed, advice has been received that on June 1, the Senate passed the bill in the form above, as reported by the Committee. It now goes to Conference.)

State Taxation of National Banks

On May 25 the House Committee on Banking and Currency accepted the report of its subcommittee which was appointed to consider H. R. 9579, the McFadden Bill, designed to amend Section 5219, U. S. Revised Statutes, so as to place national and state banks in a class by themselves for purpose of state taxation. This bill was favored by the tax commissioners of various states and opposed by the bankers. The JOURNAL OF THE AMERICAN BANKERS ASSOCIATION for March, 1922, contains a review of the proceedings before the House Banking and Currency Committee. The subcommittee in its report rejects the provisions of the McFadden Bill and recommends a substitute along the lines of the bill submitted at the hearing recommended by the American Bankers Association, though differing somewhat in phraseology.

The subcommittee recommends that H. R. 9579 be favorably reported to the House with amendments which would change Section 5219 to read as follows:

"Sec. 5219. Nothing herein shall prevent all the shares in any association

from being included in the valuation of the personal property of the owner or holder of such shares in assessing taxes imposed by authority of the state within which the association is located, but the legislature of each state may determine and direct the manner and place of taxing all the shares of national banking associations located within the state, subject to the following restrictions:

"1. (a). That the tax imposed shall not be at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such state coming into competition with the business of national banks. (b) That in any state where a tax in lieu of a property tax is assessed upon the net income derived from such other moneyed capital, such state may in lieu of a tax on the shares impose upon the bank an income tax, assessed upon the net income of the bank, but such tax shall not be at a greater rate than is assessed on the net income of such other moneyed capital.

"2. That the shares of any national banking association, owned by non-residents of any state, shall be taxed in the city or town where the bank is located and not elsewhere. Nothing herein shall be construed to exempt the real property of associations from either state, county or municipal taxes to the same extent, according to its value, as other real property is taxed."

The amended bill will doubtless soon be reported to the House. The Special Committee on Taxation of the American Bankers Association have recently given further consideration to the exact form of amendment which should be made to Section 5219, provided it is to be amended at all, and the following suggested amendments to the draft recommended by the House subcommittee have been approved by our Special Committee. (New matter inserted in subcommittee draft italicized; matter omitted in brackets):

Section 5219. Nothing herein shall prevent all the shares in any association from being included in the valuation of the personal property of the owner or holder of such shares in assessing taxes imposed by authority of the state within which the association is located; but the legislature of each state may determine and direct the manner and place of taxing all the shares of national banking associations located within the state, subject to the following restrictions:

"1. (a) That the tax imposed shall not be at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such state [coming into competition with the business of national banks]; (b) that in any state where a tax, in lieu of a property tax, is assessed upon the net income of corporations, such state may, in lieu of a tax on the shares, impose upon the association an income tax assessed upon the net income of the association, but such tax

shall not be at a greater rate than is assessed upon the net income of mercantile, manufacturing and financial corporations doing business in such state. (c) [b] that in any state which has an individual but not a corporation income tax, and where a tax in lieu of a property tax is assessed upon the net income derived from such other moneyed capital, such state may, in lieu of a tax on the shares, impose upon the [bank] association an income tax assessed upon the net income of the [bank] association, but such tax shall not be at a greater rate than the lowest rate [is] assessed on the net income of such other moneyed capital in the hands of individual citizens.

"2. That the shares of any national banking association owned by non-residents of any state shall be taxed in the city or town where the bank is located and not elsewhere. Nothing herein shall be construed to exempt the real property of associations from either state, county or municipal taxes to the same extent according to its value, as other real property is taxed."

Convention Calendar

DATE	ASSOCIATION	PLACE
June 9-10	Washington	Spokane
June 10	District of Columbia	Hot Springs, Va.
June 12-15	Michigan	On Board Steamer <i>Noronic</i> , Detroit to Marquette
June 13-14-15	South Carolina	Asheville, N. C.
June 15-16	North Dakota	Minot
June 16-17	Utah	Salt Lake City
June 15-16-17	Virginia	Hot Springs
June 17	Maine	Augusta
June 17-20	Wisconsin	Milwaukee
June 19-20-21	New York	Lake Placid
June 20-21	Minnesota	St. Paul
June 22-23	Colorado	Glenwood Springs
June 22-23	Illinois	St. Louis, Mo.
June 23-24	New England	New Castle, N. H.
June 27-28	West Virginia	White Sulphur Springs
July 17-20	American Institute of Banking	Portland, Ore.
July 17-20	Oregon	Portland
Aug. 18-19	Montana	Missoula
Aug. 23-24	Kentucky	West Baden
Aug. 25-26	Nevada	Lake Tahoe, Calif.
Sept. 7	Delaware	Rehoboth
Sept. 13-14	Indiana	Indianapolis
Sept. 22-23	New Mexico	Las Vegas
Sept. 26-27	Nebraska	Omaha
Oct. 2-6	American Bankers Assn.	New York City
Nov. 10-11	Arizona	Bisbee

Louis H. Rohr, first vice-president of the Bank of Burlington, Burlington, Wis., died May 16, 1922.

American Business With Soviet Russia

By IVAN NARODNY

CAN we deal with a revolutionary Russia and what opportunities are there for American enterprise today?—this is one of the vital questions of every thinking American business man. While the English-German news reports discourage every foreign attempt with the Soviet régime of Russia, yet their own business men and commercial scouts are carrying on a lively trade already, or they are contemplating extensive future attempts through the Baltic states of Esthonia, Finland and Latvia that will leave their pre-war records far behind. In order to decide one or another way, we must know the Russian conditions without any intermediaries.

Judging from all the evidence at hand, Russia today is quite different from what it was a year ago—and very reactionary as compared with the conditions two years ago. For what Lenine advocates today, a man was persecuted and jailed a year ago. If all symptoms are interpreted correctly, Russia a year from now will be changed still more.

The leading question of an average Russian today is not communism and revolution but how to make money. The great social fever of the town and country is to organize great business ventures and get control of favorable opportunities as best as possible. For that reason hundreds of new corporations and business concerns are formed every day. The one great dream of every clever man now is to be a director of some trust company, corporation, mill or trading company. The bigger the venture the

more it appeals to the soviet authorities or their silent agents. Speculation, scheming, promotion and planning are in high vogue. A Latvian diplomatic agent in Moscow reports thus to his government in Riga:

"During the last month of March (1922), 56 new industrial corporations with an average capital of 3,000,000 gold rubles were formed in the city and province of Moscow; 145 similar corporations with a smaller capital—but all on the basis of gold rubles—were formed throughout the rest of the provinces of European Russia."

An Esthonian business man who has lived all the time in Moscow, and

now in one and hundred million denominations. In fact, the soviet officials add zeros by means of a rubber stamp. The peasants, who never could count over a thousand, are now eagerly learning mathematics so as to be able to handle the million, billion and trillion ruble accounts. It all looks like a perfect joke and I am sure Lenine is advocating it so as to accelerate the downfall of the ruble values. Lenine himself is an invalid, suffering of cancer, while Trotzky lives in constant fear of being assassinated in his bullet-proof apartment and surrounded more by guards and secret agents than ever was a potentate of the czar.

"Nearly all the Russians ignore the government and seem to believe that a miracle will save them from the commissars as it saved them from the czar's bureaucrats. The soviets have circulated a rumor underground that the United States Government and business interests were behind their policy, especially since the American Relief has gained a reputation of supreme authority and efficiency in matters of transportation and ways of practical management of its affairs."

These few facts may serve as proofs of the Russian social psychology at this very moment. They indicate that the revolution is long ago forgotten, only the economic chaos still prevails. On the other hand, they

illustrate the peculiar state of mind of an average Russian, which is always more apt to believe in fairy tales and fantastic theories than in the "Realpolitik" of the West. In fact, Russia today is more a victim of the credulity of fantasy-loving illiterate masses and a handful of theorists and storytellers than anything else.

By his inborn nature—due to his strong artistic proclivity—an average Russian is a dreamer and yields easily to his emotional impulses. Any man with a thrilling story interests him more than a practical business plan. Miracle men and



Petrograd, Russia

Underwood & Underwood, N. Y.

is now at the head of three big newly formed chemical companies, writes of the business conditions in that city on April 16 as follows:

"Moscow is the same gay city that it was eight years ago. Restaurants, theatres, and other amusement places are filled with well dressed men and women. All the big business houses are being opened one after the other. The people are using in payment either the worthless soviet ruble (100,000 rubles to a dollar), or they are using foreign money, or the old Russian gold and silver coins, although the latter circulate illegally. Finally there is a third form of money in use and that is a kind of check-system, issued by the co-operative stores of big corporations. The least liked medium is the official soviet-ruble, which is issued

story-tellers have played great roles in Russian life and history. When Kerensky failed with his oratory, the Bolsheviki appeared with their Utopian fairy tales of a social Paradise of communism and these appealed so much to the average Russian mind that the masses followed the new miracle men. But the miracle men, having proven themselves incapable of bringing about their promised wonders, are grasping now feverishly at every opportunity to save the sinking ship of state. Lenine's last speech held on the occasion of the meeting of the provincial soviet delegates in March, 1922, is a graphic proof of this:

Lenine's Speech

"Comrades," reads Lenine's speech, "we are compelled by the rapidly advancing events to change our skin nearly every month. What is new at the present moment in our policy is the necessity which compels us to adopt the methods of a reformer instead of a revolutionary. It is the great cautious policy toward fundamental economic questions.

"The foremost difficulty is how can we justify our change from a revolutionary to a reformer's policy, while the revolution goes on triumphantly everywhere around us? Does this not mean in the eyes of the orthodox socialists a giving up of our position or acknowledging a failure?"

"Now let me tell you: for three years, up to the spring of 1922, our idea was to revive our large industries and organize an exchange between the industrial labor and the peasants, while endeavoring to socialize slowly agriculture. In order to carry out the plan we proposed to take from the peasant a certain amount of farm products and raw materials as a sort of loan, by means of requisitions and exchange against the products of the industrial labor. But we could not do it, as the peasant refused to cultivate more than he and his family needed and we had no means to compel him to work. This was the revolutionary approach to the problem of breaking up the old social-political order and of substituting a new one.

"Since we could not change the mind of a reactionary farmer—and our country being composed of 85 per cent. of farmers—we gave up the idea and began to try another plan on the order of a compromise. The Russian middle class and farmers did not yield to our ideas, so we began to revive private trade, encourage private enterprises and capital, at the same time gradually and cautiously subjecting them to state regulation just as far as they permitted it. By comparing this way of handling the problem, it is not revolutionary but evolutionary.

"A real revolutionary danger lies in exaggerating revolution, and in forgetting the limitations to a successful and proper application of revolutionary methods. Most real revolutionists have brain storms when they begin to write the word

revolution with a capital R, and to exalt it to a divinity. They lose their heads and become incapable of sound deciding at what moment it is necessary to use revolutionary or evolutionary methods. Real revolutionists perish through failure from within.

"We have succeeded so far with our revolution, but now is time to stop and use evolution. The first most important step confronting Russia to-day is the problem of reviving trade and industry under proper government regulation. Trade is an important link in the historic chain of events, which we must forge this year. If we fail in this we are doomed.

"No doubt this sounds strange to radical socialists, especially as there seems to be an immense distance between private trade and communism as we proclaimed last year. Yet if we think economically soundly we shall see that the two are no more incongruous than the existence side by side of small privately owned farms in a socialistic community.

"When we will have conquered the world, we shall use the gold for making plumbing. However, it will require a decade or two of hard labor before we can do this. In the meanwhile we must take care of our gold in Russia, sell it for as high a price as possible, and buy goods for it as cheaply as possible. When you live with wolves, you must howl as they do. And so for getting rid of our wolves, we must remember the ancient proverb: 'Don't boast when you go into battle; boast when you return from battle.'

"I have come to realize that private trading and private industry are the only economic connections between the vast bulk of our farmers and our big industry, especially so long as we have not educated our peasants and supplied them with all the latest means of invention and science so that they could be happy in their simple homes. It happens that Russia being economically one of the most backward countries in Europe is unable to change its system in a short time and establish a satisfactory direct connection between the industrial worker and the farmer. For that reason we must take a slow evolu-

tionary course and retreat to state capitalism."

These quotations from Lenine's speech are indicative of the new spirit that is sweeping Russia this summer. It suggests that the leaders of the soviets are ready to repair the havoc they have created. But the question is can they? Can an expert housewrecker beat the same time a good builder? Yet, once the soviets have accepted the evolutionary course, the way is open for further negotiations. This the Germans and the British have realized and that is the reason of their eagerness to work out an understanding with the soviets for their immediate business transactions.

Horded Gold

All symptoms coming from reliable sources of soviet Russia indicate that the leaders realizing their inability to cope with the situation are ready for compromise and have created a temporary arrangement whereby industrial and trading companies can be formed by private interests, the state owning 51 per cent. and the corporation 49 per cent. of the capital. Under this new regulation hundreds of private corporations have been founded. It appears that a large number of the Russian middle class had hidden pre-war gold and silver coins in large sums and are using these as the bases of the capital to be supplied for operating purposes. As thus planned semi-private semi-state enterprise requires a better medium of exchange than the soviet paper ruble, the government is working on a plan of organizing a state bank, similar to the state bank of the monarchic regime, which would issue banknotes guaranteed by gold in the treasury, and which could be used for trade with foreign countries. It appears that until April 15 the soviets had issued 75,000,000,000,000 of paper money and had only 58,000,000 rubles gold in Treasury. The seized gold and silver of the churches will increase the gold and silver to 500,000,000 rubles. Preobrajensky, of the Department of Finance, has advanced the following plan:

"Russia should issue ruble banknotes based on the gold standard, by using temporarily at the same time the compulsory soviet rubles for pure internal business. This in-



Underwood & Underwood, N. Y.
Triumphal Arch in Moscow



Typical of Russia's Hordes Migrating in Search of Food

Underwood & Underwood, N. Y.

ternal ruble would have a fluctuating market value in terms of the stable gold banknote ruble. It is proposed to establish sufficient credits for the soviet state bank abroad as this bank would furnish out of its own resources a reserve fund to be deposited in its branches abroad, so that sterling dollar or mark drafts against the funds could be supplied to export and import houses. When the proceeds of the Russian exports were paid by the bank into this reserve, it would form a revolving fund on the basis of a gold standard."

These things indicate clearly to me that a *modus operandi* for foreign business and industrial enterprises in Russia will be worked out in a short time, not so much by the soviets as by the very economic conditions of the country and the trend of the public opinion in Russia. Lenine and his followers realize that the time of absolute dictatorship is gone and the era of compromise has started. The American Relief—as humanitarian as it was—helped to strengthen the soviet grip in one way but to weaken in another. It saved Russia from a military revolution and monarchy and gave opportunity for the soviet leaders to negotiate with the outside world and with the peasants new terms of exchange.

The Germans, the Englishmen and Hollanders are already accumulating goods in Reval, Riga, Pernau and Libau for the purpose of

throwing them on the Russian markets when the proper hour strikes. Their advance agents are already

scouting the Russian towns and villages and dickering about terms with the soviets.

The Sheet Anchors of Sound Money

By BENJAMIN M. ANDERSON, Jr., Ph.D.

"AMERICA today is the one country in the world where government finance is absolutely sound and currency on an unshakable gold basis, with the gold standard maintained in its full integrity by actual unhesitating redemption on demand, and with full freedom of gold export. Whatever else we do, we must not weaken the position, either of the United States Treasury or of our banking and currency system. If we let loose the sheet anchors of sound money and finance in the United States, then the whole world is adrift and the possible consequences to us and to the whole world for the next generation would be too ghastly to face. We must protect both our Federal reserve system and the United States Treasury from political pressure and political raids. If new burdens are to be thrown upon the treasury, new taxes must be provided. The existing tax burden, inequitably apportioned, is a very heavy drag on business, and new taxes would be extremely burdensome and depressing. But burdensome as new taxation would be to business at the present time, it

From an address at Indianapolis, June 8.

would be far better than for us to allow our government to fall into the primrose path of chronic deficits. It is easy for legislative bodies, subject to pressure, on the one hand, from taxpayers and pressure, on the other hand, from those who would raid the treasury, to try to satisfy both interests by voting expenditures without providing revenues. Powerful elements in Congress are at this moment proposing to place gigantic burdens upon the treasury in connection with the soldiers' bonus without providing a penny of new revenue to meet the burden. As a citizen I resent the brazen effrontery of that minority of the able-bodied veterans who demand public money for this purpose; as a student of public finance I deplore the reckless shortsightedness and cowardice of those who would vote this burden upon the treasury without placing the treasury in a position to bear it."

The Economic Survey

The results by states of survey made by the Economic Policy Commission are being printed and copies may be obtained by writing to the American Bankers Association.

The Condition of Business

IN the forefront of business events of the last month was the order of the Interstate Commerce Commission for a 10 per cent. reduction in freight rates, the first step toward the solution of one of the most vexatious of all of the reconstruction problems. What the effect of this reduction is going to be is still an open question. It is argued that it will improve the condition of the railroads by reason of increased tonnage.

(On June 6 the Railroad Labor Board ordered a wage cut of seven cents an hour for railway shop mechanics and nine cents an hour for freight car "knockers." This makes the total payroll savings for the railroads about \$110,000,000 a year, since it supplements an earlier ruling reducing the wages of maintenance-of-way men by about \$50,000,000 a year. The June decision was immediately followed by an order for a strike vote.)

The Guaranty Survey, in its comment on the reduction in rates, says:

"The Interstate Commerce Commission's decision calling for a horizontal reduction of about 10 per cent. in freight rates, effective July 1, occasioned little surprise. Practically all classes of traffic except agricultural products are affected. A reduction of 16½ per cent. on grain, grain products and hay had been put into effect January 1, 1922, and rates as thus revised are to stand. On a number of other agricultural products the new reduction replaces an earlier 10 per cent. reduction expiring June 30.

"In connection with the reduction in rates, the Commission announced that 5¼ per cent. is regarded as a fair return upon property valuation.

"The reduction in rates will serve to emphasize anew the question of wage revisions. Even while wage costs remain at present levels, it is possible that the lowering of rates will so stimulate traffic as to minimize the decline to be expected in net earnings."

Car Loadings

A favorable indication in railroad business is that in the second week of May the loadings of revenue freight showed a total of 777,359 cars, an increase of 21,610 cars over the previous week, and an increase of 26,173 cars over the corresponding week of 1921.

The loadings of merchandise and miscellaneous freight amounted to 543,102 cars, which was a gain of 9,406 cars over the previous week.

The effect the coal strike is having on railroad business is illustrated by the fact that the loadings of coal were 82,109 cars below the total for the corresponding week last year.

There is steady improvement in the iron, steel and automobile industries and the production has so far advanced that in one instance it has surpassed the pre-war output.

"The country's pig iron output in April, 2,072,114 tons, was the largest output in any month since January, 1921, and nearly two and one-half times the production in last July," says the same review.

"Steel ingot production in April, 2,896,966 tons, was the largest output in any month since November, 1920, and more than three times that in July, 1921. The production in April represents a yearly rate considerably in excess of the maximum output in any pre-war year.

Purchasing Equipment

"An especially encouraging feature of the activity in steel is the increased volume of purchases of railway equipment. Of the 60,523 new cars ordered from the beginning of the year to May 6, about one-half, 29,742, were ordered in April. Orders placed last month alone exceeded those for the whole of 1921 and the monthly average of the new cars ordered in the first four months of this year equals the pre-war monthly average.

"Automobile production has expanded surprisingly. Preliminary figures indicate that the number of automobiles and trucks produced in April almost equalled the record monthly output of approximately 220,000 in March, 1920."

The steel industry improvement continues. The Steel Corporation in April had over 600,000 tons of unfilled orders and here and there plant additions are being made.

Cotton and Cotton Goods

The New England Letter of the First National Bank of Boston, in discussing cotton and cotton goods, says that recent reports indicated a world's visible supply of 5,499,118 bales, which was a decrease of 257,419 from last month, 1,161,777 from a year ago, 556,971 from 1920. The report continues:

"Exports have been quickened and the reduced scale of wages in Lancashire is expected to bring forward a larger business. Competition among jobbers and retailers has been closer than at any time for several years, the principal buying being to fill current needs. On the other hand, converters, bleachers, the manufacturing trade and others requiring unfinished clothes have been making liberal engagements for the next sixty days, which has resulted in a rise of about 4½ cents a pound in print cloths. Mills have been moderate sellers of goods for early delivery, but have hesitated about going beyond June until profit margins are wider and raw material conditions and prospects more settled. Strikes in the New England district have lessened the potential supply fully 200,000,000 yards since the beginning of 1922, and mills unaffected by labor troubles still continue on largely curtailed production. Strikes have caused some of the largest producers of staple and fancy gingham to cancel all spring and fall orders, because of inability to deliver. Moderate improvement has been shown in the sales of bleached cottons, napped goods, piece-dyed fabrics and some of the specialties made in New England. At the same time until an adjustment of production costs to a basis more nearly in keeping with those prevailing in other sections has been made, trade is expected to be

spotty and somewhat unstable. The general business improvement is credited with having broadened the inquiry for cotton duck, automobile supply fabrics and miscellaneous heavy products. There has been some gain in the demand for yarns for knitting and wire covering purposes and a very moderate gain in the yarn sales for weaving and webbing purposes."

Shoe Industry

Basic conditions in the hide, leather and shoe industries show progress and "the settlement of the labor troubles in some of the large shoe centers seem somewhat nearer at the moment." The production of footwear for the entire country makes a gain each month. Exports of boots and shoes for March showed a good increase over February. "The last month has witnessed a sudden spurt of buying in the domestic primary markets, with the going rate for fine and fine-medium wools of good staple about forty cents in the territory sections west of the Mississippi. Probably 60 per cent. of the 'territory' wools, or rather more than 40 per cent. of the country's entire clip, amounting to 225,000,000 pounds, exclusive of pulled wool, has passed from the growers' hands to date. The sharp advances in prices in this country is not surprising when one considers, in connection with the small imports and reduced domestic clip, the fact that the normal annual consumption in this country approximates 550,000,000 pounds of wool in condition purchased. Manufacturers are disturbed over the raw wool advance, and the leading factor has been obliged to advance the prices first on woolsens, then on worsteds to a lesser extent, since the latter class of goods has been in relatively light demand, although enjoying a better call at the moment. Manufacturers have not found it easy to plan their future course with strikes and tariff uncertainties, but the indications at the present time are that the near future will not bring lower prices on raw materials."

Extraordinary activity in the building industry continues. It is estimated that the contracts in twenty-seven states amount to \$353,161,900, as compared with \$293,636,000 in March.

The public still remains in the same attitude of unconcern over two all-important questions, the tariff and the coal strike. Though it is possible to set the date when the coal shortage will be acute, if the strike continues, the public at large seems to have forgotten and the strikers are sitting tight.

The last week of the month found a continuance of easy money rates.

"The real index to the money market," says the *Analyst*, "was to be found in the offering of \$200,000,000 treasury certificates at the 3½ per cent. level and the upturn in Liberty bonds on what appeared to be institutional buying. The expansion in business is drawing somewhat on the money market, but as yet has made no serious inroads, and it does not appear that rates on money will harden perceptibly for a long time to come."



OPINIONS OF THE GENERAL COUNSEL



THOMAS B. PATON
General Counsel

Clearing House Presentment of Post-Dated Check

Presentment of a post-dated check to the drawee on the day of its date is not premature, but where such presentment is made through a clearing house which has a rule that checks shall not be presented on the day of their date, and that the drawee may return any check so presented, such rule will govern and make presentment through the clearings on the day of date invalid.

From New York—We would like to have your legal opinion on the following post-dated check. A check drawn on a clearing house bank in New York City, dated March 23, 1922, was deposited on March 22, 1922, cleared on the morning of March 23. Has the paying bank any legal right to return a check of this kind marked "Date"?

Ordinarily, a post-dated check presented to the drawee on the day of its date is duly presented. But among the published rules of the clearing house committee of the New York Clearing House is one dated on April 13, 1915, which provides:

"Checks, drafts, etc., should not be presented through the clearing house on the day of their date, and if so presented, the drawee bank shall have the right to return the same up to three o'clock on that day."

This, I believe, would have the force of an agreement binding on the clearing house members and under it the payor bank had a right to return the post-dated check.

Certification of Overdrawn Check Where Savings Account Sufficient

Although a national bank might, if it paid an overdrawn check on a commercial account, reimburse itself by set-off of the amount against a sufficient deposit of the drawer in a savings account in the same bank, the bank would hardly be justified in certifying the overdraft in view of Section 5208 U. S. Revised Statutes, which makes it unlawful for a

national bank officer to certify a check unless the drawer has on deposit a sufficient amount to meet the check. While it is doubtful if criminal liability would be incurred for so doing, the point has never been decided and the better practice would seem to be neither to pay nor to certify in such case.

From Massachusetts—A check is presented to us (a national bank) for certification, and, upon examination of the commercial account, it is found that the balance is not sufficient to cover the check presented. There is, however, an account in the savings department which would more than make up the difference between the balance in the commercial account and the check presented. In view of the foregoing, would we be justified in certifying the item? What would be our liability according to law if we certified a check under the above conditions?

The authorities seem to support the conclusion that where a bank honors or allows an overdraft on a commercial account, it can set off the overdraft against a debt due such depositor on a savings account (*Lippitt v. Thames Loan & Trust Co.*, (Conn. 1914), 90 Atl. 369; *Hiller v. Bank of Columbia* (S. C. 1912), 75 S. E. 789). Although in *Heinrich v. First Nat. Bank of Middletown*, 145 N. Y. Suppl. 342 (affirmed in 149 N. Y. Suppl. 1086), where a bank maintained a savings department, in which it accepted the deposits only in accordance with specified rules, one of which provided that, in case of withdrawals, the same must be made by draft in a specified form, and that the pass-book must accompany the draft, such rule constituted a part of the contract, binding equally on the bank and the depositor; and hence the bank had no authority to deplete such deposit by charging against it certain notes executed by the depositor to a third person and payable at the bank.

The question presented is whether a national bank would be justified in certifying a check drawn upon a commercial account, where the bal-

ance was insufficient but where the depositor has a balance in the savings department more than sufficient to make up the difference and whether if the bank did certify such a check there would be any liability incurred in so doing.

Section 5208, United States Revised Statutes makes it unlawful for an officer or employee to certify a check drawn upon a member bank unless the drawer "has on deposit with such * * * member bank at the time such check is certified, an amount of money not less than the amount specified in such check."

A bank, of course, is not obliged to certify a check in any event—its only obligation is to pay—and while, if it paid an overdraft on the commercial account under such circumstances, the bank might be entitled to set off the excess against the funds in the savings account, it would seem unwise, in the uncertain state of the law to certify an overdraft on the commercial account simply because the amount to the credit of both accounts is sufficient to make the check good.

Section 5208 has never been construed in such a case and it is doubtful if a bank officer could be criminally punished for such a certification, because penal statutes are strictly construed and while the drawer would not have the required amount on deposit in the commercial account, he would have the amount on deposit in the bank, in two different accounts. At the same time, it would be unwise for a bank officer to take any such unnecessary chance.

So far as payment of such a check is concerned as distinguished from its certification, there is no penal statute against paying an overdraft and if the bank pays it can, according to some authorities, as shown above, charge the excess to the savings account. But there would seem clearly no obligation of the bank to pay in such a case and no liability in damages to the depositor for refusing to pay, for

where the check is drawn upon the commercial account the drawer intends that it be paid out of that account and not out of the savings account which is usually governed by special rules as to withdrawal, one of which is that the passbook must accompany the draft.

The better practice, therefore, would seem to be neither to certify nor to pay checks drawn on the commercial account where the funds in that account are not sufficient, although sufficient in the savings account for, under contract between bank and depositor, each account has its own separate instrument and method of withdrawal.

Impairment of National Bank Capital—Rights of Pledgee

Where the capital of a national bank having a surplus in excess of twenty per cent. has been impaired by losses so that the surplus and part of the capital are wiped out, the required assessment to make good the capital will not include the surplus and it is only necessary for the bank to build up a surplus in the same way as if it were a new institution with no surplus fund. Where an assessment has been levied by the stockholders upon themselves to make good an impairment, after notice from the Comptroller of the Currency, a pledgee of the stock, acquired before the assessment, must, for his own protection, if not paid by the shareholder, himself make good the assessment to escape sale of the stock by the directors upon default of payment.

From New Mexico—When a national bank has a surplus account amounting to 50 per cent. of its capital, and the bank examiner ascertains the fact that the bank has sustained a loss from 60 per cent. to 100 per cent., will the Comptroller of the Currency, when he orders the assessment, deduct the surplus from the loss sustained and assess the stockholders pro rata for the difference or will he insist that 20 per cent. of the surplus remain untouched?

Also please advise me as to the rights of a pledgee who took bank stock as collateral prior to an assessment. We understand that the bank which makes the assessment has a statutory prior claim as against the pledgee, and we wish to inquire if it is necessary for the assessing bank to bring an action in equity and if the pledgee will be permitted to retain the stock but will be deprived of the subsequent accruing dividends or may he be forced to pay the

assessment against the stock, which he holds, as pledgee?

1. Question No. 1 above was submitted to Comptroller Crissinger who very kindly replied as follows:

"The capital stock of a national bank is not impaired until all profit accounts, including the surplus fund of 20 per cent. provided for by law, have been used to provide for losses and there are losses still existing. The amount of losses over net profits and surplus fund is the amount of the impairment of the capital stock which must be provided for in accordance with the terms of Section 5205, U. S. R. S.

"There is no provision of law with respect to making good the 20 per cent. surplus fund, and this office has always held that when the entire surplus fund has been used to provide for losses, etc., it is only necessary for the bank to again build up the surplus fund by carrying 10 per cent. of the net earnings of the period to the surplus fund whenever a dividend is declared, as provided by Section 5199, U. S. R. S. In other words, the 20 per cent. surplus fund must again be built up in the same way as if the bank were a new institution starting with no surplus fund."

2. Where the stock is pledged before the assessment is levied, it is not necessary, in my opinion, for the assessing bank to bring an action in equity against the pledgee to foreclose his lien upon the stock. The assessment under Section 5205 Rev. Statutes to make good an impairment is made by vote of the shareholders laying an assessment upon themselves as an alternative to putting the bank into voluntary liquidation or submitting to a receivership. (Commercial National Bank v. Weinhard, 192 U. S. 243). And the statute provides that if any shareholder neglects or refuses after three months' notice to pay the assessment, sufficient of his stock must be sold by the Board of Directors at public auction after thirty days' notice posted and published, to make good the deficiency and the balance, if any, returned to the delinquent shareholder. In case a shareholder has pledged his stock and he fails to pay the assessment, it would, therefore, seem incumbent upon the pledgee, in order to protect his security, to himself pay the assessment which would increase the indebtedness to him to that extent; otherwise the stock will be sold and the security forfeited, except to the extent of any balance which might remain after satisfying the assessment.

Set-Off of Deposit Against Stockholder's Liability

A stockholder of a national bank, holding \$2,000 par value, had on deposit \$3,000 at the time of the bank's failure. Question is asked whether he is entitled to offset such deposit against his stock liability. Opinion: The courts have held there is no right of set-off in such case.

From Mississippi—A stockholder of a failed national bank, holding \$2,000, par value, stock of the failed bank, had on deposit with the bank at the time of failure \$3,000.

In the event the stockholder be assessed the full 100 per cent. under the double liability provision of the National Bank Act for the protection of the depositors, would the stockholder mentioned be able to offset his claim as a depositor against the claim against him as a stockholder, and should the dividends which he might receive as a depositor be insufficient to fully cover his liability as a stockholder, could he be required to pay an additional amount to meet any assessment which might be made against him?

In *Williams v. Rose*, 218 Fed. 898 it was held that a stockholder of a national bank was not entitled to set off against his double stock liability, the amount of his unpaid deposit account in the bank at the time of its failure. The court said:

"In the absence of a controlling decision by a higher court, my view is that a stockholder is not entitled to set off against an assessment made against him pursuant to the Revised Statutes of the United States, where a bank has become insolvent, the amount of his individual claim against the bank. The reasoning of the Circuit Court of Appeals of the Ninth Circuit in *Wingate v. Orchard*, 75 Fed. 241, covers this branch of the present case. The court there put its decision upon the ground that the fund provided for under the Revised Statutes was not intended for any particular creditor, but to make good all debts equally and without any preference, and that in the event of the winding up of the affairs of a national bank the fund provided by sections 5226 and 5227 was for the express purpose of making good the contracts, debts, and engagements, and is manifestly a trust fund, to a pro rata share of which all creditors are equally and equitably entitled. The court distinguished the case of *Scott v. Armstrong*, 146 U. S. 499, 13 Sup.

Ct. 148, and cited in support of the conclusion reached *Delano v. Butler*, 118 U. S. 634, 7 Sup. Ct. 39. In the latter case the Supreme Court of the United States treated an assessment under section 5151 as made by authority of the Comptroller of the Currency, not as a voluntary one, and as only to be applied to the satisfaction of the creditors, equally and ratably. *Scovill v. Thayer*, 105 U. S. 143."

Liability of Collecting Bank for Default of Correspondent

Checks drawn upon a national bank in Oklahoma were deposited in an Oklahoma bank A, which remitted them to its correspondent B, which in turn remitted them to its correspondent C in the place where the national bank was located. C collected the checks and remitted its draft to B, but failed and the draft was not paid. B seeks to charge the amount back to A. Opinion: Assuming there is no agreement between B and A relieving B from liability for default of correspondent, the question will depend upon whether the courts of Oklahoma adopt the rule that a collecting bank is (1) liable for correspondents' defaults or (2) only responsible for due care in the selection of a suitable correspondent, the law being a subject of conflict in many states and the Supreme Court of Oklahoma not yet having decided the point.

From Oklahoma—Are we obligated legally or morally to credit our correspondent if they have charged us on the following condition?

A customer, in the regular course of business, deposited checks drawn on the First National Bank of E Oklahoma. We remitted these checks to our correspondent, who in turn remitted them to the E State Bank of E Oklahoma for collection from the First National Bank, E. Collection was made and the E State Bank issued their draft on their correspondent in payment of the checks, remitting said draft to the correspondent to whom we remitted the checks. Before this draft reached our correspondent, the E State Bank was closed by the State Bank Commissioner and payment stopped on all their drafts in transit with the result that our correspondent did not get returns on the checks and are charging our account, although they are unable to produce the items which of course have been paid by the First National Bank of E and charged on their books.

This may be a new circumstance; how-

ever, there are quite a few banks failing in Oklahoma, and this same condition is coming up considerably over the State.

Assuming there is no agreement between your correspondent and your bank under which the former will not be held responsible for default of its own correspondent in making the collection, the right to charge back the amount to your account will depend upon which of two conflicting rules the Supreme Court of Oklahoma will adopt upon the subject.

The Supreme Court of the United States and the courts of ten states have held that a bank which undertakes a collection is an independent contractor and is responsible for the acts and default of the correspondents whom it employs, unless by agreement it relieves itself from liability. Under this rule your correspondent could not charge the amount back to your account.

On the other hand, the courts of eighteen states have held that the collecting bank is only responsible

for due care in the selection of a suitable correspondent or agent, who becomes the agent of the owner of the paper and where due care is exercised and the collecting bank is not itself negligent in any particular, there is no liability for default of the correspondent. If this rule was applied in Oklahoma the correspondent would be entitled to charge the amount back.

Three states have adopted the last stated rule by legislative enactment, and in all thirty-one states have positive, but conflicting, rules upon this subject (see Digest of Legal Opinions, 1921, paragraphs 1099-1100 and 1101, for list of the states and decisions and statutes), while in the seventeen remaining states the rule is still uncertain. Oklahoma is one of these seventeen.

The numerical weight of judicial rule, it is seen, favors the rule of non-responsibility for default of correspondent, but until the Supreme Court of Oklahoma so decides the question is, of course, uncertain.

State Elections

State associations have elected officers as follows:

Maryland

President, Samuel A. Graham, cashier Farmers and Merchants Bank, Salisbury; first vice-president, T. Rowland Thomas, president National Bank of Baltimore, Baltimore; secretary, Charles Hann, assistant cashier Merchants National Bank, Baltimore; treasurer, William Marriott, vice-president and cashier Western National Bank, Baltimore; vice-presidents, Alex. Armstrong, president First National Bank, Hagerstown; James M. Munroe, director Farmers National Bank, Annapolis; T. M. Jones, cashier Prince George's Bank, Hyattsville; Frank C. Norwood, director General Trust Company, Frederick; Allen A. Harris, cashier Chestertown Bank of Maryland, Chestertown; C. Prevost Boyce, Stein Bros., Boyce, bankers, Baltimore; Webster Bell, president Park Bank, Baltimore; Carter G. Osborn, president Farmers and Merchants National Bank, Baltimore.

New Jersey

President, Rufus Keisler, Jr., vice-president Ironbound Trust Company, Newark; vice-president, Frederick F. Schock, vice-president First National Bank, Spring Lake; treasurer, Spencer S. March, vice-president and cashier National Newark and Essex Banking Com-

pany, Newark; secretary, William J. Field, vice-president Commercial Trust Company of New Jersey, Jersey City; members of the Executive Committee, Howard Biddulph, treasurer Bloomfield Savings Bank, Bloomfield; F. Morse Archer, president National State Bank, Camden; E. Z. Halsted, vice-president Paterson National Bank, Paterson.

Pennsylvania

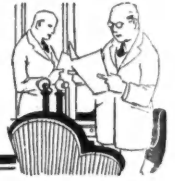
President, Judge Edward J. Fox, president Easton Trust Company, Easton; vice-president, Charles S. Caldwell, president Corn Exchange National Bank, Philadelphia; treasurer, W. W. Potts, vice-president Federal Tile and Trust Company, Beaver Falls; secretary, Chas. F. Zimmerman, treasurer Lebanon County Trust Company, Lebanon.

Tennessee

President, Thos. N. Carroll, vice-president and cashier Peoples Savings Bank, Jackson; Vice-Presidents, C. R. Hathaway, vice-president Holston National Bank, Elizabethton; Robt. T. Bell, cashier Murfreesboro Bank and Trust Co., Murfreesboro; Geo. T. Lewis, cashier Bank of Crockett, Bells; treasurer, H. L. Williamson, cashier Fourth and First National Bank, Nashville; secretary, H. Grady Huddleston, 1015 Independent Life Building, Nashville; general counsel, Wm P. Cooper, Nashville.



RECENT DECISIONS



THOMAS B. PATON, JR.
Assistant General Counsel

CHECK WITHOUT FUNDS STATUTE DOES NOT COVER POSTDATED CHECK—GEORGIA

One Mr. Strickland was prosecuted for uttering a worthless check with intent to defraud the payee. The prosecution was based upon the Georgia Statute of 1919 penalizing the making, drawing or delivering worthless checks. The check in this case was postdated. At the trial the payee testified as follows: "I knew this check was postdated when I took it. Mr. Strickland (defendant) told me when he gave me the check that he did not have the money to spare with which to pay me at that time, and, therefore, wished to date the check ahead." The court of appeals held the defendant not guilty, saying: "The check without funds statute does not cover a postdated check accepted by the payee prior to the date of the check and with distinct knowledge that the paper constitutes nothing more than a promise that, on a future date specified as the day of payment, the drawer will have in the bank the funds necessary to meet the check." *Strickland v. State*, 110 S.E. 39.

ACTION ON DEMAND NOTE WITHOUT PREVIOUS DEMAND—CALIFORNIA

An action was brought without a previous demand on a note payable "on demand, after date, without grace *** to Sam E. Rottman." Following this was a provision for attorney's fees, and a waiver of "demand." The note was non-negotiable because not made payable to order or bearer. An instrument "payable 'on demand' or 'on call' (which is the same thing), is payable presently—that is, it is due immediately; and if not immediately paid the debtor breaches his contract to pay, and the statute of limitations at once begins running in his favor. *** 'On demand after date,' particularly when, as here the interest is payable 'from date,' has been defined as equivalent to 'on demand' rendering a note so payable due immediately after its delivery." The rule applies to non-negotiable instruments, as well as to negotiable ones, that in such case an actual demand or presentment is not necessary before the commencement of an action. Then, too, the waiver of demand "is equivalent to a contract that the debt shall be payable without any previous demand." However it may be in the absence of a waiver of demand, when there is such a waiver, attorney's fees stipulated for, may be recovered although the action is brought before demand. The "waiver applied to every sum that defendant promised to pay—to attorney's fees as well as to principal and interest on the note." A contemporary oral agreement that the instrument should be payable only upon demand may not be shown because of the parol evidence rule; it is inconsistent

A POSTDATED check is nothing more than a promise that on a future date the drawer will have funds to meet the check—and the drawer uttering a worthless postdated check cannot be held criminally liable for false pretenses.

AN oral agreement that a note was not to be paid until demand could not be shown in an action on the note in which demand was waived and actual demand or presentment is not necessary before the commencement of an action on the note.

THE depositor of a trust company was allowed recovery of a fund which he paid to one of the officers in payment for his services in locating the account which the depositor through illness supposed he had lost. The officer was held to have taken unfair advantage of the depositor's illness in not disclosing his relation to the trust company and in driving a fraudulent bargain.

A BANK was allowed recovery on a surety bond covering losses due to overdrafts allowed by its cashier sustained by the employer, even though the bank disclaimed the intention of charging the cashier with a crime.

A STOCKHOLDER voluntarily suing the trustees of a corporation for restoration of profits wrongfully appropriated is without authority to bind the corporation for the cost and expense thereof if the suit fails of its purpose.

A BANK should not, within a few days after a husband's death, while the widow is still under a mental strain, take unfair advantage of her and obtain possession of her life insurance policy when she has no independent advisers.

with the written agreement. Evidence was inadmissible "of a custom among bankers to demand payment on demand notes before bringing suit. *** Where the terms of a contract are clear and unambiguous, they cannot be varied or contradicted by evidence of custom or usage." Here the contract is clear with respect to the waiver of demand. Ability, readiness, and willingness of the maker to pay the principal and all accrued interest *on demand for payment*

have no effect on the rights of the parties. The court reaffirmed the rule of 202 Pac. 329, as to the effect of a deposit in a bank, the facts being the same. *Rottman v. Hevener*, 202 Pac. (Cal. App.) 334.

TRUST COMPANIES—SEPARATION OF SAVINGS DEPARTMENT FROM OTHER DEPARTMENTS—MASSACHUSETTS

When the banking commissioner of Massachusetts took possession of the Prudential Trust Company, Kelly had on deposit with the commercial department \$2,380.46, but owed the savings department \$900 for a loan made to him. It is not clear that he knew that the money loaned was from the savings department. Kelly wanted to pay this \$900 by the application of this sum from the amount in his checking account, but the court denied this right of set-off because of the segregation of the savings department assets required by the Massachusetts statutes. The court said that these statutory provisions "make it plain that the interest of the depositor in the fund held by the trust company in its savings department is different in kind from the right of a depositor in the commercial department of the same trust company, in that the relation of the trust company to its depositors in the savings department is that of a trustee to his *cestui que trust*, while its relation to its depositors in the commercial department is that of a common-law debtor. Each depositor by the express terms of the quoted statute is entitled to have the 'investments or loans thereof . . . appropriated solely to the security and payment of such deposits.' It is plain a set-off of a debt of the commercial department to a depositor therein in extinguishment of a debt owed by that depositor to the savings department would to that extent deplete the investment of the savings deposits or the loan thereof, to the loss of the depositors in the savings department and to the gain of the general creditors. The statute unmistakably forbids such a result. It is "quite immaterial that a borrower from the trust company does not have actual knowledge that the money is loaned from the funds of the savings department." *Kelly v. Allen*, 131 N. E. (Mass.) 855.

DUTY TO DEAL WITH WIDOW IN FRANKNESS—ALABAMA

A bank should not, within a few days after a husband's death, while the widow is still under the shock of his death and suffering from the strain of nursing him for several weeks, take unfair advantage of her and obtain possession of the life insurance money when she has no independent advisers.

The following quotation shows the attitude of the court: "It is clear that the defendant (widow) was at a marked disadvantage, and wholly unequal, in the protection of her interest, against the efforts of the plaintiff (bank) to obtain from her the right to apply the insurance money to its debt. Rainer, who represented the interest of plaintiff, was the dominant spirit in the transaction, while the defendant seemed to have no will or judgment of her own in respect to the matter. From the circumstances and the situation of the parties, a relation of trust and confidence was in fact created, which imposed upon the plaintiff and its representatives the duty to deal with the defendant with utmost frankness." *Marsh v. Elba Bank and Trust Co.*, 88 S. (Ala.) 423.

BANK OFFICERS—LIABILITY FOR PERMITTING OVERDRAFTS, DISCOUNTING NOTES AND FAILING TO PROTEST PAPER—KENTUCKY

A bank cashier is liable to the bank for permitting an overdraft and discounting a note, where he knew or should have known that the customer was insolvent and a non-resident, having no property in the state, and that the indorsers of the note were also insolvent; under such circumstances it is immaterial whether he had authority to make such loans or not. "For if he had such authority it was unmistakable negligence to contract such debts for the bank."

The cashier was also held liable for negligence in failing to have an indorsed note protested. *Dennis v. First State Bank of Elkhorn City*, 231 S. W. (Ky.) 538.

AUTHORITY OF AGENT TO INDORSE RENEWAL NOTE—IOWA

"Authority of an agent to indorse the name of his principal upon the back of a note for the purpose of transferring title in the usual course of business would not imply authority in such agent to place a like indorsement upon a renewal note, payable to the transferee." *American Trust and Savings Bank v. De Jaeger*, 183 N. W. (Iowa) 369.

FEDERAL RESERVE SYSTEM—PRIMARY LIABILITY OF MEMBER BANK ON REDISCOUNTED PAPER—RIGHTS OF RESERVE BANK AS CLEARING HOUSE—FEDERAL

The First National Bank of Eureka, South Dakota, failed, and several questions arise with respect to the rights of the Federal Reserve Bank of Minneapolis against it.

(1) The reserve bank held nineteen notes rediscounted for, and indorsed by, the Eureka bank. The receiver contends that the liability of the indorsing bank is contingent merely, and cannot be enforced without showing the insolvency of the maker and the prior indorsers.

The purpose of the Federal Reserve Act "and rules and regulations is to throw every protection around the reserve bank, and to give it the advantage

of a right to proceed against the bank that indorses the paper. Therefore, when the member bank deposits the paper with the reserve bank, it is intended that there shall be a *primary liability*." The Federal Reserve Act provides that indorsement of a member bank shall "be deemed a waiver of demand, notice and protest by such bank."

The purpose of such provision "is to relieve the obligation of the usual conditions, and, when relieved of these usual conditions, it becomes and is an absolute obligation on the part of the bank rediscounting and indorsing the paper to pay the same upon the date fixed. At maturity the reserve bank in this case had a right of action against the indorser without joining the maker."

Such notes can be proved against the insolvent bank before maturity.

(2) A draft for \$8,277.30 drawn by the Eureka bank in favor of the reserve bank on a Minneapolis bank was dishonored. This draft represented the amount of checks forwarded to the Eureka bank by the reserve bank upon it and upon other banks in the city. In each case the reserve bank had given credit to the bank from which it received the check for collection.

The receiver contends that the reserve bank is not entitled to have the Eureka bank's deposit account and its credit for canceled stock applied upon this draft, the same as on the notes rediscounted; and that the checks can be charged back to the banks from which the reserve bank received them.

The checks on the other banks in Eureka were cancelled and delivered to the respective drawers. "It is self-evident that the right to charge a check back to its member bank is dependent upon its power to return the check to the member bank so that the member bank may in turn charge it back to the prior indorser, and that indorser back to the other, and so on until it reaches the maker."

From the time of the promulgation by the Federal Reserve Board of the rule that "member and clearing member banks will be required by the Federal Reserve Board to provide funds to cover at par all checks received from or for the account of Federal reserve banks" the credit of a member bank with its Federal reserve bank was rightfully treated by the reserve bank as a fund to cover all checks received from or for its account by a member bank. The liability of the Eureka bank would have been the same if it had not sent the draft to the Federal reserve bank. *Federal Reserve Bank of Minneapolis v. First National Bank of Eureka*, South Dakota, 277 Fed. 300.

PAYMENT BY BANK TO DEPOSITOR OF PART OF CHECK AT TIME OF MAKING DEPOSIT PROOF—OKLAHOMA

On a deposit slip evidencing the deposit of a check by Mrs. Rickords was the following entry:

"Cert.68.15."

This amount was deducted from the amount of the check and "it is the contention of the cashier of the bank that he paid this amount to Mr. Rickords at the time of making the deposit. Mr. Rickords and his fourteen-year-old son,

who was present at the time the deposit was made, denies [deny] that any money was paid to Mr. Rickords by the cashier at the time. The alleged error was discovered in a few days, and the parties were unable to agree regarding the same, and in about thirty days this action was commenced."

"The bank having admitted receiving the money and having pleaded payment, the burden was upon it to prove this fact."

The question in dispute was one of fact "and there is sufficient evidence in the record to support the verdict of the jury [against the bank], and in fact the evidence on behalf of the plaintiff was positive, and the evidence on behalf of the defendant was not." *People's Nat. Bank of Kingfisher v. Rickords*, 204 Pac. (Okla.) 130.

SUBROGATION ON LOAN OF MONEY TO PAY BONDS—UNITED STATES

A corporation having outstanding a bond issue of \$60,000, payable in instalments, obtained a loan for the payment of interest coupons and six bonds then becoming due. The corporation gave to the lender its promissory note and agreed that the note was to be secured by bonds of a new issue, the purpose of which was to refund the earlier issue and to pay off unsecured creditors. The new mortgage was executed and delivered to the lender, together with bonds issued under the new mortgage to secure the loan made by him. Through oversight, the new mortgage was never recorded.

In bankruptcy proceedings against the borrowing corporation it was held that the lender's failure to record the mortgages left the new bonds without any security. The lender might have obtained a lien on a parity with the holders of the first mortgage bonds and interest coupons had he taken an assignment of the bonds and coupons or obtained an agreement that he should have a lien similar to the lien of the holders of the bonds and coupons. His acceptance, however, of the second mortgage bonds was inconsistent with any claim to subrogation to the rights of the holders of the first mortgage bonds and coupons. *In re Rogers Palace Laundry Co.*, 275 Fed. 829.

BANK EMPLOYEES—UNLAWFUL ACTS OF—NEW JERSEY

The complainant had a large deposit in a trust company of which he lost all recollection, resulting from a mental condition caused by illness. An officer or head of a department of the trust company having charge of the depositor's accounts, knowing of complainant's abnormal condition, and concealing his relation to the trust company, induced the complainant to contract with and pay him a large part of, the deposit, nearly one-half, to reveal its location. When the depositor learned the facts he filed a bill in equity to compel the party to restore the fund.

Held, that under the circumstances the defendant had, by superior knowledge and artful silence, obtained an unfair advantage over the complainant, whose men-

tality was, to the knowledge of the defendant, abnormal, and that the defendant's acts were constructively fraudulent, and that equity has the power to give affirmative relief from such a bargain and to compel restitution. *Gierth v. Fidelity Tr. Co.*, 115 A. 397.

LIABILITY FOR OVERDRAFTS—LOUISIANA

In a suit by the liquidators of a bank against the cashier and the surety on his bond, the obligation of which is to pay the bank "such pecuniary loss, not exceeding \$10,000 as said employer shall have sustained by any act of fraud, dishonesty, forgery, theft, embezzlement, wrongful abstraction, or misapplication on the part of said employee directly or through connivance with others," the use of the words "wrongful abstraction or misapplication, in the absence of 'wilfully,'" and

"with intent to injure or defraud," have the effect of extending the protection of the bond to cases in which losses are inflicted on the employer by the wrongful misapplication of its assets on the part of the employee, whether with criminal intent or otherwise, and there may be a recovery though the employer disclaims the intention of charging the employee with a crime.

Where the authority of a cashier to allow overdrafts and cash items is not conferred by the board of directors of a bank in specific terms, but is deduced from long usage, evidenced by the practice of the cashier, acquiesced in by the board, the measure of such authority, for the purposes of an action on the cashier's bond, is determined by the extent, conditions, and period to, under, and during which it was exercised. The board will

not, in such case, be held to have acquiesced in that of which it was ignorant, or which had not happened. *Bank of Jeanerette v. Druilhet*, Sup. Ct. of La. 89 S. 674.

VOLUNTEER STOCKHOLDER'S SUIT—MINNESOTA

An action against trustees of a corporation to compel a restoration of profits claimed to have been wrongfully appropriated to their use, brought by a volunteer stockholder after refusal of the corporation to bring it, is in legal effect a suit by the corporation, though under the control of the stockholder. The stockholder in such a suit is without authority to bind the corporation for the cost and expense thereof in the event the suit fails of its purpose. *Erikson v. Boyum*, 184 N. W. 961.

What Are Your Deposits Worth?

By DALE GRAHAM

Mississippi Valley Trust Company, St. Louis

OCCASIONALLY the question arises as to which is most profitable, savings deposits with high interest and slight activity, bank deposits with lower interest and greater clerical requirements, or commercial deposits with still lower interest and an enormous amount of overhead. It doubtless has been answered all three ways. And it is conceivable, answered correctly, for circumstances vary greatly among cities and banks.

It is quite possible for any institution to ascertain which class of deposits yields the greatest net income. The result of the calculations need not be accepted merely as interesting information, but also as a guiding factor in planning a new business program.

The Net Rate of Return

Before drawing any comparison it is essential to determine the net rate of interest return on loans and investments. The average gross rate will not suffice, as there arises considerable expense in connection with placing funds so as to insure safety of principal and satisfactory earnings. These consist principally of loaning officers' salaries, clerk hire, general overhead in the discount department, and taxes. The amount of executive officers' salaries chargeable to loans must be based on the percentage of time such

officials devote to lending the bank's money. The item of clerk hire in the discount department is easily obtained. If a system of distributing expenses is in practice, the other overhead charges are also easily available; otherwise they must be estimated as accurately as possible.

Taxes present the most difficult problem. Corporation and general taxes may be charged as an expense of doing business. They may be distributed to the various departments and divisions according to the volume of business done by each, or, on the theory that they have to be paid whether any business is transacted or not, may be ignored. However, income taxes are based on earnings, and are therefore chargeable as a loaning expense. They are paid, of course, on net income. Since income from loans represents gross earnings, it is necessary to establish the relation of taxes to gross profits. This may be done with sufficient accuracy by (first) dividing the amount of taxes for the previous year by the amount of net earnings on which such taxes were paid, in order to arrive at the actual net rate (this is important because of the graduations); (second), by finding the amount paid on the net profits of the banking department by multiplying the amount of such profits for the same year by

the net tax rate just determined, and (third) dividing the amount by the gross earnings of the banking department to produce the relation of taxes to gross profits.

Thus, if the amount of taxes paid was \$60,000 and the net earnings of the entire institution were \$1,200,000, the net rate paid would be 5 per cent. If the net earnings of the banking department were \$800,000, the taxes paid thereon would be \$40,000. If the gross earnings of the banking department were \$1,250,000, we should divide \$40,000 by \$1,250,000 and obtain 3.2 per cent., the tax rate based on the gross profits.

Let us assume the average loans of the bank to be \$20,000,000 and the gross rate of interest return 6 per cent. Let us also use for the purpose of illustration the following fictitious operating expenses. The calculation of the net loaning rate will be as follows:

Average loans for month....	\$20,000,000	
Would earn at 6 per cent.....	100,000	
Deduct expenses:		
Executives' salaries..	\$7,000	
Clerk hire and overhead	2,500	
Rent	110	
Light and heat.....	30	
Taxes (3.2 per cent.)	3,200	12,840
Net earnings on loans....	\$87,160	
Rate of return per month (\$87,160 ÷ \$20,000,000), 435 per cent.; per annum,		5.23 per cent.

The average loans for a given period, and any other averages of deposits, etc., used hereafter may be obtained by running off the figures of the daily statement and dividing by the number of days.

The Savings Department

Having learned the net rate of interest realized on loans, we have remaining, preparatory to making the analysis, the task of compiling the expenses chargeable to each class of business. As in the case of the loaning expenses, the operation costs of the three departments are more easily determined if a system of expense distribution is in effect, but in the absence of such they may be carefully estimated.

The following is an exemplary analysis of a savings department. Let it be said in the beginning that all figures are purely fictitious and that the results shown do not purport to have any significance:

Expenses:	
Officers' salaries	\$850
Employees' salaries ..	1,500
Rent	570
Light and heat.....	85
Group insurance, surety bonds	40
Depreciation, furniture and fixtures	50
Stationery and supplies	200
Advertising	2,000
Telephone rent	25
Janitor service	225
General	75
	<u>\$5,620</u>

Average total of savings deposit balances	\$7,500,000
Less: 3 per cent. legal reserve	\$225,000
1 per cent. cash reserve	75,000
	<u>300,000</u>

Loanable balance of savings deposits	\$7,200,000
Earnings on above amount for one month at 5.23 per cent..	\$31,380
Less: Actual interest paid, 2.75 per cent. ..	\$17,187
Expenses as above..	5,620
	<u>22,807</u>

Earnings of savings department for month.....	\$8,573
1/5 of earnings on borrowing customers' accounts	850
	<u>\$9,423</u>

Rate of net income on savings deposits, .125 per cent. per month; 1.5 per cent. per annum.

If the advertising expense continues over a period of months or years at about the same figure, it is probably correct to include it in the analysis. Although the amount ex-

pected currently may be an investment in future business, this charge can be considered as representing a similar amount spent far enough back as to have had its opportunity to bring results.

It will be noted that credit is given for one-fifth of the profits on borrowing customers' accounts. The justification is this: Most commercial banks require borrowing customers to maintain commensurate balances, usually 20 per cent. of the lines of credit. They usually do not get the 20 per cent., but the fact is that, by reason of this practice, the commercial account department's balances are increased as the bank's ability to loan increases. Therefore, if the savings department furnishes one-fifth of the institution's loanable capital it is entitled to credit for the profits on the accounts so procured. Of course, this is contingent upon their being analyzed.

The practice of penalizing savings customers who make withdrawals between interest periods by forfeiting their right to interest on the sums withdrawn results in the actual rate paid being less than the advertised rate. In the analysis the actual rate for the previous term is sufficiently accurate. It must serve as there are no other figures to be used.

Commercial Accounts

Below is an analysis of commercial deposits. In order to make the same complete it is necessary either actually to count or otherwise estimate the number of transit and clearing house items which originate from commercial depositors. These should be charged for at the prevailing item cost as determined by an analysis of the transit and clearing house departments.

State Vice-Presidents for National Bank Division

State vice-presidents for the national bank division, chosen by their national bank colleagues attending the conventions of the several state associations, will enter upon their duties, at the time of the annual convention of the American Bankers Association, next October.

Vice-Presidents selected and reported since the last annual convention are as follows:

Arkansas—J. A. Abernathy, vice-president, First National Bank, Fordyce.

Expenses, same general classifications as used in savings analysis, aggregate	\$6,986
Entire salaries of individual bookkeepers, current account tellers, and others engaged in clerical work occasioned by commercial account activity	3,300
Transit items from commercial depositors, 36,000 at 2 cents...	720
Clearing House Items from commercial depositors, 50,000 at 1 cent	500
	<u>\$11,506</u>

Average commercial account deposits for month.....	\$15,000,000
Less: 13 per cent. (or 10 per cent. or 7 per cent.) legal reserve	\$1,950,000
3 per cent. reserve in cash	450,000
1 per cent. kept with corresp'd'ts..	150,000
	<u>2,550,000</u>

Loanable balance of commercial accounts	\$12,450,000
Would earn at 5.23 per cent. per annum	\$54,261
Less: Interest actually paid	\$14,000
Expenses as above	11,506
	<u>25,506</u>

Net incomes from loaning commercial account deposits \$28,755
Rate of net income, .191 per cent. for month; 2.29 per cent. per annum.

Of course, if the analyzing bank saw fit to credit the savings department for its share of the earnings on borrowing customers' accounts, that amount and a proportionate amount credited other classes of deposits should be deducted from the net income of commercial accounts before the net rate of return is calculated.

It is unnecessary to reproduce an analysis of bank deposits. The same form as used in analyzing commercial deposits may be applied. Of course, there are several additional items of expense, such as traveling, telegrams, etc., which should not be overlooked.

Florida—Charles A. Faircloth, president First National Bank, Tampa.

Louisiana—Frank Roberts, president Calcasieu National Bank of S. W. La., Lake Charles.

New Hampshire—E. N. Pearson, president First National Bank, Concord.

North Carolina—J. L. Little, president National Bank of Greenville, Greenville.

Tennessee—Wesley Drane, chairman of the board First National Bank, Clarksville.

Rhode Island—S. P. Cook, president Producers National Bank, Woonsocket.

New Banks Organized

ALABAMA

Birmingham—Federated Bank and Trust Company.
Gadsden—Gadsden Loan and Savings Bank. Capital, \$50,000.

ARIZONA

Holbrook—The First National Bank. Capital, \$25,000. President, D. J. Thomas; cashier, Wm. R. Scorse.

CALIFORNIA

Los Angeles—Central Commercial and Savings Bank. Capital, \$100,000.
Santa Monica—Santa Monica Savings Bank. Capital, \$50,000.
Walnut Park—Walnut Park Bank. Capital, \$50,000.
Santa Rosa—The American National Bank. Capital, \$100,000. President, Leon L. Herrick; cashier, Joseph G. Morrow.

DISTRICT OF COLUMBIA

Washington—The Hamilton National Bank. Capital, \$200,000. President, Milton E. Ailes; cashier, H. G. Hoskinson.

FLORIDA

Citra—State Bank of Citra. Capital, \$15,000. President, R. K. Wartman; cashier, S. A. Graves.
Zolf Springs—Citizens Bank of Zolf. Capital, \$15,000. President, John Collier; cashier, Florence H. Crews.

GEORGIA

Atlanta—Georgia State Bank.
Waycross—Merchants and Mechanics Bank.

ILLINOIS

Chicago—Prairie State Bank. Capital, \$100,000. President, Ernest B. Tomlinson; cashier, Arvin L. Peterson.
Chicago—Amalgamated Bank and Trust Company. Capital, \$200,000.

INDIANA

Gary—Washington Trust Company. Capital, \$100,000.
Indianapolis—Tuxedo State Bank. Capital, \$25,000. President, Ephraim O'Hara; cashier, Ray E. Casteller.
Rockville—Parke State Bank. Capital, \$75,000.

IOWA

Cedar Rapids—United States Bank. Capital, \$50,000.
Massena—Massena State Bank.
McCune—The First National Bank. Capital, \$25,000. President, O. P. Turkington; cashier, E. F. James.

KANSAS

Topeka—Fidelity Savings State Bank. Capital, \$200,000. President, J. H. Collingwood; cashier, R. E. Frost.

KENTUCKY

Creeshoro—Bank of Creeshoro. Capital, \$15,000.
Wallins Creek—The Wallins National Bank. Capital, \$25,000. President, Abner Lunsford; cashier, Walter R. Barber.

LOUISIANA

Leesville—Exchange State Bank. Capital, \$25,000. President, E. W. Wise; cashier, J. N. Greening.

MARYLAND

Baltimore—Citizens Savings Bank. President, J. H. McGill.

MICHIGAN

Lansing—City Savings Bank. Capital, \$200,000.
Lansing—Peoples State Bank. Capital, \$100,000.
New Baltimore—Citizens State Bank. Capital, \$25,000.
Vernon—Vernon State Bank. President, Wm. P. Stranch; cashier, Frank S. Hardy.

MINNESOTA

St. Paul—Phalen Park State Bank. Capital, \$25,000.

MISSISSIPPI

Crystal Springs—Peoples Bank. Capital, \$25,000. President, W. B. McCuney; cashier, Randolph Peets.

MISSOURI

Hale, Carroll County—State Bank of Hale. Capital, \$25,000.

MONTANA

Great Falls—Union Savings Bank. Capital, \$100,000.
Miles City—Workers Bank.

NEW JERSEY

Park Ridge—The First National Bank. Capital, \$25,000. President, J. V. D. Hyde; cashier, W. H. Devlin.
Passaic—Passaic National Bank and Trust Company. Capital, \$650,000. President, R. J. Scoles; cashier, W. B. Magee.

NEW YORK

Seacliff—State Bank. Capital, \$50,000. Cashier, Julius K. Roach.

NORTH CAROLINA

Oxford—Planters Bank. Capital, \$50,000.

OHIO

Bellaire—Union Savings Bank. Capital, \$100,000.
Delphos—The Old National Bank. Capital, \$75,000. President, H. L. Leilich; cashier, W. J. Steinkle.
Jamestown—Farmers and Traders Bank. Capital, \$50,000.
Port Clinton—Magruder Commercial and Savings Bank. Capital, \$50,000.
Sandusky—Commercial Bank and Trust Company. Capital, \$200,000.

OKLAHOMA

Beggs—The American National Bank. Capital, \$50,000. President, James B. Kelly; cashier, E. G. Kelly.
Bryant—First State Bank. Capital, \$12,500. President, C. Herrin; cashier, Logan Campbell.
Calumet—The First National Bank. Capital, \$25,000. President, Leslie Thompson; cashier, Maurice E. Thompson.
Custer City—The Peoples National Bank. Capital, \$25,000. President, Ed. Evans; cashier, E. B. Wilson.
Marland—Marland State Bank. Capital, \$10,000. President, Wm. Collier; cashier, C. S. Foulds.

Mill Creek—Mill Creek National Bank. Capital, \$25,000. President, J. E. Hood; cashier, G. T. Webber.

Morris—Peoples State Bank. Capital, \$25,000. President, W. T. Wisdom; cashier, H. L. Wood.

OREGON

Grand Ronde—Bank of Grande Ronde. Capital, \$16,000. President, Clarence Butt; cashier, H. W. Ticknor.
Mount Angel—The First National Bank. Capital, \$30,000. President, Robert J. Welton; cashier, N. M. Lauby.

PENNSYLVANIA

Centre Hall—The First National Bank. Capital, \$25,000. President, Daniel Daup; cashier, H. Leigh Ebright.
Conneautville—First National Bank. Capital, \$50,000. President, C. H. Thompson; cashier, W. A. Coulter.
Glenside—Glenside Trust Company. Capital, \$250,000.
New Salem—Miners State Bank. Capital, \$25,000.
Noxen—Farmers Bank.
Penbrook—The National Bank. Capital, \$25,000. President, H. S. Plank; cashier, R. H. Gish.
Port Carbon—Port Carbon State Bank.
Warren—Savings and Loan Bank.

TENNESSEE

Bristol—City Bank. Capital, \$50,000. President, W. D. Lyon.
Monterey—Union Bank and Trust Company. Capital, \$40,000. President, John W. Welch; cashier, J. P. Welch.

TEXAS

Beaumont—The City National Bank. Capital, \$100,000. President, I. R. Bordages; cashier, G. H. Petkovsek.
Bullard—Guaranty State Bank. Capital, \$10,000. President, Hugh J. McCarrall; cashier, J. R. McCarrall.
Cleburne—Guaranty State Bank. Capital, \$100,000. President, R. B. Calswell; cashier, F. H. Barlow.
Dallas—The Republic National Bank. Capital, \$1,000,000. President, W. O. Connor; cashier, Rupert Eldridge.
Kenedy—The Nichols National Bank. Capital, \$60,000. President, J. M. Nichols; cashier, H. W. McGoldrick.
Mexia—The Prendergast-Smith National Bank. Capital, \$100,000. President, Jack Womack; cashier, B. S. Smith.
Ranger—Ranger State Bank. Capital, \$75,000. President, H. M. Newham; cashier, J. M. Dodson.
Southmayd—Security State Bank. Capital, \$10,000. President, Mike Holliday; cashier, I. M. Brewer.

WISCONSIN

Cudahy—Cudahy Mutual Savings Bank.

WASHINGTON

Palouse—The Security National Bank. Capital, \$50,000. President, J. K. McCornack; cashier, M. D. McPherson.

VIRGINIA

Victoria—The National Bank of Victoria. Capital, \$25,000. President, J. W. Fowlkes; cashier, L. D. Hatch.

"Bank Extension" Among Women

By KEY KAMMACK

Assistant Secretary of the New York Trust Company

FOR the last three years the New York Trust Company has been quietly engaged in a constructive work termed, quite properly, "Bank Extension," which might well be taken up by many other banks in the same spirit of public service to the communities in which they operate.

This bank extension consists of talks, either single or in series, explaining in "lay" language the interesting and too little comprehended functions and services of banks and trust companies, thereby strengthening and promoting the relations of such organizations with the public. Otherwise intelligent people have too frequently a profound ignorance, or worse—an erroneous knowledge—of banking, trusts, the purpose and scope of the Federal reserve system and investment in general.

This should not be surprising, as in past years little real education has been attempted except with those intending to specialize in such work. In consequence, frequent conversational terms, newspaper references and items, magazine articles, etc., have neither meaning nor interest to many who, had they but a little primary instruction, would have their horizon greatly broadened.

Having entered banking life only four years ago, after the assimilation of considerable non-banking knowledge, I realize that women can be highly intelligent yet quite ignorant of financial affairs; often they are handicapped by the assumption on the part of speakers and writers that they possess simple basic information.

Taking for granted that they know as little as she did, the writer acts as liaison-officer and translates the technical terms of finance into familiar language, such as that speculation is not merely a matter of buying upon margin; that purchases should be carefully investigated; and audiences are told where and how information may be obtained; and all are encouraged to

apply to their banks for full investment service.

Women as independent agents, as potential and as present investors are an ever-increasing class. Without instruction and without guidance they are falling into the hands of unscrupulous brokers and "Arabian Night" swindlers, who paint for them transcendent dividends of 50 to 60 per cent., or capital increases of many times the amount invested. The gold that should be used in sound enterprise, profitable to investor and community, is not merely trickling into, but absolutely flooding, the pockets of the specious adviser. This is a distinct loss to enterprises worthy of the money, as well as to the unfortunate victims. It is a loss which could not occur were a program of education entered upon by all banking institutions.

Bank extension talks are given in schools, to individuals, in clubs, at the Company's offices, at dinners and other gatherings. In addition, there are talks upon income management and the handling of personal allowances, both by adults and by juniors, discussing individual problems with those who request this free service and compiling with them a budget applicable to their particular case, a budget which varies according to income, method of life, location and numbers in the family.

The lapse of the American home from its proud position of four generations ago as an economic center accounts in great degree for present unsettled social conditions. While it is neither practicable nor desirable that this generation return to the primitive though complete functioning of that era, in which the mistress, the maids and even the smallest child shared in the necessary labor, it is not only desirable but imperative that the American home should be reinstated as an economic center, in which the responsibility of each to all is clearly understood.

This means a tremendous *volte-face* for us as a nation—for women

and children in our leisure classes, and not infrequently in our upper working classes, have a pampered indulgence of which little is expected. When we speak of cooperation it is too often as something vague and experimental—outside the home. But it is in the home that cooperation should strike its firmest root. No single member of the family should shoulder sole financial responsibility. It should be redistributed to include even the small children. Interdependence and responsibility are powerful ligatures of family life. Their slackness is largely responsible for those home disintegrations of which such deplorable accounts are given.

Restimulation of these qualities seems at first glance alien to banking work — yet it is just that amongst other things to which the Company is lending aid. And the more one considers it, the more logical does it appear that banks—family banks—not the great busy commercial institutions of crowded sections of the city—but their up-town offices in the residential quarters, should offer a constructive service of instruction covering all points connected with money, its use, its care, its investment, even its opportunities for human helpfulness. From whom else can this instruction come so well or so authoritatively? What other source could obtain such respectful attention?

Major Fred. W. Hyde

From Jamestown, N. Y., comes the announcement that Major Fred. W. Hyde has returned to the banking world which he left some years ago to engage in other business. He has just been chosen cashier of the Liberty National Bank, Jamestown.

Major Hyde assisted in organizing the National Bank Division of the American Bankers Association in 1915. He was the first president of the division and his work in shaping its policies has left its lasting impress. In January, 1919, he accepted the secretaryship of the division and ably and satisfactorily conducted the duties of that office until his retirement, June 30, 1920, to become treasurer of his home city.



TRUST COMPANY DIVISION



Delivering the Goods

THE National Publicity Campaign, now in its second year of operation, has become an important factor in the advertising and new business plans of trust companies that are members of the American Bankers Association. The continual increase in the number of trust companies subscribing to this campaign is indicative of the fact that these companies generally are coming to a realization of the benefits to be derived from cooperative effort. The advertisements which have appeared in the national media have had as their objective the education of and creation of interest in the functions of trust companies, on the part of the public.

As a result of this national advertising, subscribers are receiving many requests for information pertaining to the operation of their companies. At the New York office thousands of requests have been received for a copy of the

booklet, "Safeguarding Your Family's Future," and for general information on fiduciary matters. Subscribers have been advised of all requests received at the New York office in order that they may intensively follow-up these trust prospects. That these inquiries are resulting in new business to subscribers is brought out by the many testimonials received.

The advertising matter contained in the monthly bulletins issued to subscribers is intended mainly as suggested matter to be adapted to fit local requirements. The bulletins published for this year have been composed of a number of suggested form letters and mailing pieces, as well as thirty-six advertisements covering many phases of trust company operation.

The booklet, "Safeguarding Your Family's Future," has had a large distribution and has resulted in much new business for subscribers. As a number

of subscribers have written, "we consider the booklet to be of great value in informing the public about the functions of trust companies."

The leaflet, "Your Wife and Your Insurance," which has been distributed by subscribers, is a timely piece of literature. It is based on a recent newspaper account of the losses suffered by women through the operations of a swindler. Through misrepresentations these women were deprived of the insurance money which had been left to them. The leaflet describes how insurance money left for the benefit of persons unfamiliar with business and financial affairs can be safeguarded against loss through an "Insurance Trust." It has attracted much favorable comment among trust companies.

Many letters have been received from subscribing companies commending the work of the committee and showing

The collage displays a variety of printed materials provided to subscribers. At the top, several 'Publicity Bulletin' covers are shown, each with a different title and illustration. Below these are numerous individual articles and advertisements, many featuring small illustrations and graphics. The articles include:

- Publicity Bulletin** (multiple covers)
- The Trust Company Idea—A Hundred Years Old**
- The Importance of Keeping At It**
- Protecting the Individual Through Educational Advertising**
- Enlisting the Aid of Word-of-Mouth Advertising**
- Summer Advertising Opportunities**
- When the Box Was Opened**
- Her Future**
- What if—?**
- Looking Forward and Backward**
- The care of your securities while you are away**
- Your Wife and Your Insurance**
- Safeguarding Your Family's Future**
- The Problem of Mr. B.**
- Are You Sure They Will Not Swindle You?**
- Interesting Examples of Adaptation**
- Window Displays**
- Solving Their Problems**
- A Plain Business Matter**
- Looking Forward and Backward** (with illustration of a man and woman)
- A Century of Tested Service** (with illustration of a man and woman)
- 'After Eight Years'** (with illustration of a man and woman)
- 'A House Divided'** (with illustration of a man and woman)
- Your Wife and Your Estate** (with illustration of a man and woman)
- Why the Judge Named a Trust Company** (with illustration of a man and woman)

Each article typically includes a title, a small illustration, and several paragraphs of text. The 'Publicity Bulletin' covers also feature titles and brief descriptions of their contents.

An exhibit of some of the printed matter furnished to Trust Companies that are subscribers to the National Publicity Campaign

many reactions and new business obtained. The following extracts show the general feeling of subscribers as to the value of this campaign.

"Glad to advise that Mr. John Doe, whose name was sent us, has this day placed in our vault, his last will and testament in which he names this company as executor and trustee of a considerable estate. A few of the other prospects mailed to us are about to follow in the footsteps of Mr. Doe."

"We are glad to say that the campaign has stimulated our trust business, and we know of quite a number of definite appointments which we have received as a result of the campaign."

"We are glad to say that this campaign seems to be causing a surprising number of inquiries from our locality. It is indeed effective, and we for our part feel that the money is very well spent."

"Believe this campaign is awakening a new interest in the services of our trust company and this belief is confirmed by the increased number of inquiries that are being received."

"Our direct inquiries and the names of individuals sent us by your office have greatly increased in volume; we feel that it is an en-

couraging sign of interest in the whole subject of trust service."

"The advertisements furnished in the monthly bulletins are attracting considerable attention."

"You can hardly appreciate how valuable and beneficial the work is to the small trust companies as we are not large enough to hire an advertiser."

"We found this booklet helpful in many ways. It proves an incentive for creating inquiries."

During recent years the trust company idea has come into its own and has filled a much needed place in public life, yet it is a regrettable fact that more heads of families do not know the advantages of trust company administration in estate matters. Through the cooperative advertising efforts of trust companies, much is being accomplished toward eliminating the suffering and losses caused by ignorance concerning the part which the modern trust company plays in the protection of the family in estate matters.

Committee on Research

At the meeting of the executive committee, Trust Company Division, held at White Sulphur Springs last month, a sub-committee on research was authorized. Chairman Woollen announces the personnel of the committee as follows:

L. H. Roseberry, vice-president Security Trust and Savings Bank, Los Angeles, Calif. (chairman).

Uzal H. McCarter, president Fidelity Union Trust Company, Newark, New Jersey.

Frank W. Blair, president Union Trust Company, Detroit, Mich.

An outline of the work of this committee will be announced in an early issue of the JOURNAL, as well as through special communications to members.

Ford's Offer Would Cost Government \$1,435,900,000

ACCEPTANCE of Henry Ford's offer to lease the Muscle Shoals, Ala., power plant would cost the government during the lease period \$1,435,900,000.00, according to estimates made by Col. Hugh Cooper, of Stamford, Conn., an expert on water power.

This conclusion was attached to an analysis which was read by Col. Cooper to the Senate Committee on Agriculture.

The expert set down the following bases taken from the formal contract proposed by Mr. Ford and from the cost of construction and carrying charges as estimated by the chief of engineers:

"Basis (A). That Mr. Ford's 4 per cent. interest payments specified in paragraph 3 of his contract for Dam No. 2, will apply to \$50,175,000.00, January 1, 1931."

"In other words, when he begins his full 4 per cent interest payment with respect to Dam. No. 2, the government will have spent \$50,175,000.

"This \$50,175,000 is arrived at as follows:

Cost to date of Dam No. 2.....	\$17,000,000
Net accrued interest before full 4 per cent. payments begin.....	8,175,000
Cost to complete Dam No. 2.....	25,000,000
Total.....	\$50,175,000

"Basis (B). That this 4 per cent. interest (2 per cent. payable semi-annually) on \$50,175,000.00 will run until January 1, 2025.

"Basis (C). That beginning January 1, 1932, Mr. Ford will pay annually into the Treasury of the United States, account Dam No. 2, \$1,000,000.00 (4 per cent. annually on \$25,000,000.00).

"Using the above basis for calculation, I have assumed that the \$50,175,000 principal as of January 1, 1931, and the interest thereon, thereafter compounded at the rate of 4 per cent., (semi-annual payments of 2 per cent.) would be credited by the \$1,000,000.00 annual payments made to the government as and when

they were made under the proposed contract. This method of crediting the payments direct to the account they are indebted to, avoids the necessity of assuming that the government would turn around and loan this money at 4 per cent.

"The above four assumptions make a total unpaid cost of Dam No. 2 at the end of the lease period, which is January 1, 2025, of \$1,076,800.00.

"Dam No. 3.—Basis (A). Mr. Ford's 4 per cent. interest payment specified in paragraph 7 of his contract for Dam No. 3 will apply to \$33,000,000.00 January 1, 1931. This \$33,000,000.00 is arrived at as follows:

Cost to build Dam No. 3.....	\$25,000,000
Overflown lands.....	2,331,000
New accrued interest before full 4 per cent. payments begin.....	5,669,000
Total.....	\$33,000,000

"Basis (B). That this 4 per cent. interest (2 per cent. payable semi-annually) on \$33,000,000.00 will run until January 1, 2028.

"Basis (C). That beginning January 1, 1932, Mr. Ford will pay annually into the Treasury of the United States, account Dam. No. 3, \$1,000,000.00 (4 per cent. annually on \$25,000,000.00).

"Using the above basis for calculations, I have assumed that the \$33,000,000.00 principal as of January 1, 1931, and the interest thereon, thereafter compounded at the rate of 4 per cent. (semi-annual payments of 2 per cent. would be credited by the \$1,000,000.00 annual payments made to the government as and when they were made under the proposed contract.

"The above four assumptions make a total unpaid cost of Dam No. 3 at the end of the lease period, which is January 1, 2028, of \$409,100,000.00.

"The treasury account against Dam. No. 2 will show a deficit at the end of the lease period of \$1,076,800,000.00. With

reference to Dam. No. 3, the deficit will be \$409,100,000.00, making a total treasury deficit at the end of the lease period, after crediting all of Mr. Ford's payments of \$1,485,900,000.00.

"During the lease period, there is to be in operation two amortization funds as follows: For Dam No. 2, \$19,868.00; for Dam No. 3, \$3,505.00; both payments being paid every six months, beginning with specified dates. These two sums for the lease period, if invested at the rate of 4 per cent, (2 per cent. compounded semi-annually) will return to the treasury approximately \$50,000,000.00.

"The net total deficit that the Federal Government must supply by general taxation because of the failure of Mr. Ford's payments to foot the cost to the treasury becomes \$1,485,900.00, minus \$50,000,000.00, or a net deficit in the treasury of \$1,435,900,000.00."

"In other words," said Col. Cooper, "I have assumed that the government has spent \$50,175,000 and has a man's promissory note for this \$50,175,000, and he is paying on the thing at the rate of \$1,000,000 a year. If we take the \$50,000,000 that you start with and pay interest on it at the rate of 4 per cent. semi-annually, and credit that account a million dollars a year as he paid it, you will eventually, on both these assumptions, get the gross figure I have included, which is \$1,435,900,000."

J. Homer Platten, of the American Exchange National Bank, was elected assistant treasurer of the Motion Pictures Producers and Distributors of America, Inc., of which Ex-Postmaster General Hays is president. Ralph Hayes, assistant to the president of the Cleveland Trust Co., has been loaned by the Trust Company to the cause of good pictures at the request of President Hays.



SAVINGS BANK DIVISION



School Savings Data

BLANKS are in the hands of over 700 banks and school officials for their annual report to the Savings Bank Division on school savings banking work in their several cities and towns. The returns are to be at hand not later than July 1 for a tabulation which should be completed for publication early in August.

Each such blank was accompanied by a reprint of a few of the many editorials which were prompted by our announcement of the great growth in both the number of school children who are benefiting by this educational project and the remarkable increase in their savings. Copies of this pamphlet are available to those who inquire for "School Children and Savings."

Member banks that have not received our statistical and other material on school savings banking projects can still be supplied upon application.

National Thrift Bond Corporation

The following plan for the redemption of obligations of the National Thrift Bond Corporation has been effected through the efforts of the Banking Department of the State of New York and the cooperation of various persons interested in the National Thrift Bond Corporation, the Greater New York Savings Bank, the Equitable Trust Company of New York and the Bank of the Manhattan Company of New York, and with proper court authority:

"The governmental obligations held by the Equitable Trust Company of New York as trustee back of the various thrift securities already issued, are to be sold by the Equitable Trust Company of New York, and these proceeds together with contributions by the Greater New York Savings Bank, and from a fund voluntarily contributed by those interested in the National Thrift Bond Corporation to the Equitable Trust Company of New York, will be sufficient to pay the face value of these thrift securities.

"Under this plan, after the notice of the sale of the governmental obligations has been given, the holders of thrift securities are to present those securities to the Greater New York Savings Bank, at No. 451 Fifth Avenue, Brooklyn, N. Y., which will redeem such securities at their face value. The contract also provides for the continuation of the protected thrift plan by such subscribers as desire to continue their payments, and, upon the expiration of the five years' period, to receive in full the amount contemplated in such plan.

"Six months' time is allowed for the presentation of the thrift securities to the Greater New York Savings Bank for redemption at their face value.

"After the expiration of the six

months' period, the holders of thrift bonds may redeem the same at the Equitable Trust Company of New York, 37 Wall Street, but in that event will receive only the pro rata share of the proceeds of the governmental obligations.

"After the expiration of the six months' period, thrift bond certificates may be redeemed at The Bank of the Manhattan Company for the pro rata share of the proceeds of the governmental obligations.

"All thrift receipts may be redeemed after the expiration of the six months and up to December 1, 1922, at The

Bank of the Manhattan Company for the pro rata share of the proceeds of the governmental obligations.

"Subscribers to the protected thrift plan have the option of receiving the redemption value of their payments in cash, suffering no greater loss than that provided for in the contract in case of a discontinuance of payments, by presenting their claim at the Greater New York Savings Bank within the six months, or, if such subscribers elect to continue their protected thrift contract, they are to receive credit for the redemption value of payments already made, such credit to be entered in a pass book issued by the Greater New York Savings Bank, and they may then continue their periodic payments by depositing same with the savings bank; and at the expiration of their contracts they will receive at the Greater New York Savings Bank the full amount of their contracts.

"All the insurance policies which have been taken out in connection with the protected thrift plan will be transferred to the subscribers and from thenceforth the subscriber has the option of himself paying the premium, and the amount of any premiums so paid will be added to the face amount of the contract; or he may allow his policy to lapse.

"All moneys which have been paid by subscribers to the Superintendent of Banks since August 1, 1921, will be returned to such subscribers by the Superintendent of Banks directly that the Superintendent of Banks has been authorized by the court to execute the contract.

"Any holder of a thrift bond may retain it to its maturity, and the coupons will be paid as they mature, and the bond at its maturity will be paid by The Equitable Trust Company of New York."

Contract Loan Companies

The bank commissioner of Arkansas recently denied a license to a contract loan company organized as a Massachusetts Trust. The rate of interest at which it professed to lend money was 3 per cent, and the company guaranteed to each contract holder a bonus of \$150 upon maturity of contract.

The license was denied upon the grounds that (1) the contract was insolvent; (2) that the company's plan of operation was mathematically unsound; (3) that the company's method of transacting business constituted the operation of a lottery scheme; and (4) that the form under which the company proposed to transact business was contrary to public policy.

Each of these reasons has been sustained by the court to which the company applied for relief.

The court noted such points as that the plan offered no advantage to an investor who ordinarily must pay in more than half of his loan before the loan is

Savings Bank Division's

Monthly Business Text

III. Every bank officer and employee should have a savings account.

Aim: To bring home to those who are or are to be the chief exponents of thrift the practical advantages of the savings account and of systematic depositing.

Plan: Select either or both the voluntary or the standing order system. The former is similar to the war-time thrift clubs, or may also have mutual benefit features. The latter is based on pay-roll deduction, the depositor being privileged to cancel or change the order at any time.

Steps: Arrange for a depository. Banks which object to opening an account in the name of an employee may make interbranch or interbank arrangements. A thrift club may have its own account and keep its own accounts with members.

Determine any special incentive for depositors as by additional interest or special investment of funds to increase earning power.

Explain the plan in detail to all, from president to office boy. Use space in your house organ.

Organize the savers on a basis of mutual interest and enthusiasm, with the work in charge of employees having suitable ability and facilities.

Make it the most profitable and enjoyable "club" in the bank—and encourage competing banks to do likewise.

Banks having such clubs are requested to send full particulars, and to make progress reports from time to time, to the Savings Bank Division, which will gladly cooperate in all work of organization and stimulation.

granted, the bonus is a liability as there is no way whereby it can be earned, the officials of these companies seek to obtain the first contracts, the allowance for expense account may be excessive, the plan differs radically from the building and loan plan as no provision is made for investors who do not also become borrowers.

Massachusetts Banks

Advance information from the annual report on the mutual savings banks of Massachusetts for the year ending October 31, 1921, includes the following items, in millions:

Real estate loans.....	\$620
Railroad bonds.....	196
Personal loans.....	176
Bank buildings.....	10
Other real estate.....	1
Cash.....	2
In other banks.....	23
Total assets.....	1,354
Deposits.....	1,237
Guaranty funds.....	60
Profit and loss.....	40
Gross income.....	72

Operations during the year include:

16,085 realty loans.....	\$86
Deposits, number.....	4
Deposits, amount.....	\$267
Withdrawals, number.....	2
Withdrawals, amount.....	\$290
Dividends declared.....	\$53
Assets, increase.....	\$30

The total expenses for the year contained the following items:

State tax (net).....	\$1,876,518.65
Salaries.....	2,989,395.32
Rent.....	453,331.99
Advertising.....	253,434.73
Other expenses.....	993,309.58

Total..... \$6,565,990.27

Manitoba's Savings Office

The recently established savings office of the Province of Manitoba is thus described by E. A. Weir, chairman of the board of trustees, in a recent letter to this division:

"This office is the result of a peculiar set of circumstances arising from an attempt to satisfy the demand of the rural districts in this province for better credit facilities. Heretofore, up to 1918, all the short term credit was provided through the chartered banks and other regular agents, such as the machine companies, merchants, etc. In 1917 an act was passed in the Manitoba legislature to enable groups of farmers to pledge one another's credit by forming a society in which each subscribed to the amount of one share of \$100.00, 10 per cent. of which is paid. The municipality, or county, in which this society is formed, subscribes to one-half as much stock as the individual members, and the government of the province subscribes to the same amount as the municipality. One-tenth of each subscription is paid up. This forms a guarantee fund which is invested in bonds. A line of credit was, up to 1920, established at the local bank. Since April, 1921, the government has advanced such moneys.

"The rural credits act establishing this scheme, also removed, so far as its members were concerned, several exemptions

which had existed in this province,—that is, judgment might be got against a man but execution could not be secured only over and above a certain amount of personal property, in fact enough to enable him to operate a quarter section of land.

"Money was loaned to the farmer at 7 per cent., the local branch of the chartered bank getting 6 per cent.—in fact, a little more as the notes were discounted. The arrangement ran along reasonably satisfactorily until the winter of 1920 when the general spread of these societies over the province and the low interest rate caused a dispute between the banks and the government. The banks refused to lend the money any longer at 6 per cent. and demanded an increase to 6½ per cent. immediately and to 7 per cent. the next year. The statute set the rate. They also made certain other demands by way of restricting the size of loans, submitting loans to the managers, etc. Negotiations dragged along for a couple of months, and finally the session of the legislature was about to end without anything satisfactory resulting. The banks refused to grant advances to the societies and the government was put in the position of finding money to finance the operation of these societies, a good many of which were in backward homestead districts where no credit had even been found for the settlers. Such financing could, for sometime, have been done on a bond issue but as you will appreciate, such a method of financing would not be permanently advisable. An act was passed enabling the province to take savings to finance these loans.

"A board of trustees was set up May 1, 1920, offices were secured and business commenced August 10, 1920, and today we have about 10,000 accounts and nearly \$4,000,000. We are paying 4 per cent. whereas the chartered banks pay 3 per cent. We pay out withdrawals on demand although we reserve the right to thirty days' notice. We open accounts of \$1.00 and up, and to customers carrying a credit balance of \$400.00 we allow chequing privileges to the extent of five cheques per month. This has become a difficult thing to control. The Canadian banks have for so long allowed this privilege to be abused, many people regard it as a right, rather than a special favor. "The surplus money we take in is loaned to the government of the province which loans it out to the rural credit societies, but it may be invested by the board, as you will note by Sec. 4 of the

Act, in the purchase of bonds, or debentures of or guaranteed by any of the provinces, or municipal or school debentures in the province of Manitoba. These investments are approved by the government."

Government Savings System

Total sales of U. S. Treasury savings securities from July 1, 1921 to May 19, 1922 are reported in the Treasury statement of that date as amounting to \$53,680,684.07.

A government "instrumentality" security with similar tax exemptions and paying the same rate of interest (Federal farm loan bonds) was sold without expensive retail costs during the week of May 8 to the extent of \$117,000,000, the final \$42,000,000 being sold in less than one hour.

Savings and Insurance

An insurance company advises that in one bank with which it began business in the latter part of December, had actually delivered prior to April 4 of this year 130 contracts on the lives of 130 people of whom 80 already had life insurance and 50 had no life insurance of any kind. The company advises that "we feel that the results so far on the proposition are agreeable and that it is something that the public is interested in and wants."

Changes in Savings Deposits

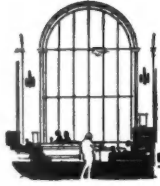
A table is given below which presents for the first time a comprehensive view of the changes in savings bank deposits in each of the Federal reserve districts and in the country as a whole, based upon reports from representative banks.

This table has been compiled by the division of analysis and research of the Federal Reserve Board, in most cases with the cooperation of Federal reserve banks. This compilation will continue from month to month and seems to render unnecessary the completion of plans by this division to prepare a similar table.

In the absence of any adequate report on the total amount of savings deposits for the entire country or even for the great majority of states, this monthly table of changes will be of great importance to all students of economic conditions and to advocates of thrift and saving.

Monthly Tendency in Savings Deposits

Federal District	Number of Banks Reporting	SAVINGS DEPOSITS		Per Cent. Increase Over Last Month	Savings Deposits May 1, 1921	Per Cent. Increase Over Last Year
		May 1, 1922	April 1, 1922			
		Millions	Millions		Millions	
No. 1	64	\$1,092	\$1,085	.06	\$1,068	2.2
No. 2	30	1,700	1,704	-.02	1,638	3.7
No. 3	79	426	426	.00	416	2.4
No. 4	18	376	374	.06	390	-3.4
No. 5	93	262	259	.09	243	7.7
No. 6	80	154	152	.08	151	1.6
No. 7	190	735	737	-.02	750	-1.6
No. 8	35	111	111	.00	104	6.1
No. 9	14	72	72	.00	70	2.8
No. 10	56	75	73	2.70	70	7.1
No. 11	117	65	65	.00	60	8.3
No. 12	74	741	743	-.02	710	4.4
Totals	850	\$5,815	\$5,806	.02	\$5,675	2.5



NATIONAL BANK DIVISION



Curbing Speculation

THOUGHFUL, conservative citizens everywhere recognize the dangers and the certain effect of wild speculation, of reckless investments. Even more alarming is the heedlessness which seems to amount to almost a studied attempt to avoid the influences of agencies which seek to protect. In the lives of persons not possessed of large means the ambition to acquire such is a common factor, and it is found frequently that the greater the domination of this rather human element the less feeble is the attempt at the exercise of sound discretion. Thus haphazard investors permit themselves to continue uninformed and subject to the constant likelihood of subscribing to unsafe ventures. Though in many instances one must determine for himself the relative merits of opportunities, he need not depend upon his own knowledge or upon his own judgment in the matter of investments, for good, wholesome, dependable advice is free. However, like numerous other things obtainable without cost, such advice is too often not accepted. All bankers advise their clients and others as well to take counsel when contemplating placement of funds, and the possible disastrous effects of unrestrained speculation are lessened considerably through the efforts made to impress upon the public the desirability and the safety of thoroughly investigating before participating.

Tests of Safety

Whether upon his own responsibility one attempts to analyze the value of proposed investments, or whether he seeks the advice of others competent to judge, there are certain principles or tests that should be applied. One recognized authority on sound finance has enumerated them as follows:

First, security of principal; second, stability of income; third, fair income return; fourth, marketability; fifth, value as collateral; sixth, tax exemption features; seventh, exemption from care; eighth, acceptable duration; ninth, acceptable denomination; tenth, potential appreciation. It would be an ideal investment which would embrace all of these attributes, and if the more important ones are entirely lacking the safe policy to pursue is to refuse to subscribe.

Concerted Action Necessary

The National Bank Division has had occasion to inquire into the nature of the steps taken in various cities and communities, by bankers and others, to foster a recognition of the advantages of conservatism and prudence in the matter of investments. The efforts of individual citizens or of individual institutions to caution the unwary against questionable

ventures seldom arouses in the public mind sufficient interest to combat the recklessness of the improvident. Something more than this is necessary. Some sort of concerted action is essential, and community movements, joined in by various local agencies, have been found much more effective.

In Warren, Pa., which place was one of the pioneers in this work, an unusual degree of success attended the efforts of the banks of the city and of the county and the chamber of commerce in their attempt to stamp out the practice of investing blindly in whatever enterprises were attractively explained. Upon its own initiative the organization made investigations of many securities offered for sale, and at the request of individuals special inquiries were made and the findings were not only made accessible to all citizens, but urged upon them. This was accompanied by various forms of advertisements in newspapers, on billboards and through the medium of circulars, and the various agencies contributing were even provided with window signs or counter signs announcing their participation in the movement which was thus vested with a sort of civic aspect, carrying a greater appeal to the citizens. In addition to the numerous methods of publicity employed, individual members of the organization made it a point to personally assist those who were known to be habitual investors in questionable enterprises. As a matter of fact, the work was confined mostly to those who were importuned to speculate, for, unlike some other cities, there was no ordinance there to give the municipality authority to determine what securities could be offered by solicitors from the outside.

The undoubted result is that vast amounts of money have been saved to the citizens and diverted into safe and useful channels. One other Pennsylvania city, in which a similar movement has been fostered by the chamber of commerce, has examined more than 500 applications from promoters and given its approval to only 1 per cent. of that number.

The Denison Bill

The aid of the Federal Government, too, would be a valuable assistance, and this is held forth as a possibility in the partial enactment of the "Blue Sky Bill" introduced by Representative Denison. The bill has passed the House and is now before the Senate. It exempts from its prohibitions certain classes of securities usually regarded as dependable and excludes such as might be designated "blue sky" promotion stocks. It has received the indorsement of the American Bankers Association.

These several community movements were inaugurated during the war when

inflation was at its highest point and when extra speculation was rampant, but have been allowed to lapse into a state of semi-dormancy in many instances. However, with the approach of a better business era and the revival of the speculative spirit there are evidences of renewed vigor in these several organizations and the possibilities and the probabilities of even greater successes are not difficult to discern.

National Bank Charters

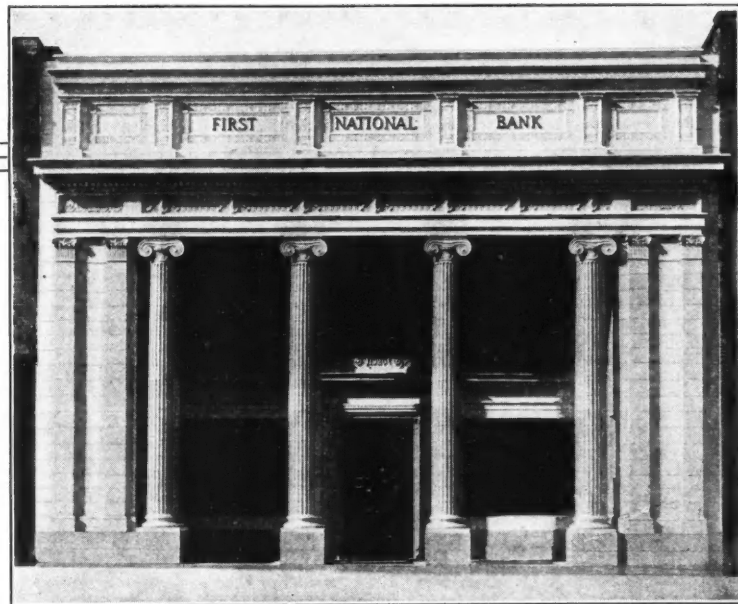
House bill No. 9527, intended to grant to national banks charters without time limit of duration, was passed by the House recently. The bill amends Section 5136 of the National Bank Act so that the paragraph therein designated "Second" shall read as follows:

"Second. To have succession until it shall be dissolved by the act of its shareholders owning two-thirds of its stock, unless its franchise shall become forfeited by reason of violation of law, or unless it shall be terminated by act of Congress hereinafter enacted.

"Sec. 2. All acts or parts of acts providing for the extension of the period of succession of national banking associations for twenty years are hereby repealed and the provisions of paragraph second of Section 5136, Revised Statutes, as herein amended shall apply to all national banking associations now organized and operating under any law of the United States."

Promptly after passing the House the bill went to the Senate, where it was referred to the Banking and Currency Committee thereof. This committee had previously reported to the Senate a bill identical with the House bill and it was placed upon the calendar. Upon receiving the House bill, however, the Senate Committee discussed it at length, amended it to provide that charters shall exist for ninety-nine years from July 1, 1922, or from date of organization if banks are chartered thereafter, and reported it favorably to the Senate with the recommendation that it be passed. Within a few days it is expected that the bill will be called up and voted upon and the favor heretofore expressed for the original bill indicates that there will be no difficulty in having the amended bill adopted. It may still be possible to have the bill carry the unlimited charters feature when it goes to the President for his signature.

The Bank of Jamestown (N. Y.) announces the promotion of Lucian J. Warren, cashier, to the position of vice-president and assistant to the president, Brewer D. Phillips, and the appointment of Fred V. Anderson as cashier to succeed Mr. Warren.



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STATE BANK DIVISION



Land Reclamation

Proposed Legislation in Congress and What Bankers Say on the Subject

IN accordance with recommendations made by President Harding and Secretary Fall of the Department of the Interior bills have been introduced in Congress to provide for the reclamation of arid and swamp lands. Under the provisions of such bills the Secretary of the Interior is authorized to investigate the feasibility of reclaiming the lands within any district in any state under contract with the district. One-half the cost of investigation shall be advanced by the district and one-half by the United States. Upon determining that reclamation is feasible, the Secretary of the Interior is authorized, under contract with the district, to construct the necessary works for the reclamation of the lands involved, and operate and maintain the same so long as such operation and maintenance are necessary, in the opinion of the Secretary of the Interior, to safeguard the interests of the government. The total cost of construction and of operation and maintenance shall be paid by the district to the United States.

Agriculture and Citizenship

Any legislation designed to promote agricultural development is of particular interest to the State Bank Division of the American Bankers Association, whose membership consists largely of institutions located in rural communities. The necessity of rural life and the cultivation of the soil, in the growth and welfare of a nation, have been often voiced by far-seeing men, and the following is a quotation from a recent article by O. C. Stine, Office of Farm Management, United States Department of Agriculture:

Webster said: "Let us never forget that the cultivation of the earth is the most important labor of man." By the demoralization of rural life Greece was deprived of the means of rejuvenating her city life. The farmers constituted the most prolific portion of her population, but the Hellenic element was almost entirely removed from the farms. In the city the population declined in virility. Polybius tells us that in his time Greece was suffering childlessness and general depopulation, the cities were becoming deserted, and the fields were not yielding, though they had known neither war nor plague. The people became greedy idlers. They did not care any longer to marry; if they did marry they did not care to bring up more than one or two children that they might inherit the individual fortune of their parents. The leading cities of Greece became absolutely dependent upon foreign supplies of food. Cato thought highly of a man engaged in commerce, but he says, "It is from the tillage of the soil that spring the best citizens and staunchest soldiers." Varro, in his introduction to a book on live stock husbandry, writes: "Those great men our ancestors did well to esteem the Romans who lived in the country above those who dwelt in town." When the barbarians from the north invaded Rome they found but a feeble resistance from the state which was dying of dry rot through the disintegration of its agricultural life. The dawn of our modern civilization came with

the revival of commerce from the surplus of the products of a reorganized agriculture. Macaulay, writing to an American correspondent fifty years ago, points out in a striking way the problems that would be faced by this country when our free land was exhausted. He says, "As long as you have a boundless extent of fertile and unoccupied land your laboring population will be found more at ease than the laboring population of the Old World; but the time will come when wages will be as low and will fluctuate as much with you as they do with us. Then your institutions will be brought to the test. Distress everywhere makes the laborers mutinous and discontented and inclines them to listen with eagerness to agitators who tell them that it is a monstrous iniquity that one man should have a million and another cannot get a full meal. The day will come when multitudes of people, none of whom has had more than half a breakfast or expects to have more than half a dinner, will choose a legislature. Is it possible to doubt what sort of legislature will be chosen? There will be, I fear, spoliation. The spoliation will increase the distress; the distress will produce fresh spoliation. Either civilization or liberty will perish. Either some Caesar or Napoleon will seize the reins of government with a strong hand, or your republic will be as fearfully plundered and laid waste by barbarians in the twentieth century as the Roman Empire in the fifth." The importance of the country as a training ground for citizens cannot be overestimated. Former President Roosevelt has said, "If there is one lesson taught by history it is that the permanent greatness of any state must ultimately depend more upon the character of its country population than upon anything else. No growth of cities, no growth of wealth, can make up for a loss in either the number or the character of the farming population." The rural birth rate of native Americans is about 40 per cent. higher than the urban. Farm people marry younger than urban people. The farm home consequently has a longer life than the city home. The family is the corner stone of civilization and on the farm the family forms a stronger unit than anywhere else. Professor Warren, of Cornell University, has well said, "No higher civilization can endure that is not based on the type of citizenship on the farms." To quote James J. Hill: "It is as clear as any future event can be that the farm is the only hope of our national salvation." Abraham Lincoln, in his address to Wisconsin farmers, said, "Let us hope, rather, that by the best cultivation of the physical world, beneath and around us, and the intellectual and moral world within us, we shall secure an individual, social and political prosperity and happiness, whose courage shall be onward and upward, and which, while the earth endures, shall not pass away."

Opinions of Bankers

The State Bank Division of the American Bankers Association recently sent a questionnaire to its members regarding the reclamation of arid, swamp and cut-over timber lands. Among the answers received were the following:

WASHINGTON—We believe that a dollar spent for reclamation will bring in \$10 in returns in added production and wealth, and we are heartily in favor of the government assisting in watering arid lands, draining swamps and clearing logged-off lands, to any amount within reason.

MONTANA—We believe there are many worthy projects that can be and should be fostered, and believe some plan should be devised whereby irrigation districts can procure credit for a sufficient length of time to pay out. We believe the bankers should take an

active part in this work, operating through the state bankers associations.

MINNESOTA—If a considerable amount of money were expended on some of the lands they would not be worth the amount expended and would take years to settle. There is too much land that is being tried by farmers and it those were given help and the productive lands that have proven themselves as such forced ahead we would not need to use desert lands for years.

WISCONSIN—We believe in the plans for the reclamation of waste land in the United States. We do not think, however, that banks should be asked or expected to furnish funds for promoting an enterprise of this kind for two reasons: (a) the element of safety is lacking, and (b) loans are of too long time duration. If this proposition is taken up the government itself should accept the responsibility of making it a success and taking care of the finances.

MISSISSIPPI—Generally speaking, we feel that government participation in affairs that are primarily local should be severely curbed and discouraged. However, reclamation projects may not come strictly under such head, but certainly, even if desirable, such activities should not be engaged in by the Federal government unless it is first made certain that such aid is properly distributed throughout the various sections of the United States. Such work heretofore has been entirely too sectional and we are unalterably opposed to it on that basis.

MICHIGAN—I think the proposition of the government taking over the waste land in the United States is a very good one. The idea of giving to ex-service men these tracts of land under certain conditions might be successfully worked out by the government. I believe that banks should cooperate in financing irrigation and drainage of these lands.

NORTH CAROLINA—We believe in the reclamation of all waste lands in the United States and believe that the banks of our country should back the proposition up, and we feel that people who are developing such land should receive Federal aid in such a way that would make it more attractive. People can't develop and bring up such lands at the rate of interest that they have to pay for money.

IDAHO—I am in part a supporter of the plan submitted to Congress by President Harding and Secretary Fall for reclamation of waste lands in the United States. As to the manner in which bankers should cooperate and affiliate in the enterprise, this is, after all, a matter of local interest rather than of national scope, as I do not assume that banks distantly located from any reclamation proposition would have any immediate interest and any paper arising from the enterprise to be floated either as a direct obligation or as security would naturally be affected wholly as to the value and security thereon, disregarding any thought of an immediate personal interest.

OHIO—Generally speaking, we are not in favor of the government engaging in this work for when it does so it is usually for the selfish interest of some individual or individuals who have influence with government officials. Furthermore, we do not believe it is for the public good that all waste land should be reclaimed, for we favor some places of refuge for wild life, and this is fast being exterminated in our land. We would point to the Everglades of Florida as one flagrant instance, and we wonder if this was an improvement of great public interest or if a few people expected to make fortunes out of it. To us it seems a shame that this great country of ours could not leave that region to the wild life that inhabited it, and we believe the general public would have been far more benefited and Florida would have retained one of the biggest assets she had, an asset that we now believe to be very questionable. Another instance of this kind is the Klamath Lake region of Oregon.

COLORADO—At the present time there is plenty of land for farming in the western

states without reclaiming any more land, and I do not believe in draining swamps and clearing cut-over timber land, as it is a detriment to the protection of our game and wild life of the woods. Any man with sporting blood in his veins will give you this same answer.

WISCONSIN—The plan submitted by President Harding and Secretary Fall for the reclamation of waste land in the United States is certainly entitled to the consideration of the banks throughout the country. A government security, bearing a low rate of interest, and running for a reasonable length of time, could easily be handled by the banks throughout the country on a quota basis, such quota to be proportioned first as to the locality receiving the largest benefit, and second to banks throughout the country generally.

INDIANA—We are opposed to any expense at this time for reclamation of waste lands. There is an overproduction in all kinds of farm products, which plainly shows that there is already too much land in cultivation. When unskilled labor draws more pay per hour than farmers make per day who would go on reclaimed lands? Experiment stations show that farmers realized \$.205 per day on last year's corn crop for their labor.

WASHINGTON—We are in favor of the plan submitted to Congress by President Harding and Secretary Fall for the reclamation of waste lands. Commercial banks are not in a very good position to assist in the enterprise. Investment funds, however, could go into this project if properly arranged.

MINNESOTA—We live in the cut-over land country and doubtless our motive is selfish, but we believe the government could aid us and hasten the making of many good farms in this vicinity by clearing forty acres of an eighty, building a small house and barn and selling the land to a settler on long-term payments. Banks could cooperate by furnishing the settler with funds for the purchase of seeds, implements, stock, etc.

NORTH DAKOTA—Conditions in North Dakota at this time do not warrant the reclamation of more lands, but rather the cutting up into smaller farms of a great many of the too large ones we now have, so that they may be more intensively cultivated and made much more productive than the large operator can possibly make them.

WASHINGTON—Bankers should cooperate by helping to sell irrigation bonds on worthy projects. Draining swamps and clearing cut-over timber lands should be handled by stock companies or syndicates, as these two items are more or less experimental, while irrigation projects are proven.

OREGON—We believe in some system of reclamation of waste lands. Western Oregon is in particular need of a system for placing logged-off lands in condition for cultivation. We are of the opinion that banks can safely handle a limited amount of bonds issued for these purposes, provided there are thrown around them proper restrictions insuring their safety.

MINNESOTA—We believe in plans for reclaiming waste land and, in our district, clearing timber land. The trouble at present is that it takes a rich man to clear a wooded farm, and the banks have all they can handle locally. This should be done through the state, as in South Dakota.

SOUTH CAROLINA—In principle, I believe in this plan, but while I feel this is a matter that should have the attention of the government in the near future, I cannot refrain from saying that there are many farms throughout the South that are well drained and are in good condition for farming which will be abandoned for the reason that the farmers are unable to finance themselves and the making of their crops for the present year, as well as the years in the near future. It seems to me that this is a matter of far greater urgency and fraught with far greater possibilities for help to the people than that of the drainage of lands that must remain idle for a period of years for the reason that they are not needed at present. Of course, if the government is in a position to do both there is no objection to such a project as is proposed by President Harding.

ARKANSAS—Reclamation of waste land is desirable, of course, as an evidence in us that we wish to preserve all the fair assets we have. We do not believe, however, such action can at this time be reasonably based on absolute necessity. Our tillable lands are held in too large tracts. A fair subdivision and a sort of parceling out to dirt farmers of the land already in farms would make ample room and to spare for all persons who could be induced to go upon the land and cause it to do its share to-

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ward production of that which our nation requires and demands. In this vicinity there is a marked tendency toward smaller farms, for it appears even to our older settlers that they have wasted much labor in an effort to cover large acreage. We are cultivating better and are leaving untouched what can't be done well.

WASHINGTON—The waste land should surely be put to work, but other than a small country bank would have to finance the deal. It would be necessary to have a guarantee by the government of a completion of the work, a deposit by the owner of the tract improved, bonded by the state and financed by public bonds; buildings being furnished by this finance and an income assured for the new settler.

TEXAS—I believe these projects should be handled by the government and that only local banks in or adjacent to said lands should participate, and then only voluntarily as they may deem best as a business proposition.

COLORADO—Where the government owns the land to be redeemed and the project is meritorious enough to succeed if properly managed, there is a reason why the government should undertake the reclamation of such lands. Under no other circumstances should the government be allowed to enter into such enterprises with public funds. The less government interference we have with business affairs of any kind the better it will be for the public at large.

IDAHO—I am heartily in favor of any workable plan which will help reclaim waste land. This is especially near to us in this valley, where there are some forty thousand acres of rich alluvial soil that need drainage. This has to be worked out with the Canadian authorities, as part of this valley is in Canada and cannot be worked out by us alone. We would greatly like to see legislation enacted that would minimize the delay and difficulty in getting through projects of this kind. These projects

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are too large for country banks to be of much service, as their capital is inadequate for projects of this kind.

LOUISIANA—Yes. We financed war and waste through popular bonds. No reason why we cannot construct in the same manner.

MONTANA—At the present time there is plenty of land available for occupation that does not need much reclamation and I am in favor of leaving reclamation alone. Such things are fostered by a bunch of job-hunting politicians, who do not know what they are doing. I am not trying to sell you land, but I say that you can come to this city and under privately owned irrigation systems get land much cheaper than anything the government has to offer, and get more favorable terms. There is dry land out here that can be farmed, with the proper methods, very successfully. It would be better to educate the people to the possibilities of this sort of thing than to put under water land that will not be utilized for some time or, if it is used, will be farmed at the expense of leaving idle other productive land. The big Shoshoni project in Wyoming is being put on the market a small tract at a time, because there are not enough settlers available for the whole tract. The government has, at Williston, N. Dak., an immense tract of highly productive land with a big irrigation project, which is equipped and not in use. There is no use in creating more of these until we use those we already have.

CALIFORNIA—In my opinion I think that the reclamation and irrigation bonds should be underwritten by either the respective states or the United States. This class of bonds will never be classed as a safe investment until some plan is worked out whereby either the different states or the United States are behind them. The government ought to be able to underwrite this class of bonds where the chance of loss would be very small.

NORTH CAROLINA—We are in favor of proper plans for the reclamation of waste land. We have not yet formulated plans in our own mind by which bankers could cooperate, but think that possibly this can best be done by their acquainting themselves with the value of securities based upon such reclaimed lands and assisting actively in the sale and distribution of such securities.

MICHIGAN—This section is suffering for lack of some such assistance to reclaim its cut-over timber lands. The farmers who buy land here make a mistake in believing they have bought a farm when in truth they have bought a place to build a farm and the price of the land is only the first cost of the transaction. The larger country banks with strong directorates could assist as government agents in its transactions, being reviewed from time to time by accredited representatives, but under present state laws they cannot grant the needed service without violation.

MISSOURI—My opinion is that the government should take an interest in our swamp drainage. We have spent as much cash as the government paid for the Panama Canal, and this in, say, four counties down here in southeast Missouri. This special tax is a burden to the pioneer that is clearing this ground and he needs government assistance and needs it badly.

IDAHO—A plan like this would be good, though it must be at a low enough cost that the land will eventually prove enough to make it pay the farmer. Excessive water costs on some of our irrigated land is now a matter of deep concern. Locally our water cost per acre is very low comparatively and is easily paid by the farmer.

MINNESOTA—I do not see any immediate necessity of further increasing crop production. There is now an apparent overproduction and this is somewhat responsible for the low prices of stuff raised on the farm. As a matter of principle it is good business to reclaim waste land and make it productive. The matter of whether it is worth while will depend entirely on the individual projects.

OREGON—Am not in favor of this plan. There are hundreds of thousands of acres of reclaimed land in every state in the West that are awaiting settlement. We have around 100,000 acres along the Columbia River that are already reclaimed and have been for ten years, and yet only 10 per cent. is settled. Why spend money to reclaim more until this is settled, along with hundreds of thousands of acres of other lands in Idaho and Washington?

NORTH DAKOTA—My opinion is that this proposition is wrong. There are thousands of acres of land lying fallow in this state and

there are farms so large in other states that the land isn't producing more than one-third what it should. This state can handle several times the farmers it has within its borders. South Dakota, Iowa and Minnesota have large farms that should be cut up into smaller places and farmed more intensively. Government expenditures have been running hog wild the past few years and they can well pass up this irrigation dream. There is another question that is far more important to central and western United States than irrigation, and that is the matter of roads. If the government would use the millions they are spending in projects of irrigation or the building of battleships (which they now propose to abandon) in the building of roads so that people in New York could drive to San Francisco on hard-surfaced roads we would have something really worth while.

COLORADO—I believe that the publicity recently given to reclamation projects by the two meetings in California which were devoted to discussions of the possibility of utilizing the waters of the Colorado River, has been productive of great results in overcoming the prejudices existing in the minds of investors against irrigation and other similar securities. When properly issued there is no safer or more profitable investment than a good irrigation bond, but during the last ten years it has been almost impossible to float an issue of that character. If business men in the East were familiar with Western conditions the movement for commencement of irrigation projects during the past year would have been greatly encouraged, if for no other reason than to provide employment for thousands of men. The congestion in the East could be greatly relieved by the construction of such enterprises and at the same time the "drift toward the city" would be somewhat retarded and a movement toward farming and live stock raising begun. I believe that the same would be true of the drainage of swamps and the clearing of cut-over timber lands.

WISCONSIN—We live in a cut-over timber country recognized as one of the best sections for the growing of clover and for the promotion of dairying. We can only secure help for the development of these farms through our farm mortgages. We believe the government could assist in the clearing of these lands as well as in irrigating and reclaiming western lands.

NORTH DAKOTA—I do not believe in these plans. Of the half dozen or more United States reclamation projects I have examined in the Northwest not one is successful. The construction and other costs are so exorbitant that the settlers cannot ever pay out. Reclaiming of waste lands can be done for perhaps 50 per cent. less by private agencies amply financed, so that settlers would have some chance to pay out. Furthermore, on United States reclamation projects water is shut off in most instances so early in the fall that it is of little use. Arrogance and arbitrariness prevail in the operation of nearly, if not all, United States reclamation projects. Waste and incompetency are the outstanding features to be found with consequent high costs of everything government constructed.

SOUTH DAKOTA—We believe in the plans recently submitted to Congress by President Harding and Secretary Fall for the reclamation of waste land in the United States and in the expenses created to irrigate deserts and drain swamps and clear cut-over timber lands. If it is a paying proposition and if properly analyzed both as to the production and fertility of the soil and found that necessary expense to put this vast land into such condition that it would be useful for the public as well as private enterprise, bonds could be sold directly and such land that is benefited should stand the expense of building it up and putting it back into fertile soil. If the expenses are too large, so that the benefits derived therefrom would not pay the interest on the bonds and gradually liquidate, we feel that under these times of reconstruction the matter should rest temporarily until the money conditions become more eased up and bonds at a later date could be sold at a smaller rate of interest, which would place a less burden on the land.

WASHINGTON—The West as a whole is very much interested in the plans recently submitted to Congress by President Harding and Secretary Fall, as there are thousands of acres of desert land in this section which will produce enormous crops as soon as water is obtainable. There are about 60,000 acres of land under irrigation in this valley at the present time and 70,000 acres more can be put under irrigation as soon as the Kittitas High Line can be built,

and this, I believe, will be built if the government makes an appropriation. Not only should the West be interested in reclamation, but the United States as a whole, as these various projects in the different states will employ thousands of men and in this way would solve the labor problem and at the same time bring land under cultivation which is of no value at the present time. This would also distribute the taxes more evenly in these localities and not put the burden on just a few. I believe it would be a very good idea if the American Bankers Association would push this proposition as much as possible and urge Congress to make this appropriation. Your hearty cooperation will be appreciated in the West.

Production and Consumption

The fear of overproduction in agriculture receives attention in a report of the House Committee on Irrigation and Arid Lands, in which the following statement is made:

Some of our farmers seem to be happy in the thought that when our farms shall not yield all the food that the nation consumes they, in the nature of things, will receive more for their products. The fallacy of this idea has been demonstrated several times in the history of the world. Through its adoption Grecian husbandry failed and the glory of the state departed. Its perfect absurdity was demonstrated in Italy when Rome became the mistress of the world. The Romans insisted that they must have cheap food. The farmers of Italy did not produce it. Rome went abroad for her supplies, and agriculture in Italy decayed. England had her corn laws. The artisans and poor of the cities cried out against them. It was asserted that England's hope was in manufacturing, not farming. The corn laws were repealed; manufacturing thrived and agriculture dwindled.

In the last few years in the United States the value of manufactured articles has far outreached the value of agricultural products. Should manufacturing reach a stage where it must depend upon raw material (not the output of mines) and food products from abroad, who can doubt but that our national policy will be to foster manufacturing rather than agriculture? Thus, is it not wise to add to the number of our farms and by degrees increase the productivity of the old ones, to the end that at all times there shall be a surplus of farm products as well as a surplus of manufactured articles to enter into our foreign trade? There is no necessity of changing from the old order of things, that there may be a surplus in many lines for export. There is today under plow in the United States in the neighborhood of 400,000,000 acres of land. There are yet susceptible of reclamation some 20,000,000 acres of arid and semiarid land, 80,000,000 acres of swamp land, and 200,000,000 acres of cut-over land, or a total of 300,000,000 acres. The arid and semiarid lands are very inviting in character. They have never been leached of their plant-life elements. When moistened they readily give up their properties to vegetation. They lack only one ingredient to a perfect agricultural soil. They are deficient in nitrogen. This, however, can be readily supplied by the growing of legumes. Swamp lands in the main are wonderfully productive when drained, for they have received the fertilizing properties of the centuries. If we were to place on an acre of sterile land the nutritive elements contained in an acre of arid land or an acre of swamp land, it would probably cost over \$2,000. Thus, in the reclamation of the arid and swamp lands within the country we will tap a reservoir of wealth which is almost inexhaustible.

D. Irving Mead has resigned as vice-president of the Irving National Bank, to become president of the South Brooklyn Savings Institution. Mr. Mead is a member of the Council of Administration of the American Banking Association. In 1916 he was Chairman of Group VII of the New York State Bankers' Association, and in 1919 served as president of that body.

Politics and World Banking

"THE Genoa economic conference failed because Russian politics obscured economics," says the New York Times editorially. "It is now strangely said that 'changed conditions' are unpropitious for the meeting of the central bankers which was to follow the Genoa conference. The conditions have changed only by not changing. America may yet raise a standard of non-political banking to which all will rally who agree with us. The need is great. An American banker cabled to the United States Chamber of Commerce that most of the world's central banks 'present varying degrees of insolvency.' That is so because of the close connection between Governments and even the best of the banks. So long as commercial banking is subordinated to fiscal banking the world's financial sickness will continue. The bad state of Government finance is the source of the threatened instability of banks. We cannot depart from our banking principles any more than we could palter with Bolshevism. We must pursue the path from which other world bankers have wandered, both for self-protection and for maintaining our ability to serve our foreign friends. We cannot cooperate with banks that are under the necessity of financing Government deficits with currency issues. We see our duty to use our excess gold in a world interest, but it is a higher duty not to waste it.

"We are in the fourth year of peace, but neither Governments nor banks in Europe have altered their war methods. War expenses are still a chief cause of unbalanced budgets. One or two Governments have started on the path which their bankers as well as ours know they must follow. Space would fail to recite the delusions in banking which have been current. Politicians must pander to economic illiteracy, but no free banker will do so. Politicians are responsible for the doubling of the world's national debts since the war, and for the

tripling of currency issues in the same period. If the world bankers' conference were to condone these financial misdeeds it would be a worse failure than the Genoa conference.

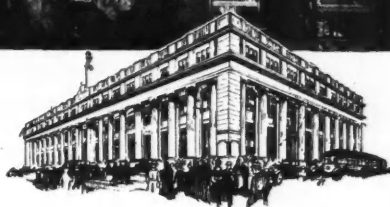
"There have been four economic conferences. All were agreed, but their conclusions have not been put in practice. Our foreign friends

must make up their minds that we can no more change our position on banking than on Russia. We sympathize with their troubles, we understand their difficulties, but we cannot adopt their ways. Overseas Governments must practice what overseas bankers and economists advise before we can cooperate with them as we desire."

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CLEARING HOUSE SECTION



Bank Clearings v. Debits

AT the annual meeting of the Clearing House Section held in Los Angeles last October, a resolution was adopted which called for the abolishment of the publication of bank clearings and the substitution of total debits to individual accounts. Following the action taken, the Secretary sent a copy of this resolution to every clearing house association in the country, asking them to adopt a similar resolution so that the publication of total debits to individual accounts would become universal by January 1, 1922.

While many clearing houses adopted this resolution, a majority agreed to report not only their total debits to individual accounts to the Federal reserve bank of their respective districts, but also decided to continue to give to the financial publications of the country a total of their weekly clearings as they have done heretofore. Inasmuch as the majority of the clearing houses are reporting total debits to individual accounts to the Federal reserve banks of their respective districts and in addition reporting total clearings to many of the financial publications, it was suggested by the members of the Executive Committee of the Clearing House Section in session at White Sulphur Springs last month, that we request all clearing house associations to compile their total weekly clearings as well as total debits to individual accounts, which figures may be used for comparative purposes at any time and to offer them to those financial periodicals that may want to use them.

The reason for this suggestion is that the officers of this section as well as experts in charge of statistical and research bureaus agree that total debits to individual accounts are a more accurate barometer of business conditions than total clearings. However, total debits have not been compiled for a sufficient number of years to make them of value for comparative purposes. If clearing figures be compiled for at least four or five years longer, a dual set of statistics will be available for those whose research requires no sudden break in the study of business cycles. At the end of this period, figures giving total debits to individual accounts can be wholly substituted for total clearings, which heretofore have been used as a gage of general business conditions. The committee therefore recommends that total clearings as well as total debits to individual accounts be compiled weekly and all clearing houses continue to furnish to the Federal reserve banks of their respective districts total debits to individual accounts, also clearing figures to those financial papers and statistical bureaus that may request them.

It was also suggested that in addition to compiling total debits to individual accounts, as well as total clearings, the clearing houses also compile for their own in-

formation total bank transactions, which would include debits on country banks and bankers, in addition to total debits to individual accounts.

We feel that perhaps these figures may be of some use to your association for comparative purposes at some future time.

Articles of Association for Clearing Houses

Recently the Secretary has received a number of inquiries from bankers in our smaller cities and towns who are contemplating the organization of clearing house associations, asking for a draft of articles of association which may be used in the organization of a local clearing house.

We are pleased to submit herewith a draft of articles of association which can be used as a plan to follow.

The details may be changed to meet local conditions. It will be found desirable in most instances for new associations to operate under temporary rules until experience has demonstrated as to what by-laws, rules and regulations may be required:

Objects and Purposes

"The undersigned banks of..... hereby associate ourselves as a Clearing House Association for the purpose of effecting at one place the daily exchange of checks and other clearable items between the several members and of settling the balances with each other that arise from such exchanges also for the purpose of providing such safeguards, rules, regulations and conveniences, as may be desirable and which are not in contravention of state or Federal laws, in and governing our relations with each other, with banks and trust companies of other localities and with the general public, and agree to be governed by the following Articles of Association:

"(1) The name of this Association shall be the.....Clearing House Association.

Officers

"(2) The officers shall be a president, vice-president, secretary and treasurer, who shall be elected from among the active officers of the banks that are members of the Association by ballot on the organization of the Association and annually thereafter on the second Monday in January at (fix hour), or failing at a meeting at that time, such officers shall be elected at a special meeting thereafter called by the president for that purpose, and shall hold office until their successors are elected, and shall perform such duties as usually pertain to their respective offices.

Vacancies

"(3) Vacancy in any office of the Association may be filled temporarily by the executive committee by the appoint-

ment of an active officer from the member bank with which the retiring officer was connected.

Executive Committee

"(4) The officers shall constitute an executive committee to arrange for the place and manner of the exchanges and details of the same, and to enforce the by-laws, rules and regulations of the Association. They shall assess the cost of the maintenance of the Association upon the members in proportion to capital and surplus (or according to total resources or total clearings). The treasurer shall make a report of receipts and expenditures at the end of each fiscal year.

Disbursements

"(5) The treasurer shall be the custodian of the funds of the Association and shall disburse same by check countersigned by the president.

Powers of Officers

"(6) The president shall call meetings of the Association whenever in his opinion its interests may require or whenever requested so to do by the executive committee, or upon request of any two members, and at all meetings each member shall be entitled to one vote. A majority of the members shall constitute a quorum.

Representation

"(7) Members may be represented at any meeting of the Association by one or more officers but shall be entitled to only one vote.

Authority of Manager

"(8) The secretary (acting as manager) shall have immediate charge of the business of the Clearing House and his decisions concerning questions of practice and details at the Clearing House shall rule until modified by the executive committee.

Clearing Hour—Settlements

"(9) The hour for making exchanges shall be o'clock a. m. of each business day, when the Clearing House clerks from the several member banks shall report with their respective demands, separately made out against each member in detail and the totals summed up. The work of clearing shall not be delayed longer than five minutes after a. m. on account of the failure of any bank to be represented at that time. At o'clock the settling clerks shall return for settlement, when the manager shall issue his checks or warrants upon the debtor banks in favor of creditor banks for the balances, which checks shall immediately be presented, and on presentation be settled by the debtors to the satisfaction of the creditors in whose hands only they are available.

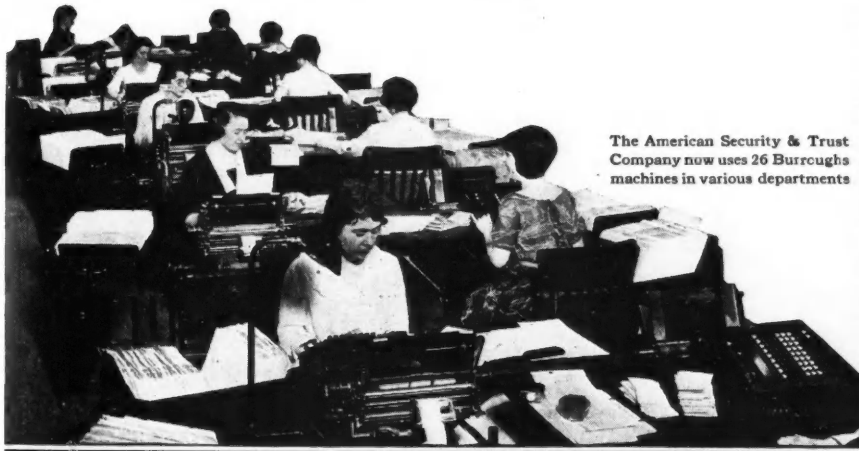
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The new machines which this bank has just purchased are equipped with the Motor Controlled Carriage. This, together with all the other automatic features of Burroughs machines, eliminates much human labor, making possible quicker and better work.

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Numbers

"(10) A number shall be permanently assigned to each member. These numbers shall be assigned on the seniority basis; the oldest bank a member being given number one and the second oldest number two, etc.

Default

"(11) In case of failure on the part of any member of the Association to pay promptly the checks of the manager to cover balances arising from the exchanges, such checks shall be immediately returned to the manager, who shall call upon the other members to make up the sum for which payment has been refused in proportion to the amount of items upon the defaulting member sent into the Clearing House at the preceding exchange, which sums so furnished shall constitute a claim in the hands of the responding members and all checks received from the Clearing House by the defaulting member shall be delivered, if required, to the members owning the same without mutilation. The agency of the Clearing House in the matter, it is understood, is only as trustee and in no case is the Association to be held responsible for any loss that may occur.

Errors and Returned Items

"(12) Errors in the exchanges and claims arising from return of checks or from any other cause are to be adjusted directly between the members who are parties to the same and not through the Clearing House..

Hour for Returning Items—New Members

"(13) Checks received through the exchanges and returned as 'not good' or 'mis-sent' shall be returned by p. m. direct to the bank from which received and said bank shall immediately refund to the bank returning the same the amount for which they were originally cleared. If not returned by p. m. the responsibility of the bank which sent said checks through the exchanges shall cease.

"(14) These articles of association shall become binding upon the respective members from the time they are signed by each respectively, provided that at the time of such signature there shall be deposited with the secretary a properly certified copy of a resolution of the board of directors of such incorporated member or a certificate of assent of such unincorporated member authorizing the signing of said articles. New members may be admitted to the Association at any meeting by a two-thirds vote of all the members and these articles shall become binding on such new members when signed and assented to as above provided.

Suspensions

"(15) Any member may be suspended or expelled from the Association for cause upon a two-thirds vote of all the members.

Withdrawals

"(16) Any member may withdraw from the Association after giving thirty days' notice to that effect, provided no assessments or fines are due and unpaid.

Amendments

"(17) Amendments to these articles of association may be made at any meeting by a vote of a majority of all the members. Notice of proposed amendments shall be given in writing to each member at least ten days previous to the day on which they are acted upon.

By-Laws, Rules and Regulations

"(18) By-laws, rules and regulations governing the business of the Association in the making of exchanges, providing for the imposition of fines and other details (and also fixing exchange and collection charges and providing for examination of members) may be adopted at any meeting of the Association by vote of a majority of all the members and may be amended by like vote. Notice of the proposed adoption of by-laws or of proposed amendments thereto shall be given in writing to each member, at least ten days previous to the day on which they are acted upon."

Standardized Checks

As a Section we are urging the member banks of the clearing house associations to adopt the standardized forms of checks and drafts which were recommended to the banks of the country by the Committee on Forms of the State Secretaries Section, working in cooperation with the Clearing House Section.

The sizes recommended in inches are as follows:

Pocket checks, 6x2½.
Customers' checks, 8¼x3 1/16.
Bank drafts, 8½x3¾.
Voucher checks, 8½x6¾ (double the size of bank drafts).

Specify the above sizes when ordering a new stock of checks and drafts. The printer and lithographer will be glad to cooperate.

Clearing House Examinations

The strong feature of the clearing house examination is that it is made, primarily, for the bank and its directors. Upon the completion of his work the examiner hands a full report to the president and notifies all the directors that the result of the examination is available for their inspection and approval. An acknowledgment of receipt of this notification is required. A duplicate or carbon copy of the report is retained by the examiner for his own use. He advises the Clearing House Committee that his investigation has shown the bank to be in a satisfactory condition, which completes the examination. If minor irregularities have been discovered, he consults with the officers and board of directors, and if adjustment is not made, or if the affairs of the institution show any serious conditions, the matter is brought to the attention of the Clearing House Committee. This is done quietly, of course, and after a consultation with the board of directors a satisfactory arrangement usually results.

Right here attention may be directed to the chief distinction between the national or state bank examination and the clearing house examination. In the former case it frequently happens that in the interval between the examiner's report and the time that the proper legal machinery can be brought to bear on the case, the bank suffers irreparable damage and a receivership is inevitable. Under clearing house auspices remedies can be applied at once and there need be no dangerous delay. In the cities where the national examiner conducts the work for the clearing house or where his examination and that of the local examiner are coincident, this point of contrast is very apparent. This is by no means a reflection on the national examiner with whose office the clearing house examination system is in complete harmony. Each performs well its particular function. The national examiner approaches the subject from the material and legal side; the clearing house examiner from the ethical and moral side as well; the former is a judge of quantity; the latter an expert on quality. In the process of coining the base metal of capital and deposits into gold currency of credit, the one is the supervisor, the other the assayer.

Fear of European Goods

"There are those among us who are very apprehensive of Europe's sending us a backflow of goods and who are proposing to erect high tariffs to prevent it. But the most welcome thing that could come about, the thing that would promise most for a real revival in the United States, would be a real and vigorous increase in imports to the United States of European manufactures. It would make the *circle of trade* go vigorously again. With real activity in European factories, our copper mines could work at capacity, since Europe would need

our copper. The gluts in the rubber market and in other raw material markets would disappear. There would be a real revival, not only in the United States, but throughout the raw material producing world, in India, in South America, and in other agricultural and raw material producing centers, which would enormously increase their capacity to absorb finished manufactures. American manufacturers would then be able to sell more than they are now selling, both at home and abroad."—*Dr. Benjamin M. Anderson.*

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Membership Changes

REPORTED FROM APRIL 25, 1922, TO MAY 26, 1922, INCLUSIVE

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

Alabama.....	Montgomery.....	Merchants Bank closed.	Iowa.....	Dubuque.....	Federal Deposit & Trust Company changed to Federal Bank & Trust Company.
Arkansas.....	Cottonplant.....	First National Bank in hands of receiver.	Lamont.....	Farmers Savings Bank succeeded by Farmers State Bank.	
California.....	Foreman.....	Bank of Foreman closed.	Owasa.....	Owasa Savings Bank closed.	
	Berkeley.....	Oakland Bank of Savings taken over by Berkeley Commercial and Savings Bank.	Sioux City.....	American Savings Bank closed.	
	Huntington Park.....	First National Bank succeeded by Industrial Bank.	Cummings.....	State Bank of Cummings closed.	
	National City.....	National City State Bank succeeded by Southern Trust & Commerce Bank.	Kansas City.....	Citizens State Savings Bank succeeded by Commercial State Bank.	
	Peoples National Bank closed.		Lake City.....	Lake State Bank closed.	
	Reedley.....	First National Bank succeeded by Valley Bank.	Larned.....	Moffet Bros. National Bank changed to First National Bank.	
	Rio Vista.....	First National Bank liquidated through Bank of Rio Vista.	McCune.....	Farmers State Bank closed.	
	San Pedro.....	State Bank of San Pedro succeeded by Hollman Commercial Trust & Savings Bank.	Manhattan.....	Citizens State Bank closed.	
			Wichita.....	Exchange State Bank closed.	
Colorado.....	Alamosa.....	Safety First State and Savings Bank changed to First State Bank.		Vermont Branch succeeded by Branch-Middlekauff Investment Company.	
Connecticut.....	New Haven.....	Citizens Trust Company changed to Citizens Bank and Trust Company.	Louisiana.....	De Ridder.....	Lumbermans Bank & Trust Company closed.
	Southport.....	Southport Trust Company discontinued.	Florien.....	Florien State Bank closed.	
Dist. of Col.....	Washington.....	Hamilton Savings Bank converted into Hamilton National Bank.	Homer.....	American National Bank merged with Commercial National Bank.	
		Merchants Bank changed to Merchants Bank & Trust Company.	Louisiana.....	Hornbeck.....	Bank of Hornbeck closed.
		B. F. West Banking Company consolidated with First Trust & Savings Company.	Waterproof.....	Bank of Waterproof closed.	
Florida.....	Avon Park.....	Bank of Center Hill closed.	Massachusetts.....	Lynn.....	West Lynn Trust Company succeeded by Sagamore Trust Company.
	Center Hill.....	Security State Bank changed to First National Bank.	Minnesota.....	Alexandria.....	Park Region State Bank closed.
	Fort Lauderdale.....	Guaranty Trust & Savings Bank in hands of State Comptroller.	Duluth.....	Duluth State Bank converted into Duluth National Bank.	
	Jacksonville.....	Albany National Bank consolidated with Exchange Bank of Albany as Exchange National Bank.	Lamberton.....	State Bank of Lamberton closed.	
Georgia.....	Albany.....	Citizens Bank closed.	Minneapolis.....	Mill City State Bank closed.	
	Douglas.....	Citizens Bank merged with Southern Exchange Bank.		Northern State Bank closed.	
	Dublin.....	Hawkinsville Bank & Trust Company closed.		Western State Bank closed.	
	Hawkinsville.....	American Bank & Trust Company closed.	Storden.....	Farmers State Bank closed.	
	Savannah.....	Mercantile Bank & Trust Company converted into Mercantile Trust Company.	Ackerman.....	First National Bank closed.	
Idaho.....	Bellevue.....	Bellevue Bank & Trust Company closed.	Toccopola.....	Bank of Toccopola closed.	
	Buhl.....	Citizens State Bank closed.	West Point.....	Citizens Bank taken over by First National Bank.	
	Burley.....	Commercial State Bank closed.	Missouri.....	Blythedale.....	Farmers & Merchants Bank taken over by Citizens Bank.
	Idaho Falls.....	First National Bank closed.	Dearborn.....	Bank of Dearborn resumed business.	
	Kimberly.....	State Bank in liquidation.	Fayette.....	Commercial Bank changed to Commercial Trust Company.	
	Nezperce.....	First National Bank merged with Bank of Kimberly.	Kansas City.....	Security State Bank and State Bank of Kansas City absorbed by Continental National Bank.	
	Wendell.....	Englewood State Bank changed to First Englewood State Bank.	Montana.....	Glasgow.....	Milk River Valley Bank closed.
Illinois.....	Chicago.....	Geneseo Savings Bank closed.	Livingston.....	First State Bank closed.	
	Geneseo.....	State Bank of Oak Park merged with Oak Park Trust & Savings Bank.	Poplar.....	First National Bank closed.	
	Oak Park.....	Central State Bank closed.	Nebraska.....	Bayard.....	Farmers State Bank closed.
Indiana.....	Gary.....	Farmers Bank closed.	Bushnell.....	Farmers State Bank merged with Farmers State Bank.	
	Newburg.....	Des Moines Trust Company taken over by Mechanics Savings Bank.	Gurley.....	Gurley State Bank closed.	
Iowa.....	Des Moines.....		Paxton.....	Paxton State Bank absorbed by Commercial State Bank.	
			Seward.....	Farmers State Bank of Seward County merged with First National Bank.	
			Springfield.....	Farmers State Bank closed.	
			Walton.....	Farmers & Merchants Bank in hands of receiver.	
			New Mexico.....	Estancia.....	Estancia Savings Bank sold to Farmers & Stockmens Bank.
				Loving.....	Lakewood National Bank absorbed by First National Bank.
				Livingston.....	First Territorial Bank closed.
				Mountainair.....	First National Bank, Willard, now at Mountainair.



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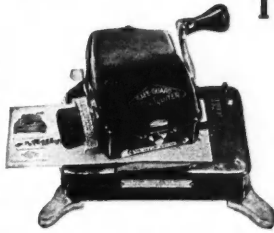
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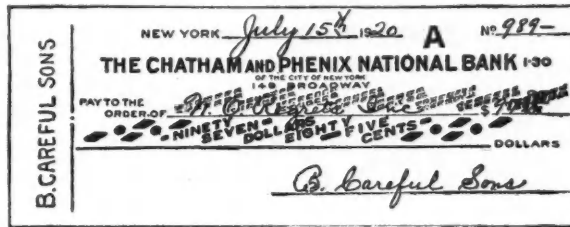


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New Mexico.....	Roswell.....	American National Bank merged with Citizens National Bank.	Oklahoma.....	Marland.....	First State Bank Blss, succeeded by Marland State Bank.
	Santa Fe.....	Santa Fe Bank closed.		Kenefic.....	Kenefic State Bank changed to First National Bank.
	Taiban.....	Bank of Commerce closed.		Leedeey.....	Cotton Exchange Bank changed to First National Bank.
New York.....	Glens Falls.....	Merchants National Bank taken over by National Bank of Glens Falls.	Oregon.....	Bay City.....	First Bank of Bay City liquidated.
	New York.....	Chas. Frazier & Company, 93 Nassau Street, New York, discontinuing banking business.	Pennsylvania.....	Philadelphia.....	Rittenhouse Trust Company changed to Rittenhouse National Bank and consolidated with Corn Exchange National Bank.
North Carolina..	Lexington.....	Lexington Bank & Trust Company absorbed by Bank of Lexington.	South Dakota....	Winfred.....	Farmers Savings Bank out of business. State Bank out of business.
	Raleigh.....	City Bank, Raleigh, N. C., changed name to Central Bank & Trust Company and later closed.	Texas.....	El Paso.....	El Paso Bank & Trust Company purchased by City National Bank.
	Roper.....	Bank of Roper closed.		Galveston.....	American Bank & Trust Company consolidated with W. L. Woody & Company, Bankers.
Ohio.....	Bellaire.....	Dollar Savings Bank & Trust Company consolidated with First National Bank.	Virginia.....	Emporia.....	Greensville Bank consolidated with Merchants & Farmers Bank as Citizens Bank of Emporia.
	Cleveland.....	Garfield Savings Bank Company merged with Cleveland Trust Company.	West Virginia...	Franklin.....	Farmers Bank discontinued business.
		Lake Shore Banking & Trust Company merged with Cleveland Trust Company.		Keyser.....	Peoples Bank closed.

New and Regained Members from April 26 to May 25, 1922, Inclusive

Arkansas	Peoples National Bank, Stuttgart 81-651. Bank of Taylor, Taylor 81-514. (Regained.)	Illinois—Continued	Merchants & Farmers State Bank, Sullivan 70-549.	Ohio	Citizens Trust & Savings Bank, Hilltop Branch, Columbus 25-55.
	Planters National Bank, Walnut Ridge 81-647.		Virgil State Bank, Virgil 70-1643. (Regained.)		Commercial National Bank, Coshocton 56-278. (Regained.)
California	Berkeley Commercial & Savings Bank, Berkeley 90-48.	Indiana	Medaryville State Bank, Medaryville 71-645. (Regained.)		First National Bank, Defiance 56-357. (Regained.)
	California Bank, City Market Branch, Los Angeles 16-20.		Newburgh State Bank, Newburg 71-1206.	Oklahoma	First National Bank, Hulbert 86-783. (Regained.)
	California Bank, First & Vermont Branch, Los Angeles 16-20.	Iowa	Florin Savings Bank, Florin 72-1326. (Regained.)		Mannsville State Bank, Mannsville 86-1027. (Regained.)
	California Bank, Southwestern Ave. Branch, Los Angeles 16-20.		Hospers Savings Bank, Hospers 72-1764. (Regained.)	South Carolina	Farmers & Merchants Bank, Carlisle 67-562. (Regained.)
	California Bank, Sunset & Alvarado Branch, Los Angeles 16-20.	Kansas	Ash Valley State Bank, Larned P. O., Ely 83-1257. (Regained.)		Bank of Donalds, Donalds 67-305. (Regained.)
	Los Angeles Morris Plan Co., 725 So. Spring St., Los Angeles. (Regained.)	Louisiana	Arthur T. Kahn, Commercial National Bank Building, Shreveport.		Bank of McColl, McColl 67-206. (Regained.)
	Bank of South San Joaquin, Manteca 90-875. (Regained.)	Massachusetts	Cape Cod Trust Co., Harwich 53-553.		Peoples Bank, North 67-274. (Regained.)
	Paso Robles National Bank, Paso Robles 85-528.		Natick Trust Co., Natick 53-886. (Regained.)	South Dakota	Bank of Clear Lake, Clear Lake 78-202. (Regained.)
Connecticut	The Thompsonville Trust Co., Thompsonville 51-288. (Regained.)				Loomis State Bank, Loomis 78-569. (Regained.)
Florida	Bank of Greenville, Greenville 63-167.	Minnesota	Clarissa State Bank, Clarissa 75-686. (Regained.)		Dakota State Bank, Salem 78-703. (Regained.)
Georgia	State Banking Co., Gainesville 64-138. (Regained.)		Farmers Security State Bank, Willmar 75-1432. (Regained.)	Texas	Power State Bank, Archer City 88-919.
	Bank of Stockbridge, Stockbridge 64-723. (Regained.)	Mississippi	Bank of Ackerman, Ackerman 85-200. (Regained.)		Security State Bank, Mineral Wells 88-1943.
	National Bank of Sylvania, Sylvania 64-931. (Regained.)		Carthage Bank, Carthage 85-515.		Ranger State Bank, Ranger.
Illinois	Hogan State Bank, Altamont 70-764.		Peoples Bank, Crystal Springs.		First State Bank, Roby 88-1714. (Regained.)
	West Englewood National Bank, Chicago 2-331.		State Savings Bank & Trust Co., Jackson 85-39. (Regained.)	Utah	Bingham State Bank, Bingham Canyon 97-36. (Regained.)
	Harvey Plisk & Sons, Inc., 105 So. La Salle St., Chicago.		Bank of Utica, Utica 85-252. (Regained.)	Virginia	State Bank of Remington, Remington 68-480. (Regained.)
	Morton Park State Bank, Cicero 70-1841.	Nebraska	Chester State Bank, Chester 76-408. (Regained.)	West Virginia	New River Banking & Trust Co., Thurmond 69-236. (Regained.)
	Herrin State Savings Bank, Herrin 70-329. (Regained.)	New Jersey	First National Bank, Park Ridge 55-532.	Mexico	Cia Bancaria Monterrey, S. A. Laredo, Tamaulipas.
	Hughes State Bank, Hume 70-1364. (Regained.)	New York	Terminal Exchange Bank, New York 1-825.		Cia Bancaria Monterrey, S. A. Mexico.
	Bank of Marine, Marine 70-1439.				Cia Bancaria Monterrey, S. A. Monterrey, Nuevo Leon.
	Farmers National Bank, Nokomis 70-663. (Regained.)				

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The Convention

Though convention week itself is still several months away, preliminary arrangements for the forty-eighth annual meeting of the American Bankers Association to be held in New York October 2 to 6 next are progressing rapidly. Under the guidance of Guy Emerson, vice-president of the National Bank of Commerce in New York, and executive manager of the Committee of One Hundred New York bankers, which has charge of all entertainment plans for the gathering, various details of organization have taken shape and the work of the several committees is well under way.

It has been conservatively estimated that the attendance will reach a total of seven thousand five hundred or eight thousand. If this is realized a record in this particular will have been established, since never in the Association's forty-seven years of continuous convention history has the attendance mark reached five thousand. It closely approached this figure at the thirty-fifth annual convention in Chicago in 1909, which stands as the record year for attendance thus far.

Up to June 1 of this year in preparation for the 1922 convention there were more than 1,200 registrations.

An important factor in the early arrangements this year lies in the cooperation that has been effected between the Committee of One Hundred's hotel committee and the Hotel Men's Association of New York. The plan of registration adopted and which is being put into effect by the combined effort of both bodies has greatly facilitated this important feature of the convention.

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