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Three Groups of Federal Reserve Critics

By G. ALEX HOPE

An Analysis of the Beliefs Which Each Holds. System's Most Important Service Lies in the Passive Sphere of Protection and Prevention. Interest Rates and the "Dominant Position." Less Than 10 Per Cent. of Loanable Funds in Member Banks Were Influenced During Period of Greatest Borrowing

APPARENT anomalies that exist in the Federal Reserve System have been made the subject of lengthy discussion by banking groups throughout the country in the last few months. It is evident, however, from the nature of arguments presented that the true functions of this system are not yet thoroughly understood, even after eight years of operation. This is partly explained by the fact that we have never experienced this part of the business cycle since the reserve banks were established, so observers have never previously witnessed their operations with business at this ebb.

The Three Groups

The present slump in reserve bank business, due partly to the failure of bankers to make demands upon the reserve banks such as were typical of war-time intercourse, has led some to believe that the system is slackening in performing its vested functions.

Another group that has made its appearance in print is the one expressing the fear that, because of the "dominant position" of the Federal Reserve System, it is now possible for that system to make or break the industrial fabric of the country by an arbitrary manipulation of discount rates.

A third group, with genuine sincerity, has compared the Federal reserve plan to the European central banks and expressed grave doubts as to the efficacy of our system simply because the Federal reserve does not exercise all the functions vested in European central banks.

Largely An Emergency System

Recent reports of the Federal Reserve Board indicate, of course, a notable decrease in the reserve banks' business, a decline, too, that is somewhat greater than the slump in member banks' business. Before the inference is made from this, however, that the Federal Reserve Banks are not fully performing their functions, other relevant facts must be considered—fundamental facts that are the basis of the system itself.

The foremost object of the Federal Reserve Banks is to insure the business of the country against financial panics by a pooling of interests and reserves that protects the bankers while the bankers are protecting the business men. This has been done by abolishing "pyramided" reserves and by giving existing reserves greater mobility. A second great object is to provide an elastic currency, responsive to both general and regional needs, which was accomplished by creating the Federal reserve notes.

While it is evident, then, that certain operations of the Federal Reserve Banks must go on continuously, their most important services lie in the passive sphere of protection and prevention, rather than in current business activities. Although there is little in the law itself that confines the Federal reserve to emergency operations, the very nature of its structure and the demand it was created to fill make it exist primarily for that purpose.

Contributing Factor

Another contributing factor in the present slump of reserve bank business is that American bankers are so thoroughly imbued with the idea of individual banking that it is a matter of pride that they are not at present using the Federal reserve to greater advantage. During the period of inflation, when both public and private finances were largely of an emergency character, they used it fully because they were compelled to in order to take care of all their business. Now that business has reached a low ebb and financing is confined to the types that member banks were accustomed to before the war, they have reverted to their former practices, a condition over which the Federal reserve has no control and for which it cannot rightly be blamed.

Does Not Control Bank Rate

The second group, who fear that the "dominant position" of the Federal reserve will work a hardship on the country, seem to have failed to consider the lack of connection between the reserve banks and the open market, especially under conditions when the demand for funds is not excessive. A most striking feature at present is the small commercial demand on the reserve banks as compared with the borrowings of two years ago. In spite of the fact that large issues of new securities have been absorbed and stock and bond prices have advanced in the open market, the demand upon the Federal reserve has materially lessened. It is noteworthy, too, that interest rates have fallen to 4 per cent. and even below, while rates at seven of the reserve banks are 4½ per cent. and three mid-western districts are still charging 5 per cent. The existence of this situation has been the cause of much comment, as it has been pointed out that there exists a lack of connection between Federal Reserve Banks and the general money market.

No Comparable Market

This situation is not surprising, however, when the long-standing practices of American banking are taken into account. There is, in fact, no reason to expect our Federal reserve discount rate to bear the same relation to the money market that European central bank discount rates bear to the money markets there, inasmuch as we have no comparable open market. The rate on the New York bill market is probably as nearly an open-market rate as any that could be found for comparative purposes in this country. Yet a comparison of this rate and that of the Federal reserve reveals that that paper is going at fully 1 per cent. below the rediscount rate.

JEAN V. PARMENTIER
Director of Capital of the French Ministry of Finance Here for the Sessions of the Inter-Allied Debt Funding Commission

Even at the peak of the borrowing during the post-war boom, the Federal Reserve System influenced something less than 10 per cent. of the loanable funds in the hands of member banks. Changes in the reserve bank rate, then, can have but little effect on the market and can exert, at best, under present circumstances, nothing more than a sentimental influence. In the face of this evidence it is plainly fallacious to contend that an arbitrary manipulation of the discount rate, even if that were attempted, could break the industrial fabric of the country.

Systems Not Workable Here

The group that has "gone abroad" to find trouble with the system are similarly beset with difficulties in proving their contentions. One of them is already brought out in the foregoing discussion of the bank rate, for it is evident that the Federal reserve is not at fault through inability to control this discount figure.

The lengthy study of European banking systems by the Monetary Commission is ample evidence that we did not disregard the experience of foreign central banks in planning our present system. It is unjust, however, to assume that the United States could take over for successful operation here, the methods that have proved satisfactory abroad. Our problem is different in several striking aspects:

(1) The geographical extent of our country necessitates variations from their systems.

(2) Because of our 30,000 banks we have not been able to evolve uniform policies.

(3) Fully 50 per cent. of our banking is still agricultural, whereas the great bulk of theirs is commercial.

(4) We lack a real open market comparable to the London discount market.

System Is Not Without Flaws

It is not to be inferred that the Federal Reserve System is believed to be without flaws, for it is quite obvious that certain imperfections still exist in it, but they are slowly being weeded out. The fact that they do exist, however, need not be cause for general alarm, for it is not reasonable to assume that a perfect banking system could be constructed in a few years' time, especially since few precedents that could be used as cornerstones were available for the type of structure desired. Now that it is constructed it will not soon be superseded by any other, however.

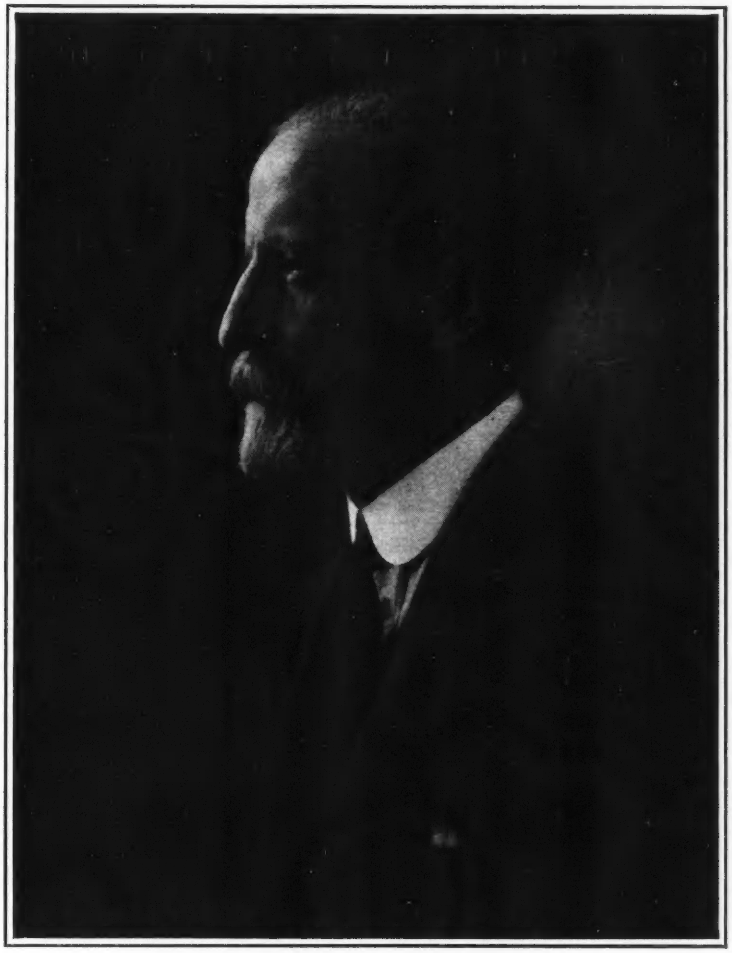
In spite of some defects, largely administrative and political, it seems reasonable to conclude that we have in our Federal reserve a system freshly adapted to our country's needs; a system whose stimulating effect is little felt at present because of its passive rôle at this period of the business cycle, but whose protective and preventive services are strongly in evidence in times of inflation. A sympathetic and inquisitive attitude toward this paternal overseer of business will bring advantages that unfounded criticisms keep forever hidden.

The Conference with Canadian Bankers

Administrative Committee in Montreal. Joint Committee Will Consider Larger Questions of Business and Finance Affecting the Two Countries. W. Irving Bullard and R. S. Hecht Delegates to the Brazilian Exposition

THE controlling policy of President Thomas B. McAdams to make all activities of the American Bankers Association render as broad a public service as possible was given special expression through holding the July, 1922, meeting of the Administrative Committee under conditions that both signalized the close relationship between banking in the United States and Canada and gave the members of the governing body and other representatives of the Association an opportunity to discuss informally matters of common interest with leaders of Dominion finance. The meeting was held at Montreal July 24 and 25, where the American representatives were guests of the Canadian Bankers Association at the invitation of its president, Sir Frederick Williams-Taylor, general manager of the Bank of Montreal.

The first specific result of the meeting was the appointment by President McAdams of a committee of the American Bankers Association to consider the larger questions of business and finance mutually affecting the two countries with a similar body to be named for the Canadian association. Those designated on the American committee were David R. Forgan, president of the National City Bank, Chicago, chairman; Daniel G. Wing, president of the First National Bank, Boston; E. C. McDougal, president of the Marine Trust Company, Buffalo, N. Y.; Frank W. Blair, president of the Union Trust Company, Detroit, Mich., and W. D. Vincent, president of the Old National Bank, Spokane, Wash.



SIR FREDERICK WILLIAMS-TAYLOR
President Canadian Bankers Association

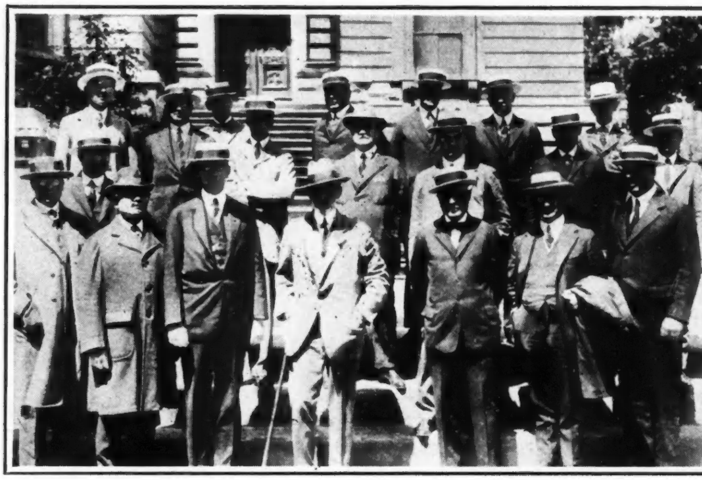
"American and Canadian bankers have before this met only as individuals and as representatives of their various banks, but never before have they met in this way as representatives of Canadian and American banking as a whole," said President McAdams at the dinner given by the Canadians to the Americans at the Mount Royal Club. "It is to be hoped that a means of mutually beneficial discussion and cooperation in matters of common interest will be established as a result of this visit."

Indication that this purpose will be realized was amply manifested in the remarks made by the hosts. Because of the importance and, in some respects, political bearings of the major questions of common interest, such as the tariff, reciprocity, the subject of war debts, waterways and others, no definite stand was taken on any subject at this occasion by either group as a whole or as individuals. Those who spoke at the dinner were Sir Frederick Williams-Taylor, who was toastmaster; Mr. McAdams, Sir John Aird, Kt. vice-president and general manager of the Canadian Bank of Commerce; E. L. Pease, vice-president and managing director of the Royal Bank of Canada; General Sir Arthur Currie, principal of McGill University and commander of the Canadian forces in France during the war; Second Vice-President John H. Puelicher of the American Bankers Association; Fred I. Kent, vice-president of the Bankers Trust Company, New York; Lewis E. Pierson, chairman of the Irving National Bank, New York, and Francis H. Sisson, vice-president of the Guaranty Trust Co., New York.

Not only were the visiting American bankers brought into closer relations with Canadian finance, but they also were given a view of Dominion maritime commerce through a tour of the port of Montreal as guests of the harbor commissioners aboard the tug Sir Hugh Allan. They were deeply impressed by the picture of thriving activity presented here, especially by the volume of shipping, the great wheat elevators and coal bunkering activities. The hosts on this trip were Dr. W. L. McDougald, president of the harbor commissioners, and M. P. Fennell, Jr., the general manager and secretary.

Dr. McDougald pointed out to the American visitors some of the salient facts in the volume of commerce handled through the port, which he said was second in America only to New York and first in the world in respect to wheat exports, nearly 140,000,000 bushels having been shipped through it during the seven months in 1921 during which navigation was open. R. S. Hecht, president of the Hibernia Bank and Trust Company of New Orleans, and head of the port authorities there, responded for the American group. President McAdams also expressed admiration at the facilities for commerce revealed by the tour of the harbor.

The forenoons of the two days' visit to Montreal were taken up by the business meetings of the Administrative Committee. Confirmation was given to the appointment of the following Banking and Currency Committee as a sub-committee of the Economic Policy Commission: Paul M. Warburg, chairman; Charles A. Hinsch, Evans Woollen, R. S. Hecht and Waldo Newcomer. The following committee on the fiftieth anniversary was also confirmed: Lewis E. Pierson, chairman; Walker Hill, George M. Reynolds, Logan C. Murray, Lyman J. Gage, Myron T. Herrick and E. F. Swinney, with Gurden Edwards as secretary. The appointments were made of W. Irving Bullard and R. S. Hecht as delegates of the American Bankers Association to the Brazilian International Centennial Exposition.



THE DOMINION AND AMERICAN BANKERS

Bottom Row (left to right)—Lewis E. Pierson, New York; John H. Puelicher, Milwaukee; Thomas B. McAdams, Richmond; Sir Frederick Williams-Taylor, Montreal; Francis H. Sisson, New York; R. S. Hecht, New Orleans; F. N. Shepherd, New York. Middle Row—T. E. Merritt, Montreal; Lewis L. Strauss, New York; Sir John Aird, Toronto; H. B. Mackenzie, Montreal; Thomas B. Paton, New York. Top Row—C. E. Neill, Montreal; Walter Lichtenstein, Chicago; E. C. McDougal, Buffalo; Frank L. Hilton, New York; J. A. House, Cleveland; Frank W. Blair, Detroit; Julian Olney, New York; Gurden Edwards, New York

Those who made the trip to Montreal were as follows: Thomas B. McAdams, President American Bankers Association and vice-president Merchants National Bank, Richmond, Va.; John H. Puelicher, First Vice-President of the Association and president Marshall and Ilsley Bank, Milwaukee, Wis.; Joseph Wayne, Jr., president Girard National Bank, Philadelphia, Pa.; Frank L. Hilton, vice-president Bank of the Manhattan Company, New York City; J. A. House, president Guardian Savings and Trust Co., Cleveland, Ohio; John W. Barton, vice-president Metropolitan National Bank, Minneapolis, Minn.; Samuel H. Beach, president Rome Savings Bank, Rome, N. Y.; R. S. Hecht, president Hibernia Bank and Trust Co., New Orleans, La.; Fred I. Kent, vice-president Bankers Trust Co., New York City; M. A. Traylor, president First Trust and Savings Bank, Chicago, Ill.; Francis H. Sisson, vice-president Guaranty Trust Co., New York City; Lewis E. Pierson, chairman Irving National Bank, New York City; E. C. McDougal, president Marine Trust Co., Buffalo, N. Y.; Frank W. Blair, president Union Trust Co., Detroit, Mich.; Walter Lichtenstein, executive secretary First National Bank, Chicago, Ill.; E. R. Rooney, vice-president First National Bank, Boston, Mass.; and of American Bankers Association headquarters staff, F. N. Shepherd, Executive Manager; Thomas B. Paton, General Counsel; William G. Fitzwilson, Secretary; Gurden Edwards, Secretary Public Relations Commission; Lewis L. Strauss, of Kuhn, Loeb & Co., Secretary Commerce and Marine Commission, and Julian Olney, Secretary to the Executive Manager.

A. B. A. Convention, Oct. 2-6

October is delightful in New York. The forty-eighth annual convention, which will be held at Hotel Commodore, October 2 to 6, will, it is expected, bring a record-breaking attendance of bankers from every state and every locality.

New Light on Our Unfunded Foreign Balance

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

THE American exporter today needs to be convinced that foreign buyers can pay for what they buy. So long as the statement continues to be repeated that the world owes us an unfunded debt of three to five billion dollars our exporters will continue to be hesitant about pushing their foreign sales. As a result of four annual studies of this problem which the writer has made for the Harvard Committee on Economic Research he has been for some time convinced that the current short-term indebtedness of the world to this country, representing unpaid, overdue accounts of foreigners which are being carried by our bankers and exporters is much smaller than has been frequently stated. It appears certain that the amount does not exceed a billion dollars, and in all probability is considerably less. If this is the case the existence of such an unfunded balance ought not to constitute a serious obstacle to the promotion of our foreign trade.

Comparatively Small

Two investigations, conducted by a leading New York bank, whose results the writer has recently been permitted to publish,[*] throw new light on the problem and support strikingly the conclusion that our unfunded foreign balance is comparatively small. One was an investigation based on a questionnaire distributed to forty-one leading banks and financial houses, of our imports of securities since the armistice. This inquiry showed that in addition to the foreign securities issued in this country, accurate data on which are regularly published, we imported in the three years, 1919-21, $620,000,000 of foreign stocks and bonds which had been issued abroad, and $489,000,000 of American securities formerly held abroad. The combined import of these two sorts of securities, $1,109,000,000, was about two-thirds as much as the new issues of foreign securities floated on this side in the same three years ($1,607,000,000), but exceeded the net amount of such flotations after subtracting maturing issues ($1,341,000,000) by $763,000,000. In other words, it appears from this survey that, taking the three year period, 1919-21, as a whole, foreign currency securities issued abroad and sold for American account and American securities returned to this side have been the most important channels for the export of American capital since the armistice.[†] The reader will not need to be told that this huge inflow of securities, much larger than had commonly been supposed, would serve to pay off a considerable part of our balance of merchandise exports and reduce considerably the supposed uncovered balance.

More direct evidence on the amount of the unfunded balance was given by the second investigation referred to. A questionnaire was sent out to the principal domestic banks, private bankers, and foreign banks of New York, two large banks of Boston, and the more representative members of the American Manufacturers Export Association and the Exporters and Importers Association, asking them to report the status of their balances with foreign countries. About a thousand replies were received, of which 644 reported either debit or credit balances, while the remainder reported no balances. The totals were as given above.

FOREIGN BALANCES REPORTED BY 664 AMERICAN EXPORTERS AND BANKERS, AS OF JULY 1, 1920 AND JULY 1, 1921
(Units of $1000)

	Manufacturing and commercial concerns		Domestic banks		Foreign bank agencies		Grand total, all reporting	
	July 1, 1920	July 1, 1921	July 1, 1920	July 1, 1921	July 1, 1920	July 1, 1921	July 1, 1920	July 1, 1921
Due from Europe	196,824	171,409	61,299	65,683	11,245	9,473	269,368	246,565
Due to Europe	24,612	20,456	198,599	126,206	14,864	14,915	238,075	161,577
Balance due from Europe	172,212	150,953	137,300*	60,523*	3,619*	5,442*	31,293	84,988
Due from all other countries	184,804	209,074	50,961	123,421	61,639	48,554*	297,404	381,049
Due to all other countries	21,482	10,739	111,353	23,774	129,532	82,735	262,367	117,248
Balance due from all other countries	163,322	198,335	60,392†	99,647	67,893†	34,181†	35,037	263,801
Due from all countries combined	381,628	380,483	112,260	189,104	72,884	58,027	566,772	627,614
Due to all countries combined	46,094	31,195	309,952	149,980	144,396	97,650	500,442	278,825
Net Balance due from all countries combined	337,222§	350,641§	197,692‡	39,124	71,512‡	39,623‡	66,330§	348,789§

* Due to Europe. †Due to non-European countries. ‡Due to all countries combined.
§ Includes also figures of concerns which did not distinguish between European balance and balances in other countries.

The Balance Due

This table shows that the aggregate balance due from all countries on July 1, 1921, to the 664 manufacturing and commercial concerns, domestic banks and foreign bank agencies was $628,000,000, against which the balance due to all countries was $279,000,000, leaving a net unfunded credit balance of $349,000,000. Contrary to the impression of many, the returns show that the greater part was due from non-European countries. Balances due from Europe amounted to $247,000,000, against balances due to Europe of $162,000,000, giving a net balance due from Europe of $85,000,000. Balances due from non-European countries amounted to $381,000,000, and those due to these countries, $117,000,000, leaving a net balance due from non-European countries of $264,000,000.

It is especially interesting to note that the net balance due this country pertained entirely to the exporting concerns. Taken as a whole, the reporting banks appear to have

*See the Harvard Review of Economic Statistics, July, 1922.

†This, however, has not been the case in 1921 or 1922. See the Review of Economic Statistics, July, 1922.

had no net balance due from abroad. This was particularly true of the earlier date, July 1, 1920, when the combined domestic banks and foreign bank agencies had credit balances of $185,144,000 and debit balances of $454,348,000, giving a net debit on current account of $269,204,000. On July 1, 1921, this had been reduced to the negligible figure of $499,000. But the change occurred principally in the accounts with non-European countries. As regards Europe, the reporting banks showed sums due of $75,156,000, against sums payable of $141,121,000. The large balances reported by the banks as owed to European countries on current account, $213,000,000 on July 1, 1920, and $140,000,000 on July 1, 1921, are not surprising in view of the fact previously mentioned, that the records of the Division of Foreign Exchange of the Federal Reserve Board show that the net balance owed by United States banks to foreign countries was $882,000,000 on December 31, 1918, and $643,000,000 on June 25, 1919,* of which $733,000,000 and $550,000,000 respectively were due to European countries.

In drawing conclusions from this investigation some caution is necessary. A more comprehensive inquiry would have included banks in other cities than New York and Boston. One important group of exporters, the packers, did not report; and their unpaid foreign accounts have undoubtedly been considerable. Those in charge of the investigation, moreover, express some doubt concerning the reliability of the returns of "balances due to foreign countries,"† though stating that "there seems to be good reason for regarding the figures under the items 'due from foreign countries' as fairly trustworthy, so far as the inquiry was extended."

Total Due

Even after allowing for such defects, however, and for conservatism throwing out entirely the "balances due to foreign countries," the total due, both from Europe and the rest of the world, would be but $628,000,000, representing the total credits in foreign countries on July 1, 1921, of most of the important New York banks, two of the largest banks of Boston, and a large number of representative exporters and manufacturers, including many of the largest firms and corporations in the country. Even if we double this amount, to allow for the foreign credits of non-reporting firms and banks in other cities, we still have a sum not much below most of the estimates—which have gone as high as $4,000,000,000 or even higher—that have been made in recent years.

*When the Foreign Exchange Division concluded its activities.

†"A source of some confusion arose from the failure of the first form of questionnaire to guard specifically against such duplication as would occur should import and export bills be reported both by banks and by the firms upon which, or in favor of which, they were drawn. Such bills, of course, could be reported properly only by banks. While it is probable that most reports were made correctly, enough uncertainty was expressed in some of the letters to indicate the possibility of some amount of error.

A more serious amount of confusion on the part of banks is suspected as to just what items should be included under the item 'balances due to foreign countries.' We do not feel assured that all banks have acted uniformly in defining the status of import bills purchased and paid for in American funds, and bills sent here on foreign funds either for collection or discount in the open market."

Under present conditions one may draw conclusions about the amount of the unfunded balance, which has accumulated to the credit of this country since the armistice, quite as confidently from the probabilities of the case as from the available data themselves. For the greater part of the period we have been passing through the liquidation phase of the business cycle. At such time merchants not only desire to collect their accounts promptly, but are compelled to do so by the higher cost of bank credit and other charges. Moreover, during a period when exchange is fluctuating any arrangement for deferred payment not covered by forward exchange contracts involves speculative risk which has a strong tendency to reduce the terms of open accounts to a minimum. For the last two years there has thus been every incentive, both to the buyer and to the seller, to conduct trade with this country upon as nearly a cash basis as possible, with the exception of those credits negotiated for long enough periods to justify the expectation that exchange would recover. Such credits are in fact funded loans negotiated for the purpose of actually putting trade on a cash basis, and thus their tendency also is to reduce the size of the current account. Under these conditions, calling for prompt collection of accounts and the avoidance of exchange risks, it would be impossible for most of the foreign exchanges to show advances ranging from 10 to 50 per cent., as they have done, if there existed an unfunded indebtedness to this country of some three or four billion dollars. The pressure for dollars to pay the great volume of overdue accounts would cause an appreciation of the dollar in terms of foreign currencies instead of the appreciation of foreign currencies in terms of the dollar which we have witnessed. The course of the exchange market in the past year thus offers the strongest possible refutation of the exaggerated estimates of our unfunded foreign balance. Allowance must be made, as well, for the losses of various sorts suffered by American exporters—particularly in the fall of 1920—exchange losses suffered by spec-

Underwood & Underwood

GEN. DAWES RETIRES AS BUDGET CHIEF, SUCCEEDED BY GEN. LORD
Left to right—Donald B. McLeod, Estimator of the Budget Bureau; J. Clawson Roop, Assistant Budget Chief; Gen. Dawes; Gen. H. M. Lord, successor to Gen. Dawes; Royal O. Kloeber, who took office as assistant to Gen. Lord

ulators, particularly in dealings in marks, and other losses to which we have referred in this and previous papers. Under the conditions it would be difficult to believe, even were plausible data adduced, that the present value of the world's indebtedness to us on open account is large. From the new data that have become available in the past year it appears certain that it does not exceed a billion dollars, and in all probability is considerably less.

Overturn Improbable

In conclusion, the question is always pertinent in a discussion of our balance of payments as to the probable effect of our changing international position upon our balance of trade. We see no likelihood of an overturn of our balance of trade to an excess of imports until the interest, now amounting to about $550,000,000 a year, begins to be paid upon the indebtedness of the Allied governments to this government.

So little headway has been made with this question, as yet, that it seems idle in the present connection to discuss what the effect of the payments will be, or when they will occur. It is not improbable that the British payments, which are about 40 per cent. of the whole, will begin in volume within the next year. How they would affect the trade balance would depend upon the changes which might occur in other items of our international balance. For 1921 our balance table shows a slight excess of debits over credits, amounting to $171,000,000. Such a balance would call logically not for an excess of merchandise imports, but for an increased excess of exports. On the other hand, it is not likely that we shall again witness such a huge inflow of gold, which, as was stated, last year served to pay off about one-third of the balance of merchandise exports.

Export of Capital

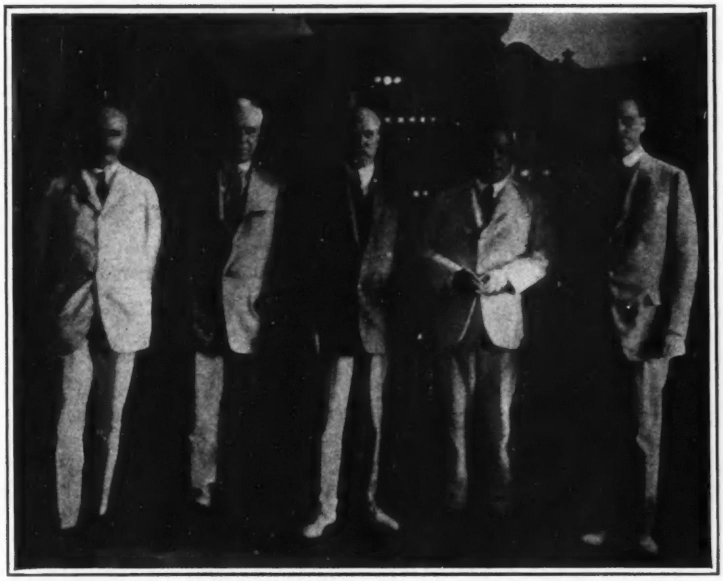
Probably of chief significance in deciding when the overturn of the trade balance will occur will be the future export of American capital. As to this, expression of opinion is hazardous. After much hesitation in 1919 and 1920, our market since the beginning of 1921 has been markedly receptive to foreign appeals for capital, and this year has already surpassed last year's total, so far as foreign bond flotations in this market are concerned. Heavy exports of American capital would sustain a substantial outgo of goods and postpone the overturn of the trade balance. It should be noted, however, that the counter movement of foreign purchase of American securities has been distinctly noticeable within the past year to those nearest to the international capital market.

Foreign Flotation

Of probably greater importance is the question whether foreign bond flotations can be continued in this market at their recent volume under the same conditions as have hitherto obtained. Until very recently the flotations have been preponderantly in terms of dollars. Doubt has been felt by many whether this practice can be expected to continue. Foreign business men, and to a less extent foreign governments, are reported by those who have been consulting them about new financing to be strongly opposed to further borrowing in this market in terms of dollars, or in foreign currencies at guaranteed rates of exchange, so long as the exchange market remains subject to violent fluctuations.

One of the significant developments of recent weeks is the increasing effort of foreign corporations and governments to borrow here in terms of their own currencies; and some authorities predict that the placement of loans on a dollar basis will not go much further, except when the foreign borrower finds himself forced by downright necessity, the better borrowers placing their loans on the foreign currency basis. If this should prove to be the case, the American investor might find himself forced to an unwelcome choice between the investment risk involved in new dollar loans of poorer quality than those hitherto floated and the exchange risk involved in new foreign currency loans.

Without minimizing such a possibility, we incline in general to the belief that in the present state of the world, with the United States the conspicuous reservoir of badly needed capital, it is not improbable that the export of capital from this country will continue, though probably not at the astonishing rate of the past six months. So long as it does continue it will exert a powerful influence for the maintenance of our favorable balance of trade.



NEW TREATY TO PERPETUATE PEACEFUL, UNARMED CANADIAN-AMERICAN FRONTIER URGED BY CANADIAN PREMIER, CALLING ON HUGHES AND HARDING
Left to right—George Perry Graham, Canadian Minister of Defense; Henry Chilton, Counselor of the British Embassy at Washington; Secretary of State Charles Evans Hughes; Hon. William Lyon Mackenzie King, Premier of Canada; William Phillips, Under Secretary of State, U. S. A.

Currency Defects Before the Reserve Act

By W. P. G. HARDING
Governor of the Federal Reserve Board

THERE has always existed in this country some latent sentiment in favor of a paper currency based not upon gold but upon the faith and credit of the government. This sentiment in favor of fiat money, that is, paper currency issued by the government as such but not based on coin or bullion and containing no promise to pay in coin, has always become more intensified in the periods of reaction and depression which have followed those of extreme activity and prosperity.

Agitation Before '73

Before the panic of 1873 there was much agitation for paper money. Later on, however, the soft money advocates were divided; some favored a repeal of the Resumption Act and the issue of more treasury notes or greenbacks, while others clamored for the free and unlimited coinage of silver dollars. The greenback idea was defeated, but in 1878 the compulsory coinage of a limited amount of silver dollars began and continued until shortly after the panic of 1893.

Following that panic, soft money advocates united substantially in favor of the free and unlimited coinage of silver at the ratio of 16 to 1, although there was some sentiment in favor of state bank notes in addition. In due time the economic forces of the country asserted themselves, and there was gradual and continued improvement in commerce and industry. In the course of a few years the free silver doctrine ceased to be an issue.

What Led to the 1907 Panic

It was realized, however, even during the good times which preceded the panic of 1907, that there were grave defects in the banking and currency system of the country. There were more than 25,000 banks in the United States, each standing virtually alone. In accordance with the requirements of law and in order to be able to pay their depositors, all banks kept certain amounts of gold and currency on hand and most of them maintained credit balances with other banks in the larger cities, these balances being in most cases part of their required reserves. In ordinary circumstances, the funds on deposit with the city banks could be withdrawn in currency by the country banks whenever they desired, but when business and credit conditions were disturbed, and a spirit of mistrust and suspicion pervaded the country, many banks would seek to increase the amount of actual cash on hand in order to reassure depositors who might otherwise wish to withdraw their money.

It was in those times that the large city banks were least able to supply the currency, for the available supply was limited and there was no quick way of increasing it. A large part of the circulating medium in those days consisted of national bank notes which were secured by government bonds. Under the law no national bank notes could be issued by any bank in an amount in excess of its own capital stock and as many national banks had already issued their maximum quota in order to realize the small profit obtainable thereby, while others found it impracticable to acquire the bonds which were necessary to secure additional circulation, it was impossible to increase the supply of national bank notes rapidly or to any great extent.

When Danger Was Greatest

Our inflexible currency system had much to do with the money panic of 1907. Fearing trouble, many of the 25,000 banks sought, each for its own protection, to withdraw such currency as it could from other banks and pay out as little as possible to depositors. Emergency measures could not be resorted to in advance of actual panic, for they would, in themselves, have produced a panic, and while steps were taken finally to conserve the cash resources of the banks they came too late to prevent trouble and the existing banking machinery fell apart into thousands of separate units. Each bank was obliged to rely largely upon its own cash resources, because, however willing, the other banks felt that they could not surrender much of their own cash, for by doing so they might impair their ability to meet the possible demands of their own customers. Thus each bank, in seeking to protect itself, weakened the banking structure as a whole. The defenses were weakest when the danger was greatest.

Prevented Panic

The panic of 1907 convinced the country that something must be done to prevent similar occurrences in the future. In the following year Congress created a Monetary Commission which after a long and thorough study of the banking systems of the world submitted an elaborate report, and a draft of a new banking and currency bill. During the year 1912, a committee of the House of Representatives investigated banking methods in this country and in its report pointed out the fundamental defects in the system then existing. Early in the year 1913 Congress took up the matter of banking reform in earnest and the Federal Reserve Act was put upon the statute books before the close of that year.

There has been no money panic in this country since the Federal Reserve Act became a law. * * * But when we consider the events which have taken place during the past nine years and what has been accomplished and prevented by reason of the operation of the Federal Reserve System, the conclusion is inescapable that the enactment of the Federal reserve law was a most conspicuous example of valuable constructive legislation.

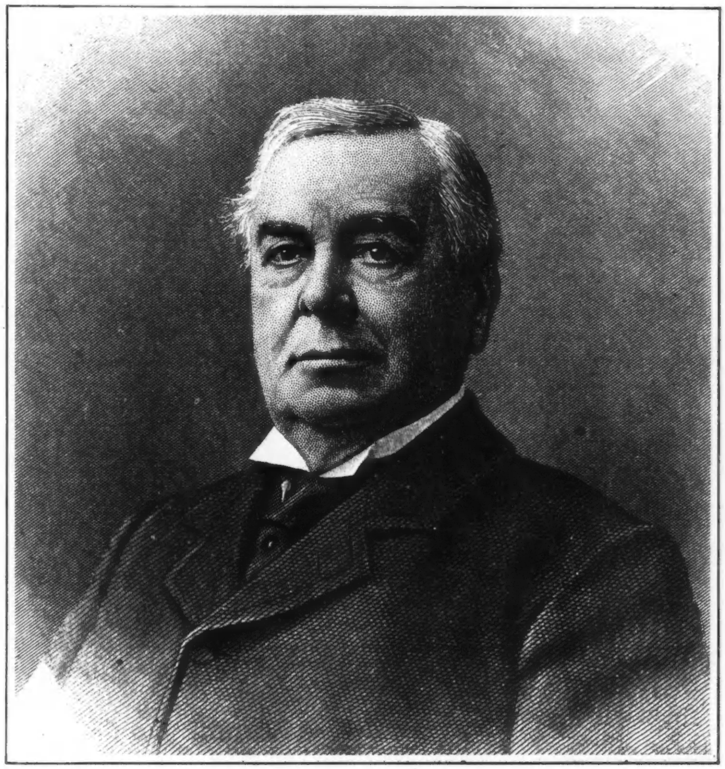
Distinguished Banker in His 100th Year

ONE hundred years in New York. That will be the proud record to which John A. Stewart, chairman of the board of the United States Trust Company, may point on August 26 of this year, for on that day one hundred years ago he was born in the little Stewart family dwelling in Fulton Street. And from that day to this he has lived almost his entire life in Manhattan, devoting his energy and ability to the progress and advancement of a city which he has seen grow to the most powerful metropolis in the world.

The story of Mr. Stewart's life is filled with incidents which as early as 1865 stamped him as perhaps the leading financier of the country in the decades immediately following. In the dark days of the Civil War, at the repeated urgency of President Lincoln and Secretary of the Treasury Fessenden, he took charge of the United States Sub-treasury in New York for the war emergency, on condition that at the close of hostilities he would be allowed to resign and return to the Trust Company.

In 1865, at the age of forty-three, Mr. Stewart became president of the Trust Company. He remained in that office for thirty-eight years or until 1903, when the company, which was organized in 1853, celebrated its half century of service. He wished to be relieved of the arduous duties of president, but has continued since then to give the company the benefit of his knowledge and experience as chairman of the board of directors, a position which he still occupies.

Mr. Stewart regularly visited his office and contributed his active services to the Trust Company's management until a few months ago. At that time he suffered a fall which, though not severe, caused him to limit his activities to some extent, and he has since been content to have all matters requiring his attention brought to him at his residence. Accordingly once or twice a week an official of the bank visits the venerable chairman at his town residence in the winter and his country home at Morristown, N. J., in the summer with papers to be signed and questions concerning which his approval is sought.



JOHN A. STEWART

It is not necessary for the Trust Company official to acquaint Mr. Stewart with what is going on in the financial world, because the aged chairman still pursues all activities, financial and otherwise, with a keen and lively interest, and he is at all times well versed on topics of the day. This knowledge he accumulates through the newspapers and magazines, of which he is a diligent and careful reader.

Mr. Stewart's interest in and association with activities is evidenced by the fact that he is a member of the committee of one hundred New York bankers who have joined together to arrange for the reception and entertainment of about 8,000 bankers from every section of the country who will gather here in October as delegates to the forty-eighth annual convention of the American Bankers Association. From standpoint of seniority and because of the length of his association with the banking fraternity, Mr. Stewart rises to the honored position as dean of this body, the main purpose of which will be to cement a closer relationship and provide a more common ground of contact between the country and the city banker.

In addition to being one of President Lincoln's most trusted advisers, Mr. Stewart was influential in securing the resumption of specie payments and was a leader in financing the needs of the government during the second administration of Grover Cleveland in 1894 when the gold reserve of the country was dangerously depleted.

When Mr. Stewart was born in New York the Wall Street district was still punctuated with green meadows. His father was a native

(*Continued on page* 60)

Small Reclamation Projects

By F. H. NEWELL
Chief Engineer, later Director, now Consulting Engineer, U. S. Reclamation Service

THE reclamation and use of waste lands in the creation of small, self-supporting farm homes is one of the highest ambitions for any business man or banker. The fact that the national government has gone into this matter and has created opportunities for over 30,000 homes has been generally commented upon, but the inference has sometimes been drawn that because the government has taken up the work, therefore others should keep away. It has sometimes been inferred that the government could or would do everything possible of achievement, and that the ordinary citizen had no direct concern in the matter, but should let kindly Uncle Sam do the work. "He will do everything worth doing in this line!"

This is not the case. The field is so vast, the needs of the public are so extensive, and the opportunities so widely scattered that it is impracticable for the government under any conceivable set of conditions to undertake all the reclamation which is needed for providing homes for our growing populations. At best the government can have a broad national policy of reclamation. It can and should undertake those problems which are interstate or international in character, or which because of other conditions are beyond the reach of ordinary individual or corporate effort. This it has done and is doing in the case of the Reclamation Service, but over and beyond these relatively few large works there are literally thousands of other opportunities in the aggregate far exceeding those which the government can and should undertake.

300 Farm Homes a Day

"The present growth of population, even if we are to continue in a decreasing ratio of rural life, requires the creation of, say, 300 new farm homes a day to satisfy the proper demands of the country-minded young men and women who are hoping to get a home on the land. Opportunities for making such homes have disappeared. Land prices have advanced so far beyond land values that the homeseeker is discouraged. He is literally forced into the city."

About forty years ago the Federal Government, through the Geological Survey, began an investigation of the extent to which the arid region might be reclaimed. At a later time it extended some of these studies, and about three years ago, in connection with a demand for a policy of soldier settlement, studies were made of opportunities for reclamation throughout the entire country. It was found that in practically every state, and in most counties, there are one or more conspicuous needs for reclamation of lands whose soil is fairly fertile, and which can be utilized for small, self-supporting farm homes if some obstacle can be removed.

This obstacle to use is generally connected with the question of water. Water is the most necessary of all minerals. No life, animal or vegetable, can endure without; no industry is practicable. It is the most widely distributed of minerals and occurs in all imaginable forms, but in order to enable life and industry to succeed, the quantity must be regulated within narrow limits. With too little water, plants wither and die; animals are thirsty and meet the same fate. With too much water life is drowned out. With most useful plant life the limit is extremely narrow; perhaps in some soils less than 12 per cent. of water causes withering of the plants and more than 16 per cent. prevents development of fruit. However this may be, the fact is that reclamation of the greater part of the waste lands of the country is a matter of having available at the right time and in the right quantity, and of the particular quality, the water needed at that time for the best development of plants or animals.

Sometimes the obstacle may be that of the removal of stumps from cutover land, or of changing the texture of the soil, by putting lime or other relatively cheap mineral on the ground. Whatever is the obstacle to be removed, there is usually required a certain amount of capital, intelligently used, and a certain amount of time during which this capital is lying apparently idle, awaiting the full outcome of the works for regulating the water supply, either by irrigation or drainage, or of subduing the soil to the best condition for cultivation.

AWAITING RECLAMATION

Reclamation in History

Throughout the known history of mankind efforts have been made at reclamation and use of these lands. The earliest histories tell of the efforts to regulate the waters of the Nile or of the Euphrates. The science of geometry was brought into being by the necessity of restoring the boundaries in the overflowed areas. The Garden of Eden is traditionally located near the irrigated plains of Mesopotamia where the four great rivers, apparently the great irrigation canals of olden time, surrounded the then known world. From that time on to the present, with such instances as the great controlling dikes of Holland, the attempts made by George Washington to reclaim the Dismal Swamp, and other less striking efforts, history is marked with records of enterprises designed to reclaim land and make homes for the people.

Many a municipality throughout the United States has carried on reclamation in a small way at least, building sewers large enough to drain swamps or furnishing water for lawns and gardens which otherwise would suffer from drought. Many corporations have been formed also to take up and reclaim lands in the vicinity of centers of population, but nearly all of these efforts have been what might be called sporadic, carried on without reference to other similar enterprises and without attempting to use the experience of others.

Financial Failures

Reviewing all such private or corporate efforts at reclamation by irrigation, drainage, or otherwise, throughout the United States, it may be said that while success has been attained in some ways, nearly all of these undertakings have been financial failures; that is to say, the investors have been involuntary philanthropists. They have not received the principal or interest on the money invested, although the community as a whole has been greatly benefited, often to an extent many times that of the original investment. The reason is that in nearly all cases the time element has not been taken fully into account. The interest, depreciation and carrying charges during the period of construction and of development of the lands to the producing point, have eaten up the original capital and yet, as just stated, the gain to the community, to the railroads, to the banks and to the merchants has been great and lasting.

Assumption of Risks

If this is the case, then the matter resolves itself into a consideration by the people who are ultimately benefited—that is, the merchants, the bankers, the railroads and the community—as to whether or not they can properly assume some of these risks and develop many of these local enterprises, even though they are not immediately remunerative to the ordinary investor. Here, really, is the problem of the small reclamation project.

In the case of the government, it has not considered the question of time nor the loss of interest. If it gets back its original investment in ten or twenty years, or more, and uses it over again it is assumed that the loss of interest is more than compensated for by the great and permanent gain to the commonwealth as a whole. The question is can a smaller organization undertake work on a similar basis, not necessarily losing all interest on the investment, but coming in between the two extremes; namely, that set by the government, which deliberately plans to lose the interest, and that set by ordinary corporate enterprise which ultimately does lose its investment.

Most of the small reclamation enterprises which have been undertaken fall under one of two heads:

First, money making. The attempt here is based on the assumption that a piece of waste land, say 20,000 acres, can be had for $5 an acre. It can be irrigated, or drained, or the stumps removed, or other defects corrected for, say $45 an acre, making a total investment of $50 per acre. Such land when reclaimed, especially if near centers of population and when settled upon and cultivated by real farmers, is worth, say $200 an acre and can be readily sold on time. Here is an apparent profit of $150 an acre, a very attractive proposition and one which has lured on thousands of investors.

Where Mistakes Are Made

The fallacies in these assumptions have been that there are other costs than those of reclamation, and there are enormous expenses connected with the raising of the necessary money and in securing settlers, also long delays incident to settlement to the degree where all of the land actually does produce a fair return on $200 per acre. This condition ultimately does come about and prosperous homes are created, but in the meantime the investors have lost, the project has been reorganized once, twice or three times, forcing out the original stockholders, and even perhaps the original bond holders. Ultimately a prosperous community has been created.

Second. On the other extreme are the purely altruistic enterprises where men have organized not with the idea of making money, but of helping the community by reclaim-

THE WASTE LAND RECLAIMED

ing certain lands. These men have not expected large or immediate returns through the sale of reclaimed lands. As a rule, they have been ultimately forced to spend far more money than was anticipated and the enterprise has languished because of the gradual fading of the enthusiasm of the promoters.

Between these two extremes lies a safe path, but one which has not yet been thoroughly charted. This path can be known only through a thorough study by sound financiers, men who can view critically the financial wreckage which lines the path and can see in its true light the success ultimately obtained in spite of this wreckage.

The time is ripe for such study and action by business men and bankers throughout the country. The opportunities for obtaining homes on the land are decreasing. The public lands are practically gone. The present growth of population, even if we are to continue in a decreasing ratio of rural life, requires the creation of say 300 new farm homes a day to satisfy the proper demands of the country-minded young men and women who are hoping to get a home on the land. Opportunities for making such homes have disappeared. Land prices have advanced so far beyond land values that the homeseeker is discouraged. He is literally forced into the city. The ex-service man born and bred on a farm, unless he inherits a farm, must either become a farm laborer or tenant with little hope of acquiring his own farm or be forced into the city. The immigrant coming from northern Europe, and whose highest ambition is to acquire a farm, is also forced into the industrial centers.

In this condition there is a real menace to the stability of our governmental institutions and of business itself. Our national constitution and institutions are founded on the assumption that there would be a considerable proportion of voters who are actual taxpayers, or have a stake in the land. It is a generally accepted belief that it is the home-owning people, especially those who are living on small, self-supporting farms, who form the great stabilizing element of the country. They being purchasers determine to a large extent the stability of business.

If this assumption is correct, there is no one thing which the bankers and business men of the country could more properly study and act upon than that of the reclamation and use of areas of land now waste, but which have fertile soil which are adjacent to their own home towns and which when reclaimed will furnish opportunities for homes for the people who will be their customers and neighbors.

John A. Stewart, Banker

(Continued from page 57)

Scotchman and his mother was born in New York of Scotch parents. After attending the public schools Mr. Stewart took the literary and scientific course at Columbia University from which he graduated in 1840. In 1899 he received the honorary degree of A. M. from Columbia.

After a few years in civil engineering Mr. Stewart was appointed clerk of the Board of Education in New York and in 1850 became actuary of the United States Life Insurance Company. When the United States Trust Company was organized in 1853 as the first American trust company chartered exclusively to render fiduciary service, Mr. Stewart began his connection with that company as secretary. The charter granted to this company became the basis for all special charters of the kind subsequently granted and was also the basis for the first general law in New York for the incorporation of trust companies.

The only interruption in Mr. Stewart's association with the United States Trust was in 1864, when he took over the sub-treasury for President Lincoln. Next to the trust company, his chief interest has been in Princeton University, of which he has been a trustee and counsellor for more than fifty years. He was president *pro. tem.* from the time of Woodrow Wilson's resignation in October, 1910, until President Hibben's election in the spring of 1912, in which year Princeton bestowed the honorary degree of LL.D. on Mr. Stewart.

Mr. Stewart is the only survivor of the original board of trustees of the United States Trust Company, which included among its distinguished men, Peter Cooper, John Jacob Astor, Jacob Lawrence, John J. Phelps, John J. Cisco, William E. Dodge, Royal Phelps and William H. Macy.

BANK LIBRARIANS PHOTOGRAPHED IN DETROIT

First Row (left to right)—Miss Marietta Flynn and Miss Eleanor Knapp, First National Bank, Detroit; Miss Ruth Nichols, Federal Reserve Bank, Chicago; Miss Elsie Baechtold, Irving National Bank, New York; Miss Alta B. Claflin, Federal Reserve Bank, Cleveland; Miss Sue M. Wuchter, Continental and Commercial National Bank, Chicago; Miss P. M. Billingslea, Federal Reserve Bank, Kansas City; Miss Margaret Reynolds, First Wisconsin National Bank, Milwaukee; Miss Maud E. Carabin, Board of Commerce, Detroit; Miss Sydnor, Federal Reserve Bank, Richmond, Va.; Miss Elinor Bedlow, National Bank of Commerce in New York. Second Row (left to right)—Miss Viola Trombly, Central Savings Bank, Detroit; Miss Dorothy Bemis, Federal Reserve Board, Philadelphia; Mrs. Katherine Bowers, First National Bank, Detroit; Miss Marguerite Burnett, Federal Reserve Bank, New York; Miss Dorothy Schultz and Miss Ermine Snitgen, First National Bank, Detroit; Miss Erin Humphrey, Federal Reserve Bank, Dallas, Texas; Mrs. Lavonda Gilbert and Miss Carrie Vandy, First National Bank, Detroit

New Finance and Investment Division

By E. E. MOUNTJOY
Deputy Manager American Bankers Association, National Bank Division

RECOGNITION of the principle that one of the functions of government is to assist in the development of industry and to encourage individual initiative has prompted the Bureau of Foreign and Domestic Commerce in the United States Department of Commerce, to create within its organization a number of divisions to conduct inquiries and continuous investigations into the possibilities of trade in various lines and in the several foreign countries. For the purpose of studying general conditions in their respective territories, five regional divisions have been formed, and fifteen commodity divisions are devoting their energies to the gathering and dissemination of facts of helpful interest to Americans engaged in various enterprises. Foodstuffs, electrical equipment, paper, textiles and machinery are a few random selections of subjects for the consideration of which special units have been organized.

Upbuilding of Industries

This bureau is charged by law with the duty of assisting in the upbuilding of manufacturing industries in the United States and of developing markets for their products at home and abroad. It directs the commercial attaché service in foreign countries and thus it has a corps of trained representatives resident abroad, as well as an army of special agents—experts in particular lines of trade. It also supervises the work of the trade commissioners and is engaged in gathering first-hand a wealth of information and statistics for the benefit of American business.

These several units have demonstrated their usefulness to our national life and for a considerable time there has seemed to be another important field awaiting specialized attention. The sums of money being invested in foreign countries, the immense volume of credit being extended from time to time, and the vast totals of the moneys due the United States and her citizens from abroad make a detailed knowledge of financial conditions a prime necessity. Plans for the inauguration of a new service were developed during the last several months, culminating in the creation of a Finance and Investment Division which, early in August, was launched with its staff of technically trained men and women. It cannot immediately enter into all the lines of research that will finally claim its attention for, like most other organizations, it will mount to its greatest usefulness and attain the goal of most helpful service only through gradual development. The rapidity of its growth and the value of its contribution to trade revival must depend largely upon the use made of it by the public. In this thought the importance of expert administration of the work of the division is not disregarded, but the continued existence of a government agency can be justified only when some national interest is advanced, and all aid that can be extended by the division should be accepted.

In its broadest characterization the Finance and Investment Division is an agency to gather and compile facts on the general aspects of foreign finance. The services of the trade experts abroad will be utilized to this end and to these forces will be added men schooled in matters of finance. The results of their investigations will be reported to the division in Washington and by it compiled and distributed in such forms and through such channels as seem to contribute most effectively to the advantage of financial America.

Foreign Loans

The Department of Commerce has requested that it be informed of all loans contemplated to foreign countries. This division is expected to prepare detailed statistics on the public debts of foreign governments and the lesser political subdivisions as well, to know their financial worth, to be informed on the attitude of those countries toward the prompt and orderly liquidation of obligations contracted in the past, to learn the relations of public debts to public assets, and to gather all other data bearing directly or indirectly upon the desirability and safety of proposed loans. From various quarters of the earth reports for the files of this division have been received in the past, but because of the lack of the proper organization to compile and distribute them, their value to trade has been grievously restricted. The new division expects to prepare these reports for such publicity as their nature warrants in conjunction with the results of its own studies of foreign financial questions. This in itself is a considerable task, but the advantage of having a central point from which analyses of such facts can be obtained, the division feels, will fully warrant the expenditure of the efforts necessary to attain that end.

Foreign Investments

To the Americans having or contemplating investments abroad the new division hopes to supply the fullest possible information. This will require a more diversified character of investigations, for the economic forces at work and the likely future trade conditions will have to be reckoned with in such reports. To illustrate, a company or a city in some South American country or in Poland might call upon one of our trade representatives there for guidance in interesting American capital in an investment in a hydro-electrical development or some other public works construction. It would then be the duty of this new division to secure comprehensive statements of the general economic features of the projects from the regional divisions of the bureau and from the Electrical Division or some other division a report on the practicability of the plans. A combination of these reports would then be passed on to the concerns in the United States interested in such opportunities. Likewise, from some other country might come the announcement of a mining property development awaiting the investment of outside capital. The method of inquiry, the study of the probable success of such a venture and the manner of spreading the information would be much the same as outlined above.

This plan contemplates the compilation of selected trade lists of American business. A roster will be kept of organizations interested in financing public utilities. Another one will carry the names of mining engineers and mine development companies, while still another will hold the names of banks interested in foreign investments. Only by determining which American concerns are interested in the different classes of projects can the information be directed to the proper persons without being sent to all.

Inquiries received from domestic companies and from individuals seeking an investment will be treated in confidence. The facts probably can be furnished from the files of the division, but if found there to be too brief or entirely lacking, the representatives abroad will be called upon for further statements, and a cable service will add greatly to the facility of gathering reports in matters of urgency.

The work of the division, however, will not be confined to the instances in which specific requests are made. Its perspective will be the entire civilized world and its aim will be to lay before financial America a statement of the investment opportunities abroad.

The bureau has given considerable thought to the selection of a director for the new division, and Grosvenor M. Jones, formerly chief of the Paper Division of the bureau, has been chosen to direct the new work. He was formerly an assistant director of the Bureau of Foreign and Domestic Commerce and later was stationed in Peru, representing several American banking institutions. In the employ of the government previously he conducted a number of economic studies in Europe and made general investigations of public utilities and financial problems in South America. Also, in 1919, he made a trip through Central America in connection with the Second Pan American Financial Conference. Through the press he has contributed frequently on questions of investment possibilities abroad, and his experiences seem to have fitted him well for the work at the head of a unit devoted to investigations of financial conditions.

The Finance and Investment Division was organized solely for the advantages that will accrue to American interests. Full cooperation should be given it, not only for the benefits that will redound to domestic business interests individually, but for the betterment of our trade relations with all foreign countries. The administrative plan of the director, though not complete in all its details, bids fair to make the division one of the most useful of the several maintained by the bureau.

New York Expects You in October

EVERY national convention offers four distinctive opportunities—the chance to get new ideas (and there is no limit to the possibilities of one good thought); the chance to make new friends and to renew old friendships; the new impulse which comes from meeting together with men whose business problems are identical with your own; and the opportunity for refreshment through the influence of new scenes and a new environment.

This year's convention of the American Bankers Association offers all of this and much more, for it is planned in its divisions and in its entirety to give constructive thought on the every-day problems of business to those whose calling demands clarity of judgment and vision that both their banks and their communities may prosper.

No banker has a problem so vexatious that he cannot get aid in its solution during the convention. No banker, however alert and forward in his business and his effort to keep abreast of the best thought of these rapidly changing times, but who will get a better perspective on his own affairs and on the business which makes his community and in turn makes his business if he spends the week October 2 to 6 in New York in attendance upon the national convention of bankers. Time is well spent in meeting men who have mastered the various problems of banking or any of its many branches.

The ramifications of New York banking touch every spot and hamlet in the country. That the rural banker and the big city financier meet together in this convention will make for a better understanding and better cooperation than is possible in the ordinary conduct of business. A great committee organized of New York bankers is working to make it a memorable convention and it is sure to give a new impulse, a broader understanding and a new faith to each of the thousands of bankers who are going to participate in it.

Among the speakers on the program of the convention proper are Sir Reginald McKenna, the English financier, whose abilities carried him to some of the most important posts within the gift of the British government; Thomas W. Lamont, of J. P. Morgan & Company, New York; Dr. George Edgar Vincent, president of the Rockefeller Foundation of New York, and Governor Henry J. Allen, of Kansas. Each is a man of broad understanding of economics, a man who has won success through a desire to serve mankind.

Notwithstanding the fact that day by day New York furnishes more opportunity for pleasures and entertainment of every kind than any other spot in the world, elaborate arrangements are being made by the bankers to the end that the delegates may realize that New York is glad to see them. There will be provision for aiding those who may have their own special plans, but the convention plan of entertainment cannot fail to command the participation of all delegates and their families.

Mrs. Dwight W. Morrow is at the head of the Women's Reception Committee.

The wonders of New York are never exhausted, no matter what the visitors turn of intellect, taste or temperament may be. The first step toward securing the benefits and pleasures of the convention is to write or wire to the hotel of your choice for accommodations.

Three Years of Poland's Life

By LEOPOLD KOTNOWSKI
Vice-President American-Polish Chamber of Commerce, Warsaw

POLAND was one of the countries that suffered most from the ravages of war. Millions of Poland's youth, mobilized by the three usurping powers, Russia, Germany and Austria, were compelled to battle with each other; in consequence, the number of invalids is quite large, much larger than in the United States, and their sustenance is a burden on the impoverished national treasury.

The lands of the present Poland were theatres of war. The armies of Russia, Germany and Austria passed to and from its territories repeatedly, leaving in their wake death, ruin and starvation. Later, in 1920, the Bolshevik hordes overran a large part of Poland, and not only destroyed the reconstruction already begun, but converted the occupied districts into deserts.

Ruined 1,500,000 Farms

The number of farm estates ruined during the World War is estimated to be 1,500,000. The retreating Russian armies carried away the equipment of nearly all factories that produced articles of use in war. In fact, they bore away everything that could be taken, including town clocks and mail boxes. Germans followed by systematically ruining the competitive Polish industry, depriving the country of its agricultural resources and by transporting into Germany the remaining machines and equipment of sugar refineries, textile mills, etc., left by Russians.

There are still in Poland's railways, thirty kilometers (about eighteen miles) of temporarily constructed bridges built in place of those destroyed. Of the fifteen railroad shops but three were in working condition. Canals were destroyed, in many instances dammed and filled. In consequence, hunger and exhaustion prevailed throughout the country.

At the time of its restitution there existed a complete chaos in currency. There were in circulation Russian bank notes of various issues, moneys issued by Ukranians and Germans, Occupation currency, etc. The relative value of these changed constantly. Hundreds of thousands of Poles started their return journey from Russia to Poland, arriving sick, hungry and ragged. The government is still struggling with the difficulties of feeding, sheltering and employing these immigrants.

Under such conditions the reestablishment of Poland was begun.

Saved Millions

The first aid to Poland was given by America, which, upon the close of war, immediately sent food and clothing, thus saving hundreds of thousands, *if not millions,* of Polish citizens from death by hunger and cold.

In commemoration of America's noble deed, a statue of gratitude is being erected in one of the most beautiful spots of Warsaw, which will remind future generations of the humane act of America toward the renascent Poland.

Immediately after the restoration of the independence of Poland, the people of the three divisions began to organize. The long length of time during which the Poles were governed by three different legislations and subject to the influences of three distinct systems of education, hampered to some extent the task of actual unification. The fact that the usurping states did not generally admit Poles to share in administration or permit them to hold offices in courts, railroads, schools, etc., on Polish territories (though willingly profited by their aid in the interior) made the organization of the state's administrative system a matter of exceptional difficulty on account of the shortage of qualified functionaries.

Poland has been striving to "make good" for three years—an insignificant period in the history of a nation. There have been compiled, however, certain data on the results of her work. The figures hereinafter given show the outcome of the endeavors of Poland's citizens in the reconstruction of their country and will form a base upon which Poland's activity and economic future can be judged.

Finance

One of the chief obstables that hinders Poland's development was, and is still, the "valuta" question. The currency situation at the time of its reestablishment has already been described. Arising in exceptionally difficult circumstances the state was, nevertheless, forced to make large expenditures—primarily to create possibilities for existence. On account of the general chaos and lack of private capital the government was compelled to take upon itself many functions that are taken care of in normal times by private or social institutions. (Great changes have since taken place in this respect.) The demands of the country, which has an area of about 400,000 square kilometers and a population of about 30,000,000, were very great. The lack of an administrative organization prevented the government from drawing revenues.

Paper Money

The only alternative that remained was to print paper money which fatally affected the rate of the Polish mark. The fluctuations of the mark exchange, which have frequently caused enlivened speculation on some of the European exchanges often instigated for political purposes, lasted until the end of 1921; from which time a certain stabilization of Poland's currency began. The amount of bank notes issued up to Dec. 31, 1919, equalled 5,316,296,100 pmks., to Dec. 31, 1920—49,361,475,000 pmks. and to Dec. 31, 1921, 202,537,560,466 pmks.* From Dec. 31, 1919, to June, 1920, the average monthly issue increase amounted to 79.1 per cent.; from June 30, 1920, to Sept. 30, 1921, 47.8 per cent., and from Sept. 30, 1921, to Dec. 31, 1921,

*The sum of bank-notes issued measured by rate of exchange at the beginning of 1922 amounts to $50,000,000, an average of $1.07 per capita. A gold fund is established which will serve as foundation for the future monetary system.

14.6 per cent.; which proves that the inflative tendency is gradually weakening. The government was compelled to call for credit both internally and abroad. The total foreign loans amount to 1,294,908,915 Swiss francs, an average of 47.9 S. fr. per inhabitant. Internal loans and debt of Treasury to Polish Loan Bank amount to 428,827,000 S. fr., equalling a total national debt per capita of 63.84 Swiss francs.

State Revenues Growing

At present the administrative organization is functioning almost normally and the state revenues are steadily growing.

A statement of the amounts representing the receipts of the Treasury would not convey a clear idea of the true value of the Polish mark. One of the fundamental units of assessments is the cost of maintenance of one family. Taking this as the basis of calculation, the state revenues from April to Dec. 1920 could maintain 2,126,850 families, while the revenues from Jan. to June, 1921, 3,727,446 families; which gives an actual increase in revenues of 75.27 per cent. The data for June, 1921 (the last available) in comparison with the average monthly figures for 1920 shows an increase of 129.92 per cent. These figures of net gains were worked out for that part of Poland only which was formerly governed by Austria and Russia. Another statistical system in use in that part of the present Polish territory which was formerly a part of the German Empire, makes it impossible to submit such comparisons although figures can be given which show that the average monthly gross income for that division in 1920 equalled 179,145,371 pmks. and in 1921—843,520,883 pmks.

Agriculture

The pre-war yearly grain export ability of the territories now forming Poland was 1,250,000 metric tons of rye, barley, oats and wheat. The area of land up to the present under cultivation is 21.62 per cent. smaller than the pre-war area. In 1918, the crop per hectare equalled 39.9 per cent. of the pre-war yield; in 1921, the crop increased to 74.2 per cent. of the normal pre-war harvest. Toward the close of 1921 Poland ceased to import agricultural products and a gradual export of grain was begun. Great progress has also been made in the cultivation of potatoes and beets.

The progress made in some of the industries is suggested by the following:

Sugar Industry

	No. of Factories	Production
1913	81	673,200 metric tons
1920	64	167,728 metric tons
1921	66	189,834 metric tons

Area under sugar-beet cultivation:

1913	160,000 hectares
1920	78,000 hectares
1921	84,000 hectares

Distilleries

Production of 100 per cent. alcohol (not including a few voyvodships [palatinates]).

1913	2,050,990 hectolitres
1919	152,161 hectolitres
1920	247,451 hectolitres

Lumber Industry

The forests of Poland are estimated to cover 8,907,000 hectares. The yearly timber increase equals an average of 1.48 cubic meters per hectare.

As organization progressed a proportional increase in the export of lumber products was made.

Increase of exports over imports in metric tons:

	1920	First Six Months, 1921
Timber in logs	92,121.4	272,425.5
Partially worked lumber	3,421.6	1 811.5
Wood products	3,324.4	16,008.5

The exploitation of forests is restrained by the lack of capital for the purchase of machinery, building of roads, etc.

Coal Production

(Not including Upper Silesia.)

1913	8,900,000 metric tons	100%
1919	6,000,000 metric tons	67%
1920	6,400,000 metric tons	72%
1921	7,500,000 metric tons	84%

Mineral Oil (Annual Production)

1913	1,113,668 metric tons
1919	831,704 metric tons
1920	785,004 metric tons
1921	720,000 metric tons

Salt (Annual Production)

1913	197,000 metric tons	100%
1919	239,000 metric tons	121%
1920	216,000 metric tons	109%
1921	302,000 metric tons	153%

Paper Pulp (One Factory) Annual Production

1913	25,000 metric tons
1919	6,900 metric tons
1920	8,400 metric tons
1921	15,600 metric tons

Textile Industry

	No. of Spindles	No. of Looms
1913	2,600,000	65,000
1919	440,000	
1920	750,000	12,000
1921	1,800,000*	49,000
	No. of Mills	Employed
1913	1,390	178,000
1919	170	27,200
1920	480	46,800
1921	1,100	110,000

*Not including Bielsk District. (There are three textile centers: Lodz, Bielsk and Bialystok.)

Iron Ore Production

1913	330,000 metric tons	100%
1919	93,000 metric tons	28%
1920	121,000 metric tons	37%
1921	239,000 metric tons	72%

Metal Industry

Pig iron and production of Martin furnaces and rolling mills in comparison to 1913 equalled in%:

	Furnaces	Martin Furnaces	Rolling Mills
1913	100%	100%	100%
1919	8.5	2.6	3.2
1920	10	11	11.8
1921	14	16	23.

Cement Production

1913	829,000 metric tons	100%
1919	199,000 metric tons	23%
1920	237,000 metric tons	34%
1921	300,000 metric tons	36%

Paper Production

1913	62,000 metric tons	100%
1919	15,000 metric tons	25%
1920	20,000 metric tons	32%
1921	31,000 metric tons	50%

The percentage of increase of labor employed in comparison to that of 1913 is as follows:

	1913	1919
Textile Industry	100%	15%
Metal Industry	100%	18%
Distilling Industry	100%	41%
Animal Prod. Industry	100%	32%
Paper Industry	100%	38%
Chemical Industry	100%	36%
Cement Industry	100%	49%
	1920	1921
Textile Industry	26%	62%
Metal Industry	30%	73%
Distilling Industry	48%	72%
Animal Prod. Industry	63%	71%
Paper Industry	47%	50%
Chemical Industry	37%	77%
Cement Industry	62%	67%

Poland is capable of overcoming difficulties. The systematical efforts for reconstructing the totally destroyed country are yielding favorable results.

Foreign Commerce

Encouraging data can also be derived from Poland's foreign commerce for 1920 and 1921:

Total export in metric tons:

1920—1st	half	209,110
2nd	half	411,205
1921..1st	half	878,317
2nd	half	1,149,727

Total import in metric tons:

1920—1st	half	1,907,991
2nd	half	1,621,820
1921—1st	half	2,470,190
2nd	half	2,374,856

The above figures indicate that the endeavors of Polish farmers and manufacturers are beginning to show their affect upon foreign trade.

Flour and grain will not figure in the import statistics for 1922 while coal, which was chiefly imported from Upper Silesia will cease to be considered a foreign product.

The export of raw materials and manufactured articles—the results of labor—is increasing.

If no complications occur—for the prevention of which everything in Poland's power is being done—the foreign trade balance soon will be in her favor.

The estimated coal reserves of Poland are:

Dabrowa Basin	Metric Tons
Evident reserves at a depth of 1,000 meters..	535,842,000
Probable reserves.......	855,304,000
Possible reserves........	1,134,099,000
Total	2,525,245,000
Cracow Basin............	8,200,000,000
Upper Silesia	60,000,000 000
Estimated iron ore reserves (27 to 40%)...........	388,000,000

Of other mineral resources Poland possesses copper, phosphorites, lime-stone, marble, sand stone, gipsum, fire proof clay, etc., exclusive of Upper Silesia's rich beds of zinc and lead ores.

The total mineral oil reserves, according to estimates made by geologists, equal about 200,000,000 m. tons.

The salt reserves are estimated at 1,840,000,000,000 m. tons, while the beds which have been scientifically ascertained and surveyed contain 3,394,400,000 m. tons.

Transportation

In addition, a number of rivers must be considered as natural resources, which after proper works are completed, will form an extensive way of communication and traffic to the East, while other streams are sources of great water power.

Railroads form an important factor in national development. The railroads taken over by Poland were completely ruined by war or by destructive management. At present, however, the railroads have returned in a marked degree to their pre-war condition.

Progress Made

In comparing Poland of three years ago with the present Poland, a great difference is observed. If the country had strength to rise in such a short time it should continue to develop favorably.

The Poles know that there still remains much to do and realize that the task of overcoming the shortages and difficulties is hard. The results of the country's achievements during three years give reason to believe that it will master the existing obstacles. It is impossible to do in three years that which demands the work of generations.

Poland's progress would have been greater and faster if it had capital, but capital has not, as yet, had time to accumulate. This is the chief reason why work in many branches must be limited and why many profitable enterprises cannot be put in operation.

Mine Scene at Granica Near Bedzin

More Than a Gesture

One of the prevalent post-war fears was of foreign goods—that there was danger of the market being flooded with goods at prices which would be detrimental to home manufacturers and make for unemployment of our people. Everyone looked to Washington for protection of that seeming danger, and looked overseas for the danger. There was no suspicion on the part of the public that workingmen in American industries might create a condition which would speed up importation of commodities into American markets. That, however, is precisely what the coal strike has done, speeded the importation of coal. The ordering out of a fleet of ships long swinging idly in the still waters is more than a gesture. Great Britain has coal to sell, never before were there so many idle ships. Supplies are low and the pinch is coming. There are "can'ts" of overseas commerce just as there were supposed impossibilities of overseas military movements, but necessity will overcome the latter problem as it did the military problem. If American workingmen create a shortage in any commodity which Europe has, the European surplus is pretty sure to be drawn through our own ports.

Judicial Criticism of Bank Salaries

By CONKLING HONSFORD

TWO judges have criticised banks for paying small salaries. In effect the two judges have taken the position that thieving employees arraigned before them in these two particular cases were not wholly to blame—that the banks themselves by the circumstances of small wages and great temptation made the employees dishonest.

But larceny is committed by men who not only get adequate salaries, but by men who get very large salaries. The low salary is a factor in certain individual cases just as the large salary is sometimes a factor in upsetting the life of an individual who cannot stand prosperity, but if people are not inherently honest, honesty cannot be assured by large salaries.

There is abundant reason to suspect that the constant urge toward a higher standard of living which is made to everybody at every turn is a factor; that the example of "high life" encountered everywhere is a contributing cause. There are lots of men and women still old fashioned enough to be very firm in the belief that the moral standard of life has lowered—that with the great wealth of this nation has come license. The moral undertone of many printed and film pictures is not making for better manhood and better womanhood. What are accepted fashions today were indecencies yesterday. The influence of these things drags men and boys down. To the susceptible of the latter class more money would not necessarily be a bulwark against temptation.

Surety Company's View

Last year the National Surety Company of New York paid approximately $5,000,000 for burglaries and embezzlements. The company, therefore, is primarily interested in *causes* of dishonesty. Its president, William B. Joyce, says:

"Today business man have come to realize that no great reform can be effected by temporary expediencies or skimming the surface. To eliminate evils you must start at the foundation. To my mind, the most efficient method of averting crime in coming years is to open the eyes of growing children to its inevitable consequences.

Teaching Honesty

"With this thought in mind, our organization has been working for some time on a plan which we hope is going to mean a step forward in the right direction. This plan includes the teaching of honesty to school children and will be effected through the cooperation of the School Boards throughout the country.

"Our motive is partly self-interested, since we desire to reduce our losses from dishonesty. We are plainly practical, and our present outline covers the use of certain carefully prepared textbooks and a series of talks by chosen men who are trained to so present the principles of honesty to these young people that they will be thoroughly convinced that it is the only desirable course to pursue. These lectures will cover the country from coast to coast, and although our work is still in the embryo stage, we have already received a quick response and enthusiastic promises to cooperate with us in our plans.

"Concretely, we intend to demonstrate to them that only a short time does one profit from the commission of crime and that dishonesty is a short-sighted policy which invariably ends in disgrace and the ruin of what might otherwise be a successful career.

"This cannot be done by philosophical or emotional arguments, which are rarely convincing to the young. The appeal will be made purely to their intelligence, reason and good, common sense. The talks and arguments will be practical, business-like and so styled as to win them through their own decision as to what is right. We anticipate results that will well warrant the effort."

Prolific in Invention

Charles R. Miller, Vice-President of the Fidelity and Deposit Company of Maryland, says:

"I submitted this matter to our Claim Department and have been informed that whilst in some instance it would seem that bank employees were underpaid, yet it could not be truthfully stated that in any instance the lack of adequate compensation had caused their dishonesty. This is borne out by the fact that the defalcations as a rule far exceed the additional amount necessary to provide reasonable support for the bank employee and his family.

"We find in many instances the defaulter is quite prolific in the invention of pretexts and excuses to hide the real cause of his downfall, and if these pretexts and excuses are to receive sympathy from the public, and especially from the Bench, certainly a strong deterrent force has been removed."

Confidential Booklet

The confidential booklet issued by our Protective Committee is bound in paper cover and measures 3½ by 6½ inches. The rules of the committee, as well as interesting and important information relating to the operations of criminals, are contained therein.

A copy of this booklet has been furnished to all members, but in the event it has been misplaced, members may obtain another by addressing the office of the Association, 5 Nassau Street, New York, N. Y.

List of Members

A pamphlet containing a list of members complete to March 31, 1922, has recently been forwarded to each member of the Association. It is of special value in connection with the use of the confidential telegraphic cipher code. Members are requested to keep it conveniently at hand for ready reference. The names of additional members joining the Association are published each month in the JOURNAL.

Cost of Deposit Accounts

By STUART H. PATTERSON
Comptroller, Guaranty Trust Company of New York

COST accounting is usually associated with a manufacturing business, and the average person, if he thought about it at all, would say that a bank is the last place where it would be adaptable. Yet a bank or trust company has money and services for sale and it is essential that the costs of money and services rendered should be known, and unprofitable business eliminated or made profitable, especially in these days of high operating costs.

A deposit account on its face may appear profitable; nevertheless, proper analysis may show it to be actually unprofitable at the rate of interest carried by it, while it might be profitable at a lower rate.

Average Balance of $10,000

To bring this out more clearly, let us take an account with an average balance of $10,000, which has an activity of eight or nine items per day, or say 2,500 per annum. Assume that the money put out by the bank nets 4½ per cent., and that the cost of handling this account is $78 per annum. At various rates of interest we have the following results:

	3%	2½%	2%	1½%	1%
Earnings after deducting 13% Reserve —$8,700 @ 4½%	$391.50	$391.50	$391.50	$391.50	$391.50
Interest on $10,000 deposit	300.00	250.00	200.00	150.00	100.00
Interest Earnings	$91.50	$141.50	$191.50	$241.50	$291.50
Expense	78.00	78.00	78.00	78.00	78.00
Profit	$13.50	$63.50	$113.50	$163.50	$213.50
Per cent. of profit on amount of deposit or turnover	.13%	.63%	1.14%	1.63%	2.13%

This table shows that it would not be desirable to pay more than 1½ per cent. on this account, if it is felt that there should be a return of at least 1½ per cent. on money deposited, a return which must cover the costs of loaning out money, maintenance of credit department, bad debts, taxes, etc. If this account were only one-half as active, a 2 per cent. rate would show a profit of 1.38 per cent. The probabilities are, however, that the activity in the account cannot be reduced to any considerable extent. The natural impulse is to ask the depositor to carry a larger balance, but a few minutes' study of the tables presented with this article, will show the bank executive that the best course both for the depositor and the bank *is to reduce the interest rate,* because it would require an average balance of more than $100,000 on this account at 2 per cent. to show a profit of 1.63 per cent. on the turnover, but, by reducing the rate to 1½ per cent., a profit of 1.63 per cent. can be made on a $10,000 balance. While any banker likes to increase deposits, a good profit on the turnover is most desirable.

With proper cost accounts, a bank is in a position to present a convincing argument to a depositor whose account is unprofitable, and no reasonable customer can expect a bank to transact business for him with little profit or at a loss.

Tables to Show Profit or Loss

For ready reference the results showing the profit or loss on an account under varying conditions should be worked up into a set of tables. A separate table should be prepared for each rate of interest allowed on deposits, each table showing the profit based on the average balance and activity of the account. Thus, by running down the average balance column to the cross line showing the number of items per annum, one can immediately determine the profit or loss. To illustrate this the tables on the next page have been prepared.

As a matter of fact, it is possible to get along with one table, for if the table is computed on a 2 per cent. rate and a test is desired of an account carrying 1½ per cent., all that is necessary is to add one-half of one per cent. to the figures shown on the 2 per cent. table. In the same way, if the account carries 2¼ per cent., then ¼ per cent. should be deducted from the figures shown on the 2 per cent. table. In practice, however, it will probably be found more convenient to have several tables, as the average balances and number of items will run higher on the tables showing the higher interest rates.

To follow up unprofitable accounts currently, each bookkeeper should have a set of tables, so that each month he can review the accounts on his ledger and report immediately to the officer in charge all accounts showing less than, say, 1½ per cent. profit.

The foregoing discussion shows the practical application of the costs accounting system. The method to be used in determining the costs may be suggested as follows:

Method of Finding Costs

The four elements determining the value of an account are: the interest allowed on the deposit, the interest earned on the money loaned out, the activity of the account, and the cost of operation.

The cost of operation is divided into three sections:

1st. The cost of keeping the account, exclusive of activity.

2nd. The cost of the activity in an account.

3rd. The overhead cost.

The first item is based on the expense of maintaining the account, and includes figuring interest, sending out statements, etc., working on the assumption that the account is inactive.

The costs entering into this item are salaries for the necessary clerks, stationery, postage, rentals, etc. Such costs are prorated on a basis of the *number* of accounts in the bank. Thus, the balance in the account and its activity have no bearing on this first cost item.

2% TABLE

Items per Annum	AVERAGE BALANCES									
	$2,500	$5,000	$7,500	$10,000	$12,500	$15,000	$17,500	$20,000	$22,500	$25,000
100	1 49	1 57	1 60	1.61	1.62	1.63	1.63	1.63	1.64	1.64
200	1.41	1.53	1.57	1.60	1.60	1 61	1.62	1.62	1.63	1.63
300	1.33	1.49	1.55	1.58	1.59	1.60	1.61	1.61	1.62	1.62
400	1.25	1.45	1.52	1.56	1.57	1.59	1.60	1.60	1.61	1.61
500	1.17	1.41	1.50	1.54	1.56	1.57	1.59	1.59	1.60	1.60
600	1.09	1.37	1.47	1.52	1.54	1.56	1.57	1.58	1.59	1.60
700	1.01	1.33	1.44	1.50	1.53	1.54	1.56	1.57	1.58	1.59
800	.93	1.29	1.41	1.48	1.51	1.53	1.55	1.56	1.57	1.58
900	.85	1.25	1.39	1.46	1.49	1.52	1.54	1.55	1.56	1.57
1,000	.77	1.21	1.36	1.44	1.48	1.51	1.53	1.54	1.55	1.56
1,250	.57	1.11	1.29	1.39	1.44	1.47	1.50	1.52	1.53	1.55
1,500	.37	1.01	1.23	1.34	1.39	1.44	1.47	1.50	1.51	1.53
2,000	[.25]	.81	1.09	1.24	1.32	1.37	1.41	1.44	1.47	1.49
2,500		.61	.96	1.14	1.24	1.30	1.36	1.39	1.42	1.45
5,000		[.38]	.29	.64	.84	.97	1.07	1.14	1.20	1.24
7,500			[.37]	.14	.44	.64	.79	.89	.98	1.04
10,000				[.36]	.04	.30	.50	.64	.75	.84
12,500					[.36]	[.03]	.21	.39	.53	.64
15,000							[.07]	.14	.31	.44
17,500								[.10]	.09	.24
20,000									[.13]	.04
22,500										[.16]

NOTE: Figures in brackets [ ] show losses.

An Account's Activity

The second cost item is based on the activity of the account. In the Guaranty Trust Company the activity is noted monthly on the average balance cards kept for all depositors' accounts. This cost is comprised of salaries of the additional bookkeepers required because of the activity, cost of additional space, the major part of the operating expenses of the Tellers, Transit, and Collection Departments. Cost per item is determined by dividing the total number of items into the total costs mentioned in this classification. This is not done every month, as a computation once every six months or once a year is usually sufficient to give accurate costs per item for this purpose.

Overhead

The third cost item is the overhead or indirect expense. Reckoning this is the most difficult problem, and the exact procedure may need to be varied to meet different conditions in different institutions. In the average bank a reasonable way of allocating this expense is to ascertain the amount of indirect expenses and prorate the amount over the aggregate assets and deposits in order to determine the amount fairly applicable to deposit accounts. The latter amount, when determined, may be charged against each deposit account on the basis of the balance in the account, on the theory that the larger the volume or balance, the more work, care, and supervision are required in keeping the money profitably invested. If a company has varied interests, such as a trust department, foreign department, etc., a proper proportion of the overhead should be allocated to such activities.

Of course, if a bank is doing a strictly commercial business, all costs of operation other than those designated in the first and second classes, can be included in the overhead charge, in which case the profit shown by the deposit account will represent the net profit of the business. In this case, the profit to be shown by an account would be smaller than the 1½ per cent. used in these illustrations. The method adopted is not important so long as the basis used in the computation is understood.

1% TABLE

Items per Annum	AVERAGE BALANCES									
	$500	$1,000	$2,000	$3,000	$4,000	$5,000	$7,500	$10,000	$12,500	$15,000
25	2.14	2.40	2.53	2.57	2.59	2.60	2.62	2.63	2.64	2.64
50	2.05	2.35	2.50	2.55	2.58	2.59	2.61	2.62	2.63	2.63
75	1.95	2.30	2.48	2.53	2.57	2.58	2.60	2.62	2.63	2.63
100	1.85	2.25	2.45	2.52	2.55	2.57	2.60	2.61	2.62	2.63
200	1.45	2.05	2.35	2.45	2.50	2.53	2.57	2.60	2.60	2.61
300	1.05	1.85	2.25	2.39	2.45	2.49	2.55	2.58	2.59	2.60
400	.65	1.65	2.15	2.32	2.40	2.45	2.52	2.56	2.57	2.59
500	.25	1.45	2.05	2.25	2.35	2.41	2.50	2.54	2.56	2.57
600	[.14]	1.25	1.95	2.19	2.30	2.37	2.47	2.52	2.54	2.56
700		1.05	1.85	2.12	2.25	2.33	2.44	2.50	2.53	2.54
800		.85	1.75	2.05	2.20	2.29	2.41	2.48	2.51	2.53
900		.65	1.65	1.99	2.15	2.25	2.39	2.46	2.49	2.52
1,000		.45	1.55	1.92	2.10	2.21	2.36	2.44	2.48	2.51
1,250		[.05]	1.30	1.75	1.98	2.11	2.29	2.39	2.44	2.47
1,500			1.05	1.59	1.85	2.01	2.23	2.34	2.39	2.44
2,000			.55	1.25	1.60	1.81	2.09	2.24	2.32	2.37
2,500			.05	.92	1.35	1.61	1.96	2.14	2.24	2.30
5,000			[2.34]	[.71]	.10	.61	1.29	1.64	1.84	1.97
7,500					[1.14]	[.38]	.63	1.14	1.44	1.64
10,000							[.03]	.64	1.04	1.30
12,500								.14	.64	.97
15,000								[.36]	.24	.64
17,500									[.16]	.30
20,000										[.03]

NOTE: Figures in brackets [ ] show losses.

The method used in working out the results in the tables is as follows:

Earnings on a \$10,000 deposit after deducting 13% reserve—\$8,700 @ 4½%		\$391.50
Interest on \$10,000 deposit @ 2%		200.00
Interest Earnings		\$191.50
Expenses:		
Cost of maintaining account at \$2 per acct.	\$2.00	
Cost of activity 2,500 items per annum @ \$.02 per item	50.00	
Overhead at \$.0026 on \$10,000 Balance	26.00	
Total Expense		78.00
Profit		\$113.50
Equal on \$10,000 balance to 1.13½%		

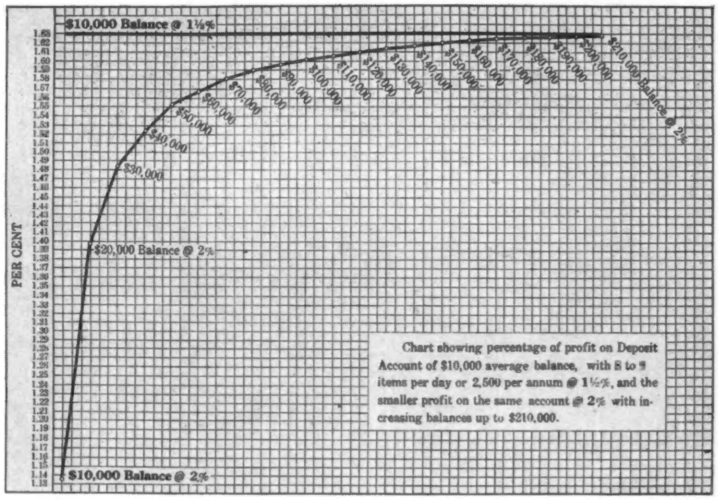


Chart showing percentage of profit on Deposit Account of \$10,000 average balance, with 8 to 9 items per day or 2,500 per annum @ 1½%, and the smaller profit on the same account @ 2% with increasing balances up to \$210,000.

The costs as used in this computation should, of course, be worked out in the manner heretofore explained. The Guaranty Trust Company has been using this method for a number of years, and it is not a long process to figure out the costs and prepare the tables once or twice a year.

A large proportion of the expenses of banking institutions consists of clerical salaries, which are very much higher now than before the war, and will probably remain so. Interest earnings are on the decline and the rates for loaning money are governed by supply and demand for funds, which has no bearing whatever on the costs of operating. Consequently, the higher operating cost in a low money market must be made up by reduction in the rate of interest allowed on deposits; it is therefore particularly important at this time to know just what each deposit account produces in the way of profits or losses, so that interest rates can be adjusted in an equitable manner to meet the increased cost of operation.

This article has been prepared in the hope that it will supply a method for banking institutions to work out their costs, a problem that—judging from the numerous inquiries on this subject—is giving considerable concern to banks and bankers at this time. If banks generally would adopt a sliding scale of interest allowed on deposits, based on the average loaning rate for money, cost of operation, activity of account, etc., it would provide a much more equitable and scientific method of paying interest and one to which no one could object, as it would be fair to all.

Reduced Rates, Special Convention Train

VARIOUS passenger associations throughout this country and Canada have authorized a fare and one-half for the round trip on the identification certificate plan to delegates and immediate members of their families attending the convention in New York City, October 2-6.

Stop-over privileges will be allowed at certain points going and returning, or both, provided passengers reach original starting point not later than midnight of the final return limit punched in ticket.

For dates of sale of tickets and return limit see article "Reduced Railroad Rates to the Convention," page 36, in the July JOURNAL. For detailed information, inquiry of local ticket agent should be made.

Members are reminded that (a) round-trip tickets require validation by agents of terminal lines at New York City, (b) identification certificate will be forwarded to members of the Association in due course, (c) one certificate will be used by delegates and immediate members of his family, (d) if more than one person will attend from a bank that is a member, additional certificates will be required and will be furnished upon application to the Secretary of the American Bankers Association.

Stop at Niagara Falls

A number of special trains will carry delegates to the October convention of the Association.

Oklahoma bankers are expecting to go to Chicago by special and to proceed over the Michigan Central to New York.

There will be a Kansas special starting from Kansas City and a Missouri special starting from St. Louis.

The Kansas train will leave Thursday, September 28, at 7.20 P. M., and will make a stop of half a day at Detroit and a stop of a day at Niagara Falls. This train will arrive in New York City Sunday, October 1, at 8 A. M., giving the delegates an opportunity to spend a full day in the city before the opening of the convention.

The Missouri train will leave St. Louis, via the Wabash, at 12.20 P. M., Friday, September 29; will arrive at Niagara Falls at 8 A. M., September 30, will depart from the falls at 10 o'clock the same night and arrive in New York, via the New York Central, at 8 A. M., Sunday, October 1.

The Use of Credit

By GEORGE E. ROBERTS
Vice-President of the National City Bank of New York

WE are always hearing about great things that might be done if only credit was available, if only a bond issue could be floated. There has been a great deal of agitation in this country upon the subject of rural credits—credits for farmers, and we have established a Federal land bank system that has gathered up and loaned several hundred millions of dollars on first mortgages on farms. I think the system is doing good, although I have always regretted that the investment bankers of the country did not work out some such system, instead of having the government get into it. What we have seems likely to be only the beginning of the government's activities in this line. I read not long ago an article by one of the writers of the Department of Agriculture in which he set forth that lands had reached such a high price that a man of moderate means could not buy a farm merely by the help of the present banks that lend on first mortgages, and that there ought to be another system by which loans could be made on second mortgages, and finally there is another plan for supplying money to tenant farmers upon chattel mortgages or personal credit, to enable them to buy stock and equipment, and to farm in a more forehanded and efficient manner. The purpose, of course, of all these proposals is good, and I do not want to give the idea that I am opposed to everything of the kind; I am not going into the merits of them; I mention them now only to show how the idea of using credit expands.

Labor and Work Necessary

It is not confined, of course, to credit for agriculture. There is talk about what a grand thing it would be to electrify the railroads and the industries and hitch them up to the running streams, or generate steam power at the mines and transmit the power to distant machinery by wire. That is an attractive idea. Perhaps some day all we will have to do will be to push a button and let electricity do the rest. The development of electricity was one of Lenine's great schemes in Russia. He had a dream of electrifying all Russia, carrying light and power in every home. It was all in his imagination. He did not take account of all the work that would have to be done. He found out when he got into the task that he could not even keep the old industries of Russia running with the power and equipment they already had, to say nothing of electrifying them. He had not been able to keep the railroads running as they were, or to keep the locomotives purchased by the Czar's government in order, or to get enough coal from the mines to feed the locomotives.

> **Where Money Is Cheap**
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> **"A good many people, and some very smart people, too, are always ready to fall for this fiat money idea. Lenine has been giving fiat money a very complete trial. If cheap money is a good thing they ought to be happy in Russia. Before the war the Russian ruble was worth 51½ cents, and now the smallest denomination of money in the country is a 10,000-ruble note."**

It is one thing to have a picture in your mind of the great work that you would like to see constructed sometime, and of the living and working conditions for the people that you would like to see brought into effect sometime, but progress of that kind cannot be accomplished simply by writing promissory notes or printing bonds. That would be a very easy way of achieving progress—the same as printing money—and a good many people, and some very smart people, too, are always ready to fall for this fiat money idea. Lenine has been giving fiat money a very complete trial. If cheap money is a good thing they ought to be happy in Russia. Before the war the Russian ruble was worth 51½ cents, and now the smallest denomination of money in the country is a 10,000-ruble note.

The world does not get ahead by any such easy process of printing money. It takes labor and the accumulations of labor which we call capital to get the world ahead. It takes work, and it takes savings and it takes time.

Now that is the way the world gets ahead; first by production, then by consuming less than is produced and using the accumulations to aid in larger production. It gets ahead by raising crops, digging ditches, laying walls, inventing and building machinery, by tearing down old buildings and putting up better ones, by discovering new ways of doing things, by laying one brick upon another. It is not done by printing money or inflating bank loans, two things that are practically the same in effect.

Money and credit are helpful facilities, but you cannot use them any further or faster than you can do things, or than you can create and accumulate actual wealth. You could not underdrain all the farms, or build new farm houses, or fit all the farmers out with new equipment, or electrify all the railroads and industries at once. There are two limitations upon it, first, in providing the capital, for you cannot borrow capital any faster than it is accumulated by somebody, and second, in getting the work done. The world has been tolerably busy in the past, accomplishing the progress that has been made. Progress is a matter of time, of patience, of self-denial, resolution and work.

Everyone Can Not Use It

There is another thought suggested by the break-down in Russia, and that is pertinent to any proposal to provide borrowing facilities for great numbers of people, and that is that not everybody can use borrowed money profitably. The best proof of a man's ability to use borrowed money successfully is that he should have been able to accumulate something by his own efforts that he can offer as the basis of credit for the ability to accumulate and the ability to pay debts are one and the same. If a man cannot save anything from his personal earnings he is not very likely to make and save anything if he has capital.

Ruined by Too Much Credit

It is an old saying that more men are ruined by having too much credit than by having too little. Certain it is that a great amount of borrowing is unnecessary, uneconomic, is not beneficial to industry and is harmful because it gives instability to the whole business situation. I want to develop that feature of the subject in a moment, but just now I want to emphasize that there is a great deal more borrowing than there is any real need for—a great amount that does not increase production. I venture the opinion that most of the money men borrow in haste for the purpose of buying into good things that they are afraid will get away is lost with the result that the debts have to be paid by slow accumulations afterwards. If they had had the patience to make their accumulations first they probably would have been more cautious about making the investments.

Real Service of Credit

There are many examples of men who have built themselves up to important positions in the business world with very small use of credit, following the policy of doing business consistently within their capital, or with very limited borrowings. I do not lay such a policy down as a rule to be followed, but I am sure that it would be possible for the country to handle the present volume of production and trade with far less than the amount of credit it was accustomed to use even before the war inflation was perpetrated and with much greater business stability. It would simply mean that people would adopt the habit of being forehanded and paying more nearly as they go, but there is no reason to suppose that production or consumption on the whole would be diminished.

The real service of credit is in making use of all available capital—in taking up the sums that otherwise would be idle and getting them into hands capable of employing them. That is a real service, but there is no gain from a pyramiding of credit that makes the whole situation top-heavy.

It is well to think of capital in concrete forms. If a man has an axe that he is not using all of the time he can lend it part of the time to a neighbor who has use for it. There is an economic gain by having the axe in use all the time, but the point is that somebody must have an axe. People get to thinking in times of credit expansion that a photograph of an axe will do.

Some people have the idea that the banking system can supply any amount of credit. I have heard it maintained that a banking system ought to be able to supply credit for every legitimate business purpose, but that policy would break any banking system that could be devised, because there is no limit to the expansion of business, particularly if you pay no attention to prices. The banking system has only a limited amount of capital. A bank is not a creator of wealth, but a reservoir of the liquid wealth of the community. Under sound policies somebody ought to put into a bank every dollar that is taken out.

> **Capital in Concrete Forms**
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> **"It is well to think of capital in concrete forms. If a man has an axe that he is not using all of the time he can lend it part of the time to a neighbor who has use for it. There is an economic gain by having the axe in use all the time, but the point is that somebody must have an axe. People get to thinking in times of credit expansion that a photograph of an axe will do."**

I have referred to the Federal Land Bank System. I do not question that the system is rendering service in increasing production, but to what extent are its loans devoted to increasing production, and to what extent are they used to buy more land? The state of Iowa has been one of the heaviest borrowers through the system, and from 1910 to 1920 the farm mortgage loans of Iowa increased from $205,000,000 to $490,000,000, or 140 per cent., in the ten years, and the selling prices of Iowa farms went up in about the same proportion. Now since Iowa farmers were the principal buyers of the farms, it is reasonable to assume that the very condition of plentiful credit, both on mortgage loans and at the banks, are important factors in the rise of values. The abundant supply of credit would have made it easier to buy land, provided prices had remained the same, but the increased buying which resulted from the abundant supply of credit raised prices until it was just as difficult to buy land as before. That is a very good illustration of the way economic forces frequently operate. People have their eyes fixed upon one condition and think that if it was changed everything would be lovely; but when that is changed a lot of other things change with it, with the result perhaps that conditions are very different from what they were before.

Inflation of Land Values

That inflation of land values which occurred in Iowa, and perhaps in less degree elsewhere, illustrated the general rise of prices which resulted from an increased use of credit during and following the war. When the war broke out the United States government entered the markets as a great employer of man power and a great buyer and contractor. It withdrew millions of men from the industries for the army and navy, and at the same time it contracted right and left for the production of war equipment and supplies. The banks were called upon as a patriotic duty to lend freely to enable people to subscribe for the Liberty Bonds and also to support industry. They did so, and the theory was that it was necessary in order to increase production. And so long as there was any slack in the industries it did stimulate production. But there is a point beyond which you cannot increase production, at least for immediate results. When you have every man at work and every machine running, that is about all you can do. If when the industrial organization is already crowded to its capacity you attempt to drive it still harder the effort will be expended in simply driving up wages and prices. You reach a competitive situation in which employers bid against each other for labor and buyers bid against each other for goods without materially increasing production. In this country we had reached that point even before we got into the war ourselves, and, of course, our entrance increased the pressure.

The Backed-Up Demand

After the war was over there was a slackening of the pressure for a few months, while people waited to see what the trend was going to be. Then it developed that there was a great backed-up demand for all kinds of goods; there was sense of relief and a relaxation of restrictions, and a period of free buying, with the result that again, as during the war, the demand on the industries was greater than they could meet, and the competitive situation developed as before. We got into a spiral movement of wages and prices, first one was picked up and then the other, and every lift in the level of prices increased the demand on the banks for credit. That was a perplexing situation for the banks. They were desirous of supporting the business situation; they wanted to finance the shift from war industry to peace industry. Of course, they were largely dependent upon the representations of their customers. A merchant naturally wants to buy all the goods he thinks he can sell, and if he is in good credit he looks to his banker to back him doing so; but if every merchant is fully supported by his banker and the sum total of the goods they are attempting to buy is in excess of the capacity of the industries, the bankers are simply financing the rising price movement and carrying it still higher.

I am trying to point the legitimate and helpful use of credit which assists production, and the excessive use which produces inflation. When we talk about inflation we mean an increase in the use of credit which outruns the increase in the physical volume of trade.

Confusion of Credit and Capital

People are prone to confuse credit and capital and to think that credit can take the place of capital to a greater extent than it can. Credit is purchasing power; you can buy things with credit, but you cannot make things, you cannot actually produce things with credit. Credit is an intangible thing. It is faith, confidence. Capital, on the other hand, is always something tangible. It consists of land, buildings, machinery or materials. When it comes to producing something, as I have said, you must have labor and capital. Credit is a facility; you can use it as purchasing power, but if you increase the use of purchasing power faster than you increase the supply of goods in trade the effect you accomplish is nothing but to drive up prices.

Did Not Increase Production

The great rise of land values in Iowa did not increase production; it was simply a result of the competitive demand for land. The great rise in the price of cattle and sheep during the war accomplished little in the way of increasing production. The rise of stock and animals was caused by the competitive efforts of owners to increase their herds, supported by an undue use of credit. The result was not beneficial and put the whole industry on a false basis.

Every period of rising prices creates a great body of indebtedness; indeed, it is the use of the extraordinary amount of purchasing power provided by the borrowing that makes the rising prices. This indebtedness eventually becomes a source of weakness in the situation.

People go into debt freely on a rising market; the more deeply a man goes into debt the more money he makes, so long as prices are rising. The situation makes men venturesome; it tempts them away from conservative policies, and the longer rising movement continues the more people there are involved in it and the smaller the margins, until the situation is honeycombed with weak spots. It is full of traders in debt to the limit and without reserve resources. It is the same whether the property traded in is land, merchandise, live stock or stocks in Wall Street; a period of rising prices tempts men beyond their depth and leads to a collapse.

I have said already that the strength of the business situation is always in its reserve resources, and a period of rising prices always impairs those resources.

Rising Price Periods Must End

Every period of rising prices in the nature of things must come to an end; all prices do not go up together and the buying power of consumers is curtailed. Moreover, every period of credit inflation must come to an end. When we talk about credit inflation we mean that credit is expanding faster than the physical volume of trade is increasing; in other words, the use of credit is increasing faster than the active wealth of the country is increasing. But that cannot go on indefinitely. Credit is a reflection of wealth; it is dependent upon wealth, and the use of credit must bear some relation to the stock of wealth.

A rising price movement due to an inflation of credit always creates a problem; if you stop it you create a crisis, and if you let it go it will run into a worse one.

Utah State Association

At the fourteenth annual convention of the Utah State Bankers Association these officers were elected: President, H. E. Hatch, president Thatcher Bros. Banking Co., Logan; First Vice-President, Frank B. Cook, president Columbia Trust Company, Salt Lake City; Second Vice-President, W. D. Candland, president North San Pete Bank, Mt. Pleasant. Carl R. Marcusen, cashier Price Commercial and Savings Bank, Price, was reelected Secretary and Treasurer.

Governor Allen of Kansas

One of the speakers on the program for the forty-eighth annual convention of the American Bankers Association, which will be held in New York City, October 2 to 6, is Governor Henry J. Allen of Kansas, a man of action, whose addresses always bristle with interest.

Leverett Saltonstall, son of the late R. M. Saltonstall, has been elected to the board of directors of the National Shawmut Bank of Boston.

Currency Agitation Here in Due Course

By JAMES E. CLARK

ONE of the peculiar things of these upset times is that at the period when European countries are reaching the final stages of financial misery due to fiat money the agitation for money stunts makes its appearance in our own country. Abroad, people were driven by necessity to the issuance of printing-press money; here, there are food, clothing, material, and even so much money and work that nation and individual alike can indulge in the luxury, investment or enterprise of nation-wide strikes.

In Russia the smallest denomination of money is the 10,000 ruble; and it will buy little. In Germany foreign money is prized for its power, while the German mark is feared for its weakness. The next step is the rejection by the people of these paper tokens as media of exchange. In Germany the people are turning rapidly toward better money than their own mark.

"The Germans are buying and hoarding any stable currency that they can get hold of—American dollars, British pounds, Swiss francs, or Swedish crowns," says Francis W. Hirst, the economist, in a dispatch from London. "In some cases wages and salaries in Germany are already being paid in foreign currencies, and experts are predicting that in Germany, as well as in Austria, Hungary and Poland, the paper money issued virtually will soon be abandoned except for payment of taxes."

Years, periods, locations or men cannot change fixed principles, one of which principles is that capital cannot be created by a multiplicity of the media of exchange for capital. The patriotism of our forefathers could not prevent the depreciation of the paper money poured out by Congress during the Revolution. Eventually it ceased to have any value. The passionate patriotism of the French could not give value to the *assignats* of the French Revolution. Prices went up, and in each case money went down and out. Governments may issue money; conditions beyond the control of governments fix money values.

But to the economist the present agitation for more money and for paper money is not surprising. Like the astronomer who expects certain phenomena at definite times or under certain conditions, the recurrence of credit and money schemes in this country have arrived in "due course."

Prof. W. F. Taussig, of Harvard University, in his "Principles of Political Economy," says:

"One of the recurring phenomena of periods of rising prices, whether from specie or paper, is the complaint that there is not enough money. However much the quantity of money may have been increased, people aver there is not enough 'to do the business' or not enough 'to finance prosperity.' This simply means that prices have been adjusted to the increased supply, that the upward movement has reached its term, and that the pleasant stage of apparently advancing prosperity has come to an end.

"Hence there always springs up a plentiful crop of persons who advocate still further additions to the monetary supply. Most people have only vague notions of what money is, what are its functions, how it affects prosperity. Their instinctive attitude is almost always that of welcoming an increase in the money supply. Especially during and after periods of rising prices, the panacea of ever plentiful money has many ardent advocates. Sober sense sooner or later returns to the great mass of the community, and the projects of fiat-money advocates are brushed aside. But one of the greatest objections to paper issues is the unsettlement which they cause in people's ideas on the nature and effects of money. Absurd notions emerge, and the simplest lessons of economics must be retaught. The right adjustment of the monetary system—intrinsically a task of no small difficulty—has to be undertaken in face of a tumult of ignorance, passion and dishonesty."

Liquidation of German Public Utility Holdings

THE Treaty of Versailles (Article 260) required that the German Government take possession of all rights and interests of German nationals in any public utility or any concession operating in Russia, China, Turkey, Austria, Hungary and Bulgaria, or in former possessions or dependencies of Germany or in any territory to be ceded to Germany or to be placed under Allied mandatory.

The treaty specified that all these interests should be turned over to the Reparations Commission by Germany and that the yield from the sale of these properties be credited to Germany on the reparation account.

The Reparations Commission now has informed the United States Government that arrangements are well under way for the liquidation of these public utility undertakings.

The Department of State has received a preliminary list of German holdings from the Reparations Commission and has turned this list over to the Department of Commerce. Until such time as sufficient reference copies of this list can be obtained, file copies will be available in the Bureau of Foreign and Domestic Commerce at Washington and in the District Offices of that Bureau in New York, Boston, Chicago, St. Louis, New Orleans, San Francisco and Seattle.

A large number of securities of railways, street railways, lighting plants and other public utilities in many countries formerly owned by German nationals have thus been turned over to the Reparations Commission. There are probably several which American interests might wish to acquire.

These securities will be divided by the Reparations Commission into two groups, as follows:

(A) Securities that can be acquired only by Allied governments and the Government of the United States and the nationals of these countries.

(B) Other securities that responsible bidders of any nationality can purchase.

The preliminary lists sent to this government do not show which securities listed would fall into Group A and which into Group B.

American corporations or individuals desiring to secure Group A securities are required to submit bids through the U. S. Department of Commerce, which department will turn the bids over to the Department of State, which will in turn submit the bids to the Reparations Commission with a certificate granting authority to participate in the sale.

In most cases the sale will be by auction at a date and hour fixed by the Reparations Commission. Provisional award will be made by the Reparations Commission at its headquarters to the highest bidder who has submitted a bid prior to that period. The lists will, however, be kept open for seven days after this provisional award has been made, and during this reconsideration period, further bids will be considered if they exceed by 5 per cent. the conditional award granted at the date of provisional sale. Seven days after the granting of the provisional award, a final award is made to the highest bidder, including the new bids made during the reconsideration period.

Group B securities are also to be sold by auction, either at public auction at some place determined on by the Reparations Commission in each case or in a stock exchange selected by it. In this case, as well as in that of Group A securities, no bids will be accepted nor will a sale be granted unless the bidder submits a surety by some bank recognized by the Reparations Commission covering the total amount of the bid.

The Department of Commerce will assist American banks, firms or individuals to secure the properties they desire.

Membership Dues—Payable September 1st

MEMBERS will receive, on September 1, direct from the office of the Association at New York, a certificate of Membership for the fiscal year ending September 1, 1923, signed by the Executive Manager, F. N. Shepherd, and countersigned by F. A. Irish, Treasurer. The remittance should be made to the American Exchange National Bank, New York, N. Y.

An insert showing dues paid to September 1, 1923, will accompany the Certificate of Membership and it should be placed in the metal sign held by members and displayed in a conspicuous place over the paying teller's window. This sign is a protection to the bank and serves as a warning to those who might otherwise attempt a hold-up or commit other crimes.

Nearly twenty-three thousand members are enrolled, comprising national and state banks, also trust companies and private bankers, which is conclusive evidence that membership in the American Bankers Association is valued.

The constitution of the Association provides that membership dues are payable in advance as of September 1, and to avoid unnecessary correspondence and delay, members are respectfully urged to honor the certificates when presented. The schedule of dues is as follows:

BANKS AND TRUST COMPANIES (BASED ON CAPITAL AND SURPLUS) AS FOLLOWS

	less than $25,000	$15.00
$25,000	and less than 100,000	20.00
100,000	and less than 250,000	35.00
250,000	and less than 500,000	50.00
500,000	and less than 750,000	75.00
750,000	and less than 1,000,000	100.00
1,000,000	and less than 2,500,000	150.00
2,500,000	and less than 5,000,000	200.00
5,000,000	and less than 10,000,000	250.00
10,000,000	and less than 15,000,000	300.00
15,000,000	and less than 20,000,000	350.00
20,000,000	and less than 25,000,000	400.00
25,000,000	and less than 30,000,000	450.00
30,000,000	and less than 35,000,000	500.00
35,000,000	and less than 40,000,000	550.00
40,000,000	and less than 45,000,000	600.00
45,000,000	and less than 50,000,000	650.00
50,000,000	and less than 55,000,000	700.00
55,000,000	and less than 60,000,000	750.00

Private Bankers and Banking Firms:
Dues are based on capital employed in their business per schedule above.

Dues for Branches of Any of the Above Classes of Membership:
With separate capital, same as schedule; without separate capital, specifically set aside therefor.................. $15.00

Dues for Mutual and Cooperative Savings Banks or institutions without capital are based on their surplus or reserve fund, as per table above.

Canadian Institutions:
Dues based on above schedule with the exception that $250.00 is the maximum fee.

PLEASE REMIT DIRECT TO THE AMERICAN EXCHANGE NATIONAL BANK, NEW YORK, IN NEW YORK FUNDS, MAKING YOUR CHECK PAYABLE TO THAT INSTITUTION.

Keeping the Stock Exchange Out of Politics

By JASON WESTERFIELD
Secretary to the Committee on Library, New York Stock Exchange

MANY persons become resentful if they purchase stocks and the stocks do not go up. One great trouble and basis for resentment and criticism is the fact that men and women who know nothing of the market, who know nothing of economic conditions and the influence of such conditions on prices, purchase stocks with limited capital and then find that they are in a declining market and lose their money. It is difficult sometimes to make them understand that the Exchange does not make prices, but that prices are made according to conditions which exist in the financial, industrial, economic and political fields and that the influences are beyond the control of the Exchange absolutely.

It is a well known fact that some 60 to 90 per cent. of new small businesses started in a year fail eventually and they fail because of conditions over which there could be no control by anyone. But there is no criticism of anyone because of these failures while on the other hand losses made in the market are made a basis for criticism of the Exchange when no such criticism is possible. Persons should not enter the speculative or investment business without proper equipment of understanding and capital any more than they should enter the grocery business without a knowledge of the business and necessary capital.

You know, of course, that the Exchange keeps out of politics or tries its best to keep out of politics. It recognizes no party and no politician. It asks no favors but is continually being attacked by a few politicians. Perhaps you do not understand why. Think for a moment how many legal fees there would be in it for political lawyers if the New York Stock Exchange should be incorporated and should be subject to attack in the courts on every decision as to discipline which its Governors render? Suppose we get a man on the floor who has turned crook for some reason or other—and thank God there are very few of them in the whole history of the Exchange—what do you suppose he would do if the Governors put him on trial? He would get a lawyer, and he would fight the Exchange to the Supreme Court of the United States using injunction processes and preventing his expulsion. He would keep his place on the floor under the law and he would continue to trade and he would continue to be a crook just as long as legal procedure held out. Every time we tried to discipline a member we would either be confronted with court suits or threats from politicians and if we rejected the threats, as reject them we would, the next session of the Legislature would find more stringent rules proposed, more effective laws for ham-stringing us and we would be eternally battling for the right against an organization of grafters which not even the political parties themselves could control or hinder. I am not imputing dishonesty to public officials.


New York Stock Exchange With New Addition at Right

You must have heard of the Dier case in New York. Do you know that the Stock Exchange watched that house for several months until it had evidence of improper business methods and then tore its tickers out without notice? That you are probably aware of, but do you know that for the succeeding several months the officers of the Exchange were plagued by politicians of high and low degree, mostly of high degree, state officials and others, some begging, some entreating, some demanding that the wires be returned? Are you aware that notice was served on the Exchange that unless these wires were put back there would be reprisals at Albany last winter? Are you aware that such reprisals were at-

(*Continued on page 77*)

"He Who Owns His Home Is Owned by His Home"

By JOHN H. PUELICHER
First Vice-President of the American Bankers Association

TODAY a man who owns his home or his farm is, in a measure, owned by his home or his farm. There are many elements of respectability that come to him who finds permanent shelter for his loved ones. He probably worked hard to possess it, and when he has it he tries to make it attractive and hold on to it. It is a force for law, since a home owner desires protection by law. He acquires respect for the property of others. He wants good, sound government and desires to become an advocate of law and order. Ownership makes him vigilant. I think it was Gladstone who said "Property always has one eye open."

But a man can seldom be a home owner or a farm owner or the owner of any of the stabilizers of life until he has been or is the owner of a savings account.

Do you know that out of every 1,000 people in Switzerland 554 are savings depositors? There are in Denmark 442, in Belgium 387, in France 346, in England 302, and in Italy 200 out of every 1,000, and yet in the United States we have but 99 savings depositors out of every 1,000 inhabitants? Almost 500 per cent. more in Switzerland! Does that signify anything as to the task the American banker has before him?

You know, too, that tenancy instead of ownership is growing among our farmers. In 1880, the farms which were operated by tenants constituted 25.6 per cent. of the total number of farms in this country. By 1920 38 per cent., or practically four out of every ten farms, were operated in this way.

We cannot become stabilized unless we become a nation of owners. We cannot become a nation of owners until we are a nation of savers. How are we to become savers? In the first place, we must know how to work. We must know how to save. We must know how to take care of our savings. We must know how to send those savings back into circulation. We must have a goal and a confidence that that goal can be reached because we understand the workings of economic law which governs our living, and working and trading.

If ignorance of money matters and of the use of financial institutions are among the greatest causes of the misfortune, lack of prosperity and misunderstanding among so large a mass of our people, does that not warn us of the need of education in these matters? It means giving the people a knowledge of economic law so that they have a means of working, and acting and judging for themselves.

> ### Banker Success
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> **"No success can pay any banker unless it be also the success of his community and of his country. His success will be greatest through the service he renders working with the growing child in the schoolroom, the men and women in industry, in agriculture, in business and in government, bringing them a new vision of life and service, fulfilling the great desire of all of us for stabilization and contentment. But the banker himself must be the greatest servant."**
>
> **—JOHN H. PUELICHER.**

There is no safety in what may be told or sold to our people save in education. We do not wish to be leveled down in this country. Nor, on the other end of the scale, do we desire to tolerate the profiteer, but we do want to level up—up to a nation of substantial middle class standards—owners of bank accounts and homes, attractive and well furnished; owners whose food is good and palatable, and includes some delicacies; whose clothing can have variety and be of good material; who can choose their recreation and their vocation; who can be intelligent citizens in a full democracy, and accept the educational and cultural opportunities of our country and the world, to give them not only power, but the enjoyment of the essential and eternal values of life.

This will bring us that intelligent electorate which we so strikingly need today. We are either on one side of the fence or the other, as it were, fighting the foe. These factions must needs get an understanding of the other fellow's position. We must get over the fighting stage into the stage of constructively working toward the achievement of a goal—a goal of right living conditions for all.

Knowledge brings power and power brings wealth. The lack of knowledge makes for much of the unequal distribution of wealth. If we are against destruction of man by war, we must surely be against physical, mental or financial destruction of man whether it be on the farm, in the workshop or in the slums. With the understanding of the workings of industry, of trade, of finance, there will be no need for large numbers being deprived of the necessities of life. There will come into existence equitable wages, reasonable hours of work, reasonable security of life for the worker and for the especially industrious and intelligent a share in the future prosperity of business. There will come less competition and more intelligent cooperation.

In the Chicago *Journal of Commerce* last year W. G. Sibley said: "All the wild ideas of unbalanced agitators the world over, in their ignorant and pitiable quest for happiness through revolution, confiscation of property and crime, cannot overthrow the eternal truth that the one route to happiness through poverty or government is over the broad and open highway of service. And service always means industry, thrift, respect for authority and recognition of the rights of others."

With such an idea of service we would indeed come into a new rela-

(*Continued on page 77*)

(*Continued from page* 75)
tempted? Are you aware that the Exchange fought every attempt to make it change its position and resisted the pressure which continued until Dier & Company smashed and showed one of the nastiest failures in the history of the Street? We have letters in the Exchange endorsing that outfit from men high in finance and high in politics. If it were a question of licensing for instance, Dier & Company would have had enough endorsements to get a thousand licenses to do a stock business without changing their methods in the slightest.

You have a perfect example of what Congress thinks of placing our great financial institutions within the reach of political interference. When the Federal Reserve Law was enacted every effort was made to keep it out of politics and to keep it away from the reach of politicians. Even today when a suggestion is made that at the expiration of the term of one of the members of the Federal Reserve Board he shall be succeeded by some political appointee, there is a storm of protest throughout the country. The New York Stock Exchange, so far as the finances of the country are concerned, is quite on a par with the Federal Reserve Board and equally important in the financial, industrial and economic affairs of the country. If the people insist and insist rightly that the Federal Reserve Board must be kept free from politics and will not even tolerate an appointment to the membership of the Board which in the remotest degree savors of politics, why should the New York Stock Exchange be placed under the direct control of politicians, of petty officials and eventually perhaps of men more concerned with feathering their own nests than facilitating the operation of the great financial machinery of the country?

The New York Stock Exchange, the greatest primary market for securities in the world, must be kept free from politics and free from the talons of politicians. Its history of one hundred and twenty-five years is a history of development and a history of honorable dealing. Its constitution and by-laws, and its Governing Committee, stand not merely for the enforcement of statutory laws, but for the enforcement of those higher laws of ethics and fair dealing, and for the maintenance always of just and equitable principles of trade.

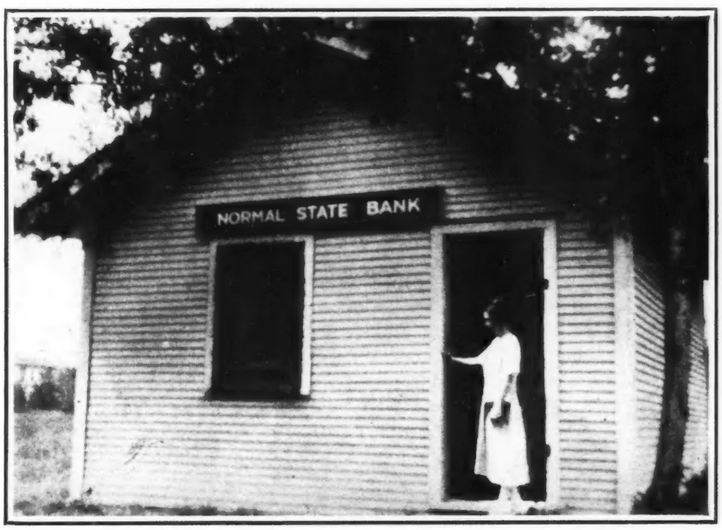
The Exchange stands for truth and honesty and it is one of the great wheels in the engine of industry and finance. Does it not seem a shame that this great instrument in the prosperity and development of the country cannot be helped instead of hindered, its principles promoted instead of besmirched, and its purposes lauded instead of criticized? There never was an honest man who knew the New York Stock Exchange who did not admit that its rules and regulations and its mechanism were as nearly perfect as human ingenuity and human conscience could make them.

He Who Owns His Home

(*Continued from page* 76)

tion of employer and employee, farmer and banker, merchant and consumer, government and citizens, America and the world. Only those who understand supply and demand, personal property, the principles of prosperity, capital and ownership, investments, etc., can fully understand such service. The banker is today looked upon as a man of that service—as such a servant. Do you realize that you have the unique position of serving all these different factors in our society; that in a large measure you can be and should be in the school room; in the counsels of the laboring man, the farmer, the business man; yes! and in the legislature, bringing this fundamental knowledge of economics to our people?

The banker has the unparalleled opportunity today to get out of the "seat of the scornful" into the stand of the umpire, if he will but accept the task. Is it too much to ask that each banker give one talk a month in the school nearest his bank; that he be prepared to speak on any club, convention, labor or any other platform giving accurate financial information and teaching financial economics? This is what the program of the Committee on Public Education of the American Bankers Association calls for.



Bank in Normal, Kansas, Organized Three Years Ago

Small Town Banker's Problem

By GEORGE W. McCANN
Ex-Cashier Bank of St. Charles, St. Charles, Ark.

I DO not think you could have asked me to write my views of the problems of the country banker at a more opportune time as I am today suffering the extreme penalty of being a small town banker who has had to face the problem of trying to finance a twelve-month business on a three-month credit, or words to that effect.

The business of agriculture requires that the farmer have credit facilities at least nine months out of the twelve, and our correspondent banks draw the line at four months at the most, of course with the privilege of renewal, but the option to extend credit further rests entirely with the big banker.

On the Defensive

We little fellows, therefore, never know when we are playing safe in advancing credit to our farmer customers, who constitute the largest part of our loan customers. By reason of our being entirely on the defensive all the time we cannot handle our farmer business with any degree of intelligence, and as a consequence our ability to serve the agricultural interests is curtailed. This in spite of the fact that untold columns have been written by our big brothers advocating better bank service to this end.

There seems to be no distinction made by the larger banks between the farmer who takes the whole year to raise and market his crops, longer if he is a stock raiser, and the factory which has a steady income, or the merchant who is constantly turning his capital over, thereby obtaining funds to meet his obligations.

We all admit that the foundation of all business is agriculture, but I do not believe that the big bankers know one-tenth as much about farming and its varied problems as they do about any other business on earth.

At any rate, their method of advancing credit for agricultural purposes seems to be all out of joint with the times. Why the War Finance Corporation? Why is it necessary for the big banks, including the Federal Reserve to allow the government to finance the greatest business on earth, when the business of banks is to finance?

I cannot figure this out, unless it is that the big banks are hopelessly ignorant of the importance of our greatest industry. If the balances belonging to agricultural interests suddenly should be withdrawn from the large banks, being there through the medium of the small banks, the result would be a calamity.

How many of the larger banks know what per cent. of their deposits are funds of agriculture? Deprive the merchant, the factories, the mines, transportation companies, etc., of the funds of the farmer and what would be the result? The greater part of the deposits of the small town banker are farmer deposits and our reserve is carried with the large bank.

Financed 1921 Crop

The large bank loans this money to the varied industries in a manner which enables them to carry on business, but when we little fellows try to get a slice of this money back to make more money to increase our balances with the big fellow we run up against the stony stare.

I stated at the beginning that I am a "victim." This is "how come." This little bank was organized in the spring of 1919. I came here as cashier a year later, just in time to get into the upheaval of 1920, and having weathered the storm of that year, being a mere infant, I was patting myself on the back because I had come out with the doors still open. "Not a bad stunt," I said to myself.

But I did better than this. We financed the 1921 crop to the finish. Of course, we had to eat humble pie in doing so, and got into debt, but nevertheless we came through stronger than ever and started into the 1922 crop.

Financed 1922 Planting

When our crop, which is chiefly rice, was nearly planted, which is the most expensive part of the whole crop, our correspondent told us that we had reached the limit. True enough, we owed them more than we should have, but this did not alter the fact that we had already financed the crop up to the point where the expense would have been practically nothing until harvest time. I mention this merely to emphasize my former statement that the small banker is operating largely in the dark, which not only decreases his profit but seriously cripples his ability to serve his customers.

It Happened

The net result of the failure of our correspondent to either advise us at the start that we could not get funds necessary to carry on the crop, or to advance the funds, was that a good little bank was forced to close at a great loss, a good community has lost a great benefit by being deprived of the benefits of the bank and one more has been added to the ranks of the great army of unemployed.

I do not make the foregoing statements in any spirit of complaint, but rather with the hope that, should you see fit to publish this article, I may, perchance, throw a little light on the problems of which I write and add my bit to the splendid work that the state bank associations, as well as the good, old American, is doing to educate all of us.

The Institute Convention at Portland, Oregon

THE twentieth annual convention of the American Institute of Banking was held in the Peoples Theatre, Portland, Ore., July 17, 18, 19 and 20. Robert B. Locke, president of the Institute, called the convention to order.

Frank S. Grant, city attorney of Portland, welcomed the delegates and Carter E. Talman, vice-president of the Institute, responded to the greetings extended.

Edgar H. Sensenich, member of the Executive Council of the American Bankers Association and vice-president of the Northwestern National Bank of Portland, in extending greetings from the American Bankers Association, read the following statement from a letter from President Thomas B. McAdams: "Of the various constructive activities of the American Bankers Association, there is none to which we can point with more just pride than the organization of the Institute, which has contributed so much of real value to the young manhood and womanhood of our banking institutions. It has been a source of sincere regret to the officers of the Association that engagements in the East have made it impossible for them to appear personally at this convention and extend the good wishes of the American bankers for the continued success and development of the Institute, but in our absence we shall be grateful if you will assure them of our abiding interest in your welfare and our willingness to cooperate both actively and financially in stimulating the activities of the Institute."

"In the early days of the Institute," said Mr. Sensenich, "many bankers doubted the wisdom of the approval of its organization by the Association, but that doubt has long since yielded to the conviction that the Institute is a great success. It is now regarded as the most constructive Section of the Association and its purposes and accomplishments have the hearty approval of the entire Association membership. It has been my privilege to hear the last four semi-annual reports of the Institute made to the Association, and I was deeply impressed with the enthusiastic reception and approval given the reports. There is full justification for our pride in the Institute. Its educational work alone has more than justified our feeling of elation. Thousands of bank men and women throughout the United States have completed the standard courses prescribed by the Institute, and at present more than twenty-five thousand, or about half the membership, are actively engaged in studying them.

As you know, these courses include the Theory and Practice of Banking, Economics, Commercial Law and Negotiable Instruments, fundamental subjects in the banking profession. A knowledge of these subjects and an appreciation of their principles is an essential part of the training of any banker worthy the name. A clear understanding of the ground work, or, if you will, the science of banking, is indispenably necessary for the proper conduct of the business of banking, a business which is constantly changing and becoming more complex every day. That the Institute has brought an appreciation of this fact to so many bank men and women and enlisted them in a study of their own business is a remarkable achievement."

CARTER E. TALMAN
New President of the American Institute of Banking

Amendment to By-Laws

On the recommendation of the Executive Council, the by-laws of the Institute were amended to read as follows:

"Section 2. The educational work of the Institute shall be under the general supervision and subject to the approval of a Board of Regents consisting of (1) two professional educators; (2) two practical bankers; and (3) the last three past presidents of the Institute. The members of the Board of Regents thus constituted shall be appointed by the Executive Council of the Institute and serve during the pleasure of said Council."

Robert B. Locke, manager of the Detroit Branch of the Federal Reserve Bank of Chicago, in his annual address, spoke on "A Year of Service."

Growth of the Institute.

The report of Richard W. Hill, secretary of the Institute, showed that there has been a large increase in membership and an unprecedented growth in the educational work of the various chapters during 1921 and 1922. For the first time in the history of the Institute the membership exceeds 50,000, the total being 50,692—5,789 in excess of the number reported at the Minneapolis convention. Approximately 22,000 students are enrolled in the Institute study courses. Twenty-two chapters have been organized since the Minneapolis convention, which brings the number of chapters for the first time in excess of 100, the total being 111. The new chapters have been organized at Bartlesville, Okla.; Columbus, Ohio; Elizabeth, N. J.; Essex County, N. J.; Flint, Mich.; Fresno, Calif.; Huntington, W. Va.; Jacksonville, Fla.; Maricopa County, Ariz.; Merrimac Valley, Mass.; Newark, Ohio; Ogden, Utah; Passaic, N. J.; Racine, Wis.; Reno, Nev.; San Diego, Calif.; San Jose, Calif.; Santa Barbara, Calif.; Stockton, Calif.; Tampa, Fla.; Tucson, Ariz., and Winona, Minn. Of these chapters nine were organized by P. R. Williams, Executive Councilman from Los Angeles. Since the 1921 convention 636 standard certificates have been issued, making the total number of standard graduates 4,391. To the 2,210 elementary certificates reported at the 1921 convention have been added 2,657 issued during 1921-1922, making the total 4,867. Four new textbooks have been issued during the year by the General Office in New York: "Standard Banking," "Commercial Law," "Negotiable Instruments" and "Elementary Banking." "Standard Economics" and "Credits" are now being prepared, to be ready for distribution in the fall. A new edition of the "Manual" for chapter officers has also been issued.

A feature of the first session was an address, "History of the Northwest," by Prof. Edmund S. Meaney, of the University of Washington.

Departmental Conferences

Departmental conferences were held at the Portland Hotel at noon, continuing through the afternoon, on Monday, and during the noon hours on Wednesday and Thursday, under the direction of the chairman of the National Departmental Conference Committee, Paul B. Detwiler, assistant cashier of the Philadelphia National Bank, Philadelphia, Pa. The following nine separate conferences were held each day: Audit Examinations, led by Frank L. Ramos of the Canal-Commercial Trust and Savings Bank, New Orleans, La.; Bank Administration, led by William Feick of the Irving National Bank, New York; Bonds—Investments, led by William R. Ward of Shingle, Brown & Company, Oakland, Calif., and assisted by F. M. Cerini of the Oakland Bank, Oakland, Calif.; Business Development—Advertising, led by Don A. Mullen, secretary of the Clearing House Section of the American Bankers Association, New York; Checks—Collections, led by P. M. Parker of the First National Bank, Los Angeles, Calif.; Credits, led by G. C. Blohm of the Ladd & Tilton Bank, Portland, Ore.; Foreign Trade—Foreign Exchange, led by L. R. Cofer of the Wells Fargo Nevada National Bank, San Francisco, Calif.; Savings Banks, led by George S. F. Bartlett of the Boston Five Cents Savings Bank, Boston, Mass.; and Trust Functions, led by William H. A. Johnson of the Continental and Commercial Trust and Savings Bank, Chicago, Ill.

The debate between Seattle Chapter and New York Chapter over the question, "Resolved: That the United States enter into an agreement for the mutual cancellation of the Inter-Allied War Debt," was held during the second session Wednesday morning. The chairman of the National Public Speaking and Debate Committee, William G. F. Price of the National City Bank of New York, presided. The debaters for New York Chapter, which had the affirmative, were J. V. D. Stryker, Federal Reserve Bank; C. H. Schoch, Irving National Bank; E. A. Lahm, Citizens Savings Bank, and John J. Golden, Federal Reserve Bank, as the alternate. The debaters for Seattle Chapter, holding the negative of the question, were W. C. Phillips, First National Bank; Casper W. Clarke, Union National Bank; Allen P. Hull, First National Bank, and Herbert C. Bryant, Washington Mutual Savings Bank, as the alternate. The decision was in favor of Seattle Chapter.

Chapter Presidents Conference

Albert C. Burchett, assistant cashier of the Bank of Commerce and Trust Company, Memphis, Tenn., chairman of the National Chapter Presidents Conference Committee, conducted the conference of chapter presidents. The session opened at breakfast at 8 A. M. and continued through luncheon until 2.30 P. M. The following subjects were discussed: "How Shall the Interest in Chapter Work be Maintained?" by J. Kessler Jones, Federal Reserve Bank, Omaha, Neb.; "The Problem of Chapter Rooms," by Paul B. Detwiler, Philadelphia National Bank, Philadelphia, Pa.; "Shall Officers and Board of Governors of Chapters be Institute Graduates?" by H. Raymond Lee, Federal Reserve Bank, Richmond, Va., and Frank M. Totton, Fidelity International Trust Company, New York; "Chapter Finances," by Max Steiner, Chicago Trust Company, Chicago, Ill.; "Publicity," by Earl L. McCargar, First National Bank, San Francisco, Calif.; "Public Speaking and Debate," by William G. F. Price, National City Bank, New York.

Brief reports of the activities of the various national committees, and addresses on the lumber industry by George S. Long, general man-

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OPINIONS OF THE GENERAL COUNSEL

By THOMAS B. PATON
General Counsel

Power of National Bank to Insure Life of Officer

A national bank inquires whether it has power to insure the lives of its officers and employees for its own benefit. Opinion: While the point has never been decided in the case of a national bank, it would seem upon principle and authority that wherever the bank has an insurable interest in the life of an officer or employee, because of a reasonable expectation of benefit from the continuance, and of detriment from the termination, of such life, it is within the power of the bank to protect such interest by insurance, so long at all events as the insurable interest continues and is not terminated by severance of the officer's connection with the bank.

From North Carolina—We are writing to inquire whether or not a national bank has the authority, like other corporations, to take out life insurance on the life of an employee or an officer in which they have an insurable interest. That is, an officer who had been in the service a long time, the death of whom would be a distinct loss to the bank. I understand that the Comptroller of the Currency has ruled that investments in life insurance is ultra vires a national bank. I thought perhaps you might have had occasion to investigate this and would know of a parallel case. We will be pleased to have your opinion on same.

With reference to the power of a national bank to insure the lives of officers or employees for its own benefit, I have looked into the authorities and will give you my opinion as follows:

In the 1920 edition of Pratt's Digest of Federal Banking Laws appears the following notation under Section 5136, U. S. Rev. Stat., relating to the corporate powers of national banks:

> "The Comptroller of the Currency has refused to approve a plan for the insurance by a national bank of the lives of its officers or employees for the benefit of the bank, but recommends the furnishing to small salaried clerks and employees insurance equal to one year's salary for the benefit of their families, the premiums to be met by an adjustment of salaries."

This would indicate an opinion held in the office of the Comptroller of the Currency that the insurance of the life of an officer or of an employee for the benefit of the bank is beyond its power. Notwithstanding this, and while there is no direct judicial precedent in the case of a national bank, I am of opinion that wherever a national bank has a reasonable expectation of benefit to be derived from the continuance, or of detriment from the termination, of the life of an officer or employee, it has an insurable interest in such life which it is within its power to protect by a contract of insurance, at all events so long as the officer continues in the employ of the Association.

In Bliss on Insurance, Sec. 21, p. 27, it is said: "The tendency of the American decisions, especially the more recent ones, is to hold that, wherever there is any well-founded expectation of or claim to any advantage to be derived from the continuance of a life, there is an insurable interest in that life, though there may be no claim upon the person whose life is insured that can be recognized in law or in equity."

In Vance on Insurance, p. 129, it is said: "An insurable interest exists whenever the relation between the assured and insured, whether by blood, marriage or commercial intercourse, is such that the assured has a reasonable expectation of deriving benefit from the continuation of the life insured, or of suffering detriment or incurring liability through its termination."

In Mutual Life Ins. Co. of New York *v.* Board, Armstrong & Co., Corporation, 80 S. E. 565, decided in 1914, the Supreme Court of Appeals of Virginia held that where a corporation has an insurable interest in the life of an officer, the contract of insurance is not ultra vires, but within the power of the corporation. In that case the corporation insured the life of its president for its own benefit. Both the application and the policy stated that the interest of the beneficiary in the insured was "loss of services in the event of death." Denying a contention of the insurance company that the policy was void because the corporation had no insurable interest on the life of its president, the court said:

> "We are further of opinion that this contract of insurance effected by the plaintiff was not an ultra vires act on its part, and that the 'loss of services in the event of death,' as stated in the policy, was a sufficient interest to maintain the policy in favor of the beneficiary. The principal ground upon which the defendant seeks to avoid this policy is that the plaintiff had no insurable interest in the life of B. F. Board. The deceased was the president and manager of the corporation, and had been since its organization. His relation to and knowledge of the financial and manufacturing interests of the plaintiff were such that his death could not fail to result in serious and substantial loss to its creditors and all others interested in its prosperity. Although it is well known that the leading insurance companies of the country solicit and carry the class of insurance here involved, we have been unable to find any decision directly in point. The principles, however, announced by the decisions and stated by the textwriters we think clearly show that the plaintiff had an insurable interest in the life of B. F. Board, its president and general manager. * * * In the case at bar there is not a suggestion in the record that even raises an inference that the policy was intended as a wagering transaction.

On the contrary, the facts show that it was bona fide, and consummated with the honest purpose of protecting the plaintiff against loss in the event of the death of its president and general manager. The agent of the defendant announced that his company was accustomed to issuing such policies, and requested the insured to allow him to procure the insurance for him from his company. The record shows that the death of the insured was a substantial loss to the beneficiary that cannot be repaired otherwise than by requiring the insurance company to comply with its contract. We perceive no reason why, under all the facts and circumstances of this case, the plaintiff should not thus have the right to protect itself against loss, nor do we perceive, from the facts before us, any reason for holding that the transaction is obnoxious to public policy."

The court in its opinion referred to the case of Mechanics National Bank *v.* Comins, 72 N. H. 12, in which the bank had advanced funds to carry on the business of a certain company and was held to have an insurable interest in the life of the manager of such company. The opinion in that case says in part:

> "It is hardly necessary to say that the success of a corporate enterprise may be so interwoven with the personality of its manager that its stock is taken, and money is loaned to carry it on, as much in reliance upon that personality as upon the intrinsic merit of the enterprise; and no good reason appears why a stockholder or creditor, the value of whose investment may be reasonably said to depend upon the life or health of the man at the helm, should not have an insurable interest in his life, the same as one who invests money in a partnership, relying upon the skill or experience of his copartner, has an insurable interest in the life of the latter, or one who equips a mining expedition has an insurable interest in the life of him to whom its management is committed. The creditor or stockholder, under such circumstances, would seem to have that 'reasonable expectation of pecuniary benefit or profit from the continuance of another's life' which is held sufficient to constitute an insurable interest. In such case 'the essential thing * * * that the policy should be obtained in good faith, and not for the purpose of speculating upon the hazards of life' would appear to be present. In this view we are not prepared to say, as matter of law, * * * that the plaintiffs, who were furnishing the funds to carry on the business of the George T. Comins Company, had no insurable interest in the life of George T. Comins, the manager, and apparently the originating and directing personality in the enterprise."

There is a decision by the Supreme Court of your own state of North Carolina in Victor *v.* Louise Cotton Mills, 148 N. C. 107, 61 S. E. 648, to the effect that a manufacturing company has no implied power to insure the life of its president and carry the policy after he has retired from office. But after the officer has severed his connection the corporation has no longer an insurable interest in his life, and although the remarks of the court in that case would seem to indicate that the fact of retirement made no difference and that there was no implied power in any event, these remarks are purely dictum and the decision should not be taken to militate against the proposition that where a corporation has an insurable interest in the life of an officer, it is within its power to protect same by contract of insurance.

It is within the power of a national bank to contract for insurance against loss from the infidelity of an officer or employee; equally it would seem upon principle and upon authority that wherever a national bank has an insurable interest in the life of an officer or employee—that is to say, a reasonable expectation of benefit from the continuance of his life or of suffering detriment through the termination of such life—its contract of insurance upon such life for its own benefit would not be ultra vires, so long, at all events, as the insured remained in the employ of the bank; for should he leave such employ, the bank's insurable interest would terminate.

Set-off of Wife's Deposit Against Note of Husband and Wife

A bank holds a joint note of husband and wife, secured by mortgage. The husband dies and the wife deposits the proceeds of an insurance policy on his life. The bank desires to set off the note against the individual deposit of the wife. Opinion: Unless specially exempted by statute, the beneficiary in a life insurance policy has no exemption in the insurance money as against the claim of a creditor. A number of courts hold that the deposit of an individual may be set off against the joint note of the depositor and another. In some states a deposit cannot be set off against a note which is secured by collateral until the security is exhausted, but in other states such set-off is allowed. There being no statutory prohibition in Wyoming and no decisions on the subject, the bank should assume it has the right of set-off.

From Wyoming—A bank is carrying a past due note for Mr. and Mrs. W. Mr. W. dies, leaving $10,000 insurance money to Mrs. W. Mrs. W. deposits the money with the said bank and the bank applies part of deposit to pay past due note, which is signed by Mrs. W. The above-mentioned note is secured by real estate and a second mortgage on chattels. Does not the bank have the right to apply this deposit on this past due note? We enclose herewith the form of note which was signed by Mrs. W. Mrs. W. contends that we should look to Mr. W's estate for payment. We contend that she is one of the makers of the note and that we have a perfect right to apply deposit. We will appreciate your reply

Your inquiry raises three questions:

1. Whether a bank can set off an individual deposit of a wife against a matured joint note executed by husband and wife?

2. Whether the fact that the deposit consists of insurance money on the life of the husband would make it exempt from set-off?

3. Whether the fact that the note is secured by mortgage would deprive the bank of the right of set-off before the mortgage security is exhausted?

1. It is a general principle that, to authorize a set-off, there must be mutuality of obligation and under this principle it is generally held by the courts that a bank cannot set off the note of a partnership against the personal deposit of one of the partners, although in a few

states such right of set-off is upheld. In the case, however, of a joint note held by a bank, the decisions are generally to the effect that the bank has a right to set off the deposit of one of the joint makers against the note. Thus in Rush *v.* Citizens National Bank, 169 S. W. (Ark.) 77, where the bank owned a note executed by A and B, it was held that, on maturity of the note, the bank was entitled to apply A's general deposit to its payment and that it was immaterial that the bank had no set-off against the other joint maker. So in Merchants National Bank *v.* Maple, 65 Ill. App. 484, it was held that one of two joint makers of a note to a bank cannot defeat the right of a bank to set off his individual deposits against the note by showing the partnership character of the debt, the bank having no notice thereof.

So again in Hayden *v.* Alton National Bank, 29 Ill. App. 458, it was held that a note due a bank, executed by a depositor and his wife may be set off against his individual deposit.

2. The general rule is that the beneficiary in a life insurance policy has no exemption in the insurance money as against the claims of his or her creditors (see Martin *v.* Martin, 187 Ill. 200; Murray *v.* Wells, 53 Iowa 256; Hathorn *v.* Robinson, 96 Me. 33; Rice *v.* Smith, 72 Miss. 42; Myver *v.* Supreme Lodge, K. & L. of H., 72 Mo. App. 350), but this, of course, depends upon the terms of the statute which grants, allows, or limits the exemption. The Wyoming statutes make no such exemption, except in the case of fraternal benefit associations or societies.

3. Some courts hold that a bank cannot apply the deposits of the debtor to the payment of his matured indebtedness if that indebtedness is sufficiently protected by other collateral securities. McKean *v.* German American Savings Bank, 118 Cal. 334; Farmers National Bank *v.* McFerran, 11 Ky. Law Rep. 183; Furber *v.* Dane, 89 N. E. 227. But other courts hold that the bank is not compelled to first resort to the collateral and can set off the deposit against the note. Citizens Savings Bank *v.* Vaughan, 115 Mich. 156.

I can find no cases in Wyoming bearing either upon the question of the right of a bank to set off an individual deposit against a note on which the depositor is jointly indebted with another or upon the right of a bank to set off a deposit against a note where the note is secured by collateral, before the collateral is exhausted; and in the absence of such decisions I think the bank may fairly assume that it has the right in the present case to set off the wife's deposit against the joint note of husband and wife. The fact that such deposit consists of insurance money does not exempt it from set-off.

Certification of Check Incorrectly Indorsed not Obligatory

While it is customary for a drawee bank, which receives a check incorrectly indorsed, to certify the check before returning for proper indorsement in order to save the fund for the holder, such certification is not obligatory and there is no liability of the bank to holder should the check be returned, without certification, and the fund be drawn out before the check with correct indorsement is received for payment.

From Minnesota—The common custom among the banks here is that when a check is presented upon which the indorsement is incorrect, or which lacks an indorsement, the banks certify the check and return it for correction or for the purpose of having the proper indorsement made.

If the practice of certifying checks is discontinued, will the banks assume any liability whatever in returning checks without certifying them in the event of the above reason for non-payment? It is thought by some of the bankers that the bank's failure to protect the holder of a check in such a situation might occasion a liability upon the bank.

There is no obligation upon a bank to certify a check before returning it for correct indorsement or where the indorsement is missing. It has been customary to do this to save the fund for the holder pending proper indorsement, but there is no legal obligation running to the holder to certify the check, even though because of incorrect indorsement payment cannot be made and there is the chance that before the check is presented properly indorsed, the fund may be drawn out.

In the case stated by you, therefore, there would be no liability of the bank to the holder for refusing to certify and returning the check without certification.

Reports of Ohio State Banks

Must be published in newspaper in place where bank is established; or if no newspaper in place, then in the one published nearest thereto in the same county.

From Ohio—Is it compulsory for a bank doing business under the State Banking Laws of Ohio to publish their statement of condition, at the time of a call, in the newspaper located in the same village in which they are situated, or can they at their option publish it in some other village newspaper?

The Ohio statute provides that every bank shall make to the superintendent of banks four or, at the option of the superintendent, five reports during each calendar year, according to and in the form which may be prescribed by him. Such report is required to be transmitted to the superintendent within ten days after the receipt of a request or requisition therefor from him; and in the form prescribed by the superintendent, "a summary of such report shall be published in a newspaper published in the place where such bank is established, or if there is no newspaper in the place, then in the one published nearest thereto in the same county, at the expense of such bank." (Gen. Code, Ohio, 1920, Chap. 3, Sec. 710-31.)

The next succeeding section of the act provides that the superintendent of banks may call for a special report whenever in his judgment it is necessary to inform him fully of the condition of any bank; which report shall be transmitted to the superintendent within five days after the receipt of a requisition therefor from him, "shall be verified as provided in the last preceding section and shall be published as therein provided if required by the superintendent of banks." (Ibid, Sec. 710-32.)

From a careful reading of the statute above quoted, it will be seen that publication of the reports required by the superintendent of banks "in a newspaper published in the place where such bank is established," is mandatory and not optional; and such reports can only be published "in some other village newspaper" when there is no newspaper in the place where such bank is located, and then it must be published in a newspaper published in the place "nearest thereto in the same county."

Set-off Against Indorser of Insolvent's Unmatured Note

Where a bank holds an unmatured note upon which its customer is an indorser, the insolvency of the maker is not sufficient ground to entitle the bank to set off the indorser's deposit against his contingent liability on such unmatured note.

From New Jersey—A bank holds a note of A indorsed by B, who is its customer. Prior to maturity A becomes insolvent. Can the bank, before maturity, apply B's deposit toward payment of the note?

The general rule is that a bank has a right to charge a dishonored note to the indorser's account, provided the latter's liability is duly fixed by protest and notice. But where the maker of the note fails before maturity, and before the note has been dishonored, the indorser's liability is not yet fixed. Presentment is not dispensed with by the insolvency of the maker, and, notwithstanding such insolvency, it is encumbent on the holder to make presentment at maturity. Reincke *v.* Wright, 93 Wis. 368; Hawley *v.* Jette, 10 Ore. 31; Bensonhurst *v.* Wilby, 45 Ohio St. 340.

Until maturity, therefore, the indorser's liability is contingent, and I do not think such a contingent liability would afford the basis of a set-off.

True, it was held in re Semmer Glass Co., 135 Fed. 77, that the liability of a depositor as an indorser on a note held by the bank may be set off against a deposit, although the liability of the indorser did not become absolute until after the petition in bankruptcy was filed. But in that case the depositor-indorser was a bankrupt, and the court allowed the bank's claim as a debt provable in bankruptcy. But where, as in the present case, the indorser is solvent, there would be no basis of set-off.

The general rule is that to authorize a set-off of one debt against another, both debts must be matured. The courts in some states hold, while others deny, that the insolvency of one of the parties, before the maturity of his debt, entitles the other party to a set-off. But even where the insolvency of one party as, for example, the maker of an unmatured note is held to entitle the other party, namely, the bank in which he has a deposit, to a set-off, this would not be a ground of set-off against a depositor who was indorser on the note, and who was a solvent party.

Cashing Instead of Crediting Checks to Customer

Suggested methods of protection by (1) receiving entire check as deposit and requiring depositor to draw his own check for amount desired, (2) having customer acknowledge receipt of cash upon check drawn upon another bank and indorsed over to his bank for cash instead of credit.

From Illinois—Regarding the first article in the opinions of the General Counsel for July concerning the cashing of outside checks for customers, we have made a practice of having customers receipt on deposit slip when part cash was paid out on check deposit, using a rubber stamp reading: "Received cash on the within deposit, $———." We have, however, been cashing outside checks when the entire amount was requested and not having the check deposited and a check drawn on this bank as suggested by you. We have just thought of another method when the cash on an outside check is desired. Would not the customer writing above the indorsement "Received cash in full for the within check" solve the difficulty? We would like your opinion regarding this point.

Your proposed method carries out the alternative suggested by us in the July number that "either the check should be credited as a deposit and the customer be required to draw his own check for the amount desired, or the bank should have some acknowledgment in the handwriting of the customer that he had received the cash."

When a customer indorses to his own bank a check drawn in his favor on another bank and receives the cash, the bank becomes a purchaser of the check and the thought suggests itself that nothing should be coupled with the indorsement which would change or detract from its full title-conveying character. But the statement that cash has been received for the check is merely a statement of the consideration upon which the indorsement is based and would not have any such effect. It should, of course, be worded as briefly or tersely as possible; but the customer's acknowledgment over his signature is the main thing and not only the signature, but the acknowledgment should be in the handwriting of the customer, for otherwise a dishonest customer might claim the bank stamped or wrote the acknowledgment over his signed indorsement and that he did not receive the cash, but deposited the check.

The form of receipt suggested by you would answer the purpose; or probably the indorsement "for cash received," in the handwriting of the customer, would be equally as effective.

From Oklahoma—I have just finished reading your article on "Cashing Checks Instead of Crediting to Customer" in the July issue of the JOURNAL. This condition hits this bank exactly. It has been our policy when a check was presented at the window to enter the amount of the check in full and if part was desired in cash to deduct the amount from the check, as shown by the enclosed duplicate of deposit slip. We would like to know if the burden of proof would still be on the bank when the depositor accepted the duplicate of deposit slip at the time? Would it not be considered his business to make the objection right when the transaction was taking place and refuse to accept the duplicate if he did not receive the cash? The only proof that a bank could present that cash was paid is shown by the original deposit slip, of which the duplicate would, of course, be a copy, and the record of the cash for that day's business to show that no "long" appeared. We would thank you to put us clear on this point that we may take the proper steps to protect ourselves.

The transaction stated by you is similar to that before the court in Peoples Nat. Bank of Kingfisher *v.* Rickards, 204 Pac. (Okla.) 130, referred to in the July JOURNAL. The customer deposits a check for $75 and receives in cash $35, the balance going to his credit on the books. A deposit slip is made out by the cashier:

"Check	$75.00
Less cash	35.00
	$40.00"

Primarily the burden of proof is on the depositor to show that he made the deposit. But the court held that this burden was sustained by the admission by the bank that it received the check, and this placed the burden on the bank to prove that it had repaid the deposit, and the depositor and his son having testified that no cash was deposited, this burden was not sustained and judgment went against the bank for the amount.

This decision seems hardly logical in connection with the rule governing burden of proof, for the bank did not admit it received the amount of the entire check as a deposit, but only the amount of the check, less cash, shown by its deposit slip, and it would seem that the burden should have still been held to rest upon the depositor to affirmatively prove the deposit of the entire amount. But even so, the burden might have been held sustained by the positive testimony that no cash had been received and that the entire check had been deposited, to counteract which all the bank had to offer was its own records and the deposit slip. Hence, irrespective of the burden of proof, there is a necessity of the bank protecting itself in such a case.

The form of transaction submitted by you differs only from that before the Oklahoma court in that, in addition to making out an original deposit slip, the cashier at the same time makes a duplicate in carbon and delivers it to the depositor stamped "Duplicate, A. B., cashier." Your question is whether the burden of proof would still be on the bank when the depositor accepted the duplicate deposit slip at the time and made no objection to it. Under the ruling of the Oklahoma court, that the bank having admitted receiving the check, the burden of proof was on it to show it had repaid the amount deducted from its deposit slip in cash, the fact that the bank gave a duplicate to the customer and testified that the depositor made no objection to it at the time of the transaction would afford the bank little, if any, added protection for the reason that a dishonest customer, testifying that he received no cash, would also testify that he received no duplicate deposit slip showing a deduction of cash paid from the amount of the check deposited.

Two methods of protection have been suggested in the discussion of this subject:

1. Receive the entire check as a deposit and require the depositor to draw his own check for the amount he desires.

2. Require the customer to indorse upon the check in his own handwriting, a receipt of the amount of cash paid. For example, where a check for $75 is cashed for the customer, instead of being credited to his account, have him indorse in his own handwriting "For cash received, John Smith." If $35 is received in cash and the balance deposited the indorsement could be made to read: "For cash received $35, credited to account $40. John Smith."

There is a rule of the law merchant that an instrument cannot be indorsed for part of the amount, but that means, in case of a note for $100 that $50 thereof cannot be indorsed to A and $50 thereof to B or the balance retained by the holder, because that would permit one cause of action to be cut up into several. This rule, however, does not apply to the case where the entire check carrying the whole of the amount is indorsed by customer to bank for value received, partly in cash and partly by credit to account, and no reason is seen why the method suggested of having the customer indorse acknowledging receipt of the whole or part of the cash, as the case may be, is not both effective and protective.

Liability of a Bank for Default of Correspondent

According to the judicial rule in eighteen states and the statutory rule in three states, a collecting bank is not liable for default of correspondent if duly selected, while in ten other states the courts hold the collecting bank liable—the rule in the seventeen remaining states which include New Mexico is undecided and uncertain—Statute suggested to establish non-liability rule.

From New Mexico—Recently we noticed decisions in your JOURNAL, regarding the liability of a bank for the default of its collection agent. May we ask, if we can get the ruling in New Mexico, if a bank is liable for the default of its correspondent bank, or for care in the selection of its correspondent bank?

The courts in eighteen states have held that a bank, undertaking an out-of-town collection, was responsible only for due care in the selection of a suitable correspondent or agent, who becomes the subagent of the owner of the paper, and if such correspondent defaults or is guilty of negligence the original collecting bank is not liable therefor, where there is no negligence on its own part.

The courts of ten states and the Supreme Court of the United States, on the other hand, hold that the collecting bank is an independent contractor, responsible for the acts and defaults of the agents whom it employs, unless by agreement it relieves itself from responsibility. The courts of three other states, which formerly held this rule, have changed same by legislative enactment to the rule first above announced.

This makes thirty-one states in all which have positive rules upon this subject (see Digest of Legal Opinions, 1921, paragraphs 1099, 1100 and 1101, for detailed information), while in the remaining seventeen states and in the District of Columbia, the question has never been passed upon by the higher courts and the rule is uncertain, unless, so far as the District of Columbia is concerned, the Federal decision should be held binding in the District.

Your state of New Mexico is one of these seventeen; and in order that the rule may be made certain it would seem advisable to urge upon your state Legislature at its next session the adoption of a statute which would definitely fix the rule in accordance with the majority of states. New Mexico, in 1919, passed the act recommended by the American Bankers Association authorizing a collecting bank to forward a check direct to the payor; but the rule upon the liability of the collecting bank for default of correspondent is still uncertain.

A statute passed in 1921 in Arkansas, one of the three states above mentioned which made a statutory change from the liability to the non-liability rule, would be apparently a good model to follow. It provides:

"Any bank, whether within or without this state, receiving for collection, or for deposit and recharge if not collected or remitted for any check, note, bill, draft, certificate or other instrument or account, payable in another city or town, whether within or without this state, having exercised reasonable care to select a proper correspondent for the collection of such instrument or account, shall not be liable for the default of such correspondent or of any subcorrespondent selected by the latter."

The Condition of Business

THE remarkable thing about business is that it moves forward in spite of such adverse conditions as the many uncertainties and perplexities of Europe; the prolonged coal strike, the pinch of which is now beginning to be felt by some industries and the possibilities of which are beginning to play upon many minds heretofore indifferent; the railway strike; the textile strike, which seems to be receding; and the full extent of the loss which will be inflicted upon the cotton crop by the boll weevil.

American prosperity is greater than all these, and though there are recessionals in the general movement of recovery, that recovery is not stayed nor seriously impeded. Great progress was made toward restoration to normal in the first half of the year and now with crops so far advanced that much of the element of uncertainty has been eliminated, the country seems all but assured of a most satisfactory agricultural year as far as production, taken as a whole, is concerned. Involuntary unemployment decreases and in some instances there are complaints of the lack of unskilled labor. Discussion of the economics of immigration (apart from the substance of the discussion itself) noted in one bank review may be regarded as an early harbinger of the return to normalcy.

The condition of business by classes and commodities as given by various authorities is indicated in the following excerpts from the reviews:

Wheat

"The government's July report on the winter wheat crop gave an estimate of 569,000,000 bushels, which compares with a final estimate of 587,000,000 bushels for 1921. It is not moving as fast as a year ago, one reason being that the price is down to where it yields less than $1 per bushel to the farmer at country stations in the West."

There is a good prospect for European demand for wheat.

Corn

The corn crop is in good condition.

"Altogether the supply of foodstuffs," says the National City Bank, "is ample to maintain prices probably at about the present level, although the status of wheat will depend upon the crops of the Southern hemisphere, which mature four or five months hence."

Cotton

If the weather remains favorable the cotton crop may now amount to 12,000,000 bales, though estimates vary.

Wool

"The wool markets of the world have slackened their pace to a considerable degree during the past month," says the New England Letter. "The dullness which ordinarily comes upon the market at the mid-year has been in evidence, and is by no means the illogical consequence of an active six months' wool business since the first of the year. During these first six months the American mills have consumed about 300 million pounds of wool in condition purchased, in addition to rather more than that amount for the last half of 1921. Values appear to have reached the peak both here and abroad; in fact, there has been a slight recession in values in the last month. During the first half of this year, wool values have increased something like 50 per cent. in the local market. This rise in prices has been induced in no small measure by the practical embargo imposed by the Emergency Tariff, supplemented by the expectation of a high 'permanent' tariff, in conjunction with a rising market abroad. So, unless the rates on wool as now proposed in the permanent tariff are reduced, which is a possibility, values which have risen under these tariffs can hardly be expected to decline, except as foreign fluctuations might affect this market."

Effect of the Coal Strike

Though several furnaces have been banked on account of the coal strike, the cessation of mining, now in its fifth month, has not impeded business in general.

Car Loadings

Week ending July 15, 1922, 860,907.
Week ending July 15, 1921, 774,884.
Week ending July 15, 1920, 942,851.
Week ending July 15, 1919, 902,296.

Common Labor

The iron and steel industry has had complaints of a shortage of labor.

Money

There is plenty of idle money, so much that borrowers are able to receive rather than to make bids for the money they want.

Commercial Paper

"There was no further decline in the prevailing rate for commercial paper during the first three weeks of July, but evidence of a downward tendency was contained in a wider acceptance of the 4 per cent. rate, and the sale of a small amount of exceptionally prime paper for the first time this year at 3¾ per cent. Paper of slower moving character continued to be quoted at 4¼ and in some cases at 4½ per cent."

Stock Market Money Rates

"Between June 20 and July 20 call money rates ranged from 2¾ to 5½ per cent., as in the preceding thirty days. Except for a period over the first of July, when the usual half year financial settlements caused relative firmness, rate fluctuations reflected little more than the movement of funds in and out of this district. Rates at 5 and 5½ per cent., as at the end of June and early in July, resulted in heavy offerings of call money locally and from out of town, and a decline in the rate by midmonth to 2¾ per cent. At this level lenders withdrew their funds for employment elsewhere, and there was a reaction again to 5 per cent."

Foreign Financing

During the last year and a half there has been a steady increase in the volume of foreign financing.

The Federal Reserve Bank of New York gives the following table, indicating the volume in New York and London:

Period	Sales in New York	Sales in London
1st half, 1921..	$291,654,000	$238,010,000
2d half, 1921..	403,550,000	229,810,000
1st half, 1922..	678,552,000	481,191,000
Total......	$1,373,756,000	$949,011,000

Foreign Trade

The foreign trade for June was at the highest level of the year. "Exports, valued at $334,000,000, were $26,000,000 more than in May and the largest since October. Imports, valued at $260,000,000, while only $6,000,000 more than those of May, were the largest since December, 1920."

Cost of Living and Wages

The cost of living for a working man's family on June 15 was but three-tenths of 1 per cent. higher than on May 15.

In the New York district there has been an advance of one and two-tenths cents per hour for unskilled labor.

The United States Employment Service reports there was an increase of 3.2 per cent. in the number of persons employed in sixty-five leading cities.

Production

New records in automobile production were made in June. Iron and steel production shows an increase. There has been an unusually heavy demand for sugar.

Building

There was a decline of 5 per cent. in the volume of building contracts in twenty-seven eastern states in June.

Iron

Pig iron production for June was 2,356,418 tons, an increase of 47,070 over May.

"New business in iron and steel has been lighter, due largely to delayed deliveries and uncertain conditions, but in general the situation is considered satisfactory. Railroad buying has been heavy, and further large business is now in process of negotiation. Domestic railroad car awards for the first half of 1922 totaled 101,625 cars, an aggregate not exceeded in ten years."

Banker's Interest in Cooperative Marketing

By R. S. HECHT
President State Bank Division, American Bankers Association
President Hibernia Bank and Trust Company, New Orleans

LOCATED as I am in the world's greatest cotton market and in the midst of the cotton-producing section, I realized early in its history that this new economic development points to a permanent solution of the whole problem of financing the production and marketing of our principal farm products and would be sure to prove of incalculable benefit to the South if it proved successful.

The association's object definitely is not to encourage the farmer to speculate on the price of his products, nor do they wish to give him the means for artificially withholding his cotton from the market when it is needed. On the other hand, they argue—and properly so—that cotton is harvested all at one time, but the finished products made from it are consumed all the year around.

Long Contracts Necessary

The only way in which such organizations can function is to have definite contracts with the producers by which the growers bind themselves—usually for a period of several years—to turn over to the Cooperative Association *all* of the cotton they will produce to be sold during the year in accordance with the best business judgment of the officers, whom the growers themselves have elected for that purpose.

All cotton so turned over to the association is promptly graded and classed by licensed experts in accordance with official Government standards, and the grower gets a receipt showing just what kind of cotton he has turned in and how much it weighed.

The association then "pools" the cotton into even running lots of the same grade and staple and sells each lot on its merits.

The cotton buyer nearly always prefers to purchase in substantial quantities, and is usually willing to pay a premium for evenly matched lots. For that reason many of the large export houses now prefer to deal directly with the associations from whom they can usually get exactly what they want.

Small Farmer Benefited

The small farmer, on the other hand, is greatly benefited by this new system because he never enjoyed such independent service before, and consequently had to rely almost entirely on the classification put on his cotton by the buyer.

When the cotton is shipped to the warehouse, title passes from the grower to the association. All cotton of like grade and character goes into the same pool and each grower receives the same price for the same class of goods.

While the association insists on a clear delivery so far as its own title is concerned, it fully recognizes the liens of others in all of its disbursements. Thus it will make its checks payable jointly to the grower and the banker or merchant who may have had a lien on the growing crop, with the result that the association acts as a collector for all the liens and mortgages of the bank, and the grower does not get clean checks payable to himself until all such liens are extinguished.

In our section of the country—and in a measure this is true all over the country—the business outlook and the soundness of the banking situation depend to a large extent on the outcome of the cotton crop and the price received for it.

Bankers have a deep interest, therefore, in joining in this new movement, the success of which will benefit the producer and the consumer, will stabilize crop and land values, and will mean a sounder and steadier financial situation throughout the agricultural sections of the country.

War Corporation's Work

Up to the present time, however, the real support of these cooperative associations has not come as much from the banks as it has come from the War Finance Corporation.

No praise could be too great for the wonderful work which was done by that Government agency under the courageous and far-sighted leadership of its managing director, Eugene Meyer, Jr.

The War Finance Corporation is at best but a temporary agency created to meet an emergency which is rapidly passing, and the permanent solution of the new financial problems which are presented by the Cooperative Marketing Associations must ultimately come from the private initiative of bankers and not from Government aid or more legislation.

My study of the cooperative marketing movement has convinced me that it will spread rapidly and prove to be a practical success. If such proves to be the case, we as bankers must do our share not only in being prepared to make large advances on staple products properly warehoused and liberally margined, but also in helping to adjust our whole agricultural credit system to synchronize with the new economic conditions.

It will avail the farmer nothing to receive an advance of from 50 to 60 per cent. on his product from the Cooperative Marketing Association if the banker or the merchant holds his note for the amount advanced on the crop, all maturing at the time of harvesting. In other words, we must do something to coordinate the time when the farmer is expected to pay his debts and the time when he gets returns from the sale of his product; otherwise not even the beneficial effects of the Cooperative Marketing Association can save him from disaster.

But if we will no longer expect the cotton grower to pay immediately after the picking season all of his debts incurred for the whole year's producing operations, we must give him credit for a correspondingly longer period. This does not mean, however, that we should necessarily provide new agencies to do what can readily be done by existing machinery, and we should by all means prevent the creation of further Governmental agencies for that purpose, which would only mean duplication and expense.

Nine Months' Paper

While I fully appreciate the necessity for keeping liquid the assets of the Federal Reserve Banks, I do not think any serious harm would result if we permitted such banks to carry a reasonable amount of nine months' agricultural paper, provided it arises out of such a program of orderly marketing. Thus agricultural nine months' paper secured by non-perishable farm products when used to carry such products from one season to the next for speculative purposes might readily be considered "ineligible," whereas the obligations of a farmer or a cooperative association, similarly secured and drawn in the early part of the season, should be considered eligible for the period that is required to market such products in an orderly way.

I think it very likely that there would be a considerable increase in the membership of the Federal Reserve System if such change were made. It might particularly prove to be an inducement for the smaller banks to join, especially if the law now pending—permitting banks of less than $25,000 capital to become eligible—should pass. At present less than 1,600 out of the 11,000 state banks which have been eligible all along have actually joined the system; and if the new law passes there will be 4,203 more banks added to the list of state banks which could and might become members if the facilities offered proved sufficiently attractive to them.

Reports of the War Finance Corporation indicate that during the short period in which it has functioned 4,220 banks availed themselves of its rediscount facilities. I also understand that nearly all the institutions so accommodated were state banks—not members of the Federal Reserve System—and many of them too small to qualify for such membership under the old law.

This I think is eloquent argument in favor of some adjustment of the rules of eligibility of agricultural paper, and, no doubt, that can be done without seriously affecting the liquidity or jeopardizing the soundness of the system.

On the other hand, when it comes to the financing of live stock, we are confronted with an entirely different problem because in that case a turnover of from two to three years is required. Paper running for such a period cannot, of course, be handled by the Federal Reserve System, and it may be advisable to provide some other kind of machinery for that purpose.

The events of the past two years have demonstrated more clearly than ever before to what extent agricultural prosperity lies at the foundation of our national welfare. Cooperative Marketing Associations have proven successful wherever they were properly managed, and the results they have achieved entitle them to the commendation and the support of the bankers in carrying forward this work.

Certainly there is no good reason why such associations should not be entitled to borrow money on as favorable terms as any other large business, and while it is well that there should be a continuation of the War Finance Corporation's help during the coming season, there seems to be no good reason why banks should not grant these associations large loans protected by every safeguard sound banking practice requires.

Some of the ablest farmers and business men are giving their time and thought to this new economic development, which if completely successful will result in a more even distribution of business activity, more stable prices, less speculation and less violent fluctuation of bank deposits. I can think of no worthier movement to attract the interest of the banker.

A. I. B. Convention

(*Continued from page* 80)

ager of the Weyerhaeuser Timber Company of Tacoma, Wash., and on the "Patriotic Obligation of Peace," by Hon. Charles R. Mabey, Governor of Utah, were given Wednesday afternoon.

Thursday's sessions included talks or addresses as follows:

"The Salmon Industry," by B. F. Stone, general manager of S. Elmore & Company, Astoria, Ore.; "Fundamentals," by E. G. Crawford, vice-president of the United States National Bank, Portland, Ore.; "Scientific Merchandising," by Dr. W. J. Hindley, executive educator, Washington State Retailers' Association, Seattle, Wash.

The Committee on Resolutions, of which Stewart D. Beckley of the National City Bank of Dallas, Texas, was chairman, presented an extended report, which was adopted. The resolutions expressed appreciation and gratitude to the Portland Chapter and to Portland in general, and to the Seattle, Tacoma and Spokane Chapters for the great hospitality and for courtesies extended to the delegates; recommended that the present numerical system be extended from a two number basis to a three number basis, thus providing for the designation of branch banks; expressed grateful acknowledgment to the American Bankers Association; expressed gratitude to "Uncle George" Allen, whom "we recognize as the builder of the Institute—the architect who has planned and made possible the success achieved by thousands of young bank men"; commended President Locke and all officers; indorsed the plan of procedure for selecting a new educational director; declared for promotion in Institute offices by virtue of merit alone; approved the plan of chapter caucuses; indorsed the plans and work of the American Bankers Association Committee on Education; pledged individual cooperation to bring about a better understanding of economics.

The following officers were elected:

President—Carter E. Talman, American National Bank, Richmond, Va.

Vice-President — Clarence R. Chaney, Northwestern National Bank, Minneapolis, Minn.

Members Executive Council—Norman T. Hayes, Philadelphia National Bank, Philadelphia, Pa.; Albert C. Burchett, Bank of Commerce and Trust Company, Memphis, Tenn.; Frank N. Hall, Federal Reserve Bank, St. Louis, Mo.; Bert V. Chappel, Federal Reserve Bank, Cleveland, Ohio.

The next convention will be held in Cleveland.

Eligible and Ineligible Under Amendment

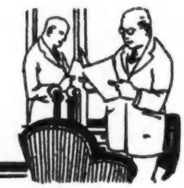
The following table shows the classifications of banks in each state with regard to membership or non-membership in the Federal Reserve System; and the number of banks which will be eligible if the Federal Reserve Act is changed by the enactment of S. 3531, amending Section 9 of the act.

State	Total number of banks in state.*	National banks.	State bank and trust company members.	Non-member banks eligible for membership on basis of present capital.	Non-member banks not eligible under present capital and which will not become eligible if S. 3531 is enacted.	Non-member banks which will be eligible if S. 3531 is enacted.
Maine	116	61	3	42	7	3
New Hampshire	81	56	......	8	17	......
Vermont	88	49	......	26	11	2
Massachusetts	273	162	31	61	18	1
Rhode Island	33	17	3	7	4	2
Connecticut	136	64	5	37	25	5
New York	839	505	96	207	24	7
New Jersey	376	220	45	80	29	2
Pennsylvania	1,476	861	56	419	66	74
Delaware	53	18	4	15	14	2
Maryland	268	90	6	75	76	21
Washington, D. C	47	15	1	10	18	3
Virginia	511	174	16	136	99	86
West Virginia	349	123	9	191	19	7
North Carolina	641	87	15	191	265	83
South Carolina	460	81	18	213	82	66
Georgia	723	95	70	293	77	188
Florida	272	56	12	97	28	79
Alabama	358	107	18	136	45	52
Mississippi	355	31	3	154	109	58
Louisiana	269	36	14	130	38	51
Texas	1,582	557	192	434	182	217
Arkansas	488	83	35	163	132	75
Kentucky	602	134	11	192	38	227
Tennessee	570	98	15	174	191	92
Ohio	1,008	375	84	406	101	42
Indiana	911	252	22	518	89	30
Illinois	1,893	494	80	1,036	168	115
Michigan	683	117	159	209	26	172
Wisconsin	991	153	36	361	271	170
Minnesota	1,527	341	30	338	567	251
Iowa	1,703	354	104	721	280	244
Missouri	1,669	131	38	427	751	322
North Dakota	854	180	5	123	329	217
South Dakota	700	134	18	194	182	172
Nebraska	1,184	186	21	414	235	328
Kansas	1,379	267	8	309	527	268
Montana	413	143	59	109	5	97
Wyoming	154	47	4	44	44	15
Colorado	396	143	3	86	111	53
New Mexico	126	50	7	51	16	2
Oklahoma	981	359	20	156	309	137
Washington	400	96	54	104	92	54
Oregon	285	96	33	69	41	46
California	731	309	46	315	41	20
Idaho	216	83	46	42	21	24
Utah	129	28	36	50	3	12
Nevada	35	11	......	23	......	1
Arizona	83	21	4	44	6	8
Total	29,417	8,150	1,595	9,640	5,829	4,203

*Exclusive of mutual savings and private banks.

NOTE.—Figures of member banks and of non-member banks eligible for membership on the basis of capital requirements are as of June 30, 1921, while those for other banks are as of the latest date for which figures are available.

RECENT DECISIONS



THOMAS B. PATON, Jr.
Assistant General Counsel

Passbooks—Where Depositor Shows it is Impossible to Present His Passbook, He is Entitled to His Money—New York

Plaintiff, as receiver of the property of Anton Shisko, a judgment debtor, brings this action against the defendant savings bank to recover the amount of money on deposit with said bank in the name of the judgment debtor. It is conceded that there is on deposit with the bank the sum of $821.10 to the credit of one Anton Shisko, but defendant resists payment on the ground that plaintiff has failed to identify the depositor with the judgment debtor, and on the further ground that it is not obliged to pay said sum unless there be a compliance with the provision of the Banking Law (Consol. Laws, c. 2) and the by-laws of the bank requiring the presentation of the passbook at the time payment is requested, which by-laws were printed in the passbook given to the depositor at the time the account was opened. Defendant claims, further, that, in the event it be found that plaintiff is entitled to judgment, he should be required to furnish a bond for the protection of the bank. The facts presented sufficiently identify the judgment debtor as the depositor, and, accordingly, it is found that said depositor and the judgment debtor are one and the same person. It is now settled that neither the provision of the Banking Law, to the effect that no savings bank shall pay any deposit unless the passbook of the depositor be presented, nor a by-law of a savings bank to the same effect, is an arbitrary condition which must be complied with at all hazards, but that the depositor is entitled to receive his money where circumstances render the production of the book impossible and where reasonable excuse for the failure to present the same is shown. Meighan *v.* Emigrant Industrial Savings Bank, 168 App. Div. 542, 153 N. Y. Supp. 312, affirmed, 222 N. Y. 578, 118 N. E. 1067. In the case at bar the proof discloses that diligent search has been made for both the book and the debtor, but that neither could be located. Under such circumstances the duty devolves upon the bank to pay. And as the judgment debtor's property, so far as he has any interest therein, is vested in the receiver (Rabbe *v.* Astor Trust Co., 61 Misc. Rep. 650, 114 N. Y. Supp. 131), the plaintiff receiver stands in the shoes of the debtor so far as the deposit is concerned and is the person entitled to receive such payment. Inasmuch as my attention has not been called to any provision in the bank's by-laws making the furnishing of a bond a prerequisite to the payment of a deposit, where the book is lost or cannot be produced, the bank is without power to impose such condition, nor can the court now render its judgment so conditioned. See Mierke *v.* Jefferson County Savings Bank, 208 N. Y. 347; 101 N. E. 889; 46 L. R. A. (N. S.) 194; Ann. Cas. 1914D, 21. Judgment for plaintiff, with 10 days' stay and 30 days to make a case. Dunn *v.* Seamen's Bank, 194 N. Y. Suppl. 417.

A SAVINGS bank cannot require a bond in case of inability to furnish passbook where there is no by-law requiring it; and where a depositor shows it is impossible to present his passbook, he is entitled to his money.

NOT all capital of a banking corporation lawfully engaged in other distinct business is taxable as "capital used in banking."

RECITAL in a note that it was given covering deferred installments under conditional sales contract for motor vehicle does not render it non-negotiable under the Negotiable Instruments Act, and suit may properly be brought in the name of the indorsee thereof.

THE circumstance that a note was not stamped when it was executed where a sufficient stamp is attached and canceled at the time of its transfer does not prevent it from being then complete and regular on its face, and does not preclude the transferee from becoming a holder in due course.

IF the words expressing the sum payable in a note are ambiguous, reference may be had to the figures, but where the words are badly written and spelled, but are not ambiguous or uncertain, they prevail over the figures.

WHERE a bank was sued foi funds which were misappropriated by an executor, it was held the bank had notice when the certificate of deposit contained only the letters "Exec."

"IT may not be possible to define precisely how far a building association may go in extraneous activities without losing its essential character, but it seems clear that when it ceases to be substantially mutual and adopts as its chief business, dealing for profit with the general public by the methods of an ordinary savings bank, it is no longer a building association entitled to be exempted from income taxation under the statute in question."

Use of Word "Exec." on C/D Held to Convey Notice that Funds Were Trust Funds—New York

One James M. Seaman, as executor of the estate of Mary Powell, deposited in The Freeport Bank of Freeport the funds belonging to the estate. Wishing to withdraw the trust funds, he received from that bank a certificate of deposit in the following form:

"Freeport, N. Y., Sep. 1, 1916, No. 3590
THE FREEPORT BANK
James M. Seaman, as Exec. has deposited in this Bank
Twenty five hundred Dollars............$2500
Payable to the order of James M. Seaman ....on the return of this certificate properly indorsed.
Not over Twenty Five hundred Dollars
Harvey B. Smith,
Asst. Cashier."

Seaman took this certificate to the First National Bank of Freeport, and deposited it to the credit of his individual account; and on the same date he drew on this bank his personal check, with which he paid his individual note held by the bank.

Seaman died, and his administrators, claiming that the trust funds were misappropriated, brought an action against both banks.

The court held the First National Bank responsible, saying that "the administrators were justified in following the trust funds into the possession of the First National Bank unless that bank became the holder of them in good faith. This depends upon whether the bank had knowledge of circumstances which gave it constructive notice that the funds were trust funds. The only evidence tending to show that the bank was put upon notice was the form of the certificate of deposit, which stated on its face that it represented funds of James M. Seaman, 'as Exec.'

"Under the circumstances disclosed in the evidence, viz., that the certificate was deposited and the avails drawn out on the same day to pay the note, I think the bank had notice that the executor was using trust funds to pay his own debt. It is true that in Manhattan Sav. Inst. *v.* N. Y. Nat. Exch. Bank (170

N. Y. 58, 67) the court said: 'Coupling the word "trustee" with his name as a depositor was not an unusual, or peculiar, circumstance; nor necessarily imported that he was acting as trustee for others. It simply distinguished, or described, the account, which he opened, in a particular way, satisfactory to himself, and did not call for any investigation on the part of the bank into his authority as trustee.' But the word 'executor' has a limited and certain significance and is like the word 'guardian,' which in Cohnfeld *v.* Tanenbaum (176 N. Y. 126) was held to convey notice that the funds were trust funds. I think, therefore, that the bank must be held to have had constructive notice that the certificate of deposit represented trust funds and that the avails thereof, in part at least, were used to pay the executor's personal debt." Powell & Powell, Administrators, *v.* Freeport Bank & First Nat. Bank of Freeport. N. Y. App. Div. S. C. April, 1922.

Revenue Stamp—Note on Which Internal Revenue Stamp Was Placed at Its Transfer Held Regular on Its Face on Acquisition by Transferee—Kansas

The Solomon National Bank sued Lester Birch and Dallas Birch upon two negotiable notes executed by them to their own order and indorsed by them and by Felix Broeker. The defendants answered, setting up that the notes were executed by them for stock in the Okla Queen Oil Company, and were procured from it by fraudulent representations as to its value; and also that the transaction was illegal because the same was made in violation of the "blue sky law."

The bank contends that it is a holder in due course and is entitled to judgment because it did not have actual notice or knowledge that the notes in question were obtained by fraud, nor did it purchase them in bad faith.

The defendants assert that in order to constitute plaintiff a holder in due course it was necessary to show that the notes were complete and regular on their face.

When the notes were first brought to the plaintiff they bore no revenue stamps but these were affixed at the time of the transfer by the person who negotiated the deal in behalf of the former holder.

The defendants argue that because of this fact the notes when acquired by the plaintiff were not "complete and regular on their face." This contention is supported by Lutton *v.* Baker, 187 Iowa 753, 174 N. W. 599.

The court held that the affixing of the stamp on the note at the time of the transfer in behalf of the holder does not prevent it from being complete and regular on its face at the time of its acquisition by the transferee nor prevent his becoming a holder in due course. The court said: We do not think the circumstance that a note was not stamped when it was executed, where a sufficient stamp is attached and canceled at the time of its transfer, prevents it from being then complete and regular on its face, or precludes the transferee from becoming a holder in due course. We regard the terms "complete" and "regular" as referring to the condition of the note itself, with regard to its contents, execution (of which the affixing of a stamp is no part), and indorsement. The stamp is merely evidence of the payment of a tax. Provisions of an act of Congress that an instrument shall not be received in evidence without the required stamp are held by most of the courts which have considered the question (not including that of Iowa, however) to relate to Federal and not to state procedure. When the omission to stamp an instrument was not fraudulent it does not invalidate the instrument, and may be remedied at any time, even after an action has been brought. Solomon National Bank *v.* Birch, et al., 207 Pac. 191.

Notes—Recital of Extraneous Matter in Note Held Not to Render It Non-negotiable—Delaware

The Peoples Bus Line, a corporation, entered into several conditional sales contracts for the purchase of motor vehicles from the Delaware Motor Transportation Company. Each of the written contracts by its terms provided that the purchaser should give to the seller a promissory note as evidence of the amount due on the installments to be paid under the contract. The notes were indorsed by the transportation company to the Continental Guaranty Corporation, and default having been made in the payments prescribed in the contracts and in the notes, the corporation brought an action against the Peoples Bus Line. Each note bears the following memorandum printed on the face of the note:

> "This note is given covering deferred installments under conditional sale contract for a motor vehicle."

The important question presented to the court was: Are the notes sued upon in this action negotiable instruments within the meaning of the laws of this state and particularly of the Uniform Negotiable Instruments Act so as to follow suits thereon in the name of the indorsee of the said notes?

The court held that under the Negotiable Instruments Law the above quoted memorandum did not destroy the negotiability of the notes.

The pertinent section of the Negotiable Instruments Law provides that "An unqualified order or promise is unconditional within the meaning of this chapter, although coupled with * * * (2). A statement of the transaction which gives rise to the instrument."

The court held that the memorandum in this case falls within the general rule and the cases holding that the negotiability of the notes is not destroyed. Continental Guaranty Corporation *v.* Peoples Bus Line, 117 Atl. 275.

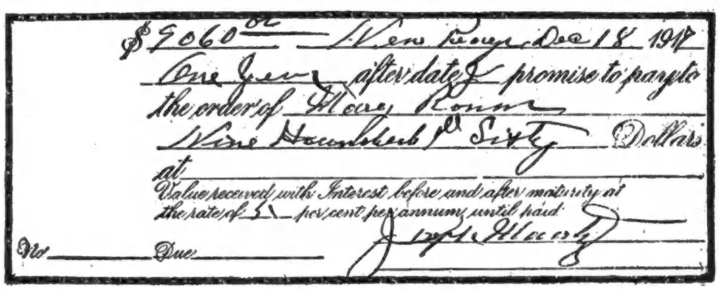
Taxation—"Capital Used in Banking" Includes Working Capital and Money Held as Reserve or Invested in Securities—U. S.

The capital employed in banking by a corporation which was engaged in other business, on which a tax was imposed by Spanish War Revenue Act, Sec. 2, was not limited to that used strictly as working capital in making loans or directly in other banking transactions, but includes money held in the vault, or with depositaries as a reserve, or invested in securities solely to give to the banker the credit which attracts depositors, or to make it possible for him otherwise to raise money with which banking operations are conducted, and securities serving to give such credit continue to be capital used in the banking business, even if they are designated by the company as assets of another department and physically segregated as such.

If a company is engaged exclusively in banking all of its capital, however invested, may reasonably be considered capital employed in banking; but if it is lawfully engaged in several distinct businesses, to the successful conduct of each of which credit is necessary, and the company's capital supplies such credit to each, the whole of the common capital cannot be considered as used in banking, so as to be subject to the tax imposed by Spanish War Revenue Act, Sec. 2. Fidelity & Deposit Co. of Maryland *v.* United States, 42 Sup. Ct. Rep. 511.

Notes—Where Words in Note Are Badly Written and Spelled But Are Not Ambiguous or Uncertain, They Prevail Over Figures—Minnesota

This is an action on a promissory note. The note was given in 1917 to Mary Bonn, now deceased, and is now owned by plaintiff. The only question in the case is as to the amount named in the note. The note is here reproduced:



$9060 00 Dec 18 1917

One Year after date I promise to pay to the order of Mary Bonn

Nine Houndred & Sixty Dollars

at

Value received with Interest before and after maturity at the rate of 5 per cent per annum until paid

No. Due

The writing is bad, likewise the spelling. Defendant contends that the amount written is "nine hundred and sixty dollars," with the word "hundred" misspelled, and that the figures are erroneous. Plaintiff contends that the writing is ambiguous and that for that reason the figures control. The trial court, trying the case without a jury, found that the written portion of the note contains the words nine "houndred" and sixty dollars and gave judgment only for that amount. Bonn *v.* Maertz, 188 N. W. 262.

Building and Loan Association Dealing for Profit with Public Using Methods of Ordinary Savings Bank not Entitled to Income Tax Exemption

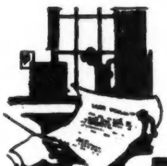
Section 231 (4) Revenue Act of 1916, exempts "domestic building and loan associations and cooperative banks without capital stock, organized and operated for mutual purposes without profit." It was claimed by the Government that the plaintiff building and loan association does a banking business under the guise of a building and loan association, and, as such, is not entitled to income tax exemption by the defendant, that its activities are no broader than those permitted to be exercised by such associations organized under the laws of Ohio. General Code of Ohio, 9643, et. seq. The court held that a building and loan association that puts aside the attribute of mutuality, and whose primary design is not to be an instrumentality of mutual helpfulness among its contributors in saving and borrowing for home owning, but whose object is the receiving of deposits from and lending money on interest to the public for profit of the stockholders, is not in the exempt class. The Lilley Building and Loan Company *v.* Newton M. Miller, as Collector of Internal Revenue, etc., Dist. Ct. of U. S., So. Dist. of Ohio, Eastern Div.

Inheritance Tax—Municipal Bonds Included in Determining Amount of Inheritance Tax

This action was brought to recover part of an amount assessed as estate tax under the Act of September 8, 1916, and paid by plaintiff as executrix of the estate of Kate B. Kingsley. In determining the net value of the estate upon the transfer of which the tax was imposed, the collector had included bonds issued by political sub-divisions of the State of Pennsylvania. The executrix claimed that to include these municipal bonds was in effect to tax them—which the Federal Government is powerless to do. Held: The Federal Government has power to tax the transmission of legacies and the transfer of the net assets of a decedent's estate. The estate tax imposed by the act of 1916 is a duty or excise, and not a direct tax like that on income from municipal bonds. A state may impose a legacy tax on a bequest which consists wholly of United States bonds. Likewise the Federal Government may impose a succession tax upon a bequest to a municipal corporation of a state, or may, in determining the amount for which the estate tax is assessable, include sums required to be paid to a state as inheritance tax, for the estate tax is the antithesis of a direct tax. Municipal bonds of a state stand in this respect in no different position from money payable to it. The transfer upon death is taxable, whatsoever the character of the property transferred and to whomsoever the transfer is made. It follows that in determining the amount of decedent's net estate municipal bonds were properly included. Greiner *v.* Lewellyn, 42 Sup. Ct. 324.

The Greatest Convention

This year's convention of the American Bankers Association, New York, Oct. 2-6, will probably be the greatest in the history of the Association. If you have not yet made your hotel reservations immediately write or wire your requirements.



TRUST COMPANY DIVISION

THE state vice-presidents to serve the Division during 1922-23 thus far reported by state secretaries are as follows:

Alabama—E. F. Ladd, president Merchants Bank, Mobile.

Arizona—C. W. Gibson, secretary-treasurer Phoenix Savings Bank and Trust Company, Phoenix.

Arkansas—E. S. Rodman, cashier Bankers Trust Company, Little Rock.

California—William Rhodes Hervey, vice-president Los Angeles Trust and Savings Bank, Los Angeles.

Connecticut—George S. Beach, vice-president Bristol Trust Co., Bristol.

Florida—Dr. Louis A. Bize, president Citizens-American Bank and Trust Company, Tampa.

Georgia—George B. Pendleton, secretary-treasurer Trust Company of Georgia, Atlanta.

Illinois—C. W. Terry, president Citizens State and Trust Bank, Edwardsville.

Kansas—J. R. Burrow, Jr., vice-president and treasurer Central Trust Company, Topeka.

Louisiana—J. P. Butler, president Canal Commercial Trust and Savings Bank, New Orleans.

Maine—H. W. Cushman, president Merrill Trust Company, Bangor.

Maryland—W. Graham Boyce, vice-president Union Trust Company, Baltimore.

Massachusetts—H. L. Sherman, president Merchants Trust Co., Lawrence.

Michigan—C. H. Adams, assistant vice-president Union Trust Co., Detroit.

Minnesota—W. A. Stevenson, vice-president Wells-Dickey Trust Company, Minneapolis.

Mississippi—J. G. Hickman, secretary City Savings and Trust Co., Vicksburg.

Missouri—R. P. Rogers, vice-president and trust officer Liberty Trust Company, Kansas City.

New Hampshire—B. Q. Bond, treasurer Rochester Trust Co., Rochester.

New Jersey—William C. Pearson, vice-president Fidelity-Union Trust Co., Newark.

New York—N. I. Schermerhorn, president Citizens Trust Co., Schenectady.

North Carolina—R. D. Douglas, vice-president Greensboro Bank and Trust Co., Greensboro.

North Dakota—F. L. Goodman, president Northwestern Trust Co., Grand Forks.

Ohio—P. J. Slach, vice-president Union Trust Co., Cleveland.

Oklahoma—H. L. Standeven, vice-president and trust officer Exchange Trust Co., Tulsa.

Pennsylvania—John W. Chalfant, trust officer Colonial Trust Co., Pittsburgh.

Rhode Island—Henry C. Jackson, treasurer Slater Trust Co., Pawtucket.

South Dakota—Tom Costello, vice-president Dakota Trust and Savings Bank, Sioux Falls.

Tennessee—D. H. Griswold, cashier American Trust and Banking Co., Chattanooga.

Texas—Dick Ansley, vice-president Central Trust Co., San Antonio.

Utah—J. Wm. Knight, president Knight Trust and Savings Bank, Provo.

Virginia—Walker Scott, vice-president Virginia Trust Co., Richmond.

Washington—H. C. Lucas, president Yakima Trust Co., Yakima.

Wisconsin—Fred C. Best, vice-president First Wisconsin Trust Co., Milwaukee.

Committee on Cooperation with the Bar Reissues Former Suggestions

The Committee on Cooperation with the Bar of the Trust Company Division, which is composed of Wm. S. Miller, vice-president of the Northern Trust Co., Chicago, Ill., chairman; Ralph Stone, president of the Detroit Trust Co., Detroit, Mich.; G. T. Stephenson, vice-president of the Wachovia Bank and Trust Co., Raleigh, N. C.; Robertson Griswold, vice-president of the Maryland Trust Co., Baltimore, Md., and F. W. Denio, vice-president of the Old Colony Trust Co., Boston, Mass., met in New York on July 11 and 12.

After reviewing the cases which the committee had handled and the efforts made to have members, generally, cooperate in carrying out the plans and purposes of the committee, it was decided to again call the attention of members to the subject matter of the six points published in the committee's letter which was sent to members throughout the country in January, 1921.

These points read as follows:

"FIRST AND FOREMOST: Trust companies should so conduct their business that all possible conflict of interest with lawyers will be eliminated. Therefore, when a client proposes to name a trust company as executor or trustee of his or her estate every effort should be made to have the attorney for the client draw his or her will and in all legal matters in connection with the administration of the estate the client's attorney should, if possible, be employed.

"SECOND: Lawyers have complained more frequently than of any other one thing of trust companies advertising to draw wills, and this fact suggests the importance of trust companies giving careful consideration to the rights of lawyers when preparing their advertising material.

"THIRD: We believe it is good practice for trust companies to advertise freely among the legal profession in order to acquaint it with the real functions of a trust company, thereby demonstrating to members of the bar that the company deals primarily not in matters of law, but in matters of business, investment, clerical and accounting service, which do not conflict with the profession of the lawyer, but really supplement and assist his work by relieving him of duties which he has neither the desire nor the office organization to perform.

"FOURTH: It would be well to enlarge upon the special investment service and experience which is required in passing upon the manifold variety of securities which are offered for sale and the fact that the facilities for investigating and reaching judgment upon these are possessed by the trust company organization, a kind of office organization which is not practical for lawyers to establish.

"FIFTH: Trust companies should freely tender the services of their various departments to members of the bar and invite them to make use of their facilities.

"SIXTH: In brief, actively endeavor at all times to maintain close and friendly relations with the legal profession in every possible way."

Any communications in respect to this activity should be addressed to the chairman or any member of the committee or to Leroy A. Mershon, Secretary, 5 Nassau Street, New York City.

At a meeting of the Committee on Staff Relations, held in New York on July 13, the data gathered from over seven hundred trust companies as a result of the committee's questionnaire, was carefully analyzed. Plans were developed for disseminating information which is apparently much needed in all parts of the country throughout the coming winter. The personnel of the committee will probably be enlarged in order to function more broadly, as it is the purpose to call to the attention of each trust company the difficulties which now exist in groups of institutions and give a remedy for the correction of these difficulties.

Where Gold Disappears

Gold that goes to India is an economic loss, serving no practical ends, but disappearing from circulation there into the secret hoards of the natives, or being converted into trinkets. India, as often said, is the world's great sink for precious metals. During the recent months the net flow of gold to India by way of London has totaled $20,000,000, in the face of a premium never less than about 10 per cent. as compared with the pre-war Bank of England buying price, and at times in this period rising as high as 15 per cent.; all of which is portentously indicative of the amount of gold India would absorb were it not for the restraint now placed upon the metal by governments and the impediment of a high premium.

These facts acquire, under present circumstances, serious importance, in view of the world's unequalled necessity for metal to strengthen its currencies.—*Annalist.*

SAVINGS BANK DIVISION

Onward March of the Small Depositor

VARIED and interesting has been the editorial comment on the recent announcement through this JOURNAL last month that the reported savings deposits in the banks of the United States amount to $16,618,595,000, or about one-third of all bank resources of the nation.

The practical importance of this announcement is the greater when we consider first that it is a cash item and not enlarged by pyramiding through the use of bank or other credit, and secondly it is a fairly stable deposit against which thirty days' notice of withdrawal may generally be required.

The Division is preparing two additional tables which show respectively the distribution of the savings deposits in the different types of banks and that the number of accounts compares favorably with and probably exceeds the records of other countries for which comparable figures can be obtained.

The ideal of thrift being reasonable expenditure and not hoarding of either currency or bank credit, these figures may result in placing all campaigns for thrift and saving upon a plane which will have a stronger and more effective appeal to the great bulk of potential savers in America.

Corrections

Two errors have been noted in Mr. Woodworth's article, "Fourteen Billions of Savings Deposits," in our last issue.

The total of "savings deposits" should be $14,015,887,000, instead of $14,015,877,000.

The per capita deposits for the entire United States should be given as $157, instead of $165.

Corrected copies of the compilation may be obtained by addressing the Division.

Data On School Savings

The school year of 1921-1922 shows further strides in the educational project of school savings banking which is being fostered by this Division.

The total number of pupils reported as participating is now 1,271,029, as compared with 802,906 in the previous school year and 462,651 in the second previous year. The total deposits are now $5,541,582.98.

Contract Loans Barred

A Wisconsin court in effect sustained the State Banking Department and overruled the State Attorney General when it held that certain 3 per cent. loan contracts were investment contracts, although in form contracts for the sale of specific parcels of land, and that such form of contract was adopted for the purpose of evading the laws of Wisconsin relating to banks and to building and loan associations.

California has barred the ordinary "Texas plan" by requiring a certain amount of capital stock, allowance of interest on all contract payments, reserve and other provisions.

The rule in the state of Washington is that the contract loan companies must comply with the building and loan company laws owing to similarity of general purpose. In one case where actuarial testimony was declared by the applicants to be contrary to the facts, the court ruled that where all contract holders might not take advantage of any particular option of the many permitted, if the contract did not stand up on any one of the options it was fraudulent, as the company had no control of the option any contract holder might avail himself of.

A trial court in Oklahoma is reported to have sustained the state bank authorities in barring the sale of such loan contracts.

Savings Bank Division

Monthly Business Text

VI. Meet non-banking competition for possible savings deposits.

Aim: To encourage more careful thought on expenditure for pleasure or investment, also to encourage the "before you invest, investigate" idea.

Plan: Coordinate your bank service with what potential depositors believe to be their economic needs.

Steps: It often requires exceptional ability not only as a financier, but also as an executive and as a salesman to assume control of the spending proclivities of the multitude that supports business projects which either waste or jeopardize savings on the plea that the best way to save is by going into debt. Every case differs according to both the popular and the banker psychology, but,

First, determine the volume of earned incomes, approximate the possible savings and study the objects of expenditure for other than necessary living expense.

Second, ascertain the real value received from popular local "investments," the levels of interest charges and returns, and the waste from collection charges and unproductive overhead.

Third, ascertain the extent to which bank custom, or false pride, or inadequate management, forces depositors into the hands of promoters, contract loan sharks, 10 per cent. building associations and others who invade the field of legitimate banking and subsidiary institutions.

Wherever there is a bank which loses its deposits to outside interests there is a case where facts both within and without the institution should be analyzed most critically.

Postal Savings

William E. Buffington, Elizabethville, Pa., has been appointed director of the postal savings system following the resignation of Malcolm Kerlin.

Estimated balances at the close of each of the following months are:

April	$143,000,000
May	140,750,000
June	138,750,000

The monthly postal savings bulletin has not been issued for the past few months.

Washington's Second Mutual

The Continental Mutual Savings Bank of Seattle opened for business on July 1, 1922; the business on the opening day amounted to 852 accounts for a total of $47,500.

Achievement Clubs

Among the most elaborate efforts to systematize the home and club work of children along thrift lines are the "Junior Achievement Bureau" of the Eastern States League of Springfield, Mass., and the "Achievement Course" for the Mahoning County School District, Ohio.

In each an effort is made to encourage boys and girls to make their work and play more systematic and therefore more profitable.

"Government Savings System"

Total receipts from Treasury savings securities during the fiscal year ending June 30, 1922, were $69,368,775.20. Sales were stimulated by payment of 4½ per cent. interest on five-year certificates and a campaign of paid advertising and nation-wide circularization (post free).

Sales during the previous fiscal year amounted to $26,587,420.61.

The present method for handling these investment securities has resulted in resolutions on June 23 by the Illinois Bankers Association, which are reported as follows:

"The banks of our state, having sold vast amounts of government securities to the people of Illinois, are now somewhat surprised to find the government actively competing with banks for savings deposits through the offer of 4½ per cent. United States Treasury savings certificates. As

This attractive floor is made up of 6 x 6 inch light and dark brown Linotile with black joints. Working spaces and officers' quarters, Diamond National Bank, Pittsburgh, Pa. Walter J. Bickel, Architect.

Brain Work and Floors

THERE is no doubt that constant standing and walking on cold, hard, noisy floors produce fatigue which slows down mental action. In banks especially, comfort underfoot is so essential to alert and accurate brain work that, from the standpoint of personal efficiency, the floor demands as serious consideration as heating and ventilation.

Every attribute of the completely satisfactory bank floor is afforded by Linotile—warmth, resilience, nonslipperiness, silence. In colors and design, Linotile floors accord with the dignity of the financial institution. They are dustless, easily cleaned, nonabsorbent of ordinary liquids and perfectly sanitary.

Structurally, Linotile is a composition of cork and wood flour, oils, pigments, etc., made in tiles of various sizes and shapes and in eleven pleasing colors. Designs may be varied over a wide range to conform to areas of any shape or size and to harmonize with any architectural treatment. Linotile can be laid over any smooth base.

Linotile floors will not chip, craze or crack and are remarkably tough and resistant to wear and abrasion.

The 44-page book, "Linotile Floors," contains complete information, specifications and color illustrations of designs and installations. Write for a copy and a sample tile—sent free on request.

Armstrong Cork & Insulation Company, 176 Twenty-fourth Street, Pittsburgh, Pa.

Also manufacturers of Armstrong's Cork Tile

LINOTILE FLOORS

conservative banking could never permit the banks to compete against this high rate of interest on savings now being offered by the government, the effect of the government's publicity campaign will doubtless be to draw considerable sums of money out of the banks, and this would not only seem to be a very great injustice to the banks, but would appear to be against the best interests of communities of our state, because such money as is drawn from our banks and invested with the government is withdrawn from the community where it should rightfully remain. We respectfully call the matter to the attention of Representatives of Congress and to the Honorable Secretary of the Treasury, and trust that this participation of the government in banking will be curtailed."

Similarly the Kansas State Bankers Association was recently reported to have sent out a request to the banks of that state to join in appealing to the Federal government to stop the selling of these securities, the organization declaring that more than $1,000,000 was taken out of Kansas during the month of February through the sale of Treasury and postal savings certificates, and that this practice of the Federal government is detrimental to the agricultural interests of Kansas.

Industrial Savings Banking

The plan of campaign for interesting employees in the industrial savings banking plan known as the "Worcester Plan" heretofore outlined in the columns of this JOURNAL by J. F. Tinsley is as follows:

1. A committee is appointed consisting of representative employees from the various sections of the shop and this committee has complete charge of the campaign under the direction of the manager of the Employment Service Department.
2. Enrollment cards are distributed through the committee to the foremen for all men who are not already in the plan.
3. These cards are picked up on a certain day by the committee and turned in to the Employment Service Department. In case the man does not wish to join the plan we endeavor to get his reason written on the back of his card, and these reasons can then be analyzed and taken into consideration at the next campaign.
4. The departments not making a good showing are visited by "thrift salesmen" who endeavor to raise the average by getting more subscribers.
5. The advertising of the campaign is by (a) bulletin boards, (b) announcement of the relative standing of the departments at the time of the campaign, (c) plant paper carries an article about the campaign and several articles on thrift in a previous issue, (d) thrift cartoon on the pay envelopes, (e) address by the general manager at weekly conference of foremen.

"Ask Your Banker"

A series of twenty advertisements has recently been used in the newspapers of Binghamton, N. Y., as the united effort of seven banks.

The headings were such as: "YOUR BANKER IS YOUR FRIEND," "WOULD YOU PAY $555 FOR $1?" "FINANCIAL POISON IN THE MAILS," "A SCRAP OF PAPER FOR YOUR SAVINGS," "HONEST DEALERS IN SECURITIES," "THE ELUSIVE LASS CALLED OPPORTUNITY," "THE TREASURY THAT LEAKED," "A BIG BUSINESS MAN WHO WAS FOOLED," "GOOD SECURITIES NEED NO BRASS BAND," "10,000 LOSE $2,000,000 IN STOCK DEAL," "ARE YOU ON THE SUCKER LIST?"

The text explained how certain oil companies have paid dividends of 15 to 20 per cent. without producing a gallon of oil, how sucker lists are purchased and exchanged, and other pertinent facts, each leading to the concluding advice to "ASK YOUR BANKER."

The bankers declare the results to be extremely gratifying.

British Postal Savings

The post office savings banks of England are thus described by a government publication of that country:

"The year 1861 saw a great development in facilities for popular saving. The Post Office Savings Bank was opened as a vast enlargement of the Trustee Savings Banks. On the opening day there were twenty clerks at the old General Post Office Savings Bank. The number now employed is five thousand. The first day's deposits were £911. In 1920 the balance due to depositors amounted to £266,000,000. At the close of 1915 the balance due to depositors was £186,327,574, so that, apart from the vast amount put by the small investors of the country into Savings Certificates in that period of boom in popular saving, nearly seventy-nine million pounds were put on deposit in the Post Office Savings Bank. Moreover, the bank has stock and bond accounts to the amount of another £207,000,000."

In view of the various efforts by congressmen to obtain the use of U. S. postal savings for real estate loans, municipal purposes, industrial loans and the like, it is of interest to note that in England local authorities may borrow one-half of the sales of national savings certificates for subsidized housing and other purposes specified. The National Savings Committee says that this arrangement "was a very important one, not only for the savings movement, but to local authorities, to whom it should prove of the greatest value, from a financial, social and economic point of view. It was the best incentive to local authorities to do everything possible to maintain the sale of certificates." The circular of information suggested such local cooperation in encouraging the formation of local associations and the increase in the sale of certificates, and later the official publication of the committee contains an assertion which we have heard more or less often in this country, "that in order that the stocks of the country should be increased and more production forthcoming, it was vital that everything possible should be done to increase the supply of the country's capital, and such an increase could be achieved only through saving."

Morehouse Booklets

At the session on savings bank advertising held during the Los Angeles convention of 1921, W. R. Morehouse called attention to the fact that newspapers might appreciate general contributions on the subject of thrift and saving which bankers can supply. He illustrated the point with short articles which he has been supplying to Los Angeles papers.

Two series of those articles are now available in booklet form, entitled, respectively, "Rise Above the Crowd!" and "Thrift, the Highway to Success." Samples may be obtained from the author or from this office.

Monthly Tendency in Savings Deposits

Federal District	No. of Banks Reporting	Savings Deposits July 1, 1922 Millions	Savings Deposits June 1, 1922 Millions	Per Cent. Increase Over Last Month	Savings Deposits July 1, 1921 Millions	Per Cent. Increase Over Last Year
1	64	$1,097,919	$1,091,620	.05	$1,067,743	2.8
2	30	1,738,814	1,701,562	2.1	1,672,087	3.9
3	80	424,063	423,582	.01	414,354	2.1
4	18	381,994	377,299	1.2	386,350	1.4
5	93	276,648	268,659	2.9	243,289	13.7
6	78	154,099	150,698	2.2	150,251	2.5
7	189(n. b.)	751,070	737,848	1.7	753,315	– .02
8	35	115,556	114,341	1.0	106,343	8.6
9	14	71,300	70,825	.06	69,880	2.0
10	60	81,769	80,379	1.7	75,614	8.1
11	116	72,576	70,946	2.2	66,619	8.7
12	75	768,704	747,296	2.8	726,318	5.8
Total	852	$5,934,512	$5,835,055	1.7	$5,732,163	3.5

(N. B.) Two banks previously included have been merged into one.

NATIONAL BANK DIVISION

Dividends on Federal Reserve Bank Stock

A BILL to amend Section 7 of the Federal Reserve Act has been introduced by Representative Appleby of New Jersey. It proposes that paragraph 1 of this section shall be made to read as follows:

"After all necessary expenses of a Federal Reserve Bank have been paid or provided for, the stockholders shall be entitled to receive an annual dividend of 6 per centum on the paid-in capital stock, which dividend shall be cumulative. After the aforesaid dividend claims have been fully met, the whole of the net earnings shall be paid into a surplus fund until it shall amount to 100 per centum of the subscribed capital of such bank, and thereafter 10 per centum of such net earnings shall be paid into the surplus. Any balance of the net earnings—that is, any balance remaining after the payments into the surplus fund have been made as aforesaid—shall be paid as follows: An amount not to exceed 10 per centum of the paid-in capital of the Federal Reserve Bank and not to exceed one-half of the said balance shall be paid to stockholders in extra dividends, and the remainder shall be paid into the United States Treasury as a franchise tax."

Benefits Are Immediate

A hearing on this bill was held by the Committee on Banking and Currency of the House of Representatives, though nothing further was done. Almost the full effect of the amendment, should it be enacted into law, can be enjoyed by member banks now for the reason that last year marked for all but one Federal Reserve Bank the attainment of a surplus equal to the subscribed capital as required by the Act, and hereafter only the 10 per cent. of the net profits will be set over for that purpose. Last year, too, the maximum additional dividend proposed in the bill could have been paid despite the surplus requirement, but that was due to the large earnings which perhaps will not be duplicated for years to come. The profits this year will be inadequate for such a large distribution.

Larger Return on Stock

The only change proposed in the law is the larger return upon the stock in the Federal Reserve Banks, and the consequent reduction in the sum due the government as a franchise tax. The amount of the additional dividend proposed is under two limitations. It cannot be in excess of 10 per cent. of the paid-in capital stock and it cannot be more than one-half of the net profits after payment of the regular dividend and the contribution to surplus. Several similar bills were introduced previously and one of them fixed the extra return to member banks at 8 per cent. Consideration of it, however, disclosed its defect to be the definite percentage stated, for in some years the stipulated amount might not be earned and, unlike the regular dividend, the proposed one is not intended to be cumulative.

Tax Was $59,974,466

Last year the amount paid to the government as a franchise tax was $59,974,466. Had the Appleby bill been the law then the member banks would have received from this sum approximately $10,400,000 and the government that much less. The share received by the latter would have been greatly in excess of that going to the banks, though it would have been just about the amount that would have gone to the government had the Federal Reserve Board exercised the authority given it to levy an interest charge upon the Federal reserve notes not covered by the 40 per cent. gold reserve. Such a charge the Board has never levied, it preferring to refrain from doing anything that might seem to restrict circulation necessary to the conduct of business.

This Year's Earnings

This year the system is expected to show earnings of approximately $20,000,000. The regular dividend upon a capital of $105,000,000, reported in May, would be $6,300,000, leaving a balance of $13,700,000. Ten per cent. of this sum would be set over to surplus and there would remain for the subscribers and the government $12,330,000. In this instance 10 per cent. of the capital could not be distributed to the banks as an extra dividend, for that would be an amount greater than one of the limitations set in the bill, namely, "not to exceed one-half of the said balance." Therefore, the government would receive $6,165,000 as a franchise tax and the member banks would be paid a like amount, approximating another 6 per cent.

Lowest Annual Profit

The greater the earnings of the reserve system, up to a certain point, the greater the additional dividends due member banks. With the capital of the reserve banks remaining as it is now, about $30,000,000 is the lowest annual profit upon which the member banks could receive the full 10 per cent. of additional dividends contemplated by the bill unless the stipulation that at least a like amount shall go to the government is removed.

Not Views of Members

The language used in the bill does not necessarily express the views of the members of the committee. They have not passed upon it. This proposal is simply the effort of the author and some others to define a plan which would be attractive to banks not enrolled with the Federal Reserve System, and to treat more generously those banks which are members and upon whose capital the earnings are predicated.

Due Notice to Shareholders

A national bank was ordered by the Comptroller of the Currency to restore its impaired capital. On March 16 a notice was mailed to shareholders advising of a meeting to be held on April 14 to levy an assessment upon the holders of stock. One of them claimed lack of due notice of this meeting and inquired whether his position was correct.

He was advised that it is a well-settled rule of construction that such notice includes the day upon which it is sent and excludes the one upon which the notice expires, or *vice versa*. That the force of this rule is not relaxed in instances such as this one was stated by the solicitor for the Treasury Department, who advised that in this case the thirty days' notice required by the statute and by the Articles of Association was not given.

Failure to follow the statute and the Articles of Association strictly might subject a bank to considerable trouble should it sell any stock belonging to a shareholder who did not attend the meeting and who declined to abide by the action taken.

National Bank Directors' Oath

A bill to slightly amend Section 5147 of the Revised Statutes of the United States was introduced in the Senate and has been reported favorably by the Banking and Currency Committee. It simply provides that the oath of a director cannot be taken before any notary public or other officer who is an officer of the director's bank. It states, too, that the oath upon being subscribed to and certified by the notary public shall be transmitted to the Comptroller of the Currency immediately and filed and preserved in his office for a period of ten years.

STATE BANK DIVISION

Securities and Unsecurities

THE State Bank Division is supporting the efforts of the National Association of Supervisors of State Banks and the Investment Bankers Association to secure legislation that shall prohibit the sale of fraudulent or worthless securities without crippling corporations engaged in business that is legitimate, even though of more or less speculative character. What suggestions have you to make in connection with this subject?

Among numerous answers to the foregoing inquiry the following are particularly interesting:

COLORADO—Your efforts, and those of the other agencies mentioned, are deserving of great credit and should be continued. However, you are as one "crying in the wilderness" unless you can induce the banker himself to express his opinion upon the sale of these securities at the time they are being offered. It seems that few bankers have the courage to do so, but if there were some agencies which would assume the responsibility of investigation and report upon these securities, their findings could be published by the local bankers and thus prevent, to a great extent, the actual sale of these securities. At the present time the banker's advice is usually asked after the harm has been done or when glowing promises have not materialized.

MONTANA—While I am not selling any securities that I consider doubtful or in the speculative class, I cannot believe that you can save people from their own folly. Men often come to me and say: "I have bought this. What do you think of it?" But they seldom come to me and say: "What do you think of this? Had I better buy it?" It seems to me that cartoonists are taking the proper method of attacking the buying of wildcat stuff, by making fun of it. The state bankers associations should keep up this work of education, but we have too many restrictive and prohibitive laws now.

CALIFORNIA—It has always been my opinion that before any bonds are allowed to be issued, except government bonds or bonds issued by some state, county or subdivision of some county, they should first pass a state bond commission. This commission should be appointive and be composed of men qualified to pass on these bonds or securities. No man should be allowed to pass on any bond or security where he has a financial interest.

MICHIGAN—A great deal of money is annually invested in stocks which have no value. I believe that the wealth of the country would be greatly increased by the working out of such plans whereby the supervision of these securities by the State Securities Commission would be more stringent. My belief is that the best way to curtail this is to take the appointment of these commissions entirely out of politics and appoint men who understand the appraising and valuation of property.

SOUTH DAKOTA—While many millions of dollars is taken from the public annually for "investment" in mining, oil, packing house and kindred wildcat projects, the big drain on the resources of the country comes through the buying of so-called "investment securities" such as are being daily advertised by bond and brokerage houses nationally known and which are grabbed up by the suckers because offered by nationally advertised concerns, and promise a high return in interest. I have before me a pamphlet describing issues amounting to over \$350,000,000 and ranging from a nationally know mail-order house to some unheard-of railroad project in South America, with interest returns ranging up to 10½ per cent. Presumably reputable bond and brokerage houses that offer and sell this kind of stuff to the public should be required to guarantee both principal and interest. A stringent law requiring this would make the business less attractive and open a field for really choice issues, such as Federal Farm Loan bonds.

SOUTH CAROLINA—This is a step in the right direction and if a workable plan can be devised I believe it will inspire a greater degree of confidence on the part of the public in worthy and necessary enterprises that have to suffer for the many frauds that are perpetrated on it by unprincipled schemers. I do not believe the different states should license the irresponsible and unprincipled to prey on the credulity of others. Would it not tend to improve our situation along this line if all corporations or others who propose to do business outside the borders of their state should be chartered under the national laws, and then only after close examination of their officers and the business proposed? I believe that each state should refuse admittance to any corporation or business until it had investigated fully that it is worthy.

ARKANSAS—The greatest menace to good, clean, legitimate business enterprise is the promoter of a gold mine in Lake Michigan or an oil well on Pike's Peak. We think our investments should be confined largely to industrial development. In this latter class any well-founded undertaking can find room. We doubt seriously whether stock in any wildcat undertaking should be approved by any state authority. Let venturesome capital go its fill and get the profit. We think the sturdy yeomanry can find a way to participate in any pursuit, at least indirectly, and by such indirection may be spared a disastrous plunge into an unknown pool.

WASHINGTON—This safeguard is needed more all the time. The farmer is the easiest prey to this class of salesmanship and the speculative stock on which big dividends is promised looks too good to him for his money comes only by hard work and long hours. A blue sky law is needed.

ILLINOIS—It is my opinion that the law should be such that the victim can prosecute the man who has swindled him and put him in the penitentiary. It does not seem right that an honest dealer should be tied down with restrictions and hampered in the operation of his business simply to protect fools who are always making wildcat investments without consulting their banker.

COLORADO—I believe that the public sale of all stocks and securities should be under license, and that those which are legitimate though essentially speculative should not be denied a market. Such, however, should be sold for cash only and the personnel and records of the promoters should be most carefully scrutinized and their advertising matter duly censored before any license is granted.

Country Bank Investments

The following general principles of investment, described by Vice-President Alvin P. Howard, of the Hibernia Securities Company of New Orleans, deserve careful consideration:

"1. Municipal bond issues of ready marketability secured by direct unlimited tax of political subdivision, and maturing serially over not to exceed ten years. This class of bonds should be sufficiently well known and established to eliminate any risk as to prompt payment of interest and principal.

"2. First mortgage bonds of corporations that meet requirements of state laws governing investments of trust funds. The value should be twice the mortgage indebtedness, the net income should be at least three times the interest charges, and the maturity should be not over ten years and preferably serially. Well known corporation bonds are not always listed, but the bond house originating the issue usually stands ready to maintain a market.

"3. Short-time commercial paper maturing in ninety days, four months or six months of well-established commercial firms with ratio of current assets to current liabilities of at least two for one, and with sufficient capital and surplus to absorb unexpected losses in inventory of at least 15 per cent. thereof."

Bankers' acceptances are also suitable investments for country banks. "Eight years ago," says the Bulletin of the Federal Reserve Bank of New York, "American bankers' acceptances were not yet in existence. At present not only have they become familiar in eastern financial centers as a medium for investing short-time funds, but they are known and purchased in many parts of the country remote from this seaboard. In this way interior banks, business houses, and individuals have assumed an important part in the financing of our foreign trade."

NEBRASKA—A great service would be accomplish if the sale of fraudulent securities could be stopped. It seems that the greatest objection to legislation prohibiting sale of such is that same would also to a certain extent work a hardship on some legitimate organizations. We believe much greater good would be accomplished by the prohibition of sale of the worthless kind of securities even if such legislation should, to some extent, damage legitimate business. Every worthless security sold reduces the confidence of the people in all business enterprises. Could the worthless kind be eliminated the legitimate business would eventually profit greatly by the restoration of confidence towards business organizations in general by the uneducated investing public.

ILLINOIS—Such legislation could not be too severe. If it were enacted we do not believe that the larger corporations whose business is legitimate and properly handled would have any trouble in securing funds that they might need to finance the business.

WYOMING—Anything that will help is good. On our credit statements (we use the Federal Reserve Bank form very slightly modified) we ask the question as to what stocks have been bought, etc. We think it is good for ourselves. It is just possible that it might be good if put on the official forms. There are plenty of places where our customers would have been saved losses if it had always been there. In twenty-one years' experience we have never seen a person buy any stock from a smooth-talking stranger that he did not get stung. Speculative business will be financed by people who can and will thoroughly examine the project. No one else has a right to "throw his money in the sewer."

SOUTH DAKOTA—We would suggest that such corporations as are mentioned in this question be required to submit their books, properties, etc., to an examining committee, whenever called upon to do so and that any corporation which could not show a clean bill of health be denied the privilege of advertising their wares for sale either publicly or privately. The expense of such examination could be borne by the corporation examined, even as the expense of bank examination is borne by banks.

NORTH CAROLINA—We are heartily in sympathy with the efforts to prevent the sale of worthless securities. We suggest a more extensive and general campaign by state associations through their members and a more definite effort on the part of the state associations to secure legislation protecting innocent purchasers, and providing punishment for salesmen of such securities.

CALIFORNIA—I think that a plan whereby all banks are advised by the Commissioner of Corporations with any information he may have as to the worthlessness of securities that are being offered, would be a good deal of help.

ARKANSAS—We certainly trust that some laws may be passed that will make it absolutely impossible for any person or persons to offer for sale fraudulent or worthless securities. It appears to us that this could be done by the states passing such laws that would make the sale of securities of this character almost impossible in giving the Bank Commissioner more power, if need be, in the way of going into all the affairs of the organization offering the sale of these securities.

NEBRASKA—It seems that there should be some national laws to govern the sale of worthless stock. The experience of the last few years has taken millions out of the hands of the small investor and worked a hardship on the legitimate firm that now tries to sell its stock. Most states have laws prohibiting the sale of such stock, but a national law would have a general effect, making it unlawful in every state and not permitted in one while unlawful in another.

TEXAS—The public enjoys being fleeced and will continue to be victimized by the purchase of worthless stock and securities. It would seem that a possible relief from this annoyance would be the enactment of laws placing the sale of all stock and securities more directly under the supervision of state officials, either the Secretary of State or the Commissioner of Banking, and making the violation a penal offence.

SOUTH DAKOTA—In connection with state supervision over the sale of stocks, we wish to suggest the consideration of a plan whereby no stock sold under authority of a permit from the Securities Commission in any state shall be valid within the jurisdiction of that commission until the same has been countersigned in the office of the commission. This would enable securities commissions to keep an accurate check on the amount of stock sold. It has been true in the past that many corporations which have been permitted to sell a certain amount of stock have used their permit as authority to sell an almost unlimited amount. There have been cases in this state where corporations authorized to sell one million of stock have sold several millions on the same permit, and the State Securities Commission had no way of knowing that this was being done. The plan that we suggest might help to eliminate this difficulty. Another suggestion along this line would be regarding the necessity of some national legislation to prohibit the sale of worthless stocks through the mails. As we understand it, there is nothing now to prevent any corporation sending mail into a state and selling stock in that state where in many cases they would be unable to obtain the Securities Commission permit to sell stock through stock salesmen.

KANSAS—Imprint in red ink on all advertising, "Speculative," where the element of risk is greater than on municipal bonds. Prohibit the employment of solicitors in the selling of speculative securities. Hang the originators of the fraudulent or worthless sorts.

COLORADO—There should be strict laws throughout the country for the purpose of prohibiting the sale of fraudulent or worthless securities, but it is sometimes difficult to discriminate between securities that are worthless and those that are about to develop into very successful enterprises. It is very unsafe to enact iron-clad laws binding business in any way or limiting private enterprises. Only such laws as will prevent actual crime, including frauds, should be enacted. The development of oil lands and mining properties, and even irrigation enterprises, are ofttimes exceedingly speculative, and many securities issued by such companies prove to be worthless, but it is owing to this class of venturesome investors that this nation has been developed along such lines. Legislation that would stop such development would be exceedingly harmful.

MISSOURI—The Governor of each state should appoint a commission of three men to investigate and pass upon all issues of securities before they are offered to the public, the approval of the board to be a guarantee of faith and solvency.

KANSAS—It seems to me that it might be feasible for the American Bankers Association to adopt some method of maintaining a bureau for the business of investigating stock selling schemes through banks. Under this system banks would report all concerns starting operations in their community and forms would be supplied member banks on which to make inquiry about any concern wanting to sell stock or securities in their respective communities. This would establish a clearing house for dissemination of facts concerning all companies, and there should be an arrangement whereby no member bank would sanction the schemes of any new concern until the Association had had time to investigate and had decided that the concern was a legitimate one. This would take some time, but I believe that it would save the country thousands of dollars annually. I am strong on the idea that some method should be devised to stop crooked stock sales all over the country. This might lead you to believe that I have been stuck on some such scheme, but will say that I have not, but have been tormented a great deal with such propositions, and have had some of my good farmer customers "stuck" by them.

NEW YORK—We are heartily in favor of any legislation that will curb the sale of worthless and unmarketable securities. We think the state laws are too lax in allowing anybody to organize a corporation without investigation of any kind. The writer has been of the opinion for a long time that every state should have a corporation department run on similar lines to the Banking Department, requiring the capital stock of all corporations, or a certain proportion of it, to be paid in before a charter is issued. It is now altogether too easy to organize a company.

COLORADO—We are being legislated to death. I firmly believe that the people who invest in worthless securities do so knowingly. I do not believe this matter is within the scope of legislation and I might add, for the country's sake, don't use this Association to endorse any legislation until we are sure that the law is good and wholesome. Something must be done to curb the mania for making laws. The initiative of the American people is being destroyed by laws and propaganda, prohibition fanatics, labor fanatics, financial fanatics, religious fanatics and all kinds of parasites are receiving more attention from the legislators than the legitimate business man.

IDAHO—Am very decided in supporting the National Association of Supervisors of State Banks in checking the sale of fraudulent or worthless securities. Of course, would assume that any legitimate securities, also the corporations or others who might be engaged in the selling, would be adequately protected from any harm in the plan that might be used in checking the issuance and sale of fraudulent and worthless securities.

MICHIGAN—This is a serious matter in every community. There are too many brokers desperate to make a commission. The investment bankers should act very strenuously in this regard. Selling securities should be held as a banking function. This bank carries a prominent sign in its lobby cautioning people to use our sources of information before purchasing any form of security. Without cost, it has saved a few from loss that we know of.

WISCONSIN—We believe this legislation should be adopted for the benefit of investors, although securities should first be investigated before being purchased. We believe that it is more or less up to the individual bank buying the securities, rather than having a law passed for their protection.

NORTH DAKOTA—Our only suggestion is that the banks be notified of the names of the companies that are being used for the sale of fraudulent stocks, and that such information be given all possible publicity. Our section has already learned its lessons in those schemes, I think.

NEBRASKA—I would suggest that no license be granted any people that want to put over a preferred stock corporation or anything that they themselves cannot finance. If their enterprise is a worthy one bankers will soon furnish the loan upon good security, and each man wishing to organize any new enterprise should be required to give his life history under oath and same should be thoroughly investigated by responsible people before a permit is issued.

NORTH DAKOTA—We believe that by all means whatever can be done should be done to curb and eventually do entirely away with the sale and offering of worthless, fraudulent or even speculative securities, and we further believe the protection of individuals or corporations in this connection should be a secondary consideration at best, as an attitude of protection toward this class will, we believe, encourage the evil, whereas a firm stand will discourage.

Convention Calendar

DATE	ASSOCIATION	PLACE
Aug. 18-19	Montana	Missoula
Aug. 23-24	Kentucky	West Baden
Aug. 25-26	Nevada,	Lake Tahoe, Calif.
Sept. 7	Delaware	Rehoboth
Sept. 13-14	Indiana	Indianapolis
Sept. 22-23	New Mexico	Las Vegas
Sept. 26-27	Nebraska	Omaha
Oct. 2-6	American Bankers Asso.,	New York City
Nov. 10-11	Arizona	Bisbee

Warnings by Radio

The North Dakota Bankers Association has made arrangements with the Fargo Broadcasting Station (WDAY) to broadcast by radiophone all notices of holdups, robberies and information useful for the protection of banks against loss. The information will be given in connection with the regular program of the station, whose hours of broadcasting are 12.15, 7.30 and 9 P. M.

The Chatham & Phenix National Bank institution has purchased the Union Exchange National Bank, at 295 Fifth Avenue, New York City.

The Chatham & Phenix National Bank branch at Thirty-third Street and Fifth Avenue has been transferred to quarters in the Union Exchange National, which will be a branch of the Chatham & Phenix National Bank.

The Chatham & Phenix National Bank has capital, surplus and profits of over $20,000,000, and aggregate deposits of $150,000,000. The Union Exchange National Bank has capital of $1,000,000, profits of $1,533,700, and aggregate deposits of $20,000,000, which gives the Chatham & Phenix National Bank resources of over $200,000,000.

Against Subtle and Dangerous Money Schemes

M. A. Traylor, of Chicago, Chairman of the Economic Policy Commission of the American Bankers Association, has appointed the following members of the commission as a special committee to be known as the Banking and Currency Committee of the commission:

Paul M. Warburg, of New York, chairman; Charles A. Hinsch, of Cincinnati; Evans Woollen, Indianapolis; Rudolph Hecht, New Orleans; Waldo Newcomber, Baltimore.

"It will be the purpose of this committee," says Mr. Traylor's announcement, "to give special consideration to matters affecting the Federal Reserve System, especially to the various unsound proposals for amendment to the act.

Dangerous Expansion Schemes

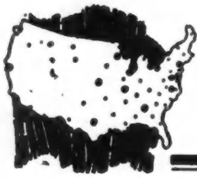
"The committee will also give particular attention to the very subtle and dangerous schemes proposed by certain influential but ill-advised citizens for the expansion of the circulating medium of the country, such as are involved in the suggestions that the soldiers' bonus be financed by government obligations which will circulate as currency in the ordinary channels of trade, and other proposals for the issuance of purely fiat money.

"It is in order to enlighten the American public by having a body of men in whose financial experience and knowledge it will have confidence that responsible officers of the American Bankers Association have taken the step indicated.

Printing Press Money

"Never before in the history of the world has there ever been so striking an example of inevitable and fatal results of printing press money as is to be found in the central European countries at the present moment.

"For the safety of American industry and commerce it cannot be too often repeated that the collapse financially of the central empires was absolutely inevitable from the day they began financing their entire operations through the issuance of their printed promises to pay. It cannot be too forcefully emphasized that rich and powerful as this country is, disaster would certainly follow in the wake of any wild period of inflation, such as would be created were some of the so-called currency panaceas actually put into practice."



CLEARING HOUSE SECTION

THE Clearing House Examiner System has just been adopted by Detroit. Culminating a desire of twenty years, Detroit bank officials, members of the Clearing House Association, have finally agreed upon the installation of the Clearing House System of Examination, and have selected Mark A. Wilson, Chief Examiner of the Chicago Federal Reserve Bank, as Examiner. Mr. Wilson took up his duties July 1. In his position as clearing house examiner, he will have the authority to scan and analyze the books of all member banks of the clearing house association, particularly the credit file. Only Federal and state bank examiners have similar authority. It will be Mr. Wilson's duty to check up on all loans made to either individuals or corporations by the banks and where customers may be found overextended on loans he will recommend curtailment. In many other ways Mr. Wilson will be expected to guard member banks against transactions which might be inconsistent with sound banking practice.

Detroit Adopts the Examiner System

Population—1,000,000

NUMBER OF BANKS IN CITY

National Banks	3
State Banks and Trust Companies	15
Savings	6
Total	24

TOTAL BANKING FIGURES FOR CITY

Capital	$360,000,000
Surplus	32,300,000
Deposits	465,000,000

For Country Banks

Several months ago a questionnaire was sent to the members of the State Bank Division, in which the following question was asked:

"Is it practical, feasible or possible to apply to country banks any plan of examination or any restriction of clearing house methods now used by city clearing house associations?"

The Clearing House Section, working in cooperation with the State Bank Division, prints herewith a number of the affirmative and negative opinions received from bankers in various sections of the country pertaining to this question.

COLORADO (New Raymer)—Have never given thought to this matter, and see no urgency of it at this time, but my snap judgment is that examinations made by city correspondents would be good for both parties.

ARKANSAS (St. Charles)—I do not think it will be possible to apply to country banks any such methods of examination or other clearing house methods used in cities. I am of the opinion that to do so would cause too much delay in handling transit items, etc., owing to the fact that country banks are too widely scattered.

IDAHO (Kooskia)—We do not believe that the clearing house plan of examination of country banks would be of any particular benefit, as it would be a voluntary association and the places that should be reached would probably not be reached.

WASHINGTON (Ferndale) — Country clearing house associations are practical, feasible and possible, in our opinion. We believe that such a clearing house would be a large benefit and could be operated inexpensively.

TEXAS (Dallas)—Having been an examiner, both state and national, for about ten years throughout the country, I believe it practical to organize certain districts for the purpose of clearing and examining work. We could have a county clearing house and a county clearing house examiner, which would be worth considerable to all institutions within said district.

MINNESOTA (Lanesboro)—Do not believe it could be worked out satisfactorily on account of the distance between banks.

WASHINGTON (Edwall)—The idea is a good one. It would have a tendency toward additional security, a check on reserves, and would guard against a borrower obtaining loans from more than one bank without due notice given all banks concerned.

ILLINOIS (Lawrenceville)—At a gathering recently of representatives from practically every bank in this county the installation of a system of credit information available for all banks without informing any of the source of the information was suggested. The idea seemed to meet a favorable reception, but as for practical installation the item of securing a high-grade man to look after the business and the expense involved seemed too large to push the matter along. Personally, we believe that the results to be obtained from installing such a plan as examination by the clearing house association and information on credits would be worth whatever it cost.

CALIFORNIA (Culver City)—I am very much in favor of such a plan, but cannot see how it can be done practically.

ILLINOIS (Marshall)—We doubt getting the banks to join voluntarily. State laws compelling every eligible bank to join the Federal Reserve System would do the work.

IOWA (Carroll)—Yes, we believe that a plan could be worked out. Iowa is pretty well organized into county bankers' associations and since I am president of the association in this county, will add that we have been considering the matter and believe it would be very acceptable to the better bankers of the county that some manner of clearing house be devised.

WISCONSIN (Madison)—It is not considered practicable or even feasible that banks in towns of less than 25,000 should attempt to carry into practice clearing house association methods except for the clearing of checks or other local benefits. Bankers in small communities are not willing to conject their information to a committee where it may be used by competing banks.

INDIANA (East Enterprise)—We do not believe it possible to apply the clearing house methods of examination to country banks in our locality.

IDAHO (Middleton)—I do not think it feasible to apply clearing house methods to country banks.

KANSAS (Sedgwick)—Yes, and it is needed. First, in county units; second, arrange for exchange of information in adjoining counties.

SOUTH DAKOTA (Bradley)—We think that a method could be worked out that would allow examinations of various groups of banks so that they could be examined in accordance with clearing house rules and it would be a very good thing for the country banks.

COLORADO (Agate)—Leave the country banks alone. There has been entirely too much interference with the operation of country banks already.

MISSOURI (Webster Groves)—Stockholders should be required to employ a certified public accountant to make an examination at least once a year.

SOUTH DAKOTA (Lily)—We would say emphatically NO for the reason that among country banks competition is much more personal and inquisitive than among city banks, where there is harmony in the working out of cooperative plans through a clearing house.

MICHIGAN (Cadillac)—No. State examinations and the insistence by the state that the directors shall examine carefully is enough.

VIRGINIA (Bowling Green)—It might be practical and feasible to apply a plan of examination and restriction of clearing methods to country banks, provided the county was taken as a unit and the banks therein consented to such an arrangement.

WISCONSIN (Fox Lake)—We believe a plan of examination and some of the methods used by city clearing house associations might be worked out in country banks through county organizations.

FLORIDA (South Jacksonville)—To us it appears a physical impossibility to apply any new plan of examination or any restrictions of city clearing house methods to country banks. An increase in the efficiency of state supervision seems the best protection. It has been proved that the banks in states that have strict bank supervision are stronger and are better able to weather financial depressions than are banks in states with lax supervision.

TEXAS (Fort Worth)—I do not think it feasible.

KANSAS (Gardner)—The only benefit of examinations would be in the line of credit. Country banks always know when their customer is doing all his borrowing with them and when they learn that men are borrowing from more than one bank the loan officers should consult over the matter. More cooperation is needed between country bankers, who imagine they are enemies.

VIRGINIA (Richmond)—I think it is possible, but the expense incident to same would hardly make it practical. It would improve conditions, though.

OKLAHOMA (Wann)—It might be feasible, but too costly for the benefit derived.

ILLINOIS (West Brooklyn)—We do not see how a form of clearing house examination of country banks can be arranged for in the country. The present bank examiners seem to be about all that can be used.

PENNSYLVANIA (Austin)—Would not consider it practical to apply any restriction on clearing methods of country banks or other regulations than those imposed by Federal Reserve requirements.

ILLINOIS (Litchfield)—We would like to see some sort of an examination of country banks after the manner now in vogue in the cities by the clearing house associations, say in county units. Our main reason for wanting this is to get a check on our borrowers, so that we would know how much paper they have outstanding.

SOUTH DAKOTA (Grover)—Yes, I think it is practicable or possible to apply some plans of examination governing methods for clearing facilities which is similar to that used in clearing of the cities. However, this system must be governed by conditions applied to country banks. Otherwise it would form a hardship.

NORTH CAROLINA (Greensboro)—It seems to us that the best plan for securing for country banks the benefits now enjoyed by city clearing houses is to have an all-time secretary, one of whose duties should be to procure and retain in his office information available for member banks.

M. W. Fitz, president of the Farmers Savings Bank, Manson, Iowa, has been appointed a member of the Committee on Membership of the A. B. A., to succeed E. B. Wilson, resigned.

Aggregate Resources Under State Control

Compiled by R. N. SIMS
Vice-President of Hibernia Bank and Trust Co., New Orleans, La.

	STATE	Date of Report	No. of Institutions	Capital, Surplus and Undivided Profits	Deposits, Including Certified and Cashiers' Checks	Loans and Discounts	Bonds, Stocks, Securities, etc.	Total Resources	
1	ALABAMA	3-10-22	247	$20,114,903.48	$81,832,717.06	$77,641,795.70	$7,376,934.89	$108,698,082.68	1
2	ARIZONA	3-10-22	60	7,371,563.71	40,790,840.88	33,729,057.16	6,984,130.18	53,550,344.61	2
3	ARKANSAS	3-10-22	403	25,468,303.44	99,655,346.35	102,330,321.36	8,977,792.14	142,663,940.46	3
4	CALIFORNIA	3-10-22	427	160,326,405.68	1,403,501,643.26	940,147,644.02	393,534,662.12	1,600,872,839.94	4
5	COLORADO	3-10-22	244	15,287,520.37	90,106,277.34	60,593,177.20	21,838,465.76	108,702,770.70	5
6	CONNECTICUT	3-31-22	155	48,042,708.51	576,306,948.27	283,952,459.22	260,350,123.95	643,366,865.56	6
7	DELAWARE	3-10-22	40	13,176,578.82	62,562,043.69	35,270,490.60	32,393,562.65	78,088,170.74	7
8	FLORIDA	5- 5-22	217	14,740,270.75	99,223,634.35	66,937,932.44	15,252,692.34	116,321,752.63	8
9	GEORGIA	12-31-21	598	53,700,974.48	166,956,490.12	194,016,601.66	14,203,181.25	266,497,976.52	9
10	IDAHO	3-10-22	124	6,173,717.45	28,650,295.73	28,283,023.14	3,843,652.80	41,760,121.87	10
11	ILLINOIS	3-10-22	1401	257,272,643.66	1,565,839,151.43	1,180,883,538.59	349,162,783.78	1,911,424,971.10	11
12	INDIANA	12-31-21	838	66,836,467.90	392,972,097.21	323,014,445.63	70,648,879.59	528,823,979.98	12
13	IOWA	3-10-22	1338	93,810,060.64	556,978,734.79	581,801,022.01	28,591,901.19	722,633,449.53	13
14	KANSAS	3-18-22	1104	48,337,911.60	240,135,733.87	222,745,327.70	19,471,417.11	308,240,012.43	14
15	KENTUCKY	12-31-21	467	36,669,675.77	164,562,135.56	154,117,604.26	27,577,728.69	219,829,659.83	15
16	LOUISIANA	3-10-22	230	39,942,161.11	245,971,847.80	199,359,621.64	30,496,213.26	307,239,724.86	16
17	MAINE	3-25-22	98	23,267,323.46	230,528,612.40	85,856,311.65	159,694,185.90	260,228,730.49	17
18	MARYLAND	12-31-21	161	56,445,286.59	348,224,980.11	132,124,506.33	171,971,625.94	415,364,731.00	18
19	MASSACHUSETTS {TRUST COS. {OTHER BANKS	5- 5-22 10-31-21	506	384,354,806.22	2,052,603,388.56	1,524,047,930.85	886,414,700.53	2,607,491,006.23	19
20	MICHIGAN	3-10-22	573	118,796,460.65	795,870,169.86	343,782,142.19	465,341,465.56	969,684,875.73	20
21	MINNESOTA	4- 7-22	1179	56,856,256.18	419,949,336.99	340,331,303.14	85,965,543.82	503,591,585.23	21
22	MISSISSIPPI	3-10-22	323	21,518,431.21	120,936,692.75	108,142,105.08	18,245,453.61	162,917,586.82	22
23	MISSOURI	4- 3-22	1516	126,749,756.14	668,652,819.06	545,657,642.54	116,731,223.05	851,765,037.37	23
24	MONTANA	3-10-22	273	15,994,423.32	73,805,081.57	72,110,037.68	9,787,129.50	103,931,815.42	24
25	NEBRASKA	3-25-22	978	39,690,151.59	227,137,286.67	209,331,460.92	10,062,201.71	282,161,803.59	25
26	NEVADA	3-10-22	23	2,583,820.88	17,762,402.75	14,081,972.79	2,109,059.12	21,157,717.39	26
27	NEW HAMPSHIRE	6-30-21	70	10,263,930.24	149,340,024.96	71,260,496.25	86,967,210.90	163,772,851.33	27
28	NEW JERSEY	3-10-22	189	95,159,587.61	809,521,556.99	292,594,735.48	524,012,956.14	924,723,013.87	28
29	NEW MEXICO	3-10-22	68	3,919,098.15	16,737,486.28	16,690,895.07	1,383,425.49	22,606,954.92	29
30	NEW YORK {SAVINGS BANKS {OTHER BANKS	12-31-21 3-10-22	642	803,603,574.28	6,410,251,422.50	2,403,384,643.95	3,818,587,108.78	7,606,474,032.65	30
31	NORTH CAROLINA	3-10-22	552	37,819,815.14	182,245,959.56	179,452,187.89	13,545,587.79	240,252,669.77	31
32	NORTH DAKOTA	3-10-22	666	15,435,299.02	88,121,746.96	102,530,426.39	5,789,600.28	127,945,525.23	32
33	OHIO	3-10-22	751	176,913,840.00	1,195,222,111.00	908,754,905.00	278,345,517.00	1,430,574,198.00	33
34	OKLAHOMA	3-10-22	517	14,016,211.68	87,379,914.57	74,175,681.80	10,965,110.35	110,824,096.44	34
35	OREGON	3-10-22	180	14,986,119.79	93,678,558.17	64,484,113.99	19,125,188.15	112,949,764.08	35
36	PENNSYLVANIA	4- 4-22	761	416,824,158.06	1,703,301,848.17	470,092,347.34	1,027,352,378.65	2,194,765,399.27	36
37	RHODE ISLAND {TRUST AND STATE {OTHER BANKS	12-31-12 4-18-22	31	27,253,120.76	302,514,013.07	145,018,347.97	161,224,965.39	341,796,990.09	37
38	SOUTH CAROLINA	3-10-22	373	28,172,041.82	97,528,971.54	117,352,944.31	9,660,853.42	149,345,505.21	38
39	SOUTH DAKOTA	3-10-22	562	19,729,989.67	141,253,132.29	141,310,299.96	2,762,315.68	183,805,730.46	39
40	TENNESSEE	5- 5-22	470	35,786,986.77	170,125,574.50	154,246,718.12	15,468,547.77	228,100,535.61	40
41	TEXAS	3-10-22	988	66,630,424.30	240,740,498.30	223,584,167.46	17,739,185.64	333,896,253.88	41
42	UTAH	3-20-22	98	12,254,004.14	64,849,663.48	58,785,530.91	11,754,100.56	87,591,878.30	42
43	VERMONT	3-10-22	58	11,989,822.18	120,570,582.50	97,575,481.78	29,672,338.50	135,243,905.06	43
44	VIRGINIA	3-10-22	334	41,475,596.05	128,935,617.49	140,691,444.24	18,091,879.66	185,834,361.48	44
45	WASHINGTON	3-10-22	291	20,727,551.16	135,548,733.60	91,137,261.27	34,065,071.02	163,552,914.01	45
46	WEST VIRGINIA	3-10-22	227	33,069,122.17	169,245,656.97	146,417,187.50	30,615,106.25	211,818,939.73	46
47	WISCONSIN	3-10-22	850	56,297,227.69	410,688,336.03	328,778,838.66	78,628,939.44	487,903,331.89	47
48	WYOMING	3-10-22	101	4,821,820.02	21,649,147.71	19,977,716.88	1,320,064.67	27,764,953.85	48
	TOTALS (Average Date March 10, 1922)		22,302	$3,700,677,924.31	$23,510,877,185.07	$14,108,585,847.71	$9,414,104,361.97	$28,808,553,357.84	
	Statement of Comptroller of Currency gives totals for all National Banks	3-10-22	8,197	2,834,272,000.00	15,390,438,000.00	11,293,874,000.00	4,118,160,000.00	19,850,402,000.00	
	EXCESS OF STATE BANKING INSTITUTIONS		14,105	$ 866,405,924.31	$ 8,120,439,185.07	$2,814,711,847.71	$5,295,944,361.97	$ 8,958,151,357.84	
1	Totals State Banks	6-30-19	21,028	$2,899,662,677.73	$21,632,822,011.81	$12,257,134,526.40	$8,497,523,011.	$25,965,675,836.30	1
2	Totals State Banks	6-30-20	21,923	3,341,012,552.18	23,950,838,611.35	15,334,616,394.62	8,235,427,676.40	29,191,455,648.43	2
3	Totals State Banks	3-10-21	22,705	3,587,081,143.56	23,780,750,818.50	15,449,134,595.23	8,877,828,333.49	29,412,657,029.83	3
4	Totals State Banks	3-10-22	22,302	3,700,677,924.31	23,510,877,185.07	14,108,585,847.71	9,414,104,361.97	28,808,553,357.84	4
2	Totals National Banks	6-30-19	7,785	$2,363,478,000.00	$15,924,865,000.00	$10,588,891,000.00	$5,047,521,000.00	$20,799,550,000.00	1
1	Totals National Banks	6-30-20	8,030	2,622,075,000.00	17,155,421,000.00	12,396,900,000.00	4,498,771,000.00	22,196,737,000.00	2
3	Totals National Banks	2-21-21	8,143	2,733,815,000.00	15,478,354,000.00	11,680,837,000.00	4,028,059,000.00	20,307,651,000.00	3
4	Totals National Banks	3-10-22	8,197	2,834,272,000.00	15,390,438,000.00	11,293,874,000.00	4,118,160,000.00	19,815,402,000.00	4

All Banking Institutions of the United States on March 10, 1922, show:

Total Banks	30,499
Total Capital, Surplus and Undivided Profits	$6,534,949,924.31
Total Deposits	38,901,315,185.07
Total Resources	48,658,955,357.84

(Issued July, 1922.)

New Banks Organized

ARKANSAS

Cotton Plant—The Farmers National Bank. Capital, $25,000. President, J. W. Hill; cashier, F. L. Maxwell.

CALIFORNIA

Beverly Hills—Beverly State Bank. Capital, $25,000.

Hermosa Beach—The First National Bank. Capital, $50,000. President, R. E. Matteson; cashier, C. S. Thatcher.

Lemoore—Bank of Lemoore. Capital, $50,000.

Long Beach—American Savings Bank. Capital, $200,000.

Los Angeles—Los Angeles Trust and Safe Deposit Company. Capital, $200,000.

Los Angeles—Second Avenue State Bank. Capital, $50,000.

Los Angeles—Western State Bank. Capital, $300,000.

San Andreas—Central Bank of Calaveras. Capital, $100,000.

Santa Monica—Santa Monica Savings Bank. Capital, $50,000.

Sawtelle—The United States National Bank of Sawtelle. Capital, $50,000. President, William A. Reeder.

Sierra Madre—Sierra Madre Savings Bank. Capital, $50,000. President, Harold E. Allen; cashier, W. H. Ingraham.

Watts—The First National Bank. Capital, $50,000. President, O. Jensen; cashier, H. V. Snodgrass.

CONNECTICUT

Hartford—Citizens Bank and Trust Company.

Unionville—Unionville Bank and Trust Company.

FLORIDA

Pahokee—Bank of Pahokee. Capital, $15,000.

Zolfo—Citizens Bank. Capital, $15,000. President, John Collier; cashier, Florence H. Crews.

GEORGIA

Marietta—The Citizens National Bank. Capital, $100,000. President, M. L. McNeel, Sr.; cashier, J. D. Corn.

ILLINOIS

Chicago—Builders & Merchants State Bank. President, G. Hallbom; cashier, John A. Sandgren.

Chicago—The Douglas National Bank. Capital, $200,000. President, Pearl W. Chavers.

Chicago—Prairie State Bank. Capital, $100,000. President, Ernest B. Tomlinson; cashier, Arvid Q. Peterson.

Chicago—Rogers Park Trust and Savings Bank. President, Vernon C. McGill; cashier, Maurice W. Lane.

Princeton—First State Bank. Capital, $110,000. President, C. H. Coll; cashier, D. W. Grant.

Smithton—First State Bank. Capital, $25,000.

INDIANA

Gary—Commercial Trust Company. Capital, $100,000. President, John Brown; cashier, Perry H. Stevens.

Gary—Washington Trust Company. Capital, $100,000.

Indianapolis—Tuxedo State Bank. Capital, $25,000.

Lyons—Lyons Bank and Trust Company.

South Bend—Indiana Trust Company. Capital, $100,000.

Terre Haute—Twelve Points Bank. Capital, $75,000.

IOWA

Jefferson—First State Bank. Capital, $60,000. President, M. G. Hufferd; cashier, F. J. Harned.

Massena—Massena State Bank. Capital, $25,000. President, Robert Angus.

Swaledale — Citizens Savings Bank. Capital, $25,000. President, Mat Miller; cashier, Walter W. Duft.

KANSAS

Hope—Peoples State Bank. Capital, $20,000. President, B. A. Flack; cashier, E. T. Nelson.

Kentucky

Creesboro—Bank of Creesboro. Capital, $15,000.

Frankfort — Bank of Ft. Thomas. Capital, $25,000. President, Dr. Shaller Berry.

Russell—Peoples Bank. Capital, $25,000. President, T. N. Gilley; cashier, T. R. Richards.

Maryland

Chestertown—Citizens Bank. Capital, $35,000.

Michigan

Alpena—Peoples State Bank. Capital, $25,000. President, Ernest W. Leavitt; cashier, V. W. Tourje.

Lansing—City Savings Bank. Capital, $200,000.

Mississippi

Clarksdale — The Planters National Bank. Capital, $500,000. President, W. P. Holland; cashier, N. B. Sessions.

Drew—Commercial Bank and Trust Company. President, T. D. Ricks; cashier, M. W. Erwin.

Tippah—Peoples Bank. Capital, $15,000.

Missouri

Hale—State Bank of Hale. Capital, $25,000.

St. Louis — The Missouri National Bank. Capital, $200,000. President, Ed. Mays; cashier, T. S. Baskett.

St. Louis—St. Louis National Bank. Capital, $200,000. President, Thomas N. Karraker; cashier, R. R. Karraker.

Nebraska

Newcastle — American State Bank. Capital, $25,000. President, George I. Parker; cashier, John Scwalbrand.

Unadilla—The First National Bank of Unadilla. Capital, $25,000. President, E. A. Duff; cashier, H. A. Butt.

New Jersey

East Rutherford—The First National Bank of East Rutherford. Capital, $50,000. President, Harry W. Foeller; cashier, E. C. Axtell.

Hawthorne—Peoples Bank. President, James Lappin; cashier, Harry Dobler.

Westwood—Westwood Trust Company. Capital, $100,000.

New York

Canaseraga—Canaseraga State Bank. Capital, $30,000.

New York — The Capital National Bank. Capital, $2,000,000. President, Max Radt; cashier, W. L. Clow.

New York — The Lebanon National Bank. Capital, $250,000. President, J. A. Mandout; cashier, H. Y. Dyerberg.

New York — The Lincoln National Bank of New York. Capital, $2,000,000. President, A. S. Webb; cashier, Chas. E. Calhoun.

North Carolina

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

North Dakota

New Rockford—State Bank of Eddy County. Capital, $30,000.

Ohio

Newton Falls—Newton State Bank. Capital, $25,000.

Oklahoma

Bokchito — First National Bank in Bokchito. Capital, $25,000. President, W. S. Works; cashier, L. W. Hughes.

Britton—The First National Bank of Britton. Capital, $25,000. President, R. M. Whisler; cashier, J. Ross Wildman.

Bryant — First State Bank. Capital, $12,500.

Chickasha — The Farmers National Bank. Capital, $100,000. President, M. F. Courtney; cashier, J. W. Wilson.

Clayton—Clayton State Bank. Capital, $10,000. President, A. N. Sicard; cashier, Neal Sims.

Loco—The First National Bank. Capital, $25,000. President, J. M. Robberson; cashier, Percy W. Newton.

Pauls Valley—The Exchange National Bank. Capital, $50,000. President, Edwin B. Cox; cashier, Fred H. Ward.

Pawhuska — The National Bank of Commerce. Capital, $50,000. President, Ed. T. Kennedy; cashier, W. O. Dilding.

Snyder—The Kiowa National Bank. Capital, $25,000. President, A. F. Kee; cashier, F. E. Slader.

Wilson—Producers State Bank. President, B. F. Ward; cashier, C. R. Phillips.

Pennsylvania

Brewerytown — Jefferson Title and Trust Company. Capital, $50,000.

Erie—Union Trust Company. Capital, $500,000. President, J. E. Reed; secretary, Harry Swenson.

Gallitzin—Citizens Deposit Bank. Capital, $50,000.

Glenside — Glenside Trust Company. Capital, $250,000.

Glenside—Glenside Title and Trust Company. (Conversion of Glenside Nation Bank.) Capital, $250,000.

Middletown—Farmers Trust Company. Capital, $125,000.

Philadelphia — Womens Trust Company. Capital, $125,000.

Warren—Warren Community Bank. Manager, William E. Yeager.

SOUTH CAROLINA

Fort Mill — First Trust Company. Capital, $10,000.

St. George—The First National Bank of St. George. Capital, $50,000. President, R. L. Klauber; cashier, C. D. Dukes.

SOUTH DAKOTA

Tripp—Farmers and Merchants State Bank. Capital, $40,000. President, F. H. Hirsch; cashier, R. T. Hirsch.

Winfred—Bank of Winfred. Capital, $25,000. President, G. L. Pine; cashier, J. E. Shirey.

TENNESSEE

Bristol—City Bank. Capital, $50,000.

Jamestown—Farmers Bank. Capital, $20,000.

Monterey — Union Bank and Trust Company. Capital, $40,000.

Nashville—Jefferson Trust Company. Capital, $50,000.

Paris—First Trust and Savings Bank. Capital, $10,000.

Pikeville—Citizens Bank and Trust Company. Capital, $12,000.

TEXAS

Corpus Christi—State National Bank of Corpus Christi. Capital, $100,000. President, Vincent Bluntzer; cashier, George J. Merriman.

WASHINGTON

Bellingham—The American National Bank. Capital, $100,000. President, I. J. Adair; cashier, B. T. Drake.

Garfield—The State National Bank. Capital, $50,000. President, A. P. Johnson; cashier, E. C. Johnson, Jr.

Kent—The Kent National Bank. Capital, $40,000. President, W. H. Overlock; cashier, Charles R. Otey.

Molson—Citizens State Bank. Capital, $15,000.

Seattle—Continental Mutual Savings Bank.

WISCONSIN

De Forest—Bank of De Forest. Capital, $25,000. President, Joseph H. Bertrand; cashier, C. B. Smith.

Membership Changes

Reported from June 25, 1922, to July 26, 1922, Inclusive

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

Arkansas	Kensett	Farmers and Merchants Bank succeeded by Bank of Kensett.
California	Oakland	Bank of Italy Broadway Branch changed to Bank of Italy Oakland Branch.
	San Francisco	Park Union Foreign Banking Corporation liquidating.
Colorado	Bovina	Farmers State Bank resumed.
District of Columbia		Hamilton National Bank merged with Riggs National Bank.
Illinois	Lyndon	First State Bank resumed.
Kansas	Washington	Farmers State Bank closed.
Minnesota	Lamberton	State Bank of Lamberton reopened June 1, 1922.
Mississippi	Clarksdale	Planters Bank succeeded by Planters National Bank.
Missouri	Grant City	First National Bank converted into Farmers Trust Company.
	St. Louis	Union Station Trust Company changed to St. Louis National Bank.
Nebraska	Osceola	Surety State Bank changed to Farmers State Bank.
New York	New York	Atlantic National Bank consolidated with Bank of America.
	New York	Merchants Bank of Canada merged with Bank of Montreal.
	New York	Union Exchange National Bank purchased by Chatham and Phenix National Bank.
North Carolina	Aberdeen	Farmers and Merchants Bank taken over by Page Trust Company.
	Fairmont	Bank of Fairmont in hands of receiver.
	Leaksville	Boulevard Bank and Trust Company changed to Leaksville Bank and Trust Company.
	Sanford	Peoples Bank changed to Page Trust Company.
Ohio	Canton	City National Bank consolidated with George D. Harter Bank.
	Cleveland	Clark Avenue Savings Bank taken over by Pearl Street Savings and Trust Company and will be operated as Pearl Street Savings & Trust Company, Clark Avenue Branch.
Ohio	Dayton	West Dayton Commercial and Savings Bank absorbed by City Trust and Savings Bank and will be operated as West Dayton Branch City Trust and Savings Bank.
	South Charleston	Bank of South Charleston succeeded by First State Bank.
Oklahoma	Britton	North Oklahoma State Bank succeeded by First National Bank.
	Dustin	Dustin State Bank converted into First National Bank.
	Lawton	First National Bank has resumed business.
	Loco	State Bank of Loco changed to First National Bank.
	Parkhill	Farmers State Bank closed.
Oregon	The Dalles	French & Company, Bankers in liquidation.
Pennsylvania	Bellefonte	Centre County Banking Company closed for liquidation.
	Freeport	Freeport Bank converted into Freeport Bank and Trust Company.
	Lock Haven	County National Bank purchased by Lock Haven Trust Company.
	Middletown	Farmers Bank converted into Farmers Trust Company.
	Philadelphia	Business Capital Corporation succeeded by Wilson Prichett and Company, Inc.
South Carolina	Anderson	Peoples Bank resumed.
South Dakota	Yankton	National Bank of Commerce liquidating.
Texas	Corpus Christi	First State Bank converted into State National Bank.
	Oakwood	First State Bank succeeded by Guaranty State Bank.
Virginia	Richmond	Old Dominion Trust Company merged with National State and City Bank as State and City Bank and Trust Company.
Washington	Garfield	First State Bank succeeded by State National Bank.
Hawaii	Honolulu	Guardian Trust Company membership transferred to Bishop Trust Company, Ltd.

New and Regained Members from June 26th to July 25th, 1922, Inclusive

Alabama

First National Bank, Albertville 61-500.
First National Bank, Athens 61-165.
Dothan Bank & Trust Co., Dothan 61-84.
State Bank of Elberta, Elberta 61-506.
East Alabama National Bank, Eufaula 61-112.
Bank of Hartselle, Hartsells 61-181.
State Savings Bank, Mobile 61-34.

Arkansas

Elk Horn Bank & Trust Co., Arkadelphia 81-133.
Bank of Brookland, Brookland 81-302.
Farmers Bank, Plainview 81-244.
Bank of Sherrill, Sherrill 81-556.

California

San Bernardino Valley Bank, Barstow 90-1007.
Citizens Bank, Harbor City 90-995.
Citizens Trust & Savings Bank, Hoover-Pico Branch, Los Angeles 16-14.
Citizens Trust & Savings Bank, Lincoln Heights Branch, Los Angeles 16-14.
Citizens Trust & Savings Bank, Moneta Ave. & 54th St. Branch, Los Angeles 16-14.
Citizens Trust & Savings Bank, Santa Monica Blvd. & Western Ave. Branch, Los Angeles 16-14.
Citizens Trust & Savings Bank, West Eighth St. & Vermont Ave. Branch, Los Angeles 16-14.
Bank of Italy, San Pablo Ave. Branch, Oakland 90-7.
Railroad National Bank, Roseville 90-959.
Anglo-California Trust Co., Fillmore Branch, San Francisco 11-73.
Anglo-California Trust Co., Market Jones Branch, San Francisco 11-73.
Bank of Italy, Sunset Branch, San Francisco 11-35.
Bank of Italy, San Pedro, 90,998.
Tamalpais Bank, San Rafael 90-217.
American National Bank, Santa Rosa, 90-201.
First National Bank, Watts 90-1000.

Colorado

First National Bank, Aurora 82-375.
Farmers State Bank, Cope 82-387.

Connecticut

Naugatuck Bank & Trust Co., Naugatuck 51-161.

Delaware

Industrial Trust Co., Wilmington 62-14.

District of Columbia

Banking Trust & Mortgage Co., Washington 15-105.
Chevy Chase Savings Bank, Washington 15-106. (Regained.)
East Washington Savings Bank, Washington 15-62.
International Exchange Bank, Washington 15-103.

Florida

Bank of Laurel Hill, Laurel Hill 63-177.
Metropolitan Savings Bank, Ocala 63-285. (Regained.)
Bank of Okeechobee, Okeechobee 63-300. (Regained.)
Citizens Bank of Zolfo, Zolfo Springs, 63-368.

Georgia

Bank of Cumming, Cumming 64-515.
Pickens County Bank, Jasper 64-635.
Farmers State Bank, Lumpkin 64-815.
Planters Bank, Parrott 64-851. (Regained.

Illinois

P. W. Brooks & Co., 208 S. La Salle St., Chicago.
First National Bank, Compton 70-1233. (Regained.)

Indiana

Fort Wayne State Bank, Fort Wayne 71-32. (Regained.)
State Bank of Francesville, Francesville 71-753.
Gosport Bank, Gosport 71-632.
Henryville State Bank, Henryville 71-779.
Otto F. Haueisen & Co., Indianapolis.
Farmers Savings Bank, Muncie 71-68.
First National Bank of Marshall County, Plymouth 71-399.
Farmers State Bank, Portland 71-337.
Sellersburg State Bank, Sellersburg 71-906.
First National Bank, Wakarusa 71-1114.

Iowa

Avoca State Bank, Avoca 72-480.
Farmers & Merchants Savings Bank, Creston 72-150.
Danville State Savings Bank, Danville 72-1275.
First National Bank, Lineville 72-892. (Regained.)
Lone Rock Bank, Lone Rock 72-1481. (Regained.)
Union Savings Bank, Redding 72-1551. (Regained.)
Whiting State Bank, Whiting 72-1655. (Regained.)

Kansas

First National Bank, Clay Centre 83-160.
Peoples State Bank, Courtland 83-1111.
State Bank of Esbon, Esbon 83-658.
Peoples State Bank, Ft. Scott 83-59.
First National Bank, Fowler 83-599. (Regained.)
Peoples State Bank, Le Roy 83-1270.
First National Bank, McCune 83-1401.
Farmers State Bank, Rexford 83-1394.
Simpson State Bank, Simpson 83-694.
Fidelity Savings State Bank, Topeka 44-62.

Louisiana

Bank of Commerce, Gibsland 84-388.

SPECIAL SERVICE CHARGES

form of Notice for the Convenience of Bankers

FAILURE TO RECEIVE PRESENTATION FEE ON UNPAID ITEMS AFTER SERVICE HAS BEEN RENDERED BY BANKS has caused the State Bank Division of the American Bankers Association (of which this Bank is a member) to adopt the following Resolution relative to Collections and Requests for Rating—it being the general opinion of bankers that "the laborer is worthy of his hire," and that banks should not be expected to perform these important duties without some remuneration:

RESOLVED, THAT COLLECTIONS AND REQUESTS FOR RATING will have our prompt attention PROVIDED same are accompanied by the following fee IN ADVANCE:

Collections.................15 cts. each
Requests for rating, minimum fee.................25 cts. each

Unless such fee accompanies requests for this service the item will be returned without presentation or attention. This rule does not apply to Drafts with Bills of Lading attached, or to Notes.

We return the attached and call your attention to our rule. Fees accompanying collections will be credited as part of regular exchange charge on collections made. In complying with request for rating, all statements will be made upon information which this bank believes to be reliable, but further than that it assumes no liability whatever.

Please keep for further reference.

Copies of the foregoing card may be obtained upon application to George E. Allen, Deputy Manager, State Bank Division, American Bankers Association, 5 Nassau Street, New York City, N. Y. Price, postpaid, fifty cents for the first 250 copies, seventy-five cents for 500 copies, $1 for 750 copies, $1.25 for 1,000 copies. Please remit in New York exchange with your order.

Maryland

Liberty Bank of Baltimore County, Gwynn Oak Junction, Baltimore 65-233.

Massachusetts

Worcester County Institution for Savings, Washington Square Branch, Worcester 53-6.

Michigan

First National Bank, Boyne City 74-245. (Regained.)
Nicol, Ford & Co., Inc., Ford Bldg., Detroit.
State Bank of Port Hope, Port Hope 74-798.

Minnesota

Goodridge State Bank, Goodridge 75-1183. (Regained.)
Citizens Loan & Trust Co., Mankato 75-40.
Farmers State Bank, Sunburg 75-950.
State Bank of Taunton, Taunton 75-953.

Mississippi

West Jackson Office, Merchants Bank & Trust Co., Jackson 85-30.

Missouri

Farmers Bank, Billings 80-597.
California State Bank, California 80-311.
Farmers Bank of Cameron, Cameron 80-250.
First National Bank, Cameron 80-251.
Citizens Bank, Carl Junction 80-478.
Farmers State Bank, P. O. R. F. D. Smithville, Ferrelview 80-1710. (Regained.)
First National Bank, Holden 80-1412. (Regained.)
Holt Bank, Holt 80-805.
Peoples Bank, Jerico Springs, 80-1615.
Jackson Avenue State Bank, Kansas City 18-34.
Kearney Trust Co., Kearney 80-645. (Regained.)
Bank of Knobnoster, Knobnoster 80-622.
Bank of Leasburg, Leasburg 80-1059.
Commercial Bank, Liberty 80-247. (Regained.)
Bank of Marling, Marling 80-1088. (Regained.)
Bank of Merwin, Merwin 80-1102.
Hunter's Bank, New Madrid 80-363.
Pilot Grove Bank, Pilot Grove 80-633.
Hamilton State Bank, St. Louis 4-95.
West End Bank, St. Louis 4-86.
Sheldon State Bank, Sheldon 80-1300. (Regained.)
Bank of Gifford, South Gifford 80-851.
Bank of Trenton, Trenton 80-1683.
Bank of Wallace, Wallace 80-1244.

Montana

Glacier County State Bank, Cut Bank 93-504.
Sunburst State Bank, Sunburst 93-416.

Nebraska

Exchange Bank, Wilcox 76-530.
Home State Bank, Wilsonville 76-1137.

Nevada

Bank of Southern Nevada, Las Vegas 94-53.
Virginia City Bank, Virginia City 94-52.

New Jersey

Chelsea Safe Deposit & Trust Co., Atlantic City 55-535.
South Camden Trust Co., Camden 55-97.
First National Bank of East Rutherford, East Rutherford 55-536.
First National Bank, Glassboro 55-396.
Totowa National Bank, Paterson 55-68.
Louis Csipo, Banker, Perth Amboy 55-533.

New York

First National Bank, Buffalo P. O., Kenmore 50-1053.
First National Bank, Lisle 50-954.
Central Bank of Medina, Medina 50-411.
Corn Exchange Bank, Rector St. Branch, New York 1-45.
Tilford & Gregory, 27 William St., New York.
First National Bank, Roosevelt 50-1041.
Exchange National Bank, Seneca Falls 50-386. (Regained.)

North Carolina

Biltmore-Oteen Bank, Biltmore 66-755.

North Dakota

State Bank of Bowman, Bowman 77-280. (Regained.)
First State Bank, Carson 77-535.
Farmers State Bank, Leith 77-639.

Ohio

Curtice State Bank, Curtice 56-1291.
The Firestone Bank, Lisbon 56-653.

Oklahoma

Albion State Bank, Albion 86-1188. (Regained.)
First National Bank, Boley 86-688.
Guaranty State Bank, Braggs 86-946. (Regained.)
First State Bank, Canute 86-654. (Regained.)
Farmers State Bank, Garvin 86-753. (Regained.)
Exchange National Bank, Pauls Valley 86-1192.
Guaranty State Bank, Texola 86-625. (Regained.)

Oregon

Carver State Bank, Oregon City P. O., Carver 96-304.

Pennsylvania

First National Bank, Beaverdale 60-1501.
Campbelltown Bank, Campbelltown 60-1512.
First National Bank, Center Hall 60-1610.
Cornwells State Bank, Cornwells Heights P. O., Cornwells 60-1583.
Peoples Bank, Greensboro 60-1518.
First National Bank, Jefferson 60-1505.
Farmers Bank, Mercersburg 60-984.
Myerstown National Bank, Myerstown 60-876.
Beaver County Trust Co., New Brighton 60-520.
Interborough Bank, Norwood Station P. O., Norwood 60-1592.
First National Bank, Orwigsburg 60-1289.
Haddington Title & Trust Co., Philadelphia 3-126.
American State Bank, Pittsburgh 8-127.
Farmers Deposit Savings Bank, Pittsburgh 8-100.
Liberty National Bank, Pittston 60-331.
First National Bank, Portage 60-1307.
Northeastern Trust Co., Reading 60-50.
First National Bank, Schaefferstown 60-1328.
Shenandoah Trust Co., Shenandoah 60-227.
First National Bank, Sipesville 60-1563.
Farmers Bank, Woodbury 60-1399.

South Carolina

Exchange Bank, Meggett 67-586.
Peoples Bank, Sumter 67-68.

South Dakota

Farmers & Merchants State Bank, Columbia 78-653. (Regained.)
Fairview State Bank, Fairview 78-539.
Bank of Leola, Leola 78-279.
Wakpala State Bank, Wakpala 78-801.
Farmers & Merchants Bank, Willow Lake 78-706. (Regained.)
Winner National Bank, Winner 78-804.

Texas

Blessing State Bank, Blessing 88-950.
First State Bank, Bremond 88-967.
Guaranty State Bank, Cleburne 88-84.
Farmers National Bank, Cross Plains 88-1020.
First State Bank, Graford 88-1076.
First National Bank, Harlingen 88-2039.
B. V. Christie & Co., Houston.
First National Bank, Irene 88-1111. (Regained.)
First State Bank, Mart 88-326. (Regained.)
Guaranty State Bank, Palestine 88-74.

Utah

Jordan Valley Bank, Riverton 97-91. (Regained.)

Virginia

Dickenson County Bank, Inc., Dante 68-560.

Washington

Burlington National Bank, Burlington 98-136.
Citizens State Bank, Molson 98-447.

West Virginia

Buffalo Bank, Buffalo 69-385.
Farmers Bank, Clarksburg 69-85.
Commercial Banking & Trust Co., Parkersburg 69-56.
Bank of Quinwood, Quinwood 69-404.
Williamson State Bank, Williamson 69-406.

Wisconsin

Abbotsford Bank, Abbotsford 79-481.
State Bank, Honey Creek 79-501.
State Bank, Madison 79-45.
Milan State Bank, Milan 79-948.
Marshall & Ilsley Bank, South Side Branch, Milwaukee 12-5.
Citizens' Bank, Monroe 79-207.
Farmers & Merchants Bank, Orfordville 79-636.
Poplar State Bank, Poplar 79-978.
State Bank of Sheboygan Falls, Sheboygan Falls 79-319.
Wisconsin State Bank, Superior 79-6.
State Bank of Vesper, Vesper 79-704.

Wyoming

Amoretti, Welty, Helmer & Co., Bankers, Dubois 99-110. (Regained.)

Canada

Bank of Montreal, Banff, Alberta.
Royal Bank of Canada, Calgary, Alberta.

Mexico

Deutsch-Sudamerikanische Bank, Torreon, Coahuila.
Mercantile & Agricultural Banking Co., Nogales, Sonora.
Banque Francaise du Mexique, Merida, Yucatan.