

# JOURNAL

OF THE

## AMERICAN BANKERS ASSOCIATION

### The Deflation Conference

**A**N unusual conference took place at Washington, May 18, between the Federal Reserve Board and the Committee on Deflation appointed by the Executive Council of the American Bankers Association, at its recent meeting at Pinehurst. The conference, in an all-day session, took up the questions of inflation and deflation, credits and interest rates, with a view to saving the nation from the consequences of an economic crisis. The conclusions reached were embodied in a special report prepared by a committee consisting of James B. Forgan, chairman, Thomas P. Beal, Robert H. Treman, Joseph Wayne, Jr., and John Perrin. This report, in full, follows:

*(Publication of this report in this issue of THE JOURNAL is made possible by special authorization from the Federal Reserve Board.)*

"The undersigned committee appointed to formulate the views expressed by members of the conference of May 18, called by you to give consideration to present credit conditions in this country, beg leave to present the following:

"At the present time banks have loaned to their customers a total which is beyond all precedent and, in endeavoring to meet their requirements, have called upon Federal reserve banks for loans and rediscounts in greater amount than ever before. As a consequence, reserves of reserve banks are now reduced almost to the legal minimum, and this at a season when they should be high in preparation for the inevitable expansion of

loans in the autumn for crop moving.

#### Causes of Expansion

"Causes contributing to the great increase of loans include the following:

##### Blockaded Freight

"1. Thousands of blockaded freight cars are loaded with goods against which hundreds of millions of dollars have been loaned, payment being necessarily delayed.

##### Foodstuffs Held

"2. Vast quantities of foodstuffs and other goods, against which loans have been made, are held for lack of cars and ships, and payment of loans consequently deferred.

##### Federal Obligations in Banks

"3. Through loans and purchases, the banks have approximately \$4,500,000,000 of funds tied up in United States Government obligations.

##### Loans for Tax Payments

"4. Vast amounts have been loaned to individuals, firms and corporations to pay income and excess profits taxes.

"Industry and trade are intensely active. The demand for commodities is beyond our power to supply with the present rate of production. The universal competition to buy has been a vital factor in advancing all prices so that constantly increas-

ing working capital and bank loans have been required to handle the same volume of goods. This is illustrated by the fact that from April 1, 1919 to April 1, 1920, bank loans increased approximately 25 per cent., while production of goods declined not less than 10 per cent.

##### Shortage of Capital

"There is a shortage of capital. Earnings, which would otherwise be added to capital, are to a large extent now absorbed by income and excess profits taxes. The volume of industry and commerce is limited by the amount of capital and credit which are available. If credit is strained too far, disaster inevitably results. Bank loans are already greatly expanded. The immediate problem is to determine a course which will hold the volume of our industry and commerce within the limits for which we have capital and credit, and which will make adequate provision for the inevitable expansion of loans for the fall crop movement.

"During the war extraordinary results were attained by general patriotic cooperation. The present strained credit situation grows naturally out of the war and the subsequent readjustment, and a similar patriotic attitude should now be adopted. It is not merely an ordinary credit regulation which is necessary, but a regulation as well of the whole economic situation. Four months of hearty cooperation by bankers, manufacturers, distributors, producers and consumers, will go far to put the situation right.

## The Remedies

"Methods of cooperation for the ensuing four months would include the following:

### Deposit Funds, Defer Purchases

"1. Individuals could help by deferring purchases of all but absolutely necessary things, and consuming the minimum possible; by also depositing in bank their money and by carrying in pocket the least possible amount.

### Curtail Construction

"2. Individuals, firms, and corporations could help by deferring all but absolutely essential construction, whether of houses, factory extension or other buildings.

### Defer Issues of Securities

"3. Those planning issues of securities for new enterprises or expansion of those already existing could help by deferring such issues, thus withholding their competition for capital and credit.

### Defer Public Improvements

"4. States, counties and municipalities could render important aid by deferring the issue of bonds, thus not competing for credit, and by deferring as far as possible all public works and improvements, thus not competing for labor and materials.

### Curtail Government Expenditures

"5. The Federal Government could defer until after the crop movement all expenditures except those absolutely necessary for the orderly conduct of its affairs and could avoid all but absolutely necessary borrowing.

### Reduce Loans 10 Per Cent.

"6. If every member bank should reduce the total of its loans by 10 per cent. there would be an agree-

gate reduction of about \$1,750,000,000. If all of the banks of the country should follow the same course, the aggregate reduction would be nearer \$3,000,000,000. This would give safety to the present credit situation and provide for an equal expansion in the fall.

Indiscriminate deflation is not, however, desirable. The problem of credit control in the United States is qualitative as well as quantitative. The problem is to regulate the flow and uses of credit so as to bring about a stronger situation with a minimum of disturbance or hardship. Specifically, the problem may be stated to be to secure the exercise of greater discrimination in the granting of credit and this is primarily the problem of the commercial banker.

It is within the province of the Federal Reserve Board to supervise the operations of Federal reserve banks. Federal reserve banks in turn come into closer relations with member banks and may in some measure regulate the volume of their loans. But it is the banker who makes the loans upon whom the responsibility rests to effect a correction of the present situation. The success of his efforts will be measured by the care with which he discriminates in lending so that credit when required for the production of food or other articles of necessary consumption will not be restricted, while new loans for non-essential purposes will be refused and those already made will be gradually reduced. In thus undertaking to regulate loans in order to serve the general welfare, bankers would find it helpful to enlist the sympathetic understanding and cooperation of all, producer and consumer alike.

"If prompt, intelligent and general cooperation along these lines for four months can be had, capital and credit will be saved and the consumption of goods reduced to such an extent that the situation will be safe.

### Railroad Resolution

The Conference adopted the following resolutions for presentation to the Interstate Commerce Commission and the Shipping Board:

"The whole country is suffering from inflation of prices with the

consequent inflation of credit. From reports made by the members of this conference representing every section of the country, it is obvious that great sums are tied up in products which if marketed would relieve necessity, tend to reduce the price level and relieve the strain on our credit system.

"This congestion of freight is found in practically all of the large railroad centers and shipping ports. It arises chiefly from inadequate transportation facilities available at this time and is seriously crippling business. We are informed that the per ton mile of freight increased in three years—1916, 1917 and 1918—47 per cent., while the freight cars in service during the same period increased 1.9 per cent.

"A striking necessity exists which can only be relieved through the upbuilding of the credit of the railroads. This must come through adequate and prompt increase in freight rates. Any delay means the paying of greater cost directly and indirectly and places a burden on the credit system which in the approaching time for seasonal expansion may cause abnormal strain. Even under the load of war inflation, high price level, extravagances, the bank reserves would probably be sufficient if quick transportation could be assured the time of the greatest strain.

"Therefore be it Resolved, That this Conference urge as the most important remedies that the Interstate Commerce Commission and the United States Shipping Board give increased rate and adequate facilities such immediate effect as may be warranted under their authority and that a Committee of Five representing the various sections of the country be appointed by the chairman to present this resolution to the Interstate Commerce Commission and the United States Shipping Board with such verbal presentation as may seem appropriate to the Committee."

The following resolution offered by Mr. Puelicher was adopted:

"Resolved, That the bankers here assembled in their capacity as members of the Federal Advisory Council, in their capacity as directors of the Federal reserve banks of the country, in their capacity as members of the Orderly Deflation Committee of the American Bankers

Association, and in their capacity as officers and directors of banks doing business in the various cities of the country, approve the sentiments expressed in the very able address of Governor Harding as representing the views of the Federal Reserve Board—and also be it "Further Resolved, That they believe that the widest publicity should be given the address, and further, that they hereby agree to abide by the spirit of the address in the conduct of their own affairs, and that they will encourage its general adoption by the bankers and people of our country."

(In accordance with the above resolution, Governor Harding's address is here given in full:)

### Gov. Harding's Address

The board desires me to welcome you to Washington and to express its appreciation of your consideration in leaving your business and coming here to this conference.

Of course, we all realize that the credit position is extended and very considerably extended. There is no occasion, though, to be unduly disturbed over the situation. We want to look at the facts as they are and not deceive ourselves in any particular. Having diagnosed the case, then we want to determine what is the proper policy to pursue.

After allowing for the normal credit expansion in a growing country, we find that since the 30th of June, 1914, the expansion of bank credit in this country has amounted to about \$11,000,000,000. At the same time the expansion in the volume of currency in circulation, deducting from our starting point the currency held in the Treasury, and deducting from the present figures the amount held in the Treasury and in the Federal reserve banks, has been about \$1,900,000,000. When we remember that during the last three years the Government has floated \$26,000,000,000 of securities to take care of its own war requirements, and to enable it to make advances to governments associated with us in the war, this expansion of bank credit does not seem to be excessive or disturbing, when looked at purely from the standpoint of war necessity; but the situation that we want to discuss particularly today, and which seems to be disquieting, is the expansion that has taken place in the last twelve or fourteen months. From the 1st of April, 1919, to the 1st of April, 1920, the expansion of bank credit was about 25 per cent. This has been in spite of the very large reduction of the amount of Government obligations outstanding. The reduction in Government obligations has all been absorbed by commercial credits, with the net result of expansion of bank credits of about 25 per cent. During the same time there has been an advance in com-

modity prices of about 26 per cent. This has been accompanied by a decrease in production of essential articles.

Assuming for the year 1918 an index number of 100 in each of ten principal articles of every-day use and necessity—not necessarily production figures, but distribution and consumption figures, such commodities as grain, live stock, wool, copper, cotton, petroleum, pig iron, steel bars—putting all of them at 100 for the year 1918 we get an index number for the year 1919, on the average of the ten commodities, of 89.07. While these figures cannot be accepted as indicating a positive decline in production, they do indicate a decided trend in that direction, a certain trend toward a reduction in the distribution of those products, so to all intents and purposes we may assume that there was a decline in essential production during the year 1919 of about 10 per cent. At the same time credit has expanded 25 per cent.

It is this tendency of production to decline, particularly in some essential lines, which constitutes a very unsatisfactory element in the present outlook. It is evident that the country cannot continue to advance prices and wages, to curtail production, to expand credits and to attempt to enrich itself by non-productive and uneconomic operations without fostering discontent and radicalism, and that such a course, if persisted in, will eventually bring on a real crisis.

There is a world-wide lack of capital, and with calls upon the investment market which cannot be met there is an unprecedented demand for bank credits. The fact must be recognized that however desirable on general principles continued expansion of trade and industry may be, such developments must accommodate themselves to the actual supply of capital and credit available.

Official bank rates now in force in the leading countries are higher than at any time during the present century, except during the war panic week at the beginning of August, 1914. Only within the last few weeks the official rate in Italy has been raised from 5 to 5½, the Bank of France rate from 5½ to 6, and the Bank of England rate from 6 to 7 per cent.

Every effort should be made to stimulate necessary production, especially of food products, and to avoid waste. Planting operations in many sections have been delayed because of adverse weather conditions, and should there be an inadequate yield of crops this year the necessity for conservation and conservatism will be accentuated. War waste and war financing result inevitably in diminished supplies of goods and increased volume of credits.

Now I assume, looking at the matter from the standpoint of the economist, that the trouble with the general situation throughout the world, and in this country, is the disruption of the proper proportion or relationship between the volume of credit and the volume of goods. Whenever that phenomenon occurs, there are two remedies which suggest themselves: First, a reduction

in the volume of credit, credit contraction. That is a drastic remedy, it is unpleasant medicine, but it may be necessary at times to take medicine of that kind. The other and better method is to restore the proper equilibrium by building up production, in other words, letting the country catch up with itself. We can approximate this result in two ways. We can restrict credit and expand production, letting the expansion of production proceed at a greater rate than the restriction of credit, and we are then working along in the right direction. This is our essential problem today, the formulation of some constructive policy to be adopted by the Federal reserve banks which will build up essential production and at the same time preserve the solvency of other concerns which may not be essential per se, but which are highly essential as part of the general situation, because there is no chain which is stronger than its weakest link.

### A Spirit of Extravagance

Now, there is undoubtedly, however, a spirit of extravagance in this country which must be curbed. There are some indications that the people are waking up to what the consequences will be if this wild orgy of extravagance and waste should be continued indefinitely. It may be that some real personal sacrifices must be made for the general economic good. But it is very clear that if we find it impossible under the present circumstances to increase the volume of production of the most essential articles, the only thing for us to do is to reduce consumption of those articles.

Now, we might as well look at the situation as it is. A prudent man never lives for the day alone. He always looks to the morrow and the months to come. What is the situation in regard to the output of the mines and of the farms in particular? What has been done to get normal output and production at the present time and to provide proper means of distribution of the output in order that there may be no acute shortage in the fundamental necessities of life next winter? In this connection, I might call attention to one circumstance which has caused a good deal of uneasiness. It may not prove as bad upon analysis as it appears at first blush, but I refer to the lack of liquidation which we have experienced during the early months of the present year. We all know that normally, after the fall trade is over and the crops have been harvested and distributed, there is a marked easing of money accompanied by the liquidation of debts. This occurs usually in January and February and up to the middle of March of each year. Liquidation of this kind is entirely natural and is necessary in order that the banks may strengthen their resources in order to meet the demands which will be made upon them later on in the year as the crops are in the process of making or harvesting. This year we have had no such liquidation. Com-



mercial loans have expanded steadily, and while there has been some reduction up to the last week or so in loans secured by Government obligations, it is noticeable in the last few days that those loans have increased. It would appear that this means an anticipation on the part of the American people for their requirements for bank credit which they usually make later on in the year. We may well inquire that as we have had this demand at a time when we ought to have had liquidation, what is our situation going to be in the later months, when we are going to have the demands which we have been accustomed to having? Now, I hope that the answer to this is—and if this is correct it is the reassuring feature of the situation—that the demands which have been made in the past few months, when we should have had liquidation, are due, at least in part, to the fact that essential commodities have been held back by lack of transportation facilities. Then our problem is directed to opening up the transportation facilities in order that these goods may flow to market. This done, we will get some liquidation which ought to be sufficient to offset the demands which will be made upon the banks for essential purposes later on in the year.

But we have figures to show that the extravagant spirit has not yet been checked. There are some indications that the peak has been reached and that people are coming to a more realizing sense of the situation and that they will pursue a sounder and a saner course. There ought to be a recrudescence of our old war-time spirit, of doing something that is worth while, and we should get down to work and solid business. There should be a general spirit of cooperation on the part of the Federal reserve banks, the member banks, the non-member banks and the public to work out a policy which will result in greater production, less unnecessary consumption and greater economy; all unnecessary borrowings for the purpose of pleasure and luxury should be restricted as far as possible and the liquidation of long-standing, non-essential loans should proceed.

## Not Too Drastic Deflation

We should be careful, however, not to overdo this matter of liquidation, because too drastic a policy of deflation, which might result in crowding to the wall and throwing into bankruptcy legitimate enterprises, however unessential their operations may be, would have a tremendously bad effect and would defeat the purpose of the very policy which we are trying to have established. There must always be a wise and discriminating judgment used.

A sensible and gradual liquidation will result in permanent improvement, as we all know, but any attempt at radical or drastic deflation merely for the sake of deflation will result in very serious consequences, and such a policy should be avoided.

It will be helpful for us to discuss and to understand the parts which must

be played by the Federal Reserve Board, the Federal reserve banks and the member and the non-member banks in solving the financial and economic problems that confront us.

We have heard a great deal about the necessity of discriminating between an essential and a less essential and a non-essential loan. The discount operations of the Federal reserve banks and their powers to make investments are all clearly defined in Sections 13 and 14 of the Federal Reserve Act. Those sections are permissive and not mandatory. A Federal reserve bank is not required to make any particular loan or any particular investment. The Federal Reserve Board may define eligible paper, but all rulings and regulations of the board must be in strict conformity with the terms of the Federal Reserve Act. The Federal Reserve Board has no legislative powers whatever. It can merely interpret, by regulation or rule, the enactment of Congress.

Now, without discussing any power that the Federal Reserve Board may have to define essential and non-essential loans, I wish to point out that Section 13 provides, in a general way, that any paper maturing within the prescribed time, the proceeds of which have been used, or are to be used, for commercial, industrial or agricultural purposes, is eligible. There is no specific condition imposed as to whether or not, in the judgment of any man or body of men, any particular loan is an essential loan, for the well-being of the community or the country at large.

The board has reached the conclusion that there is no occasion now, whatever may be necessary later on, for it to attempt, by any general rule of a country-wide application, to define essential and non-essential paper. You remember the difficulties that were experienced in making such a definition during the war, when we had the War Trade Board, the War Industries Board, the Capital Issues Committee, and other temporary boards here passing upon all these matters. At that time the problem was simpler than it would be now, because there was a general underlying principle that anything essential must be something that was necessary or contributory to the conduct of the war. Now we have no war. The temporary boards have all dissolved and gone. The Federal Reserve Board is not a temporary board. It is a permanent organization and it must conduct its business in strict accordance with the terms of the Federal Reserve Act. Therefore, I think we are all agreed that there is no occasion at the present time, if ever, for the Federal Reserve Board to attempt to define, by regulation of country-wide application, what is an essential and what is a non-essential loan. A Federal reserve bank is in much better position to undertake this than is the Federal Reserve Board. But even here there are difficulties in the way. Some of the Federal reserve districts cover very large areas. A rule adopted by one Federal reserve bank may not be susceptible of adaptation in another Federal reserve district, because what seems to be essential or

necessary in one place may not be in another. While there is no particular objection to a Federal reserve bank, in the wisdom of its directors, undertaking to make a general discrimination between loans plainly unnecessary, plainly non-essential, and those which are less essential or more essential, it seems to the board that that whole question of discrimination might very properly be left for solution at the source, as a matter between the individual banker and his own customer, because the individual banker, particularly at times like the present, has a very close, confidential relationship with a borrowing customer. They can talk matters over with the utmost frankness. The individual banker is in position to give advice. He can accustom his customer to come to him, in advance of seeking a loan, or of making any commitment involved, to discuss the situation with him before the commitment is made. The individual banker in many cases—of course this may not be possible in the larger cities—but the great mass of banks all over the country that do mostly a local business can very largely anticipate the legitimate and necessary credit demands which are going to be made upon them; they can estimate the fluctuation in the volume of their deposits, and they are better qualified than any one else to give advice to a borrowing customer. They can often restrict the amount of a loan before it is made and can persuade a customer in very many cases that he really does not need the money after all. Then, again, the individual banker can determine, not so much the essential nature of a loan from an elementary standpoint, as to whether the loan is going to produce something that is absolutely needed, but he can decide better than any one else whether the loan is essential or necessary for the public good in his particular locality not only as a means of producing something that ought to be produced, and which is needed for consumption, but as a means of preserving the solvency of his community. We all know that if the bankers in any community, large or small, were to clamp the screws on tight, they could bring disaster to the community which might spread to other communities.

## Credits Overextended

Of course, there may be cases, and there have been cases, doubtless, probably in all of the districts, where some of the banks have overdone the matter of extending credits, but there is one very encouraging feature of the present situation, and that is such cases are comparatively few. The majority of all the member banks in each of the Federal reserve districts are not borrowers from the Federal reserve bank, and the number of member banks which are borrowing from the Federal reserve banks in an amount exceeding their own capital stock is not large in proportion to the total membership. Every banker knows, or he ought to know, what reasonable line of credit he can get from his Federal reserve bank, and I want to call your



attention to the power that the directors of the Federal reserve banks have to limit their loans. I referred a moment ago to the fact that there is no mandatory provision in the Federal Reserve Act requiring that any particular loan be made. The nearest approach to compulsion in the matter of loans that you will find anywhere in the act is that provision which permits and, upon the affirmative vote of five members of the Federal Reserve Board, requires a Federal reserve bank to rediscunt for another Federal reserve bank. With this exception there is no other mandatory provision relating to loans in the Federal Reserve Act. While Sections 13 and 14 are permissive, there is, however, a strict injunction laid upon the directors of the Federal reserve banks in that part of Section 4 which requires the directors of a Federal reserve bank to administer its affairs without favor or discrimination for or against any member bank, and in making loans, discounts and advancements which in their opinion may be safely and reasonably made, to pay due regard to the wants and requirements of other member banks. Thus the directors of Federal reserve banks are clearly within their rights when they say to any member bank, "You have gone far enough; we are familiar with your condition; you have got more than your share, and we want you to reduce; we cannot let you have any more." They must exercise their discretion as to the proper course to pursue, but they have the power, and there are many cases where the rule ought to be laid down and a member bank ought to be made to understand that it cannot use the resources of the Federal reserve banks for its own private advantage for profit; that it must not abuse the rediscunt privileges of the Federal Reserve System.

When a banker understands, just as he did in the old days before we had the Federal reserve banks, that there is a limit to his borrowing—you will remember in the old days no national bank was permitted to become indebted for borrowed money in an amount exceeding its capital stock—when a banker realizes that if he wants to expand his business he must do it more and more out of his own resources and not lean so heavily upon the Federal reserve bank, when he understands what limitations and penalties may be imposed upon his borrowings, then if I know anything about the psychology of banking I know that the banker may be depended upon to use a wiser discretion in the matter of granting credit.

The recent amendment to paragraph (d), Section 14, which empowers the Federal reserve bank, for itself, and without regard to any other Federal reserve bank, to establish a normal or basic line of credit upon some principle applicable to all member banks in its district alike, and to impose a graduated or penalty rate upon excessive borrowings, does not repeal, amend or modify in any particular the provisions of section 4 or Section 13, and a Federal reserve bank is still, even though it adopts the progressive or penalty rate, entirely

within its rights in declining to take undesirable paper at any rate. The progressive or penalty rate I will not discuss at this time, because we will have an open discussion a little later on and we will take it up then.

It may be argued that the volume of credit must necessarily be greater now than was the case a few years ago on account of the higher prices and higher wages which are prevailing, so that any given transaction requires a greater number of dollars to finance it than was formerly the case. That is true, but I believe that I can present figures to you that will convince you that if there could be a freer flow of goods and credit, in other words, a greater velocity in the turnover of credit, the resources of the banks of this country are abundantly ample to finance all essential enterprises and a good many of the non-essential as well. The fundamental trouble with the situation today is that there is a large volume of essential goods and commodities held back from the markets and kept out of the channels of distribution, either for speculative purposes, being held with the idea of getting higher prices later on, or where they are held back of necessity on account of lack of facilities to transport them to market. In the latter case, it is a wise and proper policy to ease the situation along, to assist the people who are thus compelled to hold and not throw any obstacles in their way, provided there is a genuine and sincere disposition to put the stuff in process of distribution as soon as transportation can be had. But in the case of the hoarder, who for selfish and profiteering purposes wishes to hold back from the mouths of hungry people essential articles of food, or from the backs of the naked essential articles of clothing, every good banker should exert every influence within his power to force people of that kind to turn loose their hoards. Here is an opportunity for wise discrimination, and this discrimination can be exercised more intelligently and effectively by the indi-

vidual banker himself than by any governmental board.

We find instances also which always occur when there is a constantly advancing tendency in the market, where merchants have stocked up. There are many cases where mercantile loans are too large and ought to be reduced. There are merchants everywhere who ought to be reasoned with and who ought to be encouraged to push their stocks out and get rid of the high-priced stuff, because some of these days, it may be sooner rather than later, the reign of reason is going to be restored and the man in the street is no longer going to want to pay \$25 to \$30 for a silk shirt, or \$20 for a pair of shoes or \$1 for four pounds of sugar, and lower prices will be demanded, and trade will fall off unless lower prices prevail. It seems to me, from the standpoint of good merchandizing and good banking, that the merchants should be encouraged to reduce their stocks and not tempt the passer-by by extravagant display in the windows at high prices, which under the abnormal state of mind which has prevailed, may themselves help to sell the goods, because you all know cases where a customer would pass by with contempt a two or three dollar article and turn his attention to something at \$25, although it may not be one whit better suited to his purposes.

In order to bring about a correct tendency and to lead to a permanent cure of our present situation, a campaign of education must be begun and continued. Here, again, there is no agency so well qualified as the banker, who receives on deposit the money of the public and makes loans to the public, to give advice, so thus there should be a concerted effort all over this country on the part of the bankers to arouse in the public a spirit of common sense. Let us take our heads out of the clouds and get down to business, and let us save, produce, and let each do his part in a constructive and productive way for the community, to add to the volume of goods and facilitate distribution, thereby doing something to cure the discrepancy, the bad relationship which has existed between the volume of goods and the volume of credit and money.

## A New Cover

This issue of the JOURNAL appears with a new cover dress, a design which is intended to epitomize, in some degree, a few of the activities of the American Bankers Association. In recent months these activities have become so bound up with the machinery of business and the general welfare of the nation that the Association has itself come to epitomize the best economic thought of the American people. It is hoped the new cover will meet with the approval of the membership.

Governor W. P. G. Harding of the Federal Reserve Board presided. The members of the committee representing the American Bankers Association were James B. Forgan, chairman of board, First National Bank, Chicago, Ill., Chairman; J. H. Puelicher, president Marshall & Ilsley Bank, Milwaukee, Wis.; F. O. Watts, president First National Bank in St. Louis, St. Louis, Mo.; Francis H. Sisson, vice president Guaranty Trust Company, New York, N. Y.; E. W. Decker, president Northwestern National Bank, Minneapolis, Minn.

# Financing Foreign Trade

Action Taken by the National Foreign Trade Convention in San Francisco in Line with Plan Approved by the American Bankers Association—A Notable Gathering

THE Seventh Annual National Foreign Trade Convention, called by the National Foreign Trade Council and held at San Francisco, May 12-15, registered marked developments in the history of America's commerce with abroad. In no particular was this more evident than in regard to financing foreign trade. Here action was taken in line with the plan formulated by John McHugh, Chairman of the Commerce and Marine Committee of the American Bankers Association and approved by the Executive Council of the Association, which plan contemplates nation wide organization on the part of manufacturers, bankers, exporters and importers, producers in general and others of this country with the object of developing effective machinery for the financing of foreign trade. As a result of the convention, it is planned that a committee of the National Foreign Trade Council will be named to confer with committees already named by the American Bankers Association and the Chamber of Commerce of the United States on developing, if feasible, the machinery referred to.

The convention had for its theme, "The Effect of Being a Creditor Nation." In the final declaration of principles adopted unanimously by this notable gathering at San Francisco, which was attended by more than 2,500 delegates representing all parts of the country, representatives of many foreign countries also being in attendance, it was stated as important that "our banking institutions should be afforded every reasonable opportunity and protection in their efforts to expand their services to foreign commerce and in enlisting the interest of American investors in foreign securities with united action to this end, if possible, by exporters, bankers, manufacturers and other producers of this country."

One of the first and most important group sessions of the convention was that of Group II, on financing foreign trade. This session, which was attended by 500 delegates, was in cooperation with the American Bankers Association, and was presided over by John S. Drum, president of the Savings Union Bank and Trust Company of San Francisco, and first vice-president of the American Bankers Association. The vice-chairman was Frank S. Thomas, vice-president, Alliance Bank, Rochester, N. Y., and the secretary was William F. Collins, secretary of the Commerce and Marine Committee of the American Bankers Association.

Addresses were made by John E. Gardin, chairman of the board, International Banking Corporation, New York; Frank B. Anderson, president of the Bank of California, N. A., San Francisco, Elmer H. Youngman, editor of the Bankers Magazine, and Allen Walker, assistant manager, Foreign Trade Bureau, Guaranty Trust Company of New York.

At the group session the necessity of adequately financing America's foreign trade was effectively brought out and in particular there was careful consideration of such financing through foreign trade financing corporations under the Edge law. Points emphasized were that a large foreign trade financing corporation under the Edge law is desirable from the view-point of management as well as from the view-point of the protection of the investor; that by means of such organization the way could be opened for increased American investment in approved foreign securities with accompanying extension of the market for American goods abroad; that it would, in effect, provide means for the extension of American credits abroad when conditions at home and in

foreign lands made such extensions desirable; and, that it could be employed to ensure to America raw materials needed in this country, and, in general, to advance national interests, at the same time acting in stabilizing business conditions in other countries.

There was insistence on the necessity of having any Edge law corporation provided with a personnel which would inspire confidence. It was pointed out that for a prosperous national position there must be economy, governmental and private; a curbing of extravagance; increased production; deflation of credit and changes in the revenue law, which law, in its present form, was characterized as a heavy contributor to inflation and unrest and a discourager of economy. While the opinion was expressed that the country is not in position to extend any great amount of long-time credit, the argument was advanced that, if certain things were done, America could render very powerful assistance in bettering conditions.

It was the well-defined sense of the session that concrete progress to the end of maintaining and developing America's foreign trade would be registered if a committee of three were named by the National Foreign Trade Council to confer with committees which have been respectively appointed by the American Bankers Association and the Chamber of Commerce of the United States, the members of all of these committees to act as a joint standing committee on ways and means and to see, in particular, what may be done in the way of nation wide organization on a comprehensive scale, with the uniform cooperation of manufacturers, exporters and importers, producers, bankers and others of this country, to consider the situation and to develop, if feasible, a businesslike

and well-considered plan to meet the situation.

One of the most impressive addresses made to the convention was that on "Foreign Exchange" by Fred I. Kent, vice-president of the Bankers Trust Company, New York City. In this address, Mr. Kent, who has spent many months in Europe since the armistice, analyzed keenly the causes of Europe's present economic situation and indicated how that situation might be relieved by the extension of carefully safeguarded credits, extended privately and not by government, when the peoples of certain European countries evinced a desire to return to normal conditions of responsibility and production. In this address Mr. Kent incorporated much of an important report which as a member of the Commerce and Marine Committee of the American Bankers Association he had recently made to that committee.

Among other addresses, made either at the convention or during group sessions were those on "The Financial Situation as Applied to Foreign Trade," by Fred L. Lipman, vice-president, Wells Fargo Nevada National Bank, San Francisco; "The Function of Imports in our Foreign Trade," by George E. Roberts, vice-president, National City Bank, New York

City and "The Importance of Foreign Credits," by Henry S. McKee, vice-president, Merchants National Bank, Los Angeles, Calif. There was a group session on the topic, "Banking Service to Foreign Trade," with addresses on "Foreign Trade Promotion through the Banks," by Dr. W. E. Aughinbaugh of the New York Commercial; "Inland Banks and Foreign Trade," by W. C. Dunlap, treasurer, American Multigraph Company, and "Need for Standard American Letter of Credit," by Marc M. Michael, treasurer, Consolidated Steel Corporation.

The convention, which was more largely attended than any previous gathering of the National Foreign Trade Council, was considered to be more resultful than any other convention in the history of the organization. Especial interest attached to the declaration of principles which, in addition to the points mentioned above, stated that the United States as a creditor nation should afford to other nations every fair and reasonable opportunity to sell their products to us, especially of raw materials, without detriment to existing industries (a) to permit of the liquidation of the obligations of the debtor nations, (b) to promote exchange of products in view of the impossibility of their making all payments in

gold, (c) to provide return cargoes for our merchant marine, and (d) to relieve the demoralization of industry and exchange in Europe. It was declared that every proper measure should be devised to encourage our manufacturers and producers to exercise the full employment of all their facilities, (a) to satisfy home demand and, (b) to provide a surplus for foreign consumption. It was pointed out that American production should be increased to the maximum in order to restore normal conditions of employment and living.

The Chairman of the American Bankers Association delegation to the convention was Mr. Drum, and the members of the delegation in attendance included Mr. McKee, T. F. Aspden, vice-president, Park Union Foreign Banking Corporation, New York City; J. W. Maxwell, president, National City Bank, Seattle, Wash.; John Clausen, vice-president, Union National Bank, Seattle, Wash.; N. I. Adams, vice-president, and M. F. Roesti, assistant cashier, National Shawmut Bank, Boston; F. F. Harrington, A. O. Anderson & Co., San Francisco, and George B. Carpenter, foreign trade advisor, Merchants National Bank, Los Angeles, Calif. The delegation held a meeting during the convention.

## Tennessee Convention

Delegates from over two hundred Tennessee banks attended the thirtieth annual convention of the Tennessee Bankers Association, held at Memphis, May 11 and 12. Speakers included Rabbi W. H. Finescriber, Memphis, on "Present Day Requirements for Citizenship;" Richard S. Hawes, president of the American Bankers Association; Theodore H. Price, "The Sin of Overconservatism in Banking;" George R. James, Memphis, "Agriculture;" William A. Burnett, Nashville, "The Importance of a Greater Live Stock Production," and John G. Lonsdale, St. Louis, "The Ties that Bind." Governor A. H. Roberts, of Tennessee, delivered an address on the financial condition of the state government

and an explanation of the necessity for the recently adopted system of assessment for taxation. The newly elected officers of the association are:

President, V. J. Alexander, cashier Cumberland Valley National Bank, Nashville; vice-presidents, W. O. Whittle, cashier Union National Bank, Knoxville; Robert Bell, Jr., cashier Murfreesboro Bank & Trust Company, Murfreesboro; George T. Lewis, cashier Bank of Crockett, Bells; treasurer, E. H. Ayers, Jr., cashier Spring Hill Bank, Spring Hill; secretary, H. Grady Huddleston, Nashville; Vice-President for Tennessee, American Bankers Association, E. A. Lindsey, president Tennessee-Hermitage National Bank, Nash-

ville; member Nominating Committee, H. E. Jones, president Dominion National Bank, Bristol; alternate member Nominating Committee, P. D. Houston, president American National Bank, Nashville; vice-president Trust Company Section, C. M. Preston, vice-president Hamilton Trust & Savings Bank, Chattanooga; vice-president Savings Bank Section, Thomas B. Carroll, vice-president and cashier Peoples Savings Bank, Jackson; vice-president National Bank Section, D. W. Shofner, president First National Bank, Mt. Pleasant; vice-president State Bank Section, Gilmer Winston, vice-president Union & Planters Bank & Trust Company, Memphis.



# The Farmer and the Banker— What Can the Grange Do?

By A. M. Loomis

Secretary Washington Office, The National Grange

*The National Grange is the great national farmers' secret fraternity and sorority. It was organized in 1867. There are state granges in thirty-three of the forty-eight states and over 7,000 subordinate and county granges, with membership (dues paying and dormant) of over one million persons. The Grange is one of the most potent forces in American agricultural life. Its great membership is actively at work week in and week out for the benefit and improvement of American farm life, and American farm homes, schools, social conditions, and economic conditions.*

*The writer of this article, A. M. Loomis, was for seven years agri-*

*cultural editor of the Jamestown, N. Y., Journal; in 1917 was secretary to Commissioner S. J. Lowell, member of New York State Food Supply Commission, in charge of Loans and Lands; in 1918 assistant to secretary New York State Food Commissions; in 1919 to date secretary of the Washington office of the National Grange, assistant to Prof. T. C. Atkeson, Washington representative of the National Grange.*

*Mr. Loomis tells his story from the standpoint of the farmer. The other side of the picture—the banker's viewpoint—is presented in the "Straight Talk from a Florida Cracker Banker."*

which get talked abroad, and which make it necessary that there be discussed here the problem of "The Farmer and the Banker—What can the Grange Do?"

The men and women and the wealth which make up the business of banking in this great nation, and the men and women and the wealth which make up the business of farming have many mutual interests and many opportunities for reciprocal education. Farming and mining, transportation and merchandising, banking and manufacturing and the trades and the professions have closely interwoven relationships, and a stable economic condition can be predicated only upon even justice to all. In no organization is this more clearly taught and practiced than in the Grange. This principle should be, and undoubtedly is, the foundation principle of sound banking. If the men in the Grange and the men in the banks who see this principle clearly will think and act together the results cannot fail to be of mutual as well as national advantage.

In the best sense the banker is the conservator of the wealth of the nation. Although the wealth is diversified among millions of ownerships and thousands of forms, the great conserving influence is that of the banker.

In the same best sense, the farmer is the conservator of the land from which most wealth is produced and from which the essentials of life, food, clothing and shelter come.

The banker has an obligation to keep safe the wealth placed in his hands, to direct its use into such channels as, all things considered, shall be best at the time and place and under the circumstances; to care on behalf of its owner for its honest and just increase; and to return it with what it has earned to

At the outset, there is a story and a moral. In 1917 it became necessary to take big, prompt measures to increase food supplies. No state needed increased food production within its own borders more urgently than New York and one of the measures taken was the organization of the Patriotic Farmers' Fund of several million dollars to be loaned a few hundred dollars in a place to farmers who needed it for farm necessities and other help in definite food production operations. Banks generally cooperated in this work, with three members of a Grange named in each community to pass on applications for loans, no security being required. It was not sound banking, but patriotic men said that food was worth more than dollars, and that they would take the risk. So the fund was raised and placed out with the banks to be loaned in this way.

The story is of the president of a small bank in a country county who refused a loan to an applicant who had fulfilled all requirements. A few days later this man

was notified by the same banker that if he would come to the bank he could get the money. At the bank he was asked to first sign a mortgage on his little property, a house and small poultry plant. He demurred, but urged by the patriotic appeal for food production, finally consented. He signed the mortgage, which necessitated another trip to his home to get his wife, and he then received the loan, less a commission to the banker, the costs of drawing the mortgage, the search and the lawyers' fee for the job. In all, he received nearly one hundred dollars less than the face of the note he negotiated with the banker; and at this same time the bank had on its books the deposit of the Patriotic Farmers' Fund to be loaned without fees or commissions or mortgages or other security, on just such notes, with Grange approval, as the man in question presented on his first appeal.

It is such bankers as this, such deals as this, few though they be in the course of the thousands of other transactions in which the most scrupulous honor is maintained,

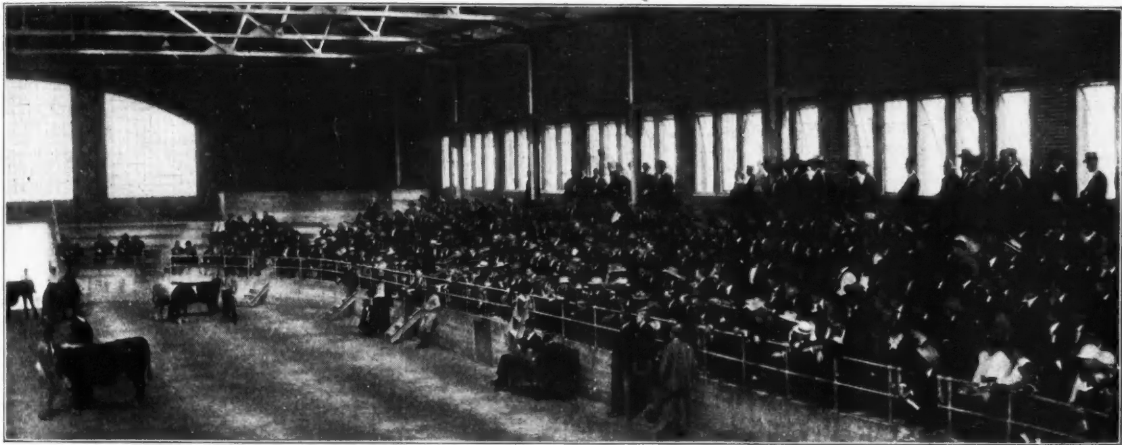
its owner. In fulfilling this obligation, the banker must come into contact with the farmer; for farming is one quarter of all the nation's business; if he does not understand the whole relationship involved he has not met the full requirements of his obligation.

The farmer has an obligation to use such land as he has to the limit of its productive capacity, all things considered at the time, and place, and under the circumstances; to care for this land that it may not be impaired in fertility, or intrinsic worth; and to turn it and its reasonable and proper increase over to his successor. In fulfilling this obligation the farmer comes inevitably

rights and no special privileges; room and opportunity for the exercise of individual initiative and opportunity to be free from caste or class solidarity; all these are involved in American citizenship. Next there is mutual interest in good government, and this does not mean paternalism, government interference with economic laws, nor bureaucracy which seeks government for the places it creates. Good government means good, clean, wholesome democracy, in error perhaps at times, but always with the background of knowledge that a mistake in a democracy is education leading to its correction, while a mistake in an autocracy or a bu-

Grange member in that community.

There are two other items of mutual interest which need to be pointed out. They may be less self-evident. One is a mutual interest in good farming; the other is a mutual interest in good banking. The same parallel exists between a community in which good manufacturing and good merchandising have been built up by banks and bankers fully interested in good banking as it applies to the development of those interests, so that bigger and better banks have grown along with bigger and better factories and stores; and a community where good farming and good stock raising have been built up by banks



#### A BANKER-FARMER CONFERENCE

*Five Hundred Texas Bankers and Farmers in Session at the College of Agriculture, April 20, 1920. Every banker at this meeting pledged himself to finance purchases of pure bred stock by farmers.*

into the contact with the banker; for here is the capital he must use; if he does not understand the whole relationship involved, he, too, has not met the full requirements of his obligation.

Why waste words? The banker must be the best banker and the farmer must be the best farmer that place and circumstances will permit. Each needs the other and each must understand the other.

I am going to point out some of the mutual interests from which such understanding must proceed. First, wherever they live, there is a mutual interest in good citizenship. Clear-cut Americanism; belief in a free democracy; the rights of property and personality; equal

raucacy is error which can not be changed without revolution.

Good citizenship and this kind of good government are fundamental planks in the Grange platform. As a farmers' fraternity its first work is for good citizenship, and in this work it is proud that it has included women as equals with men, since its earliest days. Barring all partisanship, the Grange requires of every member that he or she fulfill every obligation of the ballot and participation in all public affairs. Good schools, good churches, good roads, every asset to a community, have always received Grange support. The leading banker of any community will find his every effort in this direction paralleled by the leading

and bankers fully interested in good banking as applied to the development of farming and stockraising, so that bigger and better banks have grown along with bigger herds and more productive acres.

With all these mutual interests it should be easy for bankers and farmers to speak freely to one another of the things the farmers need to know about banks, banking and bankers, and which the bankers need to know about farms, farming and farmers. The Grange is a common meeting place.

One thing farmers need badly to know is bankers' psychology. In a business way they have always been separated by iron bars, actually, not theoretically. I know that

I have never yet felt at home in a bank until I had passed beyond the stage of going in and transacting what business I had through an iron grated window and had reached the point where I sat down in a chair beside a desk or across a table from a man they didn't need to put behind a grating and transacted my business with him. Never until I reached that point did I feel at home or get acquainted in that bank. Perhaps that is farmer psychology just as much as it is banker psychology, and perhaps we use the term psychology because we really do not know what it is, but whatever it is the "entente cordiale" is never established until there is personal contact which is not obtainable through an iron grating.

The state of mind of a country banker ought not to be hard for any farmer to understand. His state of mind ought to be, to be the best banker possible in that community—that he has money which is entrusted to him to put to use, that he wants more money for the same purpose, that the use he puts it to must be the best possible, measured in what it will do for itself, for the owner of the money, for the person who gets it to use and for the community and the world. If that bank is in a community where dairy farming is prosperous there would be a ponderance of evidence that that banker should find every factor of his obligation properly in action if a fair share of the money of his bank were put to use in increasing the efficiency of dairying in that community. This might range from starting calf clubs, or contributing to the expenses of a dairy testing association, to assisting in establishing a new condensary or other milk plant, or furnishing a needed line of credit for a feed mill or in buying part of the bonds for good roads construction.

The farmer wants to know what the banker thinks about all such things as outlined here. He wants to know that the banker thinks fairly and in a community spirit or else he wants to find another banker. There is little difference between a banker lending a few hundred dollars and the farmer lending his mowing machine to a neighbor. If the mowing job is on a stony hillside the farmer usually

has something else for the machine to do that day; if the few hundred is to buy a Holstein bull in a country where there is little dairying the banker probably is not "taking on any new loans just now."

The farmer needs to know that banking accommodations and the availability of bank credits depend chiefly on business methods, and results. The actual figures of business done, costs, sales and profits are the banker's alphabet, the only necessary letter of introduction and the "Open Sesame" to his confidence. If the income tax does nothing else than to lead to farmer bookkeeping, the result will be worth most of what it costs in the better relation between bankers and farmers.

The farmer also needs to know banker methods of evaluating the personal equation. Personal loans do not bulk large in the banking business, but they often open the way to farming success, no less than to success in other business and to future close relationships. It should be known and appreciated that personal loans are not made by bankers by guess or without shrewd appraisal. That is all involved in successful banking, and it is in the course in education the farmer—especially the young farmer—needs to take.

Big as is the task of the farmer in learning how to use to the full limit of his ability the bank credits which are available there is for the average banker a far bigger task and a far greater obligation, in learning what he ought to know about this problem of farm credits, diminishing returns in agriculture, decreasing production, declining rural population, and overcrowded, under-nourished cities. The banker has a big part in the job of turning this vehicle around and starting it in the other and safer direction.

First is a long careful course in farmer psychology. Farmers live alone. They live with nature and deal with natural elements and natural laws. They think in terms of simple, elemental things, and act in terms of individuality and self help. Most of all business men, the banker needs to know this habit of thought and action of the American farmer. It is the clearest, most

concise, most elemental, most direct thought and action found in this country today—it doesn't finesse, but it hits the bull's-eye.

The next thing this banker needs to know is common, fundamental agricultural facts. Every \$50,000 bank, or bigger, today, needs one or more men, responsible trusted members of the staff, to study agriculture, actual farm practice, the business methods of dealers, buyers and merchants of the community; and the trends and tendencies, as evidenced by community activities. The Grange or such other local farmer's organization is the only place where this can be learned at first hand.

The other item which comes readily to mind is the personal knowledge which the banker needs to have of the farmers, their wives, their lives and their families.

The study of the entire subject of when, how, and to what extent credit can be utilized in increasing farm production, decreasing farm costs, and increasing farm profits is in its infancy in this country but production must be increased, and just now it is necessary to find a way other than using more farm labor—for farm labor can not be found except at a cost which can not be met. Productive loans must be for varying periods of time, which make this business difficult for ordinary banks of deposit to handle. Farm machinery or farm power loans should run for periods ranging from two to four years, perhaps longer. Cattle purchase loans in the dairy industry should run for even longer periods to pay out. Cattle loans in the feeder industry are seasonal loans, of six months or less. Crop production loans are also seasonal, but if strictly limited to six months preclude any method of disposing of the crop except an immediate and forced sale.

There is just one thought in conclusion. The Grange wishes to urge bankers in general, and in particular, to know that the members of this farmers' fraternity consider this whole problem as a problem of business and economics, of mutual interest, and not of antagonism or opposition.



# A Straight Talk from a Florida Cracker Banker to the Farmer

By A. W. Newett

Vice-President and Cashier, Bank of Groveland, Groveland, Fla.

**N**OW that the crop season is coming in, there is a subject which I would like to bring home to the farmers. And in introduction, I want to say that I believe, after financing the farmers for five years, that I know what I want to bring home to them.

A short review of the past five years is of value. Many farmers keep no books at all, except perhaps a monthly record of bank deposits, and when they get their cancelled checks back, possibly glance over them casually to see that the bank has kept their account accurately. I doubt if ten per cent. of the farmers take each check, analyze what it went for, or go over in their minds and ask themselves the question, "Was that expenditure necessary? Did it bring me more comfort, or more money, or was it just thrown away for the purpose of a momentary pleasure?"

Now, if the farmers will but recognize it, they are the backbone of the nation. The products or crops of the field are the basis of all production. And yet we must acknowledge the fact that the majority of the farmers do business in a very slack business manner. This fact is mentioned, not in criticism, but because *the farmer's prosperity is the banker's prosperity.*

Now, I notice this fact in particular in our farming district of Florida. *When the farmer's crop comes in* it either has all gone to pay debts for living expenses while he has made that crop, to pay debts for the actual making of the crop, for improvements to the farm, or for more land. By the time the crop is harvested, if the farmer has paid all his debts, and bought a piece of land, or a new automobile, 75 per cent. of the farmers have found that they will have to borrow money before September to live on until the following spring crop has come off again. Let us analyze each of these

items just a little. In the first place, by this method a farmer very rarely can tell just what making that particular crop has netted him. He may have netted 100 per cent., it may not have netted him anything; but one crop has so interlocked with debts of the past crop that he cannot tell just where he stands. And right here is the big reason why our farmers borrow more money in percentage to the amount invested than any other class of business.

## A Budget System

For example, let us take a budget or book system for a farmer. Usually the season starts December 1; that is when he commences to break up his land. Let us start our farmer on this basis; that he is clear of any debt, that his original capital is invested in his farm. He has no money other than his original capital invested. Now, before he can turn a wheel, he must have money to start on. The first thing necessary is to see just what his needs are. First, he will need living expenses. Estimate his living needs at \$25 per month. He should have on hand nearly all eatables he needs except coffee and a few items like that. It will be six months till his crop comes in. That is \$150 for living. He will need \$100 for seed, \$300 worth of fertilizer and \$250 for extra labor. He knows just what his expenditure is to be. Let him say to himself, "Barring sickness, I will stay within that limit." That is a total of \$800. Now his crop comes in. He makes \$2,000 gross from it. Out of that he owes \$800, which leaves him \$1,200. What does the average farmer do with that? In the first place, he has denied himself for six months, and the first thing he thinks of is this: "Well, I have worked hard for six months, I now have \$1,200; first of all I will

get me a Ford." That will take \$500, leaving him \$700. He increases his living expenses to \$50 per month, which carries him to December 1 again, with \$300; and counting sickness, a new horse or cow, insurance and a little addition to the house, by the next December 1, he is clear of debt, but he is flat broke again, and has to start all over to borrow every penny to run his next crop. True, he has his Ford, but that is now a liability rather than an asset because he now goes out more, he has to buy tires and gasoline and his family must have better shoes and clothes because he goes out more. He needs to hire a little more help because he is off the farm more. But in a real financial way is he really better off than he was one year ago? He is one year older, toward the day when he can work no longer, and will he be entirely out of debt when the next crop year rolls around? If he happens to make a failure, if there is too much cold weather, drought or the market slumps, can he recover?

These are the farmer's problems; they are also the banker's problems, because the banker has to enter into the farmer's life. No man who is a true banker and has the welfare of his customers at heart turns down a man's application for a loan because he wants to. He must be able to look into the future and see whether that community can benefit by the making of that loan or not, because the future holds bad years as well as good. Now, are we this year going to go over the same old story in the same old way? Say the county has mortgaged every farm in it for several years to come, to build roads. That is good. That is progress. That money properly expended will pay back 100 per cent., but during that same progress the farmers must prepare to meet the bills. Taxes next year

will be double. All will want automobiles when we have hard surface roads, and we will all want better lights, better homes to which to invite the neighbors, better amusements and be off the farm more; but can we stand the *pace* if we do not now prepare? The farmer may think he can sell his farm at an increased price, but he will have to buy again and at an increased price, so he will not gain that way.

Now there is a solution. *This year*, when the crop comes off, first of all let the farmer pay all his debts. That is absolutely necessary. No man can go ten feet without credit and no man can have credit who does not pay his obligations and take care of that credit. But, before you spend any more, bank all the rest of your income till the crop is all off. I know there will be a string of insurance men, of automobile men, of every kind of salesman imaginable around you and hounding every minute to sell you this, that or the other. But hold him off. He wants your hard earned money. He is not caring what happens to you afterward. All he thinks of is the present. You have to think of the future.

First meet all your debts. Then bank every penny you get until the end of the shipping season. We will assume that you have \$1,500 clear. You may have that much, you may not, but assume you have.

The first thing to consider is, it will be another year before your next season. Lay aside \$600 of that money for living expense till next crop season. Lay aside \$300 for next fertilizer season. If you have those two items saved without borrowing, you have saved \$54 interest right there. That leaves \$600; let us look around; what does the farm need most to stimulate the production of next year's crop? It may be a new horse, cow, paint for the house, a new plow, more fencing, clearing a new piece of land, buying more land, but whatever it is, analyze the situation fully. See that it is a need, but if it will produce more, make you more money for the future, go to it with a vim, but if it won't, let it alone. Put the money

in the savings department at the bank. Farmer folks, let us get on a business basis from now on.

I notice so many farmers go land crazy as well as automobile crazy, as soon as they have a little money. Suppose it is a choice piece of land; that is not the question. The vital question is, will that land produce you more, will you be able to work it? Idle land is worse than not having any. Idle land is a burden for you have to pay taxes on it if nothing else. As to land as a speculation, I do not think much of that. In the first place, the farmers cannot afford to speculate. The majority have not the capital; they have to speculate on borrowed capital and it does not take long at 8 per cent. to eat up what profit they might make in speculation.

The combined wealth of this whole portion of the state is not over \$5,000,000. Divide that among every inhabitant in it and depend upon it for a living and you will give every member of it about \$55 in cash. How much speculation can you do on that amount? We must not and cannot afford to speculate; we have not the money. We have to stay on a sane basis.

The big idea is this, let each year's crop pay the debts of making that crop, of your living while making it and bank a portion for the bad season. Let us all get our communities on a solid, safe basis of business to take care of that bad year or years which might come, which have come in the past and which I cannot expect will not come in the future.

## A. B. A. Convention Program

**F**ROM the standpoint of importance, attendance and program, the annual convention of the American Bankers Association at Washington, October 18 to 22, is expected to be the largest gathering of bankers ever held. A straight business convention, in which not only the problems of the banking fraternity, but questions of greatest importance to the entire nation, is the aim of the program committee.

This committee, composed of President Richard S. Hawes, Guy E. Bowerman and Thomas B. McAdams, has suggested the following tentative program:

Monday, October 18, forenoon: Executive Council meeting, which will be devoted to consideration of the proposed constitutional changes. All section committee meetings. Afternoon: Clearing House Section; State Bank Section; All general committee meetings, with prob-

ably some of them held Monday night.

Tuesday, October 19, forenoon: General session of the convention. Afternoon: Savings Bank Section; Trust Company Section. Evening: Executive Council.

Wednesday, October 20, forenoon: General convention. Afternoon: National Bank Section; Trust Company Section; State Bank Section.

Thursday, October 21, forenoon: General session of the convention. Afternoon: National Bank Section; Savings Bank Section; Clearing House Section.

Friday, October 22, forenoon: General convention.

Secretary of the Treasury David F. Houston, Secretary of Agriculture E. T. Meredith, Homer L. Ferguson, F. W. Ellsworth and Fred I. Kent will be among the speakers.

## New Jersey Officers

**A**T the annual convention of the New Jersey Bankers Association, held at Atlantic City May 14 and 15, the following officers were elected: President, Robert D. Foote, president National Iron Bank, Morristown; vice president, Charles H. Laird, Jr., vice president

West Jersey Trust Company, Camden; secretary, William J. Field, vice-president Commercial Trust Company of New Jersey, Jersey City, and treasurer R. Keisler, Jr., secretary and treasurer, Ironbound Trust Company, Newark.

# Requirements of a Modern Bank Building

By Alfred C. Bossom

THE bank building is the correct fulfillment of the needs of local banking psychology. In accordance with the accuracy with which this is gauged the success of a new bank building may be measured.

Today considerable subtlety is required to capitalize to the utmost the benefits that can accrue from a well-designed, well-arranged new banking house. The material advancement of the country in late years has been so tremendous and the demand for banking quarters is so far ahead of the facilities that probably there are more obsolete or impractical quarters being used today than has ever been the case in this country's entire history.

In figuring upon a new building, local conditions must be cared for. Certain communities insist on luxury not only in appearance, but also in equipment, service and the general attitude, while others are impressed only by the strictest economy, short cuts and expedients. Again, a still greater proportion are inconsistent by requiring great richness in the bank's building without realizing that this of necessity makes inroads on the bank's assets. The appearance of security is essential, but in attaining this the dignity which is to be expected in Virginia gives way to the "Hail fellow, well met" spirit, which is preferable in Kansas. It is the intelligent determination of this intangible quality that is one of the hardest problems the banker has to solve. There are, nevertheless, a number of requirements that are essential in any bank building.

First among these is the selection of the correct type of building; that is, whether individual or office building. In smaller towns it is seldom desirable, except where there is a sure demand and an opportunity for markedly unusual advantages, to erect a tall office building. The individual building with perhaps one floor of offices to

give the height necessary to make the structure dignified, but which does not require an elevator, as a rule is the most satisfactory type to adopt. Where elevators are introduced—and it is essential there should never be less than two of these in case one should get out of order—at least four floors of offices for rent are desirable, otherwise the expense of running the elevators will take the profit away from the offices.

In large towns the rival merits of the office building and the individual structure have to be determined by the location the bank is to occupy, the demand for renting space and the likelihood of the character of that section of the town changing, or of the town's becoming overbuilt by the structures contemplated at that time. If an office building is constructed over a bank economically and with sound judgment, it is a certain

revenue producer, often enabling the bank to live practically rent free; but if care is not exercised it can become a liability.

A bank has a great advantage over an ordinary owner in that it can often rent offices easier, for the average tenant prefers to be in a building with a prosperous bank rather than over an ordinary mercantile store, and is frequently willing to pay more rent on this account. Whether it be an office building or an individual structure, it must look serious; and it is most important that it should be devoid of anything appearing tawdry, vulgar or cheap, for not only are these unsuited to the bank's purpose, but invariably take away from its durability and the appearance of security.

Only first-class materials should be employed. If money is not plentiful the best grade of a cheaper material should be adopted instead of an inferior quality of a more expensive substance, for the latter is liable to create the impression of non-reliability, a condition most studiously to be avoided by a bank. The best qualities of granite, marble, limestone, brick, artificial stone, bronze or iron can be used to create an eminently satisfactory building. Anything of a perishable nature, such as zinc or tin, should under no circumstances be used, for as soon as they begin to become dilapidated it is a very obvious demonstration of poor judgment on the part of the bank officers, and if they use poor judgment in their own building, the depositors are certainly entitled to think they are liable to use poor judgment in the handling of the bank's funds. Untried innovations in materials should be thoroughly investigated, for nothing is worse than unused mechanical devices or unsatisfactory contrivances which no longer fulfil the function for which they were intended. Solidity cannot be too strongly impressed



Something different from any other bank building in the community—New Orleans, La.



on the outside of the building. Such structures as those of the Bank of England and the National Bank of France are world famous, not so much for their beauty as for their character of absolute reliability so ably expressed in the stones that form their fabric.

Next, the location is a matter of the greatest importance. If this is not pre-determined by the necessity of using a site already possessed, it is a factor that if judiciously selected may react with the greatest possible benefit to the bank. It is unquestionably safer to economize on the type of building than to economize upon the price of the lot whereon the building shall stand. A location which is readily accessible and conspicuously visible that is, on the main line of travel—is essential. Where there is a center at which the public naturally congregates, such as the Post Office, it is essential to be between the general mass of the community and this point, but *never* beyond it. Never get on the far side of any church or other building which is used for special purposes only at certain times, but always endeavor to be where there is an attraction beyond the bank so that the general public will move back and forth in front of the door.

A bank is dealing in a commodity the same as a five and ten cent store, only its goods are nominally

worth one hundred cents on the dollar, and with competition in the banking business as it is now, the bank's home should always be located in the midst of other attractions so that customers coming to these will also come to the bank at the same time and not have to go out of their way. A corner site is desirable, if it can be had, as it provides not only additional light and air, which are very advantageous inside the building, but presents much more of an exterior to the public; and if the building be made to look like a bank this will be a great advertisement for the full twenty-four hours of the day. If a corner is selected it is desirable to take one that is visible from many points of vantage. The side street enables customers to drive up in their automobiles and leave them outside the door without having to move them every few minutes, which is often the case where the bank is in the middle of the block on a main thoroughfare.

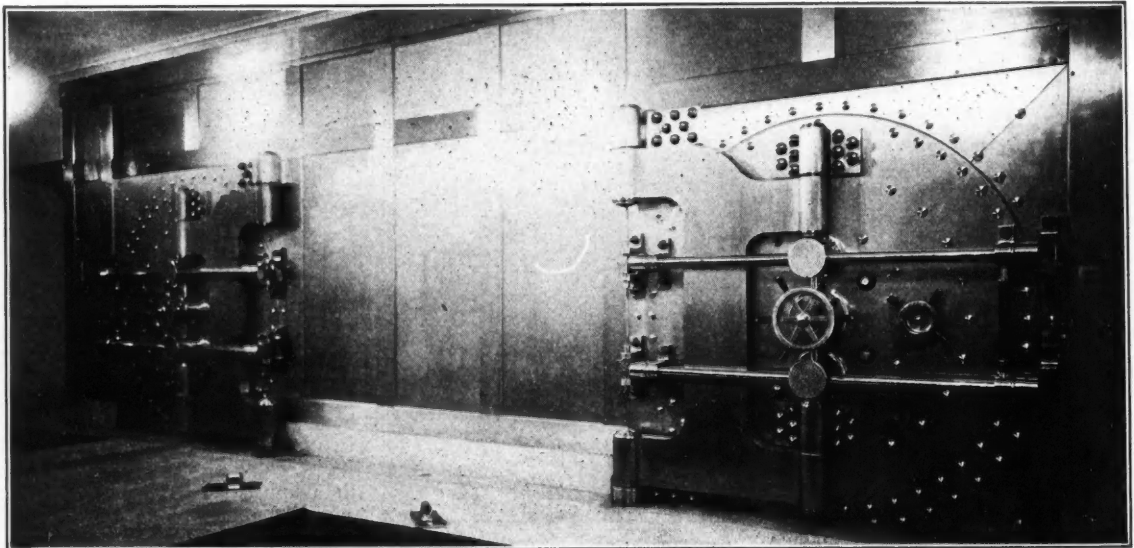
Individuality and distinctiveness are important and if treated in an attractive manner have great advertising value. At the same time, local materials should be employed so far as possible, as it creates a friendly spirit towards the bank by keeping the money at home during its construction and enables local tradesmen to refer to it as a

specimen of their work when discussing operations with possible future customers.

The first impression after entering the door should be inviting and create the atmosphere of conservative enterprise, which will inspire confidence in the prospective customer. For this reason if the bank decides to rent quarters in some existing building in place of erecting its own home it is of particular importance that the building selected be of a character compatible with the bank's policy. The personnel and policy of most banks are comparatively permanent and the bank's home, or its quarters, should exemplify both of these. Today even banks specialize, and the type of business the bank handles should be specially provided for in its home.

The bank building should also portray the policy of the institution and the more clearly it does this the better it is for the bank, particularly if run on sound lines. How often we see a banker with speculative tendencies plunge into a great big building project, while the ultra-conservative member of the profession will cling to old-fashioned ideas; in each case to the detriment of the bank's development.

The days are over when the banker can sit back and expect his customer to come to him except to



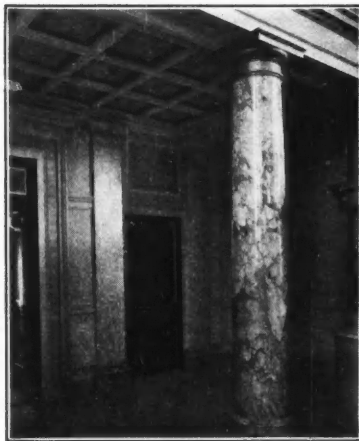
*Vaults inspire in a customer a sense of security mere words cannot convey. Richmond, Va. Alfred C. Bossom, Architect.*

borrow. He must be aggressive in a dignified manner in his method of attempting to get business, and must provide attractiveness and comfort, cheerfulness and brightness about his building. Just inside the door, in all but the very biggest institutions, should be a space set aside for officers where they may come in close contact with the public so they may get to know them readily, at least by sight, and make the customers feel that they really have an interest in the bank itself. A low rail in front of this space is all that is necessary and the division should be suggested rather than actual. One or two small sound-proof retiring rooms should be accessible to this space, but these need not be larger than is necessary to hold three or four people comfortably.

Very good ventilation is essential, for upon entering the building it is most disagreeable to be greeted with an unpleasant odor of stale atmosphere, a condition which can be easily avoided with a little care.

In the treatment of the wickets sufficient height should be allowed so that the teller and the customer may converse freely without either having to stoop down, and without having the upper bar on a level with the eye to be a disconcerting annoyance. If possible, the light should be so arranged that it comes from behind the teller on to the face of the customer. Although it is important that there be sufficient wickets there is nothing that causes more dissatisfaction to patrons than to be jostled while getting to or from the wicket at which they have to do business. There is often a shortage of space along the counter, in which event bookkeepers should be allowed only one wicket and if necessary be supplied with a buzzer so that they do not take up a long line of counter to the detriment or discomfort of either the bank's employees or its visitors.

The general treatment of the room should be of a lightish tone. Yellows, creams and browns are more pleasing and inviting than grays and blues. The board room should be made attractive, though it is not necessary to be as elaborate as is so frequently the case, as it is used only at infrequent intervals during the week. But if the room



*Entrance to Ladies' Room accessible but conveying an idea of privacy and seclusion. Greenwich, Conn.*

is situated where it can be used without inconvenience by corporations, or committees doing business with the bank, it can be converted into a revenue producing space. In such a case cloak rooms and toilet accommodations should be arranged in connection with it without necessarily passing through the working space of the bank.

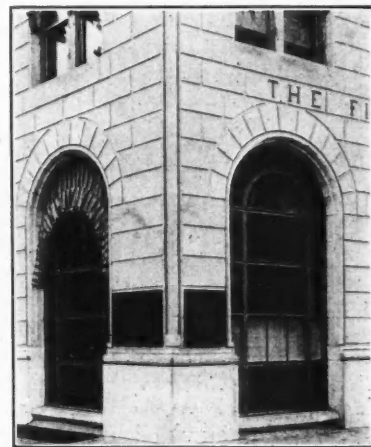
Ladies' accounts in many districts have become of such importance that a banker is denying himself a source of good profit if he does not make special provision to care for them. A private room fitted with toilet articles, writing materials, mirrors, with a stocking rail, will induce these accounts to come to the bank, particularly when a rival institution hasn't made such provision. A wicket exclusively for ladies' business is quite desirable in communities where the ladies' custom is worth looking after.

Practically no bank has ever been built with sufficient vault accommodation. Vaults should always be so located and designed that future additions can be made without the necessity of adding new large expensive doors, which constitute the great expense in vault construction. Even in quite small towns today the sale of Liberty bonds has created a great demand for safe deposit boxes, and these can be contrived in a vault so that the bank gives its customers the same security as it gives itself, but separates its own funds from the

boxes of its customers by a day gate and grille. This gives the double advantage of allowing a bank to expand its own vault quarters, if need be, or ultimately giving up this entire vault for safe deposit quarters and creating a new vault for itself. In any case the vault should be large enough to hold money busses in a cabinet, making it unnecessary to take the money back and forth from the bus every night. Even if provision is not made for the bus the drawers from the counter should be made to fit into special compartments provided for them in the vault.

Fur storage, silver and trunk storage in many communities can be turned into good sources of revenue, and if there is really a demand for them, fur storage should pay entirely for itself within the first few years. The silver and trunk storage will be found the best type of advertising by putting customers in the bank's debt and will bring in business that would be hard to get by other means. In cases of this sort where there are safe deposit trunk and fur storage vaults, commodious safe deposit booths and examination rooms are desirable. It is not necessary that these have natural light, but they should be well ventilated and fitted with good artificial light and made as comfortable as possible.

In addition to the usual protection of concrete and steel for the vault, it is of the best possible



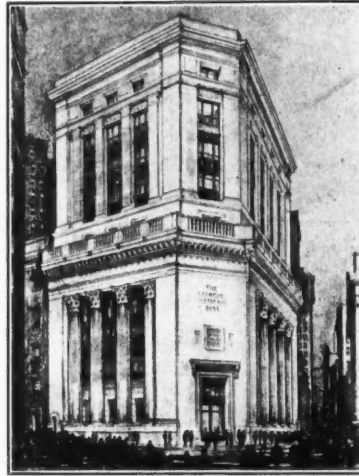
*Large window surface used to insure a great abundance of natural light. Durham, N. C.*

psychological effect to be able to demonstrate that the bank's assets are protected to the utmost. This can be accomplished (1) by the introduction of special compounds into the concrete so that it cannot be destroyed readily, (2) by waterproofing it so that in the event of floods or damage by water the contents cannot be injured, (3) by the introduction of electric methods of protection, which no matter what happens are bound to give a warning should they run down or be tampered with, and (4) by the introduction of plates of material that is non-burnable and will resist attack by the all powerful oxy-acetylene torch. A big vault door has a great advertising value to the uninitiated, and the ability to so arrange the vault that it can be seen all around, under and over, by means of mirrors, has a real market value in the banking world.

To save handling the books both in the morning and at night, individual book safes are often desirable, particularly where the book vault has to be in the basement; but in this case it is important that the safes be examined by one of the senior officers of the bank regularly to see that they are being kept in satisfactory order.

The introduction of so many mechanical devices, adding machines, typewriters, addressographs, etc., has created the necessity for a sound-proof room; for without this one experiences the sensation of walking into a miniature boiler factory on going into a bank where the floor is of marble and the walls of some non-absorbent material, which echo the sound and multiply it to the discomfort of everybody.

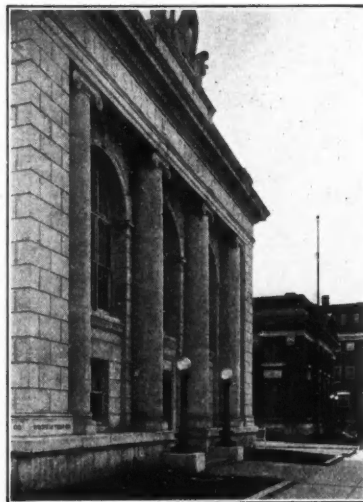
Attention should be given to creating a satisfied feeling among the employees. Their comfort should be most scrupulously studied. Nothing is to be gained by skimping on this end of a building program, for a disgruntled or uncomfortable employee is not only a bad representative of the bank while away, but can also easily lose accounts by lack of courtesy, etc., not by any means intentional, but



*An example of distinctive bank architecture, located at the crossing of two important thoroughfares. New York City. Alfred C. Bossom, Architect.*

due to nervousness which could be prevented.

The value of real estate has increased to such an extent that it is seldom possible now, particularly in the larger banks, to give individual lockers to each of the employees. A new system of group lockers has been worked out, which is found to give thorough satisfaction, using seven individuals to a locker, each with a small lock-up



*Freedom from ornamentation in no way detracts from the richness of this facade.*

compartment inside the larger section. By this means a space of 6" per individual is long enough, while with the individual lockers at least 1' 2" is required as a minimum per person.

In studying the needs of a bank in any particular location all possible types of business should be carefully considered. The same arrangement of a building that would be eminently satisfactory in New York City would be totally unsuited to Dallas, Texas. In a farming community the bank should provide special attractions of interest to the farmer and to enable him to handle his business with ease and leisure, but in the big city it is infinitely more desirable to give the user the opportunity of getting in and out and transacting his business with the utmost speed.

With the banking situation as complicated as it is today, the banker being as occupied as he is, (for almost without exception the banker tries to do thirty hours work in the average twenty-four) he has great difficulty in keeping pace with all of the improvements that are constantly being introduced. Frequently you find him using methods that are not by any means money making, or at least as money making as they might be, and by consulting with men who can give advice on all these various articles, methods and details will enable him to introduce systems and improvements in a new building that have a great effect upon his balance sheet.

Any good well known bank in a reasonable community naturally will grow and though it is injudicious to build a building large enough to discount all possible future needs, it is well worth while when starting on a new structure to get control, or obtain sufficient real estate, to enable the bank to care for the inevitable expansion when the time comes without making it necessary for the bank to go through all the program of rebuilding, or buying at an exorbitant price, land which could have been controlled originally for a modest amount.



# Your Building Problems

(Under this heading Mr. Alfred C. Bossom will answer each month the numerous questions on member banks' building problems which may be forwarded to him. It should be understood that the questions received are promptly answered through the mail by Mr. Bossom, and the questions and answers together are then arranged for publication in such form as will make each problem of general interest. Necessarily names and figures are omitted and, in numerous instances, where the inquiry is not of a nature that would be of general interest, it has been answered personally by Mr. Bossom without publicity being given through the JOURNAL.)

## Contracts for Alterations

**F**ROM Virginia—We had an architect prepare plans and specifications for alterations and asked for bids on same from three of our local contractors, said bids not to include bank fixtures and steel vault work. On opening the bids we found that none of the contractors had submitted a flat price, but all of them made the proposition to do the work "Cost plus per cent," stating that on account of the uncertainty about tearing up old buildings and replacing with new work and of the present labor market, they did not feel that they could give an intelligent bid; and they thought the bank could save money by the percentage plan, as if they did give a bid, they would have to provide for some things that might not be necessary. One of the contractors, however, stated that he was under the impression that the work would cost about \$30,000, which is just about twice the amount we contemplated spending for this part of the work.

We asked for bids for steel vault and doors for two-inch lining and ten-inch doors; also one and one-half inch lining and eight inch doors, and were under the impression that this work would probably be done for somewhere between seven and ten thousand dollars. The bids received were about twice as much.

We are anxious to do the work as we are in need of more room but the prices that have been quoted to us have simply given our board of directors "cold feet," and unless we can very materially reduce these figures our board questions the wisdom of going ahead with the work.

I am requesting our architect to mail you a set of floor plans and specifications for the bank fixtures and would appreciate any suggestion as to how we can materially reduce the cost of this part of the work without changing the working arrangement; also if you could make any suggestion as to how the steel vault could be reduced in price, and the names of any reliable vault men that you can recommend.

*Answer*—The proposition that you have outlined is one that I come across very frequently in different parts of the country.

One of the great troubles is that the information given to the various contractors is insufficient in detail to enable them to give a good accurate figure. This I gather from the information regarding the vaults, for steel work to-day is a very difficult proposition. I am letting through my own organization almost a million dollars worth of vaults, and I do not find the wide variation in figures that your bids indicate. Of course, bronze work to-day is very expensive and marble work is expensive.

As to the general method of procedure, you will find an article in the May issue of the JOURNAL which generally outlines this matter. I am afraid there is no better method of procedure than getting a reliable contractor, one in whom you have absolute confidence, and working with him, but no matter who it is you must give very decided and clear-cut information.

Unless you have a very much larger building than the cut illustrates, it does seem that your figures are rather high, even for the present high costs.

Of course, an alteration is always an expensive operation and undoubtedly your architect has given the matter very careful consideration. I would recommend that you try and reduce everything down to as definite a proposition as possible, and then ask again from a certain select number of bidders of the very best grade for the best proposition they can give you, and then make your decision at that time as to whether you can proceed now or not.

There are only five people you can buy vaults from and there is no one else who can give you a satisfactory equipment that I have ever come across.

## Enlarging Banking Room

From Illinois—We own a bank building and occupy the north half of it. It will be necessary to enlarge our quarters. There is a steel stairway in the center of the building leading to the second floor with steel frame and concrete walls on each side of the stairway.

Do you think it would be more practical to tear out the stairway and walls in order to give us the entire ground floor for our banking rooms? This would be the most practical arrangement. It would cost us \$15,000 or \$20,000 to build an extension providing us with sufficient quarters. It is possible that the present space could be re-arranged for less money. The stairway could be built to the south of the building if it were practical to tear it out.

*Answer*—It would be vastly more desirable to move the staircase and leave the general ground

floor uninterrupted for your banking quarters. It is an expensive arrangement to have your force divided, besides not giving the dignity that the open space in the one large room would have for you.

### Single Contract System

From Illinois—We have been giving considerable thought to the construction of a new building. We absolutely need it and are going to build but we would like your views on this question: "Is it better to proceed with a competent architect, making your own contracts through him, or to deal with firms who now take the entire contract performing also the architectural service and supervision?"

From the standpoint of proceeding along the line of least resistance, a single contract plan appeals to us and yet we continue to harbor a feeling that we may be paying a pretty stiff price to be relieved of responsibility.

*Answer*—It would be better and cheaper for you to proceed on the basis of engaging a competent architect and making all the contracts for your building direct with the contractors under the supervision of your architect. In this way you would get a better result at a lower price than if you made a total contract with a contractor to handle the same.

### A Question of Lighting

From Ohio—May we ask for a little information for our use in erecting a new bank home for ourselves? It is to be rather a tall building, with a three story building on one side and a four story on the other. It is our desire to have the main room just as light and convenient as possible, and we therefore write to ask if you have any suggestions for a ground floor space, together with basement space, which would give such a result.

We also wish to inquire with reference to burglary insurance risk protection as to the kind of vault we should erect to get the least possible rate on the policy. Someone has told us there is a steel lining so connected by electric current, that it is proof against the acetylene lamp or steel burner.

*Answer*—To get the maximum light in a banking room under the conditions which you indicate on the plan enclosed in your letter would be, to build a one story bank building with a large skylight over the central portion, and a large central window in the front, thus giving the maximum amount of natural light that you could get from an inside lot such as yours. The rear of the building would have mezzanines which could have large windows from the rear, and also windows between the rooms and the banking room to give a certain amount of light.

Regarding the burglary insurance, the lowest rate on vault construction would be obtained by building an 18" hydro-crete concrete wall. Imbed in this concrete as it is being poured electric protection consisting of wires spaced approximately  $\frac{1}{8}$ " on centres each way. This is connected to a large gong on the outside of the building, and could also be connected to Police headquarters, inside of the vault to be protected with  $\frac{1}{2}$ " five-ply chrome steel. This makes it practically impossible for any burglar to penetrate the vault as hydro-crete will resist any torch and should it penetrate by drilling it would set the alarm off immediately one of the wires was struck.

### Bank or Office Building?

From Indiana—We have read with interest your article in the April number of the JOURNAL of the American Bankers Association. In February our bank building was destroyed by fire and we are located in temporary quarters. Our ground is 66 x 132 upon which we desire to erect a bank building of some type. We have under consideration the matter of erecting either an exclusive bank building or an eight or nine-story office building. The office building is being considered on two bases—First, to build complete at this time, and secondly, to draw the plans and specifications and make all preparations for an office building eight stories high but build only the lower part for banking purposes and add office rooms at some future date.

This is a city of from twenty-seven to thirty thousand people, in

a prosperous agricultural and manufacturing section. Our location is the best in the city, without exception. We would appreciate it very much if you would give your opinion as to the most desirable kind of a structure to build, also whether or not you think building costs will permit building at this time.

*Answer*—In my judgment the controlling feature would be the demand for office space at this time. Located, as you are, in a growing and prosperous manufacturing and agricultural community the demand for offices is going to develop and, therefore, you should not erect an individual building, having such a fine location, but you should erect an office building.

As to whether you should put in the foundations for this, or do the complete building at this time, would depend upon the general demand. If there is a demand for offices and you could make leases at an advantageous rate from the plans, which is being done in practically every large city throughout the country to-day, you could figure out almost exactly what your revenue and your cost would be. The matter, therefore, would reduce itself to a simple matter of arithmetic. But if you do not consider your community large enough, or it has not been educated up to the requirements of fireproof office buildings, then it would be worth while to build an individual building and to put in the foundations for the upper part, taking particular care to arrange it so that when you do install your elevator, staircases, etc. later, you do not have to make very extensive changes in your banking room. By handling this matter carefully, you can design your building so that the future will not be a source of expense and annoyance.

As to whether or not the present is a desirable time to build, this varies in certain locations. If there is not much building being done in your section and there is a decided demand I would say by all means "go ahead"; but if there is a lot of building being done and the demand for this space is not too great, I would certainly wait, perhaps a year, before you build your structure.

# Report of the Insurance Committee

GEORGE A. HOLDERNESS, Chairman

Made at the Spring Meeting of the Executive Council, American Bankers Association at Pinehurst, N. C.

DURING the period covered by this report the Insurance Committee through its secretary has written over seven hundred letters in relation to its work. Every member that has been burglarized or held up has been written to regarding his loss with a suggestion that the policy covering same be sent by registered mail to the secretary of this committee for inspection so that the committee can advise the member as to the liability of the insurance company. The secretary of the committee has likewise written to all non-member banks pointing out to them the advantages they will enjoy by becoming members of the A.B.A., and advising them of the services that your committee may perform for them in the adjustment of claims and advice as to policies.

Your committee held a meeting in New York City on January 19, 20 and 21, 1920, for the purpose of considering a new form of policy for burglary and hold-up and also to consider the increased rate charged in several of the central western states. Your committee felt that conditions affecting burglary insurance had changed so materially that a new form of policy had become necessary. In regard to the increase of rates in the states referred to, your committee had received complaint concerning this increase from the officials of the State Secretary's Section. Your committee deemed it wise to request the attendance at this meeting of the representative of the Secretaries Section and of the Burglary Underwriters Association of America. Messrs. R. E. Wait, M. A. Grattinger, W. F. Keyser, and J. L. Edward, represented the Section, and Mr. Learned, Mr. Garra-son, and others, represented the insurance companies. It was impossible for your committee to arrive at any intelligent opinion as to the fairness in the increase of the rate, as we did not have sufficient data from the insurance companies, but were promised by them

that they would endeavor to give us full statistics as to premiums and losses in sufficient time to enable us to make a report at this meeting. We were since advised by the representatives of the insurance companies that they were segregating their bank business and that while some of the Companies had completed this work others had not been able to do so, and that it would be impossible to furnish us the data desired before the 1st of June. Your committee will endeavor to report upon this phase of our work at the Washington convention.

In the consideration of the new form of policy after a discussion with the representatives of both the companies and the Secretary's Section, a new 1920 form was prepared. This form was submitted to the companies and objected to by the Underwriters Association on account of its form as much as its subject matter. Your committee then decided to have a further conference with the representatives of the insurance companies, and requested them to be present at the meeting of the Council to be held at Pinehurst. Two conferences with the representatives of the insurance companies have been held here. At these conferences we requested the representatives of the Secretary's Section to be present, and we believe that your committee has prepared the best burglary and hold-up policy from the standpoint of protection to the banks that has ever been offered before. It is impossible just at this time to present the full policy to the Council on account of the inability to get our notes copied, but your committee will present herewith a short digest of the advantages of the new form over the 1918 copyrighted form.

1. The general rearrangement of the policy form for the purposes of segregating the various clauses and agreements so that they will stand out more clearly in their relation to each other. This arrangement enables the policy holder to

see at a glance the insurance granted under each of the three indemnifying paragraphs, and also shows the limitations as to the amount of insurance applicable and the period during which it applies without reading through the entire policy.

2. Indemnity paragraph #1 is broader than the corresponding General Agreement A in the 1918 form, and this paragraph now provides for insurance in a safe or vault located anywhere in the assured's premises, which now includes any part of the building occupied by the assured or his officers or employees exclusively, whereas the old form applied only on a safe or vault located in the banking room. This broadening of the clause includes sections of the premises occupied by the assured's officers or employees who may in some instances be engaged in another line of business.

3. Indemnity paragraph #2 is extended to cover all loss by robbery occurring in any part of the assured's premises, whereas the old form limited the robbery insurance to certain specified parts of the premises and to certain safes or vaults located in certain parts thereof and to specified hours. This is a very extensive broadening of what has developed into the most important coverage under the entire policy.

4. Indemnity paragraph #3 has been extended to cover damage to money, securities, and to the premises, and all safes, vaults, office furniture and fixtures therein, caused by burglary or robbery or attempt there at. The old form covered only such damage as was caused by burglars, whereas the new form is extended to cover damage caused by robbers and also by persons defending against either burglars or robbers.

5. The definition of securities in the new policy has been greatly simplified and now reads, "Securities as used in this policy shall mean all negotiable or non-negotiable in-



struments," whereas the old form named a number of negotiable securities and limited the insurance on these to instruments of a negotiable character as respects which, when negotiated, the assured had no recourse against the innocent holder. In the former policy this clause also provided that the actual cash or market value of the securities at the time of the loss should determine the amount due the assured, while another clause of the policy provided that any property lost or damaged could be replaced. This clause would permit the insurance company to replace securities if they had declined in value at the time of settlement or pay the value at the time of loss if the prices had advanced. The new form fixes the company's liability at the time of payment of the loss.

A new condition specified as Condition B has been inserted into the new form, covering securities held by the assured for safe keeping and of which the assured has a record, while in the old form such securities were only covered by special endorsement.

6. The old form contained a clause to the effect that the company would not be liable for loss from, or contributed to, by explosives, except only when used by burglars or robbers, which clause has been eliminated from the new form.

7. Condition D of the new form more clearly sets forth the insurance granted in the chests, safes and vaults, and in safes having a round or screw door, than was contained in Special Agreement #10 of the old form. The old form in this respect was a source of misunderstanding on the part of both the banks and the insurance companies.

8. Conditions E and F of the new form more clearly set forth the 10% automatic insurance in a safe outside the chest therein and in any vault in the premises. The old form granted 10% coverage in a vault in which the safe was contained, provided the vault was described in the schedule, whereas the new form in Condition F grants 10% coverage "in any vault located within the premises."

9. Condition G of the new form, entitled "Misstatements in Declarations," provides that such state-

ments not fraudulent in the description of any safe, chest or vault or protective appliances or in any case a failure on the part of the assured to maintain any service agreed upon in the declaration, the insurance under this policy shall not be forfeited thereby, but if by reason of such misstatements or failure on the part of the assured, the hazard under this policy is greater than contemplated thereby, the liability of the company shall not be changed, but the assured shall pay to the company such additional premium as may be shown to be due at the rate for the actual hazard in the company's published manual of rates in force at the date of this policy. This condition of the policy is practically the only difference existing as to the form of the policy between your committee and the representatives of the insurance companies. Your committee contends that it is the duty of the agent to see that the safes, vaults, etc., are properly described, and that he is the agent of the company instead of the assured and that the company has the opportunity to check up the statements concerning the safes, vaults, etc. The companies contend that the agent represents the assured in this particular and that the companies are entitled to know the risk that they incur. Your committee is very firmly of the opinion that the bank is entitled to the amount of insurance applied for and that if a loss should occur its recovery should not be reduced by reason of some misstatement having been made of which the assured was not cognizant, and is insisting that the policy should be written with this clause as part of it.

10. Special Agreement #3 of the old policy, entitled "When the Policy is Voided," and which refers to fraud on the part of the assured and makes the policy void if immediate notice is not given of any lockout, has been entirely omitted from the new form. This clause also made the policy void if the conditions or circumstances were changed so as to materially increase the risk without the written consent of the company. This has also been eliminated.

11. Condition J of the new form, containing the cancellation clause has been amended by ex-

tending the time for notice from five days to ten days. It also provides for short rate earned premium in case the policy is cancelled at the request of the assured, whereas the old form provided for a pro rata earned premium regardless of which party cancelled the contract. The new clause permits the company to suspend the policy, if, upon inspection, it is found that the safe, vault or premises are not in an insurable condition, the suspension to remain in force only until any necessary requirements are complied with.

12. Condition K of the new form provides for an automatic reinstatement of the insurance after loss, provided there is a complete restoration of the safety appliances to a condition equal to that existing before the loss. The old form did not provide for any reinstatement of the insurance.

13. Condition L of the new form provides for a pro rating of the loss between companies in case more than one company insures the same risk concurrently.

14. Item #3 of the Declarations of the new form (called the Schedule in the old form) reads as follows: "The working force of the bank consists of not less than . . . . . persons, or whom . . . . . or more will always be present when the premises are open for business." This provision was not in the schedule of the old policy.

Your Committee wishes to take this opportunity to express its appreciation of the services of Mr. B. A. Ruffin, former Secretary of the Committee, also the members of the State Secretaries Section, who attended the various conferences, and also Messrs. Brewster, Garrison and McInnes, representing the insurance companies who have met your committee in its effort to write a policy giving the broadest coverage.

Your Committee also desires to express its regrets at the resignation of Mr. John R. Washburn, whose advice and counsel have been of inestimable value.

Your Committee also wishes to commend its secretary, Mr. L. W. Gammon, for his prompt and efficient service rendered the committee.

# Changes Among Bank Officers

**F**OLLOWING is a list of changes in institutions which are members of the American Bankers Association, reported to the JOURNAL from April 26 to May 25, inclusive. Members will confer a favor by notifying this department immediately of any changes. Publication will be made only on receipt of information direct from members.

## ALABAMA

Albany—F. A. Bloodworth, formerly cashier Morgan County National Bank, elected president to succeed W. A. Bibb, resigned; A. H. Hoff, formerly assistant cashier, now cashier.

## ARKANSAS

Little Rock—A. B. Banks elected president Southern Trust Company to succeed J. R. Vinson, deceased; J. H. Stanley, formerly trust officer, elected vice-president.

## CALIFORNIA

Los Angeles—J. C. Lipman elected vice-president Union Bank & Trust Company.

San Bernardino—J. C. Smith elected president Savings Bank of San Bernardino, Ed. R. Adams elected second vice-president.

San Francisco—W. W. Crocker elected vice-president Crocker National Bank.

San Francisco—Isaias W. Hellman, Jr., elected president Wells Fargo-Nevada National Bank, to succeed Isaias W. Hellman, Jr. since deceased).

## FLORIDA

Orlando—George H. Strickland elected cashier Orlando Bank & Trust Company to succeed John L. Grice, resigned.

## GEORGIA

Atlanta—Henry B. Longino and Samuel J. Fuller elected assistant cashiers Fourth National Bank.

Palmetto—James D. Camp elected active vice-president Bank of Palmetto.

## ILLINOIS

Chicago—Joseph F. Govan appointed assistant cashier Fort Dearborn National Bank.

## IOWA

Des Moines—George D. Jorgenson elected assistant cashier Iowa Trust & Savings Bank.

Emmetsburg—L. H. Jackson elected cashier Emmetsburg National Bank, W. F. Eagan assistant cashier.

## LOUISIANA

New Orleans—Harry M. Grode, formerly paying teller American Bank and Trust Company, appointed assistant cashier.

Slidell—C. A. Everitt, formerly cashier Bank of Slidell, elected active vice-president and cashier.

## MAINE

Belfast—Fuller C. Wentworth elected treasurer Belfast Savings Bank to succeed Wilmer J. Dorman, resigned.

## MASSACHUSETTS

Arlington—John A. Bishop elected treasurer Menotomy Trust Company to succeed John A. Easton, resigned.

Boston—Miss Sadie Alkins elected assistant secretary Cosmopolitan Trust Company.

Boston—Edward A. Davis elected assistant cashier National Shawmut Bank.

Uxbridge—H. C. Bridges elected cashier Blackstone National Bank to succeed E. R. Grosvenor, resigned.

## MICHIGAN

Armada—C. F. Lathrop resigned as cashier Farmers State Bank.

Escanaba—W. R. Smith, formerly vice-president State Savings Bank, elected president to succeed W. W. Oliver, deceased; O. N. Hughitt now vice-president.

Manistique—Charles R. Orr, formerly vice-president Manistique Bank, elected president, O. G. Quick, vice-president.

## MINNESOTA

Lancaster—Percy J. Johnson, formerly assistant cashier Farmers & Merchants State Bank, elected cashier to succeed C. A. Veblen, resigned.

Minneapolis—James A. Ross, Herbert L. Post and James E. Neville appointed assistant cashiers Northwestern National Bank.

Sandstone—W. M. Pratt elected cashier First National Bank to succeed A. S. Dean, resigned.

## MISSISSIPPI

Pachuta—H. D. Thomas elected cashier Bank of Pachuta, H. L. Graves assistant cashier.

## MISSOURI

Kansas City—Charles P. Tilton elected cashier Southside Bank, to succeed Glen M. Shockey, deceased.

Kansas City—H. H. McLucas elected cashier Stock Yards National Bank.

## NEBRASKA

Lincoln—P. R. Easterday, formerly cashier First National Bank, elected vice-president; W. B. Ryons, formerly assistant cashier, now cashier, Guy E. Reed assistant cashier.

South Sioux City—Delks Bliem elected cashier Bank of South Sioux City.

## NEW YORK

Auburn—Charles W. Brister elected president Cayuga County Savings Bank to succeed David Wadsworth, Jr., resigned; Charles A. McCarthy elected first vice-president and Clarence F. Baldwin second vice-president.

Buffalo—John A. Kloefer elected vice-president Liberty Bank; George C. Kleindinst, formerly vice-president and cashier, now vice-president; John M. Kinney elected cashier and James H. Ives assistant cashier.

Fort Plain—Charles Failing, formerly vice-president Fort Plain National Bank, elected president; Thomas J. Zoller elected vice-president.

New York—Miss Clara F. Porter appointed assistant secretary Guaranty Trust Company, Fifth Avenue Office.

New York—F. W. Trabold appointed assistant vice-president Guaranty Trust Company of New York; Herman Willer, assistant secretary; James E. Switzer, assistant treasurer; B. F. Nichols, assistant secretary; C. M. Marvin, assistant secretary.

New York—Giovanni Girardon appointed vice-president Italian Discount & Trust Company.

New York—John T. Walker, Jr., appointed assistant cashier National Bank of Commerce in New York.

Brooklyn—Charles A. Cole elected assistant secretary Brooklyn Trust Company.

Rochester—Wendell J. Curtis appointed secretary and treasurer Mechanics Savings Bank to succeed Wilnot Castle, resigned.

#### NORTH CAROLINA

Rosemary—W. T. Council elected cashier Rosemary Banking & Trust Company.

#### NORTH DAKOTA

Beach—L. J. Alguire elected president Beach State Bank to succeed Thomas E. Hayward, resigned.

Cooperstown—John H. Berg elected vice-president State Bank of Cooperstown.

#### OHIO

Columbus—Charles S. Anderson appointed assistant cashier Ohio National Bank.

#### OKLAHOMA

Okmulgee—H. B. Ernest elected vice-president The Guaranty State

Bank, to succeed A. J. Peters, resigned.

#### OREGON

Hood River—Leslie Butler, formerly president Butler Banking Company, elected chairman of board; Truman Butler elected president; E. H. French, vice-president.

Portland—C. L. Lamping elected vice-president Northwestern National Bank.

#### PENNSYLVANIA

Donora—C. F. Thomas, formerly cashier Bank of Donora, elected vice-president; C. M. Kennedy now cashier.

Pittsburgh—J. S. M. Phillips elected cashier liberty National Bank.

#### TENNESSEE

Clarksville—Wesley Drane, formerly president First National Bank, elected chairman of board; C. W. Bailey, formerly cashier, elected president; John J. Conroy, vice-president; Frank T. Hodgson, vice-president and cashier, and Roy B. Broster and Thomas Foster, assistant cashiers.

#### TEXAS

Dallas—Tom M. Dees, formerly president Guaranty Bank & Trust Company, elected chairman of board; W. O. Connor elected president.

Ennis—J. A. Thompson elected president Ennis National Bank to succeed E. K. Atwood, resigned; R. T. Blakey elected cashier to succeed M. B. Moseley, Jr., resigned.

Wichita Falls—H. G. Burlew, formerly cashier American National Bank, elected vice-president; W. M. Frank now cashier.

#### WASHINGTON

Colfax—C. C. De Pledge elected assistant cashier First Savings & Trust Bank.

Seattle—Lewis H. Moore elected vice-president National Bank of Commerce.

Winthrop—T. J. Prewitt appointed cashier Farmers State Bank to succeed C. B. Jaynes, resigned.

#### WISCONSIN

Janesville—Harry S. Haggart, formerly cashier First National Bank, elected president to succeed John G. Rexford, retired.

## Mortuary Record of Association Members

REPORTED FROM APRIL 26 TO MAY 25, 1920

Baldwin, Anson, president First National Bank, Yonkers, N. Y.  
 Bartlett, Arthur S., president Chango Valley Savings Bank, Binghamton, N. Y.  
 Bielman, Charles F., vice-president Commonwealth Federal Savings Bank, Detroit, Mich.  
 Bird, Constant M., president Manhattan Savings Institution, New York, N. Y.  
 Bostwick, H. C., chairman of board Stock Yards National Bank, Omaha, Neb.  
 Briggs, George D., cashier Bank of East Aurora, East Aurora, N. Y.  
 Burnett, E. A., vice-president Second National Bank, Mechanicsburg, Pa.  
 Cooper, Edward, president Hempstead Bank, Hempstead, N. Y.  
 Crane, Charles T., chairman of board, Farmers & Merchants Bank, Baltimore, Md.  
 Eilers, Herman, cashier, Exchange Bank, Oshkosh, Wis.

Greer, Henry J., treasurer Slater Trust Company, Pawtucket, Wis.  
 Hallowell, H. W., chairman of board Jenkintown National Bank, Jenkintown, Pa.  
 Hanrahan, James, vice-president American Savings Bank, Buffalo, N. Y.  
 Hellman, Isaias W., president Wells Fargo-Nevada National Bank, San Francisco, Calif.; chairman of board Union Trust company, San Francisco, Calif.; president Farmers & Merchants National Bank, Los Angeles, Calif.  
 Hellman, Isaias W., Jr., president Wells Fargo-Nevada National Bank, San Francisco, Calif.; president Union Trust Company, San Francisco Calif.; vice-president Farmers & Merchants National Bank, Los Angeles, Calif.  
 Hemphill, John W., president National Bank of Tarentum, Tarentum, Pa.

Hoffman, Samuel E., director Mississippi Valley Trust Company, St. Louis, Mo.  
 Kirkpatrick, H. A., president First State Bank, Marietta, Okla.  
 Merritt, Guy W., cashier Gibson City State Bank, Gibson City, Ill.  
 Morgan, Percy T., director Union Trust Company, San Francisco, Calif.  
 Paden, George M., vice-president Union National Bank, Pittsburgh, Pa.  
 Seward, General William H., head of banking firm William H. Seward & Company, Auburn, N. Y.  
 Skyles, J. E., president First National Bank, Whitefish, Mont.  
 Waldby, H. B., chairman of board Lenawee County Savings Bank, Adrian, Mich.  
 Wright, C. B., chairman of board Union Savings Bank & Trust Company, Cincinnati, Ohio.



# Legal Department

Thomas B. Paton,

General Counsel

## The Words "Trust Company" as Part of Title of National Bank

THE United States district court in Missouri in a decision rendered March 27 in *First National Bank and Trust Company of Kansas City vs. Enright, Bank Commissioner*, sustains the right of a national bank in Missouri, which has received a grant of trust powers from the Federal Reserve Board to use the words "trust company" as part of its corporate name, with the approval of the Comptroller of the Currency, and to advertise that it is engaged in the business of a trust company, despite the state law which forbids a corporation, other than one authorized by the laws of

the state to do the business of a trust company and subject to the supervision of the bank commissioner, to use the words "trust" or "trust company" as part of its corporate title, or make use of any sign or advertising that the business conducted is that of a trust company. The court in the course of its opinion says:

"When the government of the United States enters any field over which Congress is given express, or necessarily implied, jurisdiction, it appropriates that field to the fullest extent necessary to insure the complete and effective exercise of its sovereignty. The name of a na-

tional bank must be approved by the Comptroller of the Currency. It can be changed, or its use interfered with, by no other authority. We have here, then, a national bank empowered by the laws of the United States to act in a fiduciary capacity and bearing a name confirmed by national authority. Clearly any act on the part of the state which impairs, hampers, embarrasses, restricts or in effect wholly prevents the discharge of its functions as a national banking institution with the incidental powers enumerated, must be void, because in express conflict with the paramount law of the United States."

## Court Jurisdiction Over Comptroller of Currency

A DECISION of interest to national banks was handed down by the Supreme Court of the United States on April 19, 1920, in the case of the *First National Bank of Canton, Pa., against John Skelton Williams, Comptroller of the Currency*. The bank, whose place of business is within the Middle District of Pennsylvania, brought suit in the United States district court for that district seeking an injunction to prevent the Comptroller from doing certain things under color of his office declared to be threatened, unlawful, arbitrary and oppressive. The Comptroller was not summoned while in the Middle District of Pennsylvania but a subpoena was served upon him in Washington by the United States marshal. Having specially appeared he successfully challenged the jurisdiction of the court; but the Supreme Court of the

United States reverses the decree of the lower court.

Generally, the Supreme Court says, a district court cannot acquire jurisdiction over an individual without service of process upon him while in the district for which it is held. But here a national bank seeks to enjoin the Comptroller and the claim is that by statutory direction the proceeding must be had in the district where the association is located and not elsewhere.

The contention of the Comptroller was that the provisions of law which require that proceedings by national banks to enjoin the Comptroller be had in the district where the association is located only relate to injunction proceedings under the national bank law—such proceedings as are thereby expressly authorized and no others; and that such law only authorizes suit by a bank to enjoin the Comp-

troller when he undertakes to act because of its alleged refusal to redeem circulating notes. But the Supreme Court holds that the right to bring an injunction suit against the Comptroller is not so limited and that the plaintiff's bill for injunction is a proceeding which may lawfully be brought in the district where the bank is located.

The above decision, of course, does not touch upon the merits of the case—it simply relates to the question of jurisdiction—but it is valuable as indicating to national banks that the United States district court for the district in which they are located is vested with jurisdiction to entertain bills for injunction against the Comptroller of the Currency in any case where a national bank deems that its rights are violated by an unwarranted interpretation of, or abuse of authority under, the Federal law.

# The Necessity of Shipper's Indorsement of "Order" Bills of Lading

**T**HE following justifiable complaint comes from a railroad company:

"I wish to draw your attention to the marked paragraph on the attached blank:

"The surrender of this Original ORDER Bill of Lading properly indorsed shall be required before the delivery of the property.

"We have constant complaints and annoyance from the failure of shippers to indorse and the railroads cannot well control this. Could not some campaign be backed by the bankers to insure the requirement of these indorsements on documents attached to drafts for collection, and cause this difficulty to be lessened or removed?"

Also the following from the official of a large national bank in the West:

"As a matter of fact, bankers themselves are very careless in the matter of indorsement. We have occasion frequently on Bills of Lading accepted under discount to supply indorsements or guarantee them. This applies also to notes sent for rediscount and as collateral, which we are constantly sending back for necessary indorsement.

"There seems to be increasing carelessness in this respect, both on the part of the shipper and the banker and it is astonishing how many of them come to us in improper form causing delays and annoyance."

The above is given publicity through our pages and we trust that our banker readers will impress upon their customers who are shippers the necessity of properly indorsing the bill of lading before turning it in to a bank for discount

or for collection of the accompanying draft.

The order bill of lading, as is well known, differing from the straight bill, is designed to carry title to the goods to the transferee, to whom it is indorsed, and by reason of the contract and the legal requirement that the goods represented thereby are only deliverable to the holder of the bill who surrenders same properly indorsed, the instrument has a value as a negotiable collateral. If the shipper neglects to indorse the bill in blank or otherwise, this causes delay and inconvenience for the carrier's obligation is only to deliver the goods upon surrender of the bill properly indorsed; but in addition to this the bank is not fully protected for advances which may be made, because under an unindorsed bill it only acquires such title as the shipper has to the goods and its right thereto might be defeated by some claim of the carrier which could not be made against the transferee of an order bill properly indorsed.

Ten years ago when our Association was active in procuring improved forms of bills of lading and more adequate legislation governing the subject, as well as the correction of certain objectionable practices both of banks and of railroads in connection with bills of lading, a joint Bill of Lading conference was held in Chicago under the auspices of the Committee on Bills of Lading of the American Bankers

Association which was attended by a large number of bankers, representatives of carriers, shippers' and receivers' associations, mercantile organizations and other interested persons. Among the objectionable banking practices concerning bills of lading which we listed on the program for discussion was "The purchase of drafts with unindorsed order bills." Among the resolutions adopted at the Conference were the following:

"Resolved, That the banks at the point of shipment be requested to insist upon the observance of the following requirements as a pre-requisite to their handling and financing of bills of lading:

"First—That all bills of lading for all shipments to order be drawn upon the yellow uniform order bill of lading blank upon which the words 'Order Bill of Lading' are printed and not upon the white form provided for 'Straight Bills of Lading.'

"Second—That the Order Bill of Lading is an original and not a duplicate.

"Third—That the Order Bill of Lading is properly indorsed.

"Fourth—That all bills of lading, Order or Straight, with draft accompanying, be forwarded to destination promptly and by the most direct route.

"Fifth—That Order Bills of Lading bear the official stamp of the issuing agent in addition to his signature; that the bills be filled out in ink or indelible pencil and that the quantity be stated in writing as well as in numerals."

The above resolutions, included in a report of the Conference, will be found published in the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, Vol. 2, p. 134, October, 1909. Their reiteration and republication now is timely.

## Progress of Gore Bill

**T**HE Gore bill (S. 2903) which provides that robbery of a Federal reserve bank or member bank shall constitute a felony was favorably reported to the Senate from the Committee on the Judiciary on May 4. Our Association is behind this measure and our Committee on Federal Legislation were active in urging upon members of the Committee on the Judiciary the desira-

bility of an early report of the bill and have since been active in bringing to the attention of members of the Senate the necessity for its speedy passage. Attorney General Palmer in a letter to Senator Nelson, Chairman of the Committee on Judiciary, thus favorably speaks of the proposed legislation:

"In my opinion legislation in effect as that provided by the bill introduced by Senator Gore is both desirable and

necessary, in order to permit this Government to protect Federal reserve banks and national banking associations created by it. Only recently the chief postal inspector of the Post Office Department transmitted to this department a comprehensive report showing that in the State of Ohio there is what seems to be a well-organized gang of bank robbers who have robbed a large number of banks in that state, including national banks, and that in many instances the fruits of said robberies were found to be large amounts of Government bonds and war savings stamps, the prop-

erty of individual subscribers who had deposited their bonds and war savings stamps in said banks for safe-keeping. Because of what appears to be indifference on the part of state officials, this evil seems to be increasing, and if legislation such as that proposed by Senator Gore were now enacted into law the Federal Government would be in a position, on its own initiative, to take effective means to remedy such a serious condition. I do not feel at liberty to forward you a copy of the post-office inspector's report above referred to without the permission of George M. Sutton, chief post-office inspector, but I

have no doubt that he would be willing to furnish you a copy of said report, or the substance thereof, for the confidential information of your committee."

There is no objection to the Gore bill on the part of members of the Senate so far as we know and the only difficulty is in procuring members of Congress to give sufficient attention to the measure to insure its passage. What is required is to bring to the minds of Senators—and after the bill has

passed the Senate to members of the House of Representatives—that such a law is very much needed, with constant re-presentation of the subject, until the bill becomes a law.

Members of the Association in all parts of the country can assist in the work of the Committee on Federal Legislation by doing what they can to enlist the interest and attention of members of Congress to this measure.

## Responsibility of Banks for Safe-Keeping of Liberty Bonds

IN the April, 1920, JOURNAL, (p. 607) we called attention to the decision of the Supreme Court of Arkansas in *Merchants Bank of Vandervoort v. Affholter*, 215 S. W. 648, in which a bank received from a customer for safe-keeping a coupon Liberty bond of \$100 denomination which was placed in the bank's safe and with many other bonds belonging to other persons, including bonds belonging to the bank itself and to its officials, was burglarized. The bank kept a large iron safe with a combination lock on it and inside of it was a manganese steel drawer which was used for the safe-keeping of money. The various bonds, including the one in question, were not kept in the burglar-proof compartment, but inside the safe. The burglar-proof compartment was not entered. It was proved that the bonds were kept in the customary way and that there was no room inside the money drawer to keep the bonds. A jury in this case found that the bank was guilty of gross negligence and the Supreme Court of Arkansas sustained the finding. It held that negligence was inferable from the fact that the bonds were kept, not in the burglar-proof compartment of the safe, but in the part of the safe which was insufficient to resist the attack of a skilful burglar; that it was a question for the jury to determine whether or not under the circumstances this manner of safeguarding did not constitute gross negligence. The court said: "We cannot say that the jury were not warranted in drawing the inference of

gross negligence from the circumstances in this case."

A companion case growing out of the same burglary has since been decided by the Supreme Court of Arkansas, *Maloney v. Merchants Bank of Vandervoort*, 217 S. W. 782. In this case the action was for the value of coupon bonds in the amount of \$500 belonging to a customer, which were kept in the same manner and lost in the same burglary. The court instructed the jury the burden was cast upon the bank to show that it made some disposition of the bonds authorized by the customer or that they were lost without fault on its part. This instruction the Supreme Court of Arkansas upholds as a correct declaration on the question of burden of proof. But the following instructions, given at the bank's request, were held erroneous:

The jury was told that it was sufficient if the bank had exercised such care as common prudence would dictate and that the burden of proving that it did not exercise such common prudence was upon the customer. The Supreme Court holds that the effect of this instruction was to impose the burden of proof upon the customer to show that the bank had not exercised common prudence in losing the bonds and should not therefore have been given.

The jury were also instructed that the bank, through its officers or agents as ordinary prudent men, was under no greater obligation in the care of its cus-

tomers' bonds than to care for same as it cared for bonds or other valuable papers belonging to the bank or its officers and that unless the jury should find from a preponderance of the evidence that it did not so care for the bonds, the verdict should be for the bank. The Supreme Court of Arkansas holds that this instruction erroneously declares the law to be that as ordinary prudent men they were under no greater obligation to care for the customer's bonds than they were for their own and that if they took the same care of the customer's bonds that they took of their own, then the bank would not be liable. The court says: "Proof of this degree of care is, of course, competent to rebut the presumption of gross negligence arising from the loss of the bonds, but it is not conclusive of the fact, as the bank might have been grossly negligent in the care of its own property. A learned discussion of this subject is contained in the charge of Sharswood, J., to the jury in the case of *Erie Bank v. Smith, Randolph & Co.*, 3 Brewst. (Pa.) 9. See, also, *Griffith v. Zipperwick*, 28 Ohio St. 388; *Patriska v. Kronk*, 57 Misc. Rep. 552, 109 N. Y. Supp. 1092; *Ray v. Bank of Kentucky*, 10 Bush. (Ky.) 344."

In this case judgment for the bank, based on a verdict of the jury, was reversed because of erroneous instructions, and the case remanded for a new trial.



# Opinions of the General Counsel

## LIABILITY OF BANK FOR LOSS OF LIBERTY COUPON BONDS IN MAIL

*Where a bank forwards coupon bonds by ordinary unregistered mail and the letter is lost in transit, the bank is liable for the loss.*

From South Carolina—A customer buying and selling Liberty bonds has been depositing in a bank drafts with bonds attached, which drafts have been accepted as cash items and amounts credited to the customer's account. There was no understanding as to whether or not the bonds would be forwarded by registered mail and insured, but such was done several times by the bank. A draft of \$188, however, with bonds attached was sent in plain letter by the bank, which was lost in transit. Please give us your opinion as to who should stand the loss. The customer has a record of numbers and issues of bonds. Could duplicates be secured?

Assuming the bonds were coupon bonds, payable to bearer and negotiable by delivery, the bank would be negligent in transmitting such bonds by unregistered mail and would be responsible for the loss. *Clay City Nat. Bank v. Conlee*, 106 Ky. 788, where it was held the duty of a bank, which was directed to send cash, to send the money by registered and not by ordinary mail, in which case the bank was held liable for money sent by ordinary mail and lost.

In the case of coupon bonds it would be impossible to secure duplicates, but the Treasury Department has announced that in case of presentment, it will endeavor to inform the original owner of the name and address of the person, firm or bank presenting them; but the bonds, being negotiable by delivery, cannot be held for the original owner if presented, and no stoppage or caveats can be filed against them. The Secretary of the Treasury has no authority under the law to grant relief on account of coupon bonds which have been lost or stolen. Relief can only be given under Revised Statutes sections 3202-5 when coupon bonds are destroyed or defaced and proper proof thereof made and indemnity given. See *JOURNAL AMERICAN BANKERS ASSOCIATION*, April, 1920, page 628.

## NEGOTIATION OF LOST CHECK INDORSED IN BLANK

*Where a check indorsed in blank by the payee has been lost, and the finder obtains cash thereon from a bank without further indorsement, the latter, in the absence of knowledge or bad faith, is a holder in due course—the indorsement in blank making the instrument payable to bearer and negotiable by delivery—and can enforce payment from the drawer, free from claim of title of the payee, who has no recourse against such cashing bank.*

From Kansas—One of our customers, on his way to the bank, in some way

### Digest of Legal Opinions

1350 of these opinions in back numbers of the *Journal* are now in book form, digested and indexed.

15,021 books have already been distributed to banks.

Write to-day ordering your copy of the "DIGEST OF LEGAL OPINIONS" at the membership price of \$2.50, while the supply lasts.

lost a check payable to his order and indorsed by him. We find that the check was cashed at another bank and bears no other indorsement. Can the payee hold the cashing bank?

A check indorsed in blank is payable to bearer. The Negotiable Instruments Act provides (sec. 9) that "The instrument is payable to bearer \* \* \* when the only or last indorsement is an indorsement in blank;" and (sec. 34) that "an indorsement in blank specifies no indorsee and an instrument so indorsed is payable to bearer and may be negotiated by delivery."

It follows that if the bank which cashed this check "took it in good faith and for value" and "at the time it was negotiated to him, he had no notice of any infirmity in the instrument or defect in the title of the person negotiating it" (sec.

52 N. I. Act), such bank would be a holder in due course and could enforce payment from the drawer free from claim of title of the payee.

It has been held that a holder in due course of a promissory note or check payable to bearer can acquire a good title thereto from one who has stolen it. *Mass. Nat. Bank v. Snow*, 187 Mass. 160; *Jefferson Bank v. Chapman*, 122 Tenn. 415.

The Negotiable Instruments Act (sec. 56) provides that "to constitute notice of an infirmity in the instrument or defect in the title of the person negotiating the same, the person to whom it is negotiated must have had actual knowledge of the infirmity or defect, or knowledge of such facts that his action in taking the instrument amounted to bad faith."

Unless, therefore, the bank cashing this check had actual knowledge that it had been lost or knowledge of such facts as would make its acquiring the check an act of bad faith—and we do not assume for a moment any such probability—it is a holder in due course and, as said, has right to enforce same for its full amount from the drawer free from claim of the payee and the latter cannot hold such cashing bank for the amount.

## DUPLICATE DEPOSIT SLIP

*A deposit slip marked "duplicate" with the initials of a bank official is an assertion or guaranty not only that the total but that all the items are the same as in the original.*

From Pennsylvania—In stamping a duplicate deposit ticket "Duplicate" and initialed, what does it guarantee? Does it guarantee that the total of the deposit has been made or does it guarantee the specifications of each item on the original slip?

A "duplicate" according to decided cases has been held to be a copy of the original. *Radford v. Dixon County*, 29 Nebr. 113. Or an original repeated, a document the same as another, a transcript equivalent to the first or original writing, a counterpart. *Gilby Bank v. Farnsworth*, 7 N. D. 6. A term which means that one document

resembles the other in all essentials. *Toms v. Cuming, B. & Arn. 347; State v. Graffam, 74 Wis. 643.* It differs from a copy in that it has all the validity of an original. *Mo. Pac. R. Co. v. Heidenheimer, 82 Tex. 195.*

According to the above it would seem that a statement over an initialed signature that a document is a duplicate of a deposit slip would be held to be an assertion or guaranty not only that the total, but that all the items were the same as in the original.

### COLLECTION OF DUNNING DRAFT

*A bank, receiving from the drawer, a merchant, a sight draft upon another merchant, containing waiver of protest, is within its rights and does not incur legal liability by holding the draft and notifying the remitter that it will be held awaiting the advance payment of fifteen cents to cover cost of entering, presenting, or notifying and returning—Such a draft is merely a method adopted by a creditor of obtaining payment from his debtor through the services of a bank as collecting agent and is not governed by the strict rules governing presentment, demand and notice which apply to drafts issued or negotiated for value.*

From Illinois—We shall be pleased to have your opinion on the following: Does a bank incur any legal liability when a sight draft drawn on a local business firm or individual, with protest waived, is received for collection from the business firm that draws it and the bank does not enter it for collection or notify or present it, but notifies the remitter that it will be held awaiting payment of an advance fee of fifteen cents to cover cost of entering, presenting or notifying and returning? Would the legal status of the matter be changed if the sight draft was received from a bank, or collection agency?

I think in the case stated your bank would be perfectly safe in notifying the remitter of the check that it will be held awaiting payment of an advance fee of fifteen cents to cover cost of entering, presenting or notifying and returning.

Many banks have, in the past, been confronted with what may be termed the "dunning draft" nuisance, being no protest sight drafts

drawn by a creditor upon a debtor merchant and forwarded to a bank for collection. These drafts are very often drawn after a mail request for remittance has been ignored and when presented by the bank payment is not forthcoming. The bank has therefore incurred the labor and expense of attempting collection without result and has been put to the trouble of entering, presenting, notifying of non-payment and returning such draft, with expenses of postage, for all of which frequently it is not reimbursed.

The method suggested by you of holding the draft before presenting, awaiting an advance fee of fifteen cents, is one which has been adopted by some banks to protect themselves against imposition and I think a bank can adopt such method without legal liability. In *Crouse v. First Nat. Bank of Penn Yan, 137 N. Y. 383*, plaintiff drew a draft, "without protest," on his debtor, payable at sight, and enclosed it to defendant bank for collection, without instructions as to presentment. The drawee lived in the country, some distance from the bank, which on the day of the receipt of the draft notified him by mail, as was the custom of banks in the place, unless specially instructed. A week later the drawee called at the bank, said he would pay the draft the next week and accepted it. On the same day plaintiff was notified by letter that the draft was payable the following week, and later he sent his clerk to inquire about it. No further instructions were given, and a few days afterwards plaintiff wrote, asking if the drawee had made arrangements for payment, thus recognizing what the bank had done. About two weeks after accepting the draft, the drawee made an assignment for the benefit of creditors. The court held that defendant was not guilty of negligence in presenting the draft for payment, or in failing to make proper efforts to collect it after acceptance. The draft was a mode adopted by plaintiff of collecting a debt due from the drawee, and defendant bank was his agent for the mere purpose of collection; and in such case the strict rules usually

enforced with respect to commercial paper in matters of presentment, demand and notice, do not apply.

The draft submitted by you is of similar character. It is simply a convenient method adopted by a merchant to collect his debt from another merchant by sending his draft upon the latter to a bank for collection. It is not governed by the strict rules of presentment, demand and notice which apply to a draft which has been issued or negotiated for value and upon which there are parties contingently liable upon due demand and notice of dishonor. The receiving bank would be within its rights in refusing to undertake the collection and returning the instrument and I think it is within its rights to hold the instrument and await a fee in advance before undertaking its collection.

You ask if the legal status of the matter would be changed if such a sight draft was received from a bank or collection agency. Assuming the drawer of a sight draft (without waiver of protest) has obtained value thereon from a bank and is contingently liable as drawer upon due presentment and notice of dishonor I think, in such case, that the bank receiving such draft for collection might be held under duty to make prompt presentment and give due notice of dishonor in order to preserve the liability of the drawer, assuming it should be held that the collecting bank by receiving and retaining the sight draft accepts an agency for its collection. It has been held by the courts that banks are not like common carriers obliged to accept all business offered, but may choose their customers; at the same time the banks are the natural agents for collection of commercial paper and this being part of the customary business of banks it might possibly be held—although I know of no decided case on the point—that a bank to whom a draft was sent for collection and whose business included the inviting and making of collections, was under duty to accept the agency and undertake the collection, where delay in holding or returning the instrument might work to the detriment of the holder.

But however this may be, in the

case of a draft such as the present one, which contains an express waiver of protest, I think the bank would have a right, if it chose, to refuse to collect the instrument until it had been paid an advance fee. The Negotiable Instruments Act provides that "a waiver of protest, whether in the case of a foreign bill of exchange, or other negotiable instrument is deemed to be a waiver not only of a formal protest, but also of presentment and notice of dishonor." In view of such waiver, therefore, there would be no danger of discharging parties contingently liable, as a result of delay in holding the draft pending receipt of an advance fee and I think equally as in case of a draft received directly from the drawer, the bank would be within its rights in requesting a fee in advance before undertaking its collection.

#### POWER OF NATIONAL BANK TO SELL FOREIGN EXCHANGE

*A national bank has power to sell foreign exchange but not the power to engage in the business of selling steamship tickets.*

From Pennsylvania—We would like to know whether or not a national bank is authorized under existing laws to sell foreign exchange and steamship tickets.

1. The power is expressly given to national banks to buy and sell exchange. Rev. Stat. Sec. 5136. This power is not limited to domestic exchange and a national bank, therefore, under existing law is authorized to sell foreign as well as domestic exchange and this power necessarily, it would seem, includes the power to make a contract with a foreign drawee to honor such exchange. In *Bank of Augusta v. Earle*, 13 Pet. 60, where a Georgia bank, having power to purchase bills of exchange had, by its agent, bought a bill in Alabama and the Circuit Court had decided that the Georgia bank could not exercise its powers of discounting in another state, the Supreme Court of the United States reversed the decision and held the purchase lawful, saying: "Natural persons through the intervention of agents are continually making contracts in countries in which they do not

reside, and where they are not personally present when the contract is made; and nobody has ever doubted the validity of these agreements. And what greater objection can there be to the capacity of an artificial person, by its agents, to make a contract within the scope of its limited powers, in a sovereignty in which it does not reside, provided such contracts are permitted to be made by it by the laws of the place? The corporation must no doubt show that the laws of its creation gave it authority to make such contracts, through such agents."

In this connection attention is invited to Section 5197 U. S. Rev. Stat. governing interest rates of national banks which contains the following provision: "and the purchase, discount or sale of a bona fide bill of exchange, payable at another place than the place of such purchase, discount or sale, at not more than the current rate of exchange for sight drafts in addition to the interest, shall not be construed as taking or receiving a greater rate of interest."

2. Concerning the sale of steamship tickets, however, this would not seem to be an incidental power necessary to carry on the business of banking and I think it would be held a national bank has no power to engage in such business.

#### PROTEST OF FOREIGN SIGHT DRAFT

*Where a sight draft drawn by a customer of a bank in one state upon a party in another is forwarded by the bank in the state where drawn to a bank in the place of the drawee for collection, it is the duty of the collecting bank to cause the draft to be protested for non-payment; and a notation in the letter of transmittal "deduct freight and attach bill to remittance" is not to be construed as an instruction not to protest.*

From Wyoming—A bank in Nebraska sent us a demand draft dated in Nebraska, drawn on a party in S—, Wyoming, and signed by a customer of the sending bank. The draft bore no instructions concerning the matter of protest. Their letter read "enclosed for collection and return," and bore a printed notation reading "inland bills

and items under \$10 no protest." The letter of transmittal carried a notation in writing "deduct freight and attach bill to remittance. No other deductions to be made for collection or exchange." The amount of the draft was \$327.80, and as it was not honored upon presentation it was protested for non-payment on the day thereof. It is now claimed by certain parties that the notation "deduct freight and attach bill," etc., was sufficient notice to us that the item was not a protest item. We will be glad to have your opinion concerning this matter.

A bank receiving a sight draft for collection from a bank in another state which has received same from the drawer would ordinarily, in the absence of instructions to the contrary, cause protest to be made upon refusal of the drawee to pay; especially where the draft was accompanied by express instruction not to protest inland bills under ten dollars—the draft being for over this amount—for such instruction would carry the implication that the protest on drafts over that amount, especially foreign drafts, was expected. In the present case the draft, being drawn by a person in one state upon a person in another state, was a foreign bill of exchange which required protest to prove dishonor.

But the letter of transmittal contained the words "deduct freight and attach bill to remittance. No other deductions to be made for collection or exchange" and it is contended that this notation was equivalent to an instruction not to protest in the event of non-payment.

I fail to see how these words can be so construed. They indicate that certain goods have been shipped to the drawee and might reasonably be construed as an instruction to the collecting bank to pay the bill for freight and make deduction of the amount so paid from the proceeds of the draft in remitting, the bill to be forwarded to the sending bank. Such an instruction is based on the premise that the draft will be paid, but where the draft is not paid, there is nothing in the quoted words to suggest that protest should be omitted and I think the bank adopted the correct procedure in the present instance in making protest of the draft.



# State Conventions

## Missouri Convention

At the thirtieth annual convention of the Missouri Bankers Association, held at Kansas City on May 18 and 19, the topics discussed pertained almost exclusively to the price situation, the credit stringency and government extravagance. G. M. Smith, president of the Kansas City Clearing House Association, delivered the message of welcome. Other speakers included William L. Buechle, president of the association "The Banker as Scape-goat," Paul W. Brown, editor *America at Work*, St. Louis; Dr. H. J. Waters, editor *Weekly Kansas City Star*; "Bankers' Influence," Richard S. Hawes, President American Bankers Association; "Seeing Our Way Through," Albert F. Dawson, president First National Bank, Davenport, Iowa; "Government by and Under the Law," Adjutant General Frank S. Dickson, Springfield, Illinois; "Some Problems of Readjustment," Hon. Henry J. Allen, Governor of Kansas, and a general discussion on legal and practical banking topics led by William McC. Martin, Chairman of the Board of the Federal Reserve Bank of St. Louis. Following are resolutions unanimously adopted by the convention:

"That the minimum punishment prescribed by law for bank burglary and robbery should be increased. The men who perpetrate these crimes are desperate and hardened criminals who are always ready to take human life and frequently do. The present minimum punishment of five years is glaringly inadequate, and no deterrent to such men."

"That the Missouri Bankers Association is opposed to the further issue of tax-free bonds, whether by the Federal Farm Loan Board, the Joint Stock Land Banks, or by the United States. Such bonds tend to create a class of favored citizens exempt from the burdens of government. They work a social and financial injustice that is repugnant to the spirit of America."

"That the most rigid economy

should be required in government expenditures and therefore the most careful attention should be given to proposals for blanket bonuses to be paid American participants in the recent war. There is reason for the utmost gratitude to every man who risked his life at a time of supreme national sacrifice, and it is a matter of universal regret that there should have been in any case delay in the offering of governmental aid to those who suffered injury or loss of health in their country's service. However, to impose a tremendous burden of taxation on the country at this time for the sake of paying a bonus to practically every American participant in the war is an entirely different matter, and the effect of the added taxation inevitably involved is most seriously to be considered. Such payments would, in too many cases, be frittered away, often with waste and extravagance. The Missouri Bankers Association is opposed to cash bonuses."

"That the railroad transportation system of America has become inadequate because of the impossibility of maintaining and properly increasing equipment during the war, and because of labor difficulties since. The hardships to producers, distributors and banks arising from this cause are severe. The Missouri Bankers Association sympathizes with efforts to place cars where they are most needed, but in our opinion the question of need can best be determined by reliance upon the natural laws of trade, and we deplore the effort through any governmental bureau to discriminate against the transportation needs of any class of American producers. Interference of this order accentuates the congestion of commodities and bank loans instead of relieving them.

"That the American Bankers Association is doing a remarkable work for the bankers of the nation, a work complementary to our own, that should receive active support of every member of the Missouri Bankers Association."

Resolutions were adopted also favoring increased pay for school teachers, a revision of the taxation

system in Missouri and indorsement of the proposed amendment to the constitution which carries with it the sixty million dollar bond issue for the construction of a state system of hard roads.

Officers elected at the meeting for the ensuing year are: President, R. F. McNally, vice-president National Bank of Commerce, St. Louis; vice-president, J. G. Hughes, president State Exchange Bank, Macon; treasurer, Dale S. Flowers, cashier Gentry County Bank, Albany; secretary, W. F. Keyser, Sedalia; assistant secretary, E. P. Neef, Sedalia. The American Bankers Association elections are as follows: Vice-president for Missouri, H. Y. Lemon, vice-president National Bank of Commerce, Kansas City; members of Executive Council, O. W. Arcularius, cashier Bank of Washington, and F. T. Hodgdon, cashier Farmers & Merchants Bank, Hannibal; member Nominating Committee, S. E. Trimble, vice-president and cashier Union National Bank, Springfield; alternate member Nominating Committee, R. F. McNally, vice-president National Bank of Commerce, St. Louis, vice-president for National Bank Section, J. R. Leavell, vice-president First National Bank, St. Louis; vice-president State Bank Section, L. C. Leslie, cashier Scott County Bank, Morely; vice-president Trust Company Section, Thomas C. Hennings, vice-president Mercantile Trust Company, St. Louis; vice-president Savings Bank Section, W. S. Webb, vice-president and cashier Missouri Savings Association Bank, Kansas City.

## Rhode Island Officers

The following officers were elected at the annual convention of the Rhode Island Bankers Association held at East Providence, May 19: President, George W. Gardiner, vice-president Union Trust Company, Providence; vice-president, Arthur L. Perry, secretary and treasurer, Washington Trust Company, Westerly; treasurer, C. H. W. Mandeville, cashier, National Exchange

Bank, Providence; secretary, E. A. Havens, cashier, Mechanics National Bank, Providence; state vice-president for Rhode Island, American Bankers Association, George W. Gardiner; member of the Executive Council, American Bankers Association for three years, Henry L. Wilcox, vice-president, National Bank of Commerce, Providence; member Nominating Committee, Henry L. Wilcox; alternate member Nominating Committee, Edward A. Havens; vice-president for Rhode Island, Trust Company Section, Walter F. Farrell, vice-president, Union Trust Company, Providence; Savings Bank Section, Arthur E. Stafford, Peoples Savings Bank, Providence; National Bank Section, George H. Proud, cashier, National Exchange Bank, Newport; State Bank Section, William C. Angell, cashier, Westminster Bank, Providence.

### Oklahoma

The twenty-fourth annual convention of the Oklahoma Bankers Association was held at Oklahoma City, May 13 and 14. The address of welcome was delivered by Hon. J. B. A. Robertson, Governor of Oklahoma, to which D. S. Wolfinger, president of the City Guaranty Bank, Hobart, responded. The convention was addressed also by A. L. Churchill, president of the Oklahoma Bankers Association and Harry T. Atwood of Chicago. On the second day of the convention the speakers included Richard S. Hawes, President American Bankers Association; Fred G. Dennis, State Bank Commissioner of Oklahoma; W. A. Sunday, better known as "Billy" Sunday; J. Z. Miller, governor of the Federal Reserve Bank of Kansas City, and J. R. Burrow, president of the Kansas Bankers Association. The following is a list of officers elected: President, P. C. Dings, president Guaranty State Bank, Ardmore; vice-president, D. N. Fink, president Commercial National Bank, Muskogee; honorary vice-president, Building & Loan Section, George E. McKinnis, president Fidelity Building & Loan Association, Shawnee; secretary, Eugene P. Gum, Oklahoma city; assistant secretary, Gertrude Corbitt, Oklahoma City; treasurer, Mrs. E. M. Abernathy, president

Security State Bank, Lexington. Vice-president for Oklahoma, American Bankers Association, Frank Bryant, vice-president Central National Bank, Tulsa; member Nominating Committee, J. B. Milam, president Bank of Chelsea, Chelsea; alternate member, T. P. Martin, president Oklahoma Stock Yards National Bank, Oklahoma City; members Executive Council, F. J. Wikoff, president Tradesmens National Bank, Oklahoma City and L. E. Phillips, vice-president Bartlesville National Bank, Bartlesville. H. A. McCauley, president Sapulpa State Bank, Sapulpa, was elected a third member of the Executive Council, contingent upon the association securing the necessary additional membership. Vice-president National Bank Section, G. E. Davis, cashier First National Bank, Blackwell, vice-president State Bank Section, J. D. Howard, cashier Security State Bank, Tribbey; vice-president Savings Bank Section, Arthur E. Beyer, president Guthrie Savings Bank, Guthrie; vice-president Trust Company Section, H. L. Standeven, vice-president and trust officer Exchange Trust Company, Tulsa.

### Louisiana Officers

The annual convention of the Louisiana Bankers Association was held at Alexandria, April 22 and 23. Ben Johnson, president of the Bank of Commerce, Mansfield, was elected president of the Association; Eugene Cazedessus, vice-president Bank of Baton Rouge, vice-president; J. C. Barry, cashier Bank of Lafayette, secretary; W. J. Mitchell, vice-president Commercial National Bank, New Orleans, treasurer; members Executive Council, American Bankers Association, J. W. Bolton, president Rapids Bank, Alexandria; vice-president for Louisiana, P. C. Willis, vice-president Ouachita National Bank, Monroe; member Nominating Committee, R. S. Hecht, president Hibernia Bank & Trust Company, New Orleans; alternate member Nominating Committee, H. M. Boone, Crowley; vice-president Trust Company Section, C. G. Rives, Jr., vice-president Interstate Trust & Banking Company, New Orleans; vice-president Savings Bank Section, F. L. Ramos, assistant cashier Canal-Commercial Trust & Savings Bank, New Or-

leans; vice-president National Bank Section, N. E. North, vice-president and cashier First National Bank, Lake Charles; vice-president State Bank Section, J. P. Turrigano, vice-president Commercial Bank & Trust Company, Alexandria.

### Arkansas Elections

The thirtieth annual convention of the Arkansas Bankers Association, the largest in the history of the association, was held at Little Rock, May 5 and 6. Speakers included Stuart Wilson, president Arkansas Bankers Association; P. H. Saunders, president Canal-Commercial Trust & Savings Bank, New Orleans, "The Knock of Opportunity"; Clement S. Ucker, vice-president Southern Settlement and Development Organization, Baltimore, "General Development of the South"; Dr. Charles L. Stewart, University of Arkansas, "Selling the Thrift Idea"; Prof. G. I. Christie, Purdue University, Lafayette, Ind., "Agricultural Problems and the Banker"; W. L. Hemingway, vice-president National Bank of Commerce in St. Louis, "Financial Outlook for 1920."

The following officers were elected: President, Claude E. Fitzpatrick, vice-president Interstate National Bank, Helena; vice-president, D. W. Peel, cashier First National Bank, Bentonville; treasurer, Jack Bernhardt, vice-president Cotton Belt Savings & Trust Company, Pine Bluff; secretary, Robert E. Wait, Little Rock; vice-president for Arkansas, American Bankers Association, George H. Bell, cashier Planters Bank & Trust Company, Nashville; member Nominating Committee, Moorhead Wright, president Union & Mercantile Trust Company, Little Rock; alternate member Nominating Committee, J. M. Barker, president Bank of Atkins, Atkins; vice-president Trust Company Section, E. J. Mason, vice-president and secretary Jonesboro Trust Company, Jonesboro; vice-president Savings Bank Section, W. E. Lenton, president Peoples Savings Bank, Little Rock; vice-president National Bank Section, W. T. Parish, cashier First National Bank, Newport; vice-president, State Bank Section, E. E. Mitchell, president Citizens Bank, Morrilton.

# Trust Company Section

## The National Publicity Campaign

IT was only a few years ago that trust company officials in common with all bankers thought it "unethical" to advertise. It was believed to be an "acknowledgment of weakness." During the past ten years great changes have been wrought in the methods by which a financial institution may build up its business.

The old opinion that it was "unethical" to advertise and that advertising was an "acknowledgment of weakness" has been reversed. Advertising through the use of the printed word is now a large factor in the growth of financial institutions.

A notable milestone in the development of plans for the upbuilding of fiduciary business will be the first publicity campaign of national scope conducted by the Committee on Publicity of the Trust Company Section. A hearty response by members in all parts of the country is being shown to the invitation to subscribe to this campaign. At special meetings of trust companies and at recent conventions the purpose and plan of the campaign have been discussed and approved. New Orleans, formerly believed to be a non-progressive city, was the first to go "over the top."

The development of the potential trust business of the country is dependent upon the education of the public as to the value of the service of a corporate fiduciary. Thousands of persons possessing estates and fortunes, large as well as small, are not properly informed as to the desirability of naming a responsible, efficient and perpetual executor or trustee. Neither do they know the real value of creating a "living" or "voluntary" trust. In order to convince those persons in particular and the public in general, this campaign was conceived.

Through the use of well-known magazines of national circulation, data pertaining to trusts of every description and other services usual to trust companies will be sub-

mitted to all subscribers. Each advertisement will aim to cause the reader to visit or communicate with his or her institution in order to discuss the suggestions set forth and to secure special printed matter furnished for the campaign. Additional suggestions and helps will be supplied to each subscriber for the purpose of combining the national with a local campaign. The cost to each company is based on 1/100 of 1 per cent. of total capital, surplus and undivided profits.

## "Make-a-Will Day" Questionnaire

A recent letter addressed to member companies in those cities known to have cooperated in respect to "Make-a-Will Day" resulted in securing considerable information in addition to that published in the April JOURNAL. The replies are reported in brief as follows:

Question No. 1.—"To what extent did trust companies in your city organize for combined effort?" Replies to this question indicate that in about 50 per cent. of the cities trust companies cooperated for joint effort.

Question No. 2.—"What were the general results in respect to inquiries regarding will making and were there many wills actually drawn?" The answers to this question range from "no unusual results" to "several hundred wills drawn—made executor in \$400,000 estate."

As the reports of beneficial results greatly outnumber those showing no noticeable increase in business, a few quotations from letters received are published as follows:

Productive of good results. Approximately four times as many wills drawn as in any previous like period.

Many inquiries for booklet and information regarding wills.

Numerous inquiries. Attorneys state many wills drawn.

Noticeable increase on inquiries regarding making wills.

Some inquiries—sixteen wills drawn to date.

Resulted in five companies agreeing to

advertise jointly. Direct result, seven wills in which we are appointed executor.

Reports from various lawyers that great many wills drawn during campaign and shortly after. Believe advertising and effort successful.

Four wills drawn which we believe as direct result of advertising. Stickers on envelopes caused a great many inquiries.

Much interest shown by citizens of this community.

Received a number of new wills for safe keeping.

Over two hundred requests for booklet as result of advertising.

Number of wills actually drawn shortly after campaign.

Report several hundred wills drawn. Lawyers' committee served free for those wishing to draw wills that particular day.

Question No. 3.—"What are your suggestions for a yearly observance of 'Make-a-Will Day'?" The replies to this question clearly indicate that the yearly observance of the day is "a good thing if intelligently advertised between times."

Other expressions which are self-explanatory follow:

Advertisements in this direction should be continuous, consistent and educative.

Not practicable to concentrate a business of this character in one day.

Best results obtained by daily mentioning will making to customers, but annual day naturally has cumulative effect.

Should keep constantly before public the need of making will.

Make a week instead of a day.

Too long between times—suggest continuous plan of action.

Additional comments are "make it yearly event"—"strongly in favor of annual observance"—"hope it will be continued"—"very good idea to be made yearly," etc.

The replies were almost unanimous in favor of yearly observance of the day, although the consensus of opinion was unmistakable that it should be a part of a continuous and well-directed campaign to extend throughout the entire year. It was also clearly apparent from the replies that a week instead of a day should be given over to this special effort.

## Annual Meeting

The twenty-fifth annual meeting of the Trust Company Section will



be held in conjunction with the Association convention next October. Many suggestions regarding the convention program are received each year from the members of the Section. Suggestions for this year's meeting are now in order and will be welcomed. They should be forwarded to the secretary of the Section at 5 Nassau Street, New York City.

### Fees

George D. Edwards, Chairman of the Committee on Standardization of Forms and Charges, is writing to different parts of the country inviting the trust companies to offer suggestions and recommendations relative to the schedule of charges submitted at the St. Louis convention, and distributed in booklet form to all members.

A large number of recommendations have been received and will be considered by the committee, which will meet at an early date for the

purpose of formulating a final report to be submitted at the Washington convention.

The help of every member is invited in the development and completion of this schedule, which is

of vital importance to every institution conducting a fiduciary business. Send your suggestions to Mr. Edwards, care of Commonwealth Trust Company, Pittsburgh, Pa., or to 5 Nassau Street, New York City.

## International Bankers May Organize

COINCIDENT with the sending of a committee to Paris this month to represent the American Bankers Association, President Richard S. Hawes is also sounding out European banking sentiment as to the formation of an International Bankers Association. Letters have been sent to British, Italian, Norwegian, Swedish, Swiss, Dutch, French, Spanish and German bankers. The communication to the foreign bankers says in part:

"The time seems opportune for discussion of conditions between international bankers and the holding of a conference at some later date, possibly coincidentally with the

meeting of the American Bankers Association in Washington, D. C., October 18, out of which conference, in our judgment, may come a very satisfactory organization which might properly be called, The International Bankers Association, composed of delegates from the various bankers' associations of the world—they to consult and confer from time to time on matters of importance pertaining to world's trade."

Members of the committee have been requested to ascertain the sentiment of European bankers on such an organization.

## Burglary Insurance—A Warning

By L. W. GAMMON

Secretary Insurance Committee

**I**S your bank subject to loss through misunderstanding of its American Bankers Association Copyrighted Burglary Insurance Policy?

A member bank has just had an experience as follows:

The bank's equipment consisted of a square door safe in an ordinary fire-proof vault. The safe contained a so-called steel burglar-proof chest. The bank applied for a \$5,000 burglary policy in each of two companies. The insurance was written to apply on money and securities contained in the safe. Yeggmen forced an entrance into the vault and then blew off the outer doors of the safe. They made an attack on the chest, but did not succeed in opening it. They did, however, secure several thousand dollars in securities from compartments in the outer portion of the safe, that is, within the safe but outside the chest. The bank made

claim against each company for the full amount of its policy—\$5,000.

Under paragraph 10 of the Special Agreements of the American Bankers Association copyrighted policy (1918) the insurance covering securities outside of the burglar-proof chest but within outer compartments of safe or in the vault, is limited to 10 per cent. of the amount of the policy. Accordingly, the bank had only \$500 insurance on securities under each policy; in other words, the \$5,000 insurance covered only the contents of the inner chest and not of the entire safe and the premium paid by the bank for \$5,000 for three years, \$52.51, was based on that coverage and did not pay for insurance of the contents of the entire safe, the rate for which would have been \$131.61.

This 10 per cent. coverage on securities outside of the chest without additional charge is a concession secured by the Association when the

present form of policy was copyrighted.

**ARE YOU RELYING UPON YOUR POLICY TO COVER MONEY AND SECURITIES OUTSIDE OF THE SAFE WITHIN THE VAULT?**

**IF YOUR SAFE CONTAINS A BURGLAR-PROOF CHEST, ARE YOU RELYING ON YOUR POLICY TO COVER MONEY AND SECURITIES IN THE SAFE OUTSIDE THE BURGLAR-PROOF CHEST?**

If so, you should examine your policy with the utmost care. If your application for insurance was made upon the basis of the full protection of your safe, then you do not have full protection outside the safe or chest. Full insurance may be had on the outer portion of the safe or in the vault outside the safe by paying a higher rate.

# Savings Bank Section

## Real American Thrift

**R**ECENT events in the commercial and mercantile fields, where price reductions appear to have been forced very substantially by a general attitude of the public toward prices then out of proportion to real value, raises the question as to whether or not the average American is quite as extravagant as some persons would have us believe.

"If any of us have done injustice in thought or by voice to the prudence, the thrift, the common sense and the self-denial of the American people, they now find that they have made a mistake," says the *New York Times*, May 20, 1920. "In flush times of high wages and new fortunes, extravagance, carelessness of the future, ostentation are obvious to the eye. The patient, continuous economies in millions of households, the resolute fight against waste and swollen prices, the old homely saving are inconspicuous and unnoticed. \* \* \*

"This national impulse and movement of self-denial is monumental proof of the sound hearts and sound heads of the American people. The wastrels splurge visibly and noisily. Silently, steadily, fruitfully, the great, quiet thrift mass abstains from unnecessary purchases, refuses to pay skyscraping prices. At last the prices begin to come down."

And C. J. Obermayer, president of the Greater New York Savings Bank, writes:

"That all of the American people and more particularly the wage earners, with whom savings banks come in contact, are extravagant is not true in view of the large increased deposits, as shown during the past two years, in all of the savings banks in the country. \* \* \*

"If some plan of campaign for thrift and saving could be organized in which the banks of the municipality, state or even the whole country could cooperate, it would prove, in my judgment, of great value to the people and to the banks by increased deposits.

"This, of course, is being done to some extent by the individual effort of savings banks, but what is needed is a complete cooperative movement of education along this line which would prove of great value to the country in general.

"That prices for commodities have already begun to decrease and will continue to do so, there is no doubt, as evidenced by our people refraining at this time from purchasing articles not essentially necessary, the tendency of the manufacturers to reduce prices and the disposal of large stocks in warehouses, which to some extent is increasing and bringing the supply somewhere near the demand.

"These decreases in prices cannot, however, be continued unless production is stimulated and increased and readjustments of wages, profits and taxes are gradually brought about and reduced, and capital and labor must meet on a more friendly basis, the extremists on both sides being eliminated."

## Data on Savings Banks

The Section has received much encouragement in its effort to obtain exact data on the number and amount of savings deposits in both national and state institutions. In response to a request from both the Comptroller of the Currency and state authorities for a definition to be submitted to those institutions which do not segregate savings from general accounts, we have submitted the following as explanatory of the data desired, and submit it for criticism by members:

"The item 'savings deposits' is to include that class of accounts usually handled by requiring pass books to be presented when moneys are deposited or withdrawn and on which the bank may require advance notice of withdrawal. It is to include 'savings' in the strict sense rather than interest deposits by investors who ordinarily would purchase certificates of deposit."

## An Interesting Move

In connection with the plans for providing adequate stimulus to encourage those who can but do not save, the following resolution by a state federation of labor, based upon a preamble of various generalities as to the need for the general encouragement of thrift, is of interest to savings bankers as well as to economists who have watched the various efforts to bring the political appointee ("government") into closer contact with private or individual finance:

"RESOLVED: That this convention do approve of the continuation and extension of the War Savings and Thrift Stamps Institution, or the substitution of a national savings institution akin in character and method, which will prove helpful to safeguard the earnings of the toiling masses of our country."

## "Rivets of Society"

Mr. Samuel Crowther, a student of labor conditions in all parts of the world, is contributing to the *North American Review* a series of articles on "Phases of Unrest," of which the first appeared in the May issue. Every savings banker and promoter of thrift should both read and study the article, as it is an admirable brief on the point that "the great enemy of bolshevism is the bank account."

## New York Savings Bank Meeting

The annual meeting of the Savings Banks Association of the State of New York was held at Lake Mohonk, N. Y., May 26 and 27. The addresses included the following:

"The National Conference at Boston," Victor A. Lersner, Williamsburgh Savings Bank, Brooklyn; "Mortgage Loans Versus Bonds," David M. Denning, Albany Savings Bank, Albany; "Can Increases in Surplus Be Made to Keep

Pace with Increases in Deposits," E. K. Satterlee, Franklin Savings Bank, New York City, and W. S. Hackett, Albany City Savings Bank, Albany; "Branch Banking," John M. Satterfield, American Savings Bank, Buffalo; "Acceptances," A. Koppel, Central Savings Bank, New York City; "Commercial Paper As a New York Investment," A. F. Van Winkle, Empire City Savings Bank, New York City.

The annual dinner was presided over by President Samuel H. Beach, Rome Savings Bank, Rome, the speakers including R. L. Hunt, Wattertown Savings Bank, and Judge Harold F. Moore, who spoke on "Dollars and Sense."

Acceptances, railroad securities and thrift were among the subjects reported on at length by standing committees. Chairman James H. Manning of the committee on thrift gave an elaborate review of the various compilations of statistics on production, labor and living conditions and costs, and urged increased production and larger savings. He outlined a state campaign to be conducted by the mutual savings banks, as follows:

"The first effort will be to reach the savings banks depositors and secondly, the entire population. It is expected that the campaign will start September 1 and will continue indefinitely. Great emphasis will be placed on personal work, which will include careful follow-up methods. It is expected that each bank or group of banks will arrange a local campaign, substantially on these lines: First, through enlisting the support of the school authorities for the school campaign; second, in securing the cooperation of the employers and employ representatives in organizing the industrial angle of the campaign; third, in organizing to reach the household by gaining the cooperation of the churches, women's organizations, community councils, and parents' associations, and by the establishment of home economics or home departments in the banks; fourth, in gaining the cooperation of the newspapers by outlining the nature of the important work to be undertaken."

The officers elected included John J. Pulley of New York, Emigrant Industrial Savings Bank of New York, president, and Milton Harrison, executive manager.

## A Warning from Alabama

By D. F. GREEN

Superintendent of Banks of Alabama

WITHIN less than two years the banks of Alabama have almost doubled in resources and deposits. Statements and reports from the bank examiners indicate that the state banks in Alabama are in a most flourishing condition and well fortified to protect themselves against the approaching crisis, provided proper caution and good judgment are used in the future.

These flourishing conditions cannot be expected to continue. The financiers of our country recognize the fact that our currency is inflated; that there is an over expansion of credit; that prices are unreasonably high, and that we are rapidly approaching a crisis. The Federal Reserve Board and the Federal reserve Banks are undertaking to reduce credits and cause a gradual return to normal conditions. It is my opinion that every banker and every business man should carefully co-operate in this movement, so that as rapidly as possible business may become normal again, and yet accomplish this purpose without a panic.

In my judgment, the banks should take reasonable care of their customers. It is your duty to foster the business interest of your community and to take every reasonable care of the demands of your customers where you can do so with safety to your banks. But if you are to take proper care of the farmers, the merchants, the miners and the manufacturers, and other producers, it will be necessary for you to carefully guard your funds and to restrict credit. All banks should confine loans to the point of absolute necessity, and make no loans to speculators or to those who hoard products for higher prices. All commercial banks should make no loans for investment purposes, but confine their loans to assisting in the production and the marketing of products. If prices are to become normal, it will be necessary for the currency of our country to

be largely deflated. If this is done gradually, there will be a gradual decline in your deposits and it will be necessary for you to call in every loan except those absolutely necessary to foster the business interests of your communities. In other words, this is the time to carefully discriminate in extending credits to your customers. A commercial bank cannot at this time afford to tie up its funds in capital investments or in any speculative enterprises or in any loans that are not essential for increasing the production of the territory it serves.

Whether you agree that the Federal Reserve Board is right in raising the discount rate to 6 per cent. or not, the fact remains that some method must be used to force speculators who have cornered large quantities of foodstuffs and other commodities to turn them loose. We should commend the Federal Reserve Board for its efforts along this line. If some method is not used for this purpose, prices cannot become normal at an early date. The products of the farm, the mine and the factory should move promptly and directly from the producer to the consumer and not to the speculator. In my opinion, you can render your state and nation no greater service today than to carefully cooperate with the Federal Reserve Board and the Federal reserve banks and with the government along these lines.

Many banks in Alabama were forced to liquidate and several failed during the years 1914, 1915 and 1916. The records in my office show that almost all of these banks were forced to suspend business because of over-extended credits. I wish to appeal to you as bankers not to let history repeat itself during the year 1920. My advice to you is to not try to make large profits this year. Let "safety first" be your motto and "conservatism" your watchword during the trying times just ahead.



# Clearing House Section

## New Clearing House Associations

**W**E have pleasure in recording two new names on the Section's membership roll. Twin Falls Clearing House Association, Twin Falls, Idaho, a city in the heart of one of the finest irrigated agricultural districts in the country that has made wonderful progress in the past few years. The men who will direct the destiny of the association are: President, J. G. Bradley, cashier Twin Falls Bank and Trust Co., and secretary, L. F. Bracken, cashier Idaho State Bank.

Lincoln Clearing House Association, Lincoln, Ill. This city was named after Abraham Lincoln, who assisted in laying it out. Its industrial life is extensive, comprising mining, milling and manufacturing. The officers of the association are: P. E. Kuhl, president, F. W. Langan, secretary; and R. D. Aitchison, treasurer.

## To Get Cash Promptly

The result of negotiations which have been going on between a Committee of the Washington Clearing House Association and Governor W. P. G. Harding of the Federal Reserve Board is that a plan has been perfected under which member banks in Washington will be able to procure supplies of cash from the Treasury on short notice to replace any temporary depletion of their reserves held in their vaults for currency needs.

Under the new arrangement a member bank when it needs cash will wire or telephone the Richmond Federal Reserve Bank to charge its reserve account with the amount desired and at the same time credit the Treasury with a like sum. Upon confirmation of the request the Treasury will then advance the necessary cash to the bank. The whole operation will be consummated in a short space of time and will be of great advantage. It will enable the banks to reduce the amount of idle cash which they have

held in their vaults in the past to meet any unusual needs and at the same time relieve the anxiety of waiting perhaps a full day for cash to be forwarded from Richmond. It is possible that this plan will be in operation ere this article appears in print. A plan has also been approved by the Federal Reserve Board effecting the daily clearing house settlements through the Richmond Reserve Bank. A committee of the Washington Clearing House Association, of which George W. White is chairman, is now working out details of this plan. Before it can become effective, it is necessary to amend the by-laws of the association.

## Standardizing of Bank Forms

In keeping with renewed activity that has recently been manifested regarding standardizing of bank forms, a committee appointed by the California Bankers Association has submitted a report. That their labors have been successful there is no question. Two of the forms which they recommend are now being successfully used and are numbered 7 and 54. Number 7 bears the resolution "That collections and requests for rating will have our prompt attention provided same are accompanied by the following fee in advance; Collections 25c each, requests for rating, minimum fee 25c each." It also states further that unless such fee accompanies request for this service, the item will be returned without presentation. Number 54 is a counter check which the committee claims would eliminate many attempts at petty forgery, and not suggest to the minds of persons inclined to error, the temptation to draw worthless checks.

Lack of space prohibits reprinting their forms. We compliment the committee on their efforts in this direction in encouraging efficient and safe methods in protecting the banks.

## From Los Angeles

A report recently received from the Los Angeles Clearing House Association advises us that financial conditions there are perhaps in about the same chaotic condition as elsewhere, but irrespective of this fact, the clearings during the first four months of this year more than doubled those of 1919. The clearings were \$1,255,000,000 as against \$627,000,000 for 1919. Also, that there is in prospect the consolidation of two of their largest savings banks, the Hibernia Savings and the Home Savings Bank. The consolidation when effected will make the capital of the combined institutions \$2,000,000 with deposits of \$30,000,000 and resources of \$32,500,000. There is also in prospect the consolidation of the Security National Bank with the Security Trust and Savings Bank, the latter institution being the owner of the stock of the former. The capital of the combined banks will be \$3,150,000, deposits of \$85,000,000 and resources of over \$90,000,000.

## Northern New Jersey Clearing House

Arrangements have been completed between the Federal Reserve Bank of New York and the Northern New Jersey Clearing House Association, whereby the former will receive for immediate credit checks drawn on the New Jersey banks and trust companies, members of the association, subject to certain terms and conditions agreed upon. The Federal Reserve Bank of New York, commenting on this arrangement says: "The saving of two days for our member banks in collecting checks drawn upon the majority of banks situated in Hudson County, N. J., is made possible by the formation of the Northern New Jersey Clearing House Association by this bank and the New Jersey institutions referred to above. All of the seventeen banks in Hoboken, N. J., and North Hudson have become members. Clearances will be made at 35 Liberty Street, New York. Operations started May 19."

# National Bank Section

## Reorganization Essentials

**O**CCASIONALLY a national bank organized years ago and operating under conditions unlike those existing at the present time seeks to reorganize and start anew. A communication disclosing a situation such as this was received at the Washington office of the National Bank Section a few days ago with the request that a statement of the proper procedure for reorganization be outlined. The following is an extract from the reply:

"Based on information obtained in the office of the Comptroller of the Currency, to reorganize your bank it would be necessary simply to apply for a new charter, perfect all your plans prior to expiration of your present charter and on that date open your new bank and assume the liabilities and assets of your present organization. There would need be no interruption to business. However, the law provides that no national bank shall reorganize under its old name unless all stockholders in the old organization are permitted to participate in the new, and I presume you would wish to continue the name of your present institution. As the permission of the Comptroller of the Currency would have to be secured before any charter could be issued he would have authority to compel such conditions as to his mind, in conformity with law, would be just. In a number of instances he has declined to issue charters that were requested where the purpose was to eliminate certain stockholders who desired to continue. He is very jealous of the rights of stockholders, particularly of heirs of original stockholders in national banks, and in almost every instance has refused to permit reorganization which would have been detrimental to them. He did in one instance, I am told, grant a charter in a rather similar but unusual case where a board of directors could not be gotten from among the old stockholders.

"I am suggesting that the only way to proceed with promise of success is that you write to the Comptroller of the Currency a statement of your reasons for desiring to reorganize, explaining whether your stockholders are willing, whether those you wish to eliminate are satisfied to be left out, and whether reorganization is essential to the continued successful operation of your bank. Of course there might be circumstances under which an unwilling stockholder ought to be dropped, and should such reasons exist in your case they should be explained. Advise the Comptroller who your stockholders are, the manner in which they acquired their holdings, their disposition toward the institution and who the men you desire to take in are. You should state every reason you have for seeking the action you have outlined, and should it appeal to him as fair to your present associates most likely the plan would be approved."

## Impairment of Surplus

A situation which might hold some interest for newly organized national banks recently came to the attention of the Washington office of this section. A national bank chartered only a few months ago entered upon its career fortified with a surplus, and upon being visited by a national bank examiner was advised that several of its loans, each for an amount equal to ten per centum of its original capitalization and surplus, were excessive and should be reduced. This led the bank to inquire whether the Comptroller of the Currency holds that where expenses of a new institution exceed the earnings, as they frequently do for the first few months, the surplus is thereby impaired and the maximum sums loanable limited.

Inquiry produced the information upon which a reply including the following extracts was based:

"As you know, ordinarily an obligation of an individual or firm

or corporation to a national bank cannot exceed ten per centum of the amount of capital stock actually paid in and unimpaired, and ten per centum of the unimpaired surplus. An amendment in the latter part of 1919 authorized loans of larger amounts in certain instances, but I take it your loans are of the former class. The Comptroller holds that whenever a bank's expenses exceed its earnings the deficit must be charged against the surplus if there is no other fund for that purpose, and against the capital stock in the absence of a surplus, thus proportionately lowering the amounts permitted to be loaned. And this computation is based upon the actual amount of unimpaired capital and surplus on the day the examination is made.

"You stated your interest earnings to that time had not been given any consideration. You are advised that the holding of the Comptroller is that if interest earned had not been collected, or if paid in had not been set over to the surplus, it could be no factor in determining the amount of loans. So if you have profits carried simply as such it would seem to be well to transfer them to your surplus, for capital stock actually paid in and unimpaired and unimpaired surplus carried as such govern a bank's loan limit."

## National Banks Can Use "Trust"

In the Western District of Missouri, United States District Judge Van Valkenburgh, on March 27, rendered a decision sustaining the right of a national bank in Missouri, authorized by the Federal Reserve Board to exercise fiduciary powers, to use the words "Trust Company" as part of its corporate name, with the approval of the Comptroller of the Currency, notwithstanding a state law forbidding any corporation to do so unless authorized by state laws to do a trust business.

# State Bank Section

## New State-Chartered Banking Institutions

**S**INCE the publication of new state-chartered banking institutions in the May JOURNAL the following are reported to have been organized:

### ALABAMA

Vina, Ala.—Vina Banking Company. Capital, \$25,000. President, J. W. Rogers; cashier, J. M. Massey, Jr.  
Winfield, Ala.—Citizens Bank. Capital, \$30,000. President, A. M. Grimsley; cashier, W. L. Roberts.

### CALIFORNIA

Covelo, Calif.—Bank of Covelo. Capital, \$25,000.  
Gardena, Calif.—Farmers & Merchants Bank. Capital, \$50,000.  
Lomita, Calif.—State Bank of Lomita. Capital, \$25,000.

### COLORADO

Greeley, Colo.—Greeley Loan & Trust Company. Capital, \$50,000. President, R. A. Hoffman; secretary, Alfred Riley.  
Sedgwick, Colo.—Farmers State Bank. Capital, \$15,000. President, F. H. Hendrickson; cashier, B. N. Weinsheim.

### ILLINOIS

Chicago, Ill.—Lake Shore Trust & Savings Bank. Capital, \$300,000. President, C. B. Hazlewood; cashier, T. Philip Swift.  
Chicago, Ill.—Second Citizens State Bank. Capital, \$100,000. President, Charles Johnsen; cashier, M. O. Pfaff.  
East Moline, Ill.—First Trust & Savings Bank. Capital, \$50,000. President, Frank Payne; cashier, Henry D. Setzer.  
Franklin Grove, Ill.—Citizens State Bank. Capital, \$50,000. President, C. E. Weybright; cashier, C. H. Gray.  
Irwin, Ill.—Irwin State Bank. Capital, \$15,000. President, John L. O'Connor; cashier, J. E. Ullrich.  
Orland, Ill.—Orland State Bank. Capital, \$25,000. President, William T. Beagley; cashier, Archibald C. Kay.  
Shannon, Ill.—Peoples State Bank. Capital, \$40,000. President, Fred C. Nesemeier; cashier, D. S. Hoy.  
Springfield, Ill.—Springfield Security Savings Bank. Capital, \$100,000. President, John E. George; cashier, H. P. Jones.

### INDIANA

Crawfordsville, Ind.—Union Trust Company. Capital, \$25,000.  
Goldsmith, Ind.—Goldsmith Bank. Capital, \$10,000.  
New Ross, Ind.—Farmers State Bank. Capital, \$25,000.  
Tvrer, Ind.—Farmers State Bank. Capital, \$25,000.  
West Point, Ind.—West Point State Bank. Capital, \$25,000.

### IOWA

Linden, Iowa—Farmers State Bank.  
Tabor, Iowa—State Bank of Tabor. Capital, \$25,000. President, W. C. Gregory; cashier, N. Nelevan.  
West Union, Iowa—West Union Bank.

### KANSAS

Arcadia, Kan.—Peoples State Bank. Capital, \$20,000. President, W. C. Perry; cashier, E. E. Stocker.  
Herrington, Kan.—Home State Bank. Capital, \$30,000. President, E. T. Anderson; cashier, F. E. Beal.  
Topeka, Kan.—Lawyers Guaranty Title & Trust Company. Capital, \$21,200. President, John S. Dean; treasurer, Harry W. Colmery.

### KENTUCKY

Lewisport, Ky.—Bank of Lewisport. Capital, \$15,000.  
Springfield, Ky.—Peoples Deposit Bank. Capital, \$50,000.  
Stearns, Ky.—Bank of Stearns. Capital, \$15,000.  
Woodburn, Ky.—Peoples Bank. Capital, \$20,000.

### MICHIGAN

Ferndale, Mich.—American State Bank. Capital, \$25,000. President, Walter J. Hayes; cashier, Lewis Walton.  
Mesick, Mich.—Farmers & Merchants State Bank. President, C. W. McPhail; cashier, L. D. Rose.

### MINNESOTA

Emmons, Minn.—Farmers & Merchants State Bank. Capital, \$20,000. President, A. C. Erickson; cashier, Fred Knudson.  
Motley, Minn.—Peoples State Bank. Capital, \$20,000. President, J. M. Schmit; cashier, F. W. Eisnlrohr.  
Rosemount, Minn.—Farmers State Bank. Capital, \$15,000. President, C. B. Enkema; cashier, Theo. F. Olson.

### NEW JERSEY

Maplewood, N. J.—Maplewood Bank.

### NEW YORK

Brooklyn, N. Y.—Midwood Trust Company. Capital, \$500,000.  
Corning, N. Y.—Corning Trust Company. Capital, \$100,000.

### NORTH DAKOTA

Wahpeton, N. D.—Wahpeton State Bank. Capital, \$35,000. President, H. F. Holthusen; cashier, August Bergman.

### OHIO

Crestline, Ohio—Farmers & Citizens State Bank. Capital, \$50,000. President, Chas. E. Miller; cashier, Chas. F. Stine.  
Prospect, Ohio—Citizens Banking Company. Capital, \$30,000. President, Moses E. Flemming; cashier, John M. Freeman.

### OKLAHOMA

Maysville, Okla.—First State Bank. Capital, \$25,000. President, R. M. Love; cashier, S. H. Thompson.

### OREGON

Portland, Ore.—Peoples Bank. Capital, \$100,000.

### PENNSYLVANIA

McKeesport, Pa.—Foreign Exchange Bank.

### SOUTH DAKOTA

Agar, S. D.—Citizens State Bank.  
Como, S. D.—State Bank of Como.  
Epiphany, S. D.—Epiphany State Bank.  
Northville, S. D.—Citizens State Bank.  
Sioux Falls, S. D.—First State Bank.  
White Butte, S. D.—Guaranty State Bank.

### TENNESSEE

Tate, Tenn.—Farmers Bank. Capital, \$10,000.  
Wartrace, Tenn.—Wartrace Bank & Trust Company. Capital, \$25,000.

### TEXAS

Barnhart, Texas—First State Bank. Capital, \$25,000. President, W. M. Noelke; cashier, O. C. Carr.  
Houston, Texas—Houston Land & Trust Company. Capital, \$1,000,000.  
Magnolia, Texas—First State Bank. Capital, \$20,000. President, W. A. Dean; cashier, George O. Crump.  
San Angelo, Texas—Guaranty State Bank. Capital, \$50,000.

### WEST VIRGINIA

Davy, West Va.—Bank of Davy. President, George Wolfe.  
Martinsburg, West Va.—Shenandoah Valley Bank & Trust Company.  
Morgantown, West Va.—Commercial Bank. Capital, \$100,000.  
Morgantown, West Va.—Union Bank & Trust Company. Capital, \$12,500.

### WISCONSIN

Couderay, Wis.—Couderay State Bank. Capital, \$10,000. President, C. M. Olson; cashier, Harold Erickson.

## Par Collections

Hon. D. F. Green, Superintendent of Banks of Alabama, in an address at the recent convention of the Alabama Bankers Association, referred to the par collection problem as follows:

Last week the National and State Bankers Protective Association was permanently organized at a meeting in Washington. Hearings were had before the Banking and Currency Committee and the Rules Committee of the House. On last Wednesday a committee from this organization appeared before the Federal Reserve Board. It is my opinion that much good was done at these hearings, and we succeeded in securing a promise from the Federal Reserve Board to request of Congress an amendment of the



Federal Reserve Act, making clear the purpose of Congress regarding this question, and to relieve the Board of so much criticism. The Board further agreed to take no side on the subject except that the rule apply to member as well as non-member banks, but merely to request Congress to take action.

After conversations with members of the Federal Reserve Board and several Congressmen and Senators, it is my judgment that these people do not really understand this problem. I do not believe that these gentlemen would intentionally destroy hundreds and perhaps thousands of banks in the country. In the first place, they are confident that this will not be the case. Again, they are of the opinion that if many country banks were closed up, it

would be better for the country. Here again they are in ignorance of the facts. I am looking into the faces of bankers today who, if forced to close and liquidate their banks, fully realize that a large percentage of their deposits would not go to other institutions, but would be drawn from the bank in cash and be returned to the pockets of the people or buried. In other words, the banks that would have to close their doors in this state, if you are forced to perform the service of remitting for items for nothing, would return to the people hundreds of thousands of dollars that would be taken from circulation entirely, and thus the channels of commerce would be deprived of these funds.

"Accepted drafts are becoming much more numerous since the trade acceptance plan has been growing in favor." It is therefore probable that many more banks will be called upon to handle these items than has been the case up to this time. The collection department of every bank should be thoroughly instructed on the subject of the presentation and return, with or without protest (in accordance with instructions) of all accepted drafts and acceptances sent for collection by customers or correspondents."

This will have a far-reaching effect which will be strengthened by letters from the other reserve districts on the same subject.

A number of clearing houses have amended their rules so as to provide for the clearing of trade acceptances made payable at the offices of their respective members through the regular daily exchanges. This method is not only beneficial to the users of the trade acceptance but simplifies matters for the various institutions handling them. Here is an opportunity for clearing house associations that are not following the plan to start in now and assist the acceptance movement. The drawers of acceptances themselves can materially assist the movement by doing away with any superfluous phraseology on the forms they use and using forms with only necessary wording to complete negotiability of the instrument. The forms approved and recommended by the American Bankers Association and the American Acceptance Council cover every requirement.

Perfection in any line of endeavor is reached only by cooperation between parties interested and acceptances are not an exception to the rule. The drawer, the acceptor and the collecting bank must give and take in order to attain this end and we are sure the good judgment of all will prevail and the differences of opinion now existing, so far as the presenting of the item is concerned, will be adjusted to the satisfaction of all. Member banks desiring information on bank or trade acceptances are assured their inquiries will receive prompt attention.

## Handling Trade Acceptances

By A. T. MATTHEW

Secretary Clearing House Section

**A**TENTION has been called to the lax method used by many banks in the presenting and collection of trade acceptances.

Progress in the use of the trade acceptance has been very marked during the past twelve months. Thousands of the largest manufacturing, industrial and mercantile establishments have been using the acceptance since its inception and the results have more than exceeded their expectations. The success which these pioneers of the movement have had has inspired many others to reorganize their accounting departments and institute acceptances entirely, and it is a pity, in view of this progress, that so little attention should be given the instructions printed on the face of the item relative to where and when it should be presented for payment.

The collecting bank has no argument to offer so far as we can see by refusing to present the acceptance at the place designated. We take it that they are all familiar with the Negotiable Instruments Act (see Section 87) and the subsequent result should the forwarding bank's instructions not be carried out by them and a loss occur.

It is therefore the duty of the bank to which the collection is sent to present each such acceptance to the bank at which it is made payable by the acceptor, if for nothing else than to protect itself. The trade acceptance is such a useful credit instrument that its future should not be imperiled by certain banks in the country causing criticism and annoyance by their arbitrary methods of presentation.

The only thing that a bank has to sell after it has convinced a prospective customer of its strength and dependability is service and we refuse to believe that any bank will jeopardize its good name by a flagrant breach of instructions. The fact that the neglect of certain banks to exercise due diligence in handling acceptances is not confined to any locality, is evidenced by the matter being taken up by the Federal reserve banks and letters have been sent to all banks and trust companies in the fourth and fifth districts under the heading "An accepted draft should be presented on its due date to the bank at which it is made payable by the acceptor."

The letter from the fifth district headquarters goes on to state:



*The New Packard Basis of Rating was Established by Absolute Transportation Facts revealed by more than 7000 Monthly National Standard Truck Cost System Reports, covering a period of Two Years*

## Why Packard Discarded "Ton Rating" for Packard Trucks

**R**EASONING as transportation engineers, the Packard Company has believed for years that the arbitrary factory "ton rating" system was bound to become obsolete as soon as sufficient facts on transportation could be known.

These facts are now at hand — made available through more than 7000 Monthly National Standard Truck Cost System Reports, covering a period of two years.

These reports confirm what Packard has so long foreseen—the fallacy of rating a truck simply on

the tonnage capacity of the chassis and engine under normal conditions.

They have proved again and again the sound Packard practice of rating a truck with *all* the transportation factors in mind—character of roads, grades to be met, speeds to be maintained, and the chances of overload, etc.

**C**OMPARE a Packard Size G, Model E, Truck developing nearly 6700 pounds traction at rear wheels and able to pull a 28 per cent grade on low gear; with the typical "6-ton truck," developing less than 4700

pounds traction, and able to pull only a 20 per cent grade!

The Packard frame both strong and flexible—made of rolled channel steel, not pressed steel.

Packard *solid tired* trucks governed at 11, 13, 15, 18 miles per hour, by the Packard transportation expert in touch with the actual job.

Today, as always, Packard is selling *transportation*.

**H**EREAFTER each Packard Truck will be designated by *size and model*.

The rating will be made on the ground, *for the job*, by the local Packard engineer—selected for what it will do in the individual customer's business, and with all his *actual conditions* in mind.

*"Ask the Man Who Owns One"*

**PACKARD MOTOR CAR COMPANY, Detroit**

# State Secretaries Section

## Building an Income

**T**HE Arkansas Association is cooperating with the University of Arkansas in the distribution of a pamphlet entitled "Building an Income" which was prepared by C. L. Stewart, Ph. D., Professor of Economics.

## A. B. A. Protection

At their recent annual convention, the bankers of Florida adopted a resolution protesting against the action of the Administrative Committee of the American Bankers Association requesting that where losses to banks occur that are less than \$200 the banks rely upon county or state officials and relieve the American Bankers Association of the responsibility. The resolution stated it was believed that such action would result in the American Bankers Association losing a very large number of its small members, who are just as equally and fairly entitled to consideration and protection as the largest and strongest institutions.

The convention also went on record as approving and heartily supporting the resolution adopted by the Georgia Bankers Association in extraordinary session on March 4, 1920, at Macon, Ga., concerning the enforced par clearance of checks by Federal Reserve Banks.

## The "Blue Sky" Promoter

The Indiana Association is supplying its members with an attractive card to post in the banks, which carries the signatures of the president and secretary. It makes a strong appeal to the general public to "Advise with your banker before investing in stock you know nothing about."

## Private Banks and Taxes

Secretary Smith of Indiana states that the banking law of that state enacted in 1907 caused private banks to issue capital stock of not less than \$10,000, in order to regu-

late private banks so the State Banking Department could tell whether the bank was solvent. There was a question as to whether or not these banks would be subject to corporation taxes. The following opinion on the subject was rendered by some attorneys in Washington and is quoted herewith for the benefit of the secretaries in any other states where the same condition may prevail: "That these private banks are not corporations and therefore are not subject to corporation excess profits and income taxes, but are subject to individual taxes on the distributive interest of each partner whether distributed or not, same as an individual or a partner doing business."

## The County Organization

At a recent meeting of the official family of the Ohio Bankers Association a resolution was unanimously adopted that it was the sense of the meeting that every county in the state should have an organization of its bankers and that each group should see to it that every county in the group effected such an organization.

## Two New Secretaries

A. T. Hibbard of Helena, Montana, is the newly elected secretary of the bankers association of that state, and J. C. Barry of Lafayette, Louisiana, has been elected secretary to succeed Eugene Cazedessus.

## Florida Officers

At the twenty-seventh annual convention of the Florida Bankers Association, held at Pensacola April 23 and 24, the following officers were elected: President, Govan G. Ware, president First National Bank, Leesburg; vice-president, Archie Livingston, president Citizens Bank, Madison; secretary-treasurer, George R. DeSaussure, manager Jacksonville Branch, Federal Reserve Bank.

## Convention Calendar

| DATE           | ASSOCIATION                                   | PLACE             |
|----------------|---|-------------------|
| June 4-5       | Idaho   | Moscow            |
| June 7-8       | District of Columbia                          | Steamer "Midland" |
| June 7-8-9     | North Carolina                                | Rocky Mount       |
| June 9-10-11   | Georgia                                       | Athens            |
| June 10-11-12  | California, Tahoe                             | Tavern            |
| June 11-12     | Nevada, Lake Tahoe, Cal.                      |                   |
| June 11-12     | Washington                                    | Seattle           |
| June 15-16     | Nebraska                                      | Omaha             |
| June 15-16     | Oregon  | Eugene            |
| June 15-16-17  | American Institute of Banking                 | Boston            |
| June 16-17     | Wisconsin, North Lake, Waukesha County.       |                   |
| June 17-18     | Pennsylvania                                  | Bedford Springs   |
| June 17-18-19  | New York                                      | North Asbury Park |
| June 17-18-19  | Virginia                                      | Hot Springs       |
| June 18-19     | Connecticut                                   | New London        |
| June 18-19     | Massachusetts                                 | New London, Conn. |
| June 18-19     | New England, Eastern Point, New London, Conn. |                   |
| June 18-19     | Utah  | Ogden             |
| June 22-23     | Illinois                                      | Galesburg         |
| June 22-23-24  | S. Carolina                                   | Greenville        |
| June 23-24     | S. Dakota                                     | Watertown         |
| June 28-29-30  | Michigan, Ottawa Beach                        |                   |
| June 28-29-30  | Iowa  | Des Moines        |
| July 7-8       | Minnesota                                     | Duluth            |
| July 14-15     | N. Dakota                                     | Valley City       |
| July 15-16     | Ohio  | Cedar Point       |
| August 6-7     | Montana                                       | Lewistown         |
| September 2    | Delaware                                      | Rehoboth          |
| September 7-8  | Kentucky                                      | Louisville        |
| Sept. 14-15    | Colorado                                      | Denver            |
| Sept. 14-15-16 | Farm Mortgage Bankers                         | Kansas City, Mo.  |
| Sept. 15-16    | West Virginia                                 | Charleston        |
| October 4-5-6  | Investment Bankers                            | Boston            |
| October 6-7-8  | Indiana                                       | Indianapolis      |
| October 18-22  | A.B.A.  | Washington, D.C.  |
| Nov. 12-13     | Arizona                                       | Douglas           |

## New Hampshire

At the annual convention of the New Hampshire Bankers Association held at Concord, May 7, the following officers were elected: President, Abraham M. Stahl, president City National Bank, Berlin; secretary, H. L. Additon, cashier Merchants National Bank, Manchester; treasurer, Frederick Clements, cashier Farmington National Bank, Farmington.





## Midwest Dependable Power Drives Civilization Forward

**W**HETHER Midwest "Dependable Power" has been expressed in Steam Turbines, Diesel Engines, mine, dock or industrial pumping equipment, it has unflinchingly and steadily lifted some of the burden from mankind. It has driven civilization forward to better results, increased production and greater profits.

And now, after fifty years, including a magnificent war achievement, we find Midwest Dependable Power more fully and helpfully expressed in a new type of power farming equipment—the MIDWEST UTILITOR.

Built to render the greatest good to the greatest number, the Utilitor meets a need for a more complete farm motorization



*As a banker you will be interested in this booklet on the economic side of the Utilitor as applied to our present food situation.*

*A copy will be mailed you gladly on request.*

manifested through a demand for greater food production.

Its application to farm work, truck garden work, fruit growing, nursery cultivation, estate and municipal up-keep has been tried—and tried again—until the Utilitor will render today an unflinching economical service.

This service is backed by an institution ably financed to meet its every obligation to dealer and owner *quickly*. When you meet a man, or group of men, selling a Midwest product you will find men of understanding and stability.

Please Address Sales Division A-1

**MIDWEST ENGINE CO.**  
INDIANAPOLIS, U. S. A.

# MIDWEST

When writing to advertisers please mention the "Journal of the American Bankers Association."

# Membership Changes

REPORTED FROM APRIL 26 TO MAY 25, 1920

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

|                 |                  |   |                     |                  |  |
|-----------------|------------------|---|---------------------|------------------|--|
| Alabama.....    | Fayette.....     | Alabama State Bank & Trust Company succeeded by Citizens Bank.                | Illinois.....       | Ewing.....       | Ewing Bank changed to Ewing State Bank.  |
|                 | Mobile.....      | Union Savings Bank changed to Union Commercial Bank.                          |                     | Fairmount.....   | Exchange Bank succeeded by First National Bank.                                    |
| Arkansas.....   | Hamburg.....     | Farmers Savings Bank & Trust Company changed to Farmers Bank & Trust Company. | Indiana.....        | Hammond.....     | Bank of Hammond changed to State Bank of Hammond.                                  |
|                 | Tillar.....      | Bank of Tillar succeeded by Citizens Bank & Trust Company.                    | Iowa.....           | Walnut.....      | American Bank changed to American State Bank.                                      |
| California..... | Benicia.....     | Peoples Bank succeeded by Central Bank.                                       | Minnesota.....      | Farmington.....  | Exchange Bank converted to First National Bank.                                    |
|                 | Brawley.....     | American State Bank succeeded by Southern Trust & Commerce Bank.              |                     | Rice.....        | State Bank converted to Rice National Bank.  |
|                 | San Pedro.....   | Harbor City Savings Bank changed to Harbor Commercial Savings Bank.           | Mississippi.....    | Summit.....      | Union Bank of Pike consolidated with Progressive Bank.                             |
|                 | Suisun City..... | Bank of Suisun changed to Bank of Suisun National Association.                | Montana.....        | Wolf Point.....  | Citizens National Bank consolidated with First National Bank.                      |
|                 | Visalia.....     | Visalia Savings Bank changed to Visalia Savings Bank & Trust Company.         | New Mexico.....     | Clayton.....     | Union County Trust & Savings Association changed to Union Trust & Savings Bank.    |
| Colorado.....   | Denver.....      | Drovers State Bank changed to Drovers National Bank.                          | New York.....       | New York.....    | New York Produce Exchange Bank changed to New York Produce Exchange National Bank. |
| Georgia.....    | Hartwell.....    | Hart County Bank converted to First State Bank.                               | North Carolina..... | Mebane.....      | Mebane Bank & Trust Company converted into First National Bank.                    |
| Idaho.....      | Donnelly.....    | Donnelly State Bank changed to First State Bank.                              | Ohio.....           | Cleveland.....   | Bank of Henry Spira succeeded by Guardian Savings & Trust Company, Spira Office.   |
|                 | Dubois.....      | Security State Bank succeeded by First National Bank.                         |                     | Glenmont.....    | Farmers Bank liquidating.  |
| Illinois.....   | Basco.....       | Basco Bank changed to Basco State Bank.                                       | Texas.....          | San Antonio..... | Lacand and Son, Bankers, succeeded by Texas State Bank & Trust Company.            |
|                 | Divernon.....    | First National Bank changed to First State Bank.                              | Mexico.....         | Mexico City..... | Mexico City Banking Company succeeded by Mexico City Banking Corporation.          |
|                 | Elmwood.....     | Clinch, Schenk & Lott, converted into Farmers State Bank.                     |                     |                  |  |

## New and Regained Members from April 26 to May 25, 1920, Inclusive

### Alabama

Cherokee County Bank, Center 61-270.  
Millport State Bank, Millport 61-324.

### Arkansas

First National Bank, Des Arc 81-596.  
Bank of Leachville, Leachville 81-586.  
Peoples Bank, Holly Grove 81-276.  
Bank of Saint Francis, Saint Francis 81-439.

### California

First National Bank, Del Rey 90-864.  
First National Bank, San Joaquin 90-901.

### Colorado

Colorado State Bank, Delta 82-102.  
Padroni State Bank, Padroni 82-377.  
Timpas State Bank, Timpas 82-412.

### Florida

Molino State Bank, Molino 63-249 (Regained).

### Georgia

Bank of Collins, Collins 64-574.  
Bank of Eatonton, Eatonton 64-271 (Regained).  
Farmers & Merchants Bank, Jackson 64-290 (Regained).  
Bank of Newborn, Newborn 64-670 (Regained).  
Farmers & Merchants Bank, Tennille 64-315 (Regained).

### Idaho

Victor State Bank, Victor 92-239.

### Illinois

Farmers State Bank, Kincaid P. O., Bulpitt 70-1867.  
Bank of Brussels, Brussels 70-1193.  
Bowmanville National Bank, Chicago 2-223.  
Jeffers State Bank, Chicago 2-177.  
Sixteenth Street State Bank, Chicago 2-292.  
Stony Island Trust & Savings Bank, Chicago 2-286.

### Illinois—Continued

Henry S. Henschen & Co., 108 S. La Salle St., Chicago 0710.  
Peoples State Bank, Colchester 70-738.  
Fairfield National Bank, Fairfield 70-572 (Regained).  
State Bank of Keyesport, Keyesport 70-1391.  
Citizens State Bank, Mount Morris 70-1475.  
Oakdale Farmers Bank, Oakdale 70-1499.  
Bank of Oakwood, Oakwood 70-1501.  
Palmer State Bank, Palmer 70-1515.  
Plainfield State Bank, Plainfield 70-1812.  
Commercial National Bank, Rockford 70-47.  
West Hammond Trust & Savings Bank, Hammond, Ind., P. O., West Hammond 70-1658.

### Indiana

First National Bank, Hartsville 71-774.  
First National Bank, Milltown 71-834.  
First National Bank, Owensville 71-559 (Regained).

### Iowa

Farmers Savings Bank, Alleman 72-1170.  
Citizens Savings Bank, Anamosa 72-305 (Regained).  
Bank of Clemons, Clemons 72-1249.  
Farmers Savings Bank, Lacona 72-959 (Regained).  
Exchange Bank, Le Roy 72-1418.  
Farmers & Merchants Savings Bank, Lone Tree 72-754 (Regained).  
Iowa State Savings Bank, Malvern 72-577.  
American Savings Bank, Muscatine 72-77 (Regained).  
Shell Rock Banking Co., Shell Rock 72-779.  
Washta State Bank, Washta 72-1042 (Regained).  
Union State Bank, West End 72-815.  
Valley Bank, West Side 72-1072.

### Kansas

Farmers State Bank, Englevale 83-1306.  
Kansas State Bank, Kansas City 18-82.

### Kentucky

Bellevue Commercial & Savings Bank, Newport P. O., Bellevue 73-686.  
Calvert Bank, Calvert City 73-455 (Regained).

### Louisiana

Converse State Bank, Converse 84-292.  
Louisiana Savings Bank & Trust Co., Monroe 84-33.

### Maine

Limestone Trust Co., Limestone 52-238.

### Massachusetts

West Springfield Trust Co., West Springfield 53-628.

### Michigan

Brooklyn State Bank, Brooklyn 74-513.  
Oakwood State Bank, Detroit P. O., Oakwood 74-1014.  
Pittsford State Savings Bank, Pittsford 74-794.

### Minnesota

State Bank of Edgerton, Edgerton 75-730.  
Lawndale State Bank, Lawndale 75-1381.  
National Bank of Commerce, Mankato 75-37.  
Fourth Avenue State Bank, Minneapolis 17-103.  
Northrop Peoples State Bank, Northrop 75-1380.  
First State Bank, Williams 75-1186.

### Mississippi

Bank of Crawford, Crawford 85-292.  
Planters Bank, Hollandale 85-493.  
First Savings Bank, Itabena 85-452.  
Bank of Michigan City, Michigan City 85-483.  
Peoples Savings Bank, Natchez 85-42.  
Pearl River County Bank, Picayune 85-487.  
Planters Bank & Trust Co., Ruleville 85-507.  
Bank of Seminary, Seminary 85-390.  
Peoples Savings Bank, Starkville 85-144.  
Security State Bank, Starkville 85-145 (Regained).  
Verona Bank, Verona 85-416.  
Peoples Bank, Weir.

# Our Graduates Prove that it Pays to TRAIN AUTO AND TRACTOR BUSINESS

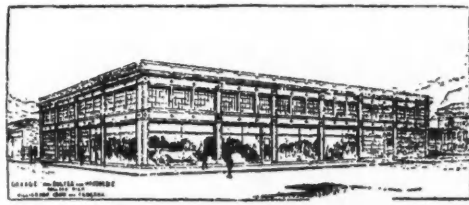


12,000 practical, competent, well-trained graduates over the country are daily proving the thoroughness of our course of instruction. They are successful and give all credit to the "Old Reliable" M. S. A. S. They are a prosperous, contented, happy lot of fellows. Business comes to them, because they know just how to handle it quickly and properly. Car owners are glad to put their cars into the hands of M. S. A. S. graduates. Thousands of letters from these graduates verify our statements and show us that we are working in the right direction and prove that *Detroit—the Heart of the Auto Industry*—IS the logical place for training in Auto Mechanics. The Automotive Industry is a fast growing, permanent business and there is proof in abundance that it pays to learn this prosperous, profitable business.

Training for Head and Hand

(From Holland, Michigan, "Sentinel.")

## GARAGE TO BE ONE OF FINEST IN THIS PART OF MICHIGAN



When the new Garage of Dulyea & Vander Bie, on the corner of Ninth street and River avenue is completed, Holland will have one of the finest and best equipped garages in Western Michigan. Work on the new building is progressing rapidly and before Spring opens for the 1920 automobile season the new garage will be ready to serve the traveling public. The above is a cut made from the architect's drawing and it will give an idea of what the building will look like when completed.

## A Typical Example

Martin Vander Bie and F. E. Dulyea came to the M. S. A. S. and dug right into the instruction for all they were worth. They had ambitions, these boys, and they weren't losing any time in fulfilling them. Now look what they're doing. This fine garage is the largest and most progressive in Holland, Mich.—a busy, thriving town that these boys are helping to make more thriving.

In addition to doing a good repair business, they have the agency for the "Chandler" and "Cleveland" cars, which is another feather in their caps. Any man can do as well. All he needs is ambition and training and good, old "Hard Work."

Ask Dulyea and Vander Bie, Holland, Mich., what they think of the Michigan State Auto School.

## Why Auto Factories Endorse School

Because its courses are thorough and practical, our school has the endorsement of leading Auto, Truck and Tractor Manufacturers. They know that here students receive a most thorough training in auto mechanics. Our electrical training differs in that it is taught only in connection with our Complete Course. An electrical training without a thorough knowledge of Auto Mechanics is a liability rather than an asset.

The factories know that in our classrooms students get through illustrated lectures, the fundamental principles of construction and operation, which they can get in no other way. Just what the factories think of this school is summed up in the fact that they endorse our methods, assist in outlining our courses, furnish us with their latest chassis and employ our graduates.

## Never Been Stuck

I am with the Don Lee Coach & Body Works as car electrician. My main reason for being here is to get up all the dope I can on body building and fender and top work, as I intend opening up a plant in Montana next spring for rebuilding used cars and permanent top work, also the manufacturing of small accessories.

Being electrician gives me a great advantage, for I get on the bodies in all stages of construction; before and after upholstering and at the finish. We get cars of all makes; Kolls-Boyce and other foreign makes also. Sometimes the wiring will be burnt off or torn out and it's left to the electrician to fix it up. Never have any diagram to follow, but still I am free to say I've never been stuck, and it's due to the theory of electricity which I got by going after it at the old M. S. A. S. with its competent instructors, away back in 1914.

We turn out town cars here with, I dare say, 500 feet of wire in some of them and so compact can hardly be noticed. Some people want a cigar lighter or two, dome light, a couple of tonneau lights wired through three-way switches, chauffeur's dictaphone, step lights, hidden dash lights, besides the regular lights and ignition, so you see one has a few circuits to bear in mind when wiring these.

An old graduate,  
CHAS. VOLK, Los Angeles, Calif.

## Recommends M. S. A. S. Highly

The night that I got home from the M. S. A. S. my boss met me and wanted me to go to work at once, so I didn't waste much time before I settled down. I am selling the Dodge and Nash cars. I sent a man to your school recently. His father went to his banker about sending the boy to the M. S. A. S. and his banker sent him to me. I recommended the school as highly as possible and his father told me that his son was going on my recommendation.

H. S. JOHNSTON,  
South Boston, Va.



## Makes Good on All Jobs

I am a graduate of your school and consider that I got my foundation in the auto industry there. I have made good on everything that I have undertaken to work on, and have drawn lots of repair work to my employer by doing my work satisfactorily. I can do any kind of electrical work that comes up on a car, but I want to know more about it. I may come back to your school this winter to brush up on electrical equipment.

CHESTER M. EVANS,  
Vandalia, Ill.

## Wins Air Cross

I took a course with you in 1915, then returned to England, where I immediately joined up with the Royal Flying Corps. I certainly found my work with you most useful. At the time the armistice was signed I was in command of a squadron of Handley-Page machines. Had the pleasure of receiving the Air Force Cross from King George. I do not want to get out of touch with the school, so I would be very glad to hear from you when you can find time.

ROGER B. CORFIELD, Captain.

## Pays to Train

I was home from the M. S. A. S. about two hours when I met my old boss I worked for before I left for school. He asked me to work for him at once; said he would give me \$30 for 54 hours a week. The second week he said, "You are worth more," and gave me a \$5 raise. The great surprise to me was, when I worked there before I came to the M. S. A. S. he would not even give me \$15 a week for 60 hours.

W. A. SCHULTZ,  
Glen Ellyn, Ill.

## M. S. A. S. Helps Him

I finished over a year ago and I am in business for myself today. The M. S. A. S. training put me here.

GEO. B. YOUNGER,  
Alex. La.

## Succeeds Where Others Fail

March, 1917, I finished the M. S. A. S. and returned to Wheatley, Ky., my home town, where I entered the garage business and have been making good ever since. The M. S. A. S. sure puts the right kind of goods in a fellow to make him a first-class automobile man if he has the push and energy to do anything. I started in a small building, and while now I haven't a very large place, I am able to take care of most anything. In our garage we have our own light plant (as our town has no current), which enables us to take care of batteries, as this is a most important part in the auto game today. We expect to put up a larger and finer building before long. I have done many electrical jobs this summer where other mechanics fell down, simply because they didn't know the principle of the operation, and your school sure teaches that.

STURGEON RILEY,  
Wheatley, Ky.

## Booklet Sent Upon Request

At the request of any bank or banker we will send, postpaid, booklet and latest copy of Auto School News. These show pictures of our school and its equipment and tell everything about the school and what its graduates are doing. Write for these today while you think of it—you'll find them mighty interesting.

# MICHIGAN STATE AUTO SCHOOL

"Most Progressive Auto School in America"—"In the Heart of the Auto Industry"

4046 Auto Building  
687-89-91 Woodward Ave. Detroit, Mich., U.S.A.

When writing to advertisers please mention the "Journal of the American Bankers Association."

**Missouri**

Bank of Arcola, Arcola 80-869.  
Peoples Bank, Center 80-690.  
Bank of Corning, Corning 80-836.  
Peoples Bank, De Soto 80-190 (Regained).  
Citizens Bank, Greenville 80-541.  
Bank of Hawkpoint, Hawkpoint 80-1023.  
West Side State Bank, Kansas City 18-44.  
Lowry City Bank, Lowry City 80-1078.  
Peoples Bank, Mountain View 80-684 (Regained).  
Bank of Oak Hill, Oak Hill 80-1143.  
Peoples Exchange Bank, Piedmont 80-468.  
Citizens Bank, Shelbyville 80-615.  
Bank of Washburn, Washburn 80-1245.

**Montana**

Absarokee State Bank, Absarokee 93-491.  
Farmers State Bank, Kremlin 93-400.

**Nebraska**

Bank of Angus, Angus 76-639.  
Farmers & Merchants State Bank, Chadron 76-1259.  
Farmers State Bank, Clarks 76-994.  
Farmers State Bank, Crofton 76-384.  
Bank of Crookston, Crookston 76-695.  
State Bank of Dunning, Dunning 76-1211.  
Perkins County State Bank, Grainout 76-1179.  
Corn Exchange Bank, Spencer 76-248.

**New Jersey**

Farmers & Merchants Bank, Boonton 55-460 (Regained).

**New Mexico**

First National Bank, Cimarron 95-67 (Regained).

**New York**

E. C. Brewer Co., Bankers, Gilbertsville 50-743.  
Asia Banking Corporation, New York 1-317.  
Commercial Bank of Spanish America, New York 1-285.  
Corporation Trust Co., New York 1-296.  
French American Banking Corporation, New York 1-309.

**North Carolina**

First National Bank, Kingston 66-107 (Regained).  
Farmers Savings Bank, Lumberton 66-647.

**North Dakota**

Security State Bank, Kintyre 77-972.  
First State Bank, Kloten 77-633.  
State Bank of Kramer, Kramer 77-464 (Regained).  
First International Bank, Landa 77-634 (Regained).

**North Dakota—Continued**

First State Bank, Surrey 77-703.  
First National Bank, Tolley 77-407.  
First State Bank, Walcott 77-711.

**Ohio**

Fayetteville Bank, Fayetteville 56-953.  
Killbuck Savings Bank Co., Killbuck 56-1005.

**Oklahoma**

Farmers National Bank, Cherokee 86-237.  
Security National Bank, Lawton 86-78.  
American State Bank, Okmulgee.  
American State Bank, Rosedale 86-874.  
State Bank of Stratford, Stratford 86-491.  
Farmers State Bank, Tyrone 86-1024 (Regained).  
Vera State Bank, Vera 86-906 (Regained).  
Security State Bank, Walters 86-1141.  
Oklahoma State Bank, Welch 86-495.

**Oregon**

Mitchell State Bank, Mitchell 96-286.  
Philomath State Bank, Philomath 96-211.  
Wasco County Bank, The Dalles 96-41.

**Pennsylvania**

Cambria Title, Savings & Trust Co., Ebensburg 60-933 (Regained).  
Armstrong County Trust Co., Kittanning 60-794.  
Citizens National Bank, Monessen.  
First National Bank, Somersfield 60-1342.

**South Carolina**

First National Bank, Fort Mill 67-209.  
American State Bank, Gaffney 67-517.  
Peoples Bank, Hemingway 67-566.

**South Dakota**

Corson State Bank, Corson 78-778.  
Eden State Bank, Eden 78-694.  
Iona State Bank, Iona 78-781.  
Citizens State Bank, Lane 78-402.  
Farmers National Bank, South Shore 78-803.  
Farmers State Bank, Tolstoy 78-617 (Regained).

**Tennessee**

Bank of Mount Juliet, Mount Juliet 87-435.  
Stayton Bank & Trust Co., Stayton 87-474.

**Texas**

First National Bank, Alpine 88-467.  
State Bank of Barksdale, Barksdale 88-933.  
Guaranty State Bank, Donie 88-1884.  
Elkhart Guaranty State Bank, Elkhart 88-1429.  
Security State Bank, Fort Worth 37-20.

**Texas—Continued**

Trent State Bank, Goldthwaite 88-674.  
First State Bank, Iowa Park 88-1847.  
First National Bank, Kingsbury 88-1483.  
White & Co., Bankers, Lancaster 88-680.  
First National Bank, Linden 88-1658.  
First State Bank, Millsap 88-1181.  
First National Bank, Necessity 88-1937.  
Novice State Bank, Novice 88-1204.  
First State Bank, Penelope 88-1226.  
Rogers State Bank, Rogers 88-626.  
First State Bank, Sengoville 88-1289.  
First Guaranty State Bank, Tioga 88-1321 (Regained).  
First State Bank, Tomball 88-1323.  
First State Bank, West 88-515.

**Utah**

State Bank of Wayne, Loa 97-133.  
First National Bank, Myton 97-132.  
Bank of Pleasant Grove, Pleasant Grove 97-88.

**Virginia**

Farmers National Bank, Appomattox 68-552.  
Farmers & Merchants Bank, Chincport 68-336.  
Bank of Draper, Draper 68-461.  
Peoples National Bank, Lexington 68-182.

**Washington**

Albion State Bank, Albion 98-208 (Regained).  
First Guaranty Bank, South Bend 98-428.  
Farmers State Bank, Wilbur 98-419.  
Commercial Bank, Yakima 98-27.

**West Virginia**

Bank of Williamsburg, Williamsburg 69-387.

**Wisconsin**

Blue River State Bank, Blue River 79-458.  
Richfield State Bank, Richfield 79-666.  
State Bank of Three Lakes, Three Lakes 79-781.  
Winter State Bank, Winter 79-870.  
Citizens State Bank, Wonewoc 79-386.

**Wyoming**

Farmers State Bank, Burns 99-163.

**Canada**

Bank of Nova Scotia, Vancouver, B. C. 0711.  
Bank of Nova Scotia, Winnipeg, Man. 0712.  
Bank of Nova Scotia, St. John, N. B. 0713.  
Bank of Nova Scotia, Halifax, N. S. 0714.  
Bank of Nova Scotia, Montreal, Que. 0715.

**Porto Rico**

Enrique Adsuar, Secy., Porto Rico Bankers Assn., San Juan.

## Alabama Convention

THE attendance at the twenty-eighth annual convention of the Alabama Bankers Association, held at Mobile May 13, 14 and 15 was the largest in the history of the Association. The meeting was called to order by the president, B. W. Pruet. Hon. Thomas M. Stevens delivered the address of welcome which was responded to for the association by Hon. G. L. Comer of Eufaula. The president's annual address, reports of the secretary-treasurer and various committees followed. Oscar Wells, president First National Bank of Birmingham, delivered an address on "Pro Bono Publico." Addresses delivered at the second day's session included "The Knock of Opportunity," by Dr. P. H. Saunders, New Orleans, vice-president Canal-Commercial Trust & Savings Bank, and president Canal-Commercial National Bank; "Review of Banking in Alabama," by D. F. Green, superintendent of State Banks; and a talk by W. A.

Sadd, Chattanooga, Tenn., president Chattanooga Savings Bank and Vice President of the Savings Bank Section, American Bankers Association. On the last day of the session, M. B. Wellborn, Governor Federal Reserve Bank of Atlanta, discussed "The Present Necessity of Credit Control"; J. F. Duggar, director Experiment Station, Alabama Polytechnic Institute, Auburn, "How the Extension Service is Aiding Farmers in the Better Marketing of Their Products" and C. N. Gilley of the First Bank of Fairfield, "Work of the American Institute of Banking."

The following is a list of officers chosen: President, A. L. Staples, Mobile, president Peoples Bank of Mobile; vice-president, Oscar Wells, Birmingham, president First National Bank of Birmingham; secretary-treasurer, Henry T. Bartlett, Montgomery, cashier First National Bank of Montgomery; vice-

president for Alabama, American Bankers Association, B. W. Pruet, Gadsden; member nominating committee, C. M. Howard, Selma; alternate member nominating committee, A. H. Dabbs, Gordo, vice-president for Alabama for the various sections: Trust Company Section, Benson Cain, Birmingham; Savings Bank Section, Leo Steiner, Birmingham; National Bank Section, M. Vincentelli, Montgomery; State Bank Section, J. B. Barnett, Monroeville.

A notable event was the presentation of a silver cup to the chairman of the group making the 100 per cent membership in his district, Clyde Hendrix, president Tennessee Valley Bank, Decatur, who is chairman of Group 1. The membership of the Alabama Association is 324, which is a gain of 36 per cent within the past year. The association will hold its next annual convention at Birmingham.



