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Vol. 4

APRIL, 1912

No. 10

ADMINISTRATIVE COMMITTEE MEETING.

THE Administrative Committee of The American Bankers Association has just met in New York City to transact the usual routine business, which they are authorized to do between the sessions of the Executive Council. There were two members of the Committee present—President William Livingstone of Detroit, and Vice-President C. H. Huttig, of St. Louis; the third member, Chairman Arthur Reynolds, being in California. Two days' sessions were held, and with the General Secretary of the Association various matters pertaining to the business of the Association were considered.

The Committee confirmed the dates for the next convention, the week of September 9th at Detroit; approved the selection of the Hotel Pontchartrain as headquarters, and approved the action of the General Secretary, as authorized, to procure accommodations at this hotel for the officials.

The Committee authorized the removal of the present offices in the Hanover Bank Building from the eighteenth floor to the twelfth floor, where more commodious quarters will be fitted up. The present offices are very much congested owing to the increased work of the Association and the numerous people employed.

The Committee decided to invite Sir Edward H. Holden, Bart., Chairman London City & Midland Bank of London, to address the next convention. It was decided also to invite prominent bankers representing the banks of France and Germany, and other men of prominence in the United States, to address the convention.

A general program was adopted for the spring meeting of the Executive Council which will be held at Briarcliff Lodge, Briarcliff Manor, N. Y., May 6th, 7th and 8th.

E. J. Curtin, President Citizens Savings Bank, Decorah, Iowa, and President Iowa Bankers Association, was placed on the Agricultural Committee to fill vacancy.

C. G. Hutcheson, Cashier First National Bank,

Kansas City, Mo., was placed on the Finance Committee in the three-year class to fill vacancy.

On the request of President Taft, Honorable Charles Nagel, Secretary Department of Commerce and Labor, has called a convention to be held in the city of Washington, D. C., on April 22, 1912. This convention is for the purpose of considering the establishment of a national organization particularly representative of the commercial interests of the whole country. The Committee appointed Messrs. Samuel McRoberts, Vice-President National City Bank, New York City, Levi L. Rue, President Philadelphia National Bank, Philadelphia, T. J. Davis, Cashier First National Bank, Cincinnati, and Albert D. Graham, Vice-President and Cashier Citizens National Bank, Baltimore, Md., to represent the Association at this convention.

SPRING COUNCIL MEETING.

THE Spring Meeting of the Executive Council of The American Bankers Association will be held at Briarcliff Lodge, Briarcliff Manor, New York, about thirty miles from New York City, during the week beginning Monday, May sixth. Committee meetings will be held on Monday, May sixth, and Council meetings on Tuesday and Wednesday. It is expected that there will be a large attendance of Council members, as well as Committees and Sections. These Spring Meetings always give plenty of time to the discussion and consideration of the varied interests of the Association.

Briarcliff Manor is reached from the main line of the New York Central Railroad, the station being Scarborough, as well as from the Putnam Division of the New York Central Lines, Briarcliff Manor station, both of which can be reached from the Grand Central Station, New York City. All local trains stop at Scarborough, and it is said that some of the through trains from the west will do so to accommodate members of committees and the Council who may come from the West.



TRUST COMPANY SECTION

THE Executive Committee of the Section will hold its Spring Meeting on May 6 next (in conjunction with the meeting of the Executive Council of the Association) at Briarcliff Lodge, Briarcliff Manor, New York. This meeting is held to consider matters of interest to the Section and its members and to arrange as far as possible the program for the annual convention of the Section which will be held this year at Detroit, Michigan, the week beginning September 9. Assurances have been given the officers that a full day will be allowed the Section for its deliberations, such day to be one on which the General Association is not in session. In accordance with this understanding and desiring that the Detroit Meeting shall equal and even excel in interest the past meetings of the Section, the Secretary, by direction of Mr. F. H. Goff, Chairman, has mailed to all members of the Section a letter asking their cooperation to this end. As this letter may not have been brought to the attention of those most interested it is printed here as follows:

To the Member Addressed:

The annual conventions of this Section have increased in interest and value as the members have cooperated by suggesting topics for addresses and discussion and by being represented by delegates prepared to discuss the topics proposed and selected.

While the convention will not be held until the autumn, the Executive Committee will meet within a few weeks to consider matters of interest to the Section and to outline a program for the convention.

You are earnestly requested to advise me, before that meeting, of any matters which you would like brought to the attention of the Committee, and particularly to make suggestions regarding the program,

as to any topics which you would like to have brought up at the coming convention.

The Committee will be pleased to receive any suggestions for addresses to be delivered before the convention and for the names of those who you think could interest and instruct the members by preparing and delivering papers and taking part in the general discussions.

Very truly yours.

P. S. BABCOCK,
Secretary.

Membership in the Section now numbers 1160, the largest since the Section's organization and a very gratifying increase since the last convention.

As noted in last month's Journal, preparations are being rapidly completed for the Second Annual Trust Company Banquet to be held on May 9 next, at the Waldorf-Astoria Hotel in New York City. At this early date over 400 reservations for seats have been made and it is confidently expected that the attendance will be larger and the banquet even more notable and successful than that of last year. While the complete list of speakers cannot yet be announced, it may be said that those who have already accepted and those to whom invitations to make addresses have been extended are of such national reputation as to emphasize the importance of trust companies and the national character of this banquet.

The notice regarding this banquet was sent out to all members in the early part of March, but, for those who may not have had it brought to their attention it may be stated that the cost of each seat at the dinner is \$12 and that application for seats should be made to the Secretary of the Section at 11 Pine Street, New York City.

BOOM IN A. B. A. MEMBERSHIP!!!

THE usual spring campaign is now being waged for new members. The circular-matter sent out from the general offices has received a liberal response from those banks which are not now members of this Association.

The increase of membership during the month of March is 391; and of this increase there have been received applications to the number of 227 since March 18.

This brings the total membership of The American Bankers Association to date up to 12,448, which is a net gain of 826 since the same date a year ago.

MICHIGAN BANKERS ASSOCIATION ANNUAL CONVENTION.

THE 26th annual convention of this Association at Kalamazoo, June 11-13, will have its headquarters at the New Burdick Hotel.

An interesting program has been arranged and prominent speakers secured for addresses on pertinent subjects. "Vocational Education and Agricultural Development," (which subject is now a potent feature of the work of State Associations) will be discussed. Another topic to be presented is "The American Institute of Banking Study Course"—being a plan for the education of bank clerks.



SAVINGS BANK SECTION

ARE SAVINGS BANK BRANCHES DESIRABLE?

SOME time ago it was suggested by one of our members that the above would be a very pertinent question upon which to secure the opinion of savings bank men throughout the country, with a view to recording the results of same in these columns. To this end a letter was addressed to our Vice-President in each state requesting his views upon the subject, and the replies together with one or two other communications received, form the basis for this discussion which it is proposed to cover in two or three articles, the second of which will appear in our May issue.

We will first consider the affirmative side of the question, and as the mutual banks are those to whom branches would be the greatest innovation, the opinion of Mr. V. A. Lersner, Assistant Cashier of the Williamsburgh Savings Bank of Brooklyn, New York, is interesting. Mr. Lersner says: "The reason for agitation of branch savings banks is directly due to the conditions and experiences of our so-called new savings banks. Their general history as to deposits and surplus has been, and is such as to indicate their being a superfluous quantity in our banking needs, and with a growth that is extremely slow and especially following the early efforts of their managers who quickly exhaust their influence to invite deposits.

"The ever-declared excuse for the incorporation of new mutual savings banks is that their selected locality needs such facilities, but the truth is discovered in the more personal reasons of men unfamiliar with savings bank business. Since none of the newer banks could engage in the practice of branch banks, owing to the sufficiency of their cares, it would devolve upon the older ones to take up the work of offering accommodations to neighborhoods which would be considered in need of a savings bank local to the neighborhood.

"The advantages of a branch bank over newer institutions are the economy of administration, the security of an already established surplus, and the attractions to the public of a bank with age, experience, and reputation; features which would surely tend to solicit confidence and promote habits of thrift.

"A further, and by no means small advantage would be in times when the vital considerations of general policy were under advisement; then it would not be necessary to have the majority operate in a way to accommodate many weak and small banks, solely because of their undevelopment, rather than serve the real merits of the situation."

An opinion of particular interest coming from the other extreme both as to locality and organization,

is that of Mr. C. Yegen, our Vice-President for Montana. He writes of his experience and opinion as follows:

"Our experience in these ten years would demonstrate to our mind that branch banking is desirable and beneficial to communities as well as attractive as a sound business proposition. Funds are placed where needed and those accumulating savings receive the benefit of a good rate of interest.

"Savings societies were founded by men who had in view a place for the safe keeping of savings of the masses of the people, safety of the funds being the first purpose or function of such, and earning of some rate of interest a secondary condition. From a Montana point of view we believe that savings bank branches would be desirable. It is our opinion that should the great savings banks or savings societies establish branches in Montana where we have such enormous demands for money on the best kind of security, branches in Montana ably managed would furnish a profitable outlet for these eastern funds and do away with middle men of all kinds."

Coming back across the continent to the "mutual zone" Mr. E. N. Noyes, our Vice-President for Maine, and Treasurer of the Portland Savings Bank writes as follows:

"The question of the advisability of establishing a branch bank office was settled by me in the affirmative several years ago, owing to the fact that our bank has ceased to be in the line of travel for working people. We accordingly established a branch office where deposits are received and paid without reference to the parent institution. No investments are received or paid at the branch bank and no other business, excepting payments and receipts of deposits, made only at the branch bank. We do not pretend to pay deposits made at the main office. Business transacted at this branch has proved to be, as we expected, of the most desirable quality. New accounts opened are very much in excess of the older institution, and the average very much smaller in amount."

Another opinion based upon practical experience comes from Mr. B. F. Saul, our Vice-President for the District of Columbia, and President of the Home Savings Bank of Washington, a stock institution. Mr. Saul writes: "I beg to say that I consider branches for a savings bank desirable. With us, we had a large number of our customers located in the northeast and southwest sections of the city and a considerable distance from the main institution. Then again, the localities in which we established our branches were so far from the main business section of the city, and this section covering a large area of the city, there was a demand for banking facilities, but really did

not justify the establishment of separate banking institutions. The success of the two branches is evidence of the need of such banking facilities and they have also been a great help to the parent institution along advertising lines."

Mr. G. C. Purves, our Vice-President for Pennsylvania and President of the Philadelphia Savings Fund Society of Philadelphia speaks of local conditions as follows:

"In Philadelphia, where there are altogether but seven savings banks, there would appear to be a need for branches; and one of our banks has established a single branch. On the other hand, the growth of rapid transit in our cities has lessened the demand for subsidiary offices, and in the case of old established banks at a particular locality there is a feeling among many depositors of a desire to transact their business only there. Therefore, the question of branches appears to be one where no inflexible rule can be laid down, but depends on locality and the particular circumstances."

The Bank Mr. Purves refers to is the Western Saving Fund Society of Philadelphia. In response to an inquiry, Mr. R. J. Bunker, Assistant Treasurer-Secretary of this bank writes:

"The success of this sub-office has been most gratifying and the enterprise from the very beginning received the cordial support of the residents of that locality. Reports are made daily to the main office, and all investments and loans are made at the main office. All the depositors' accounts are kept at the main office and no books except those necessary for the daily routine work are kept at the sub-office."

Mr. C. J. Wohlenberg, our Vice-President for Iowa, and Cashier of the Holstein Savings Bank, votes "Yes" on the proposition, "if intended for collecting deposits only, for which cheap help might be employed and no expensive outfits like safe and modern equipment necessary."

Other favorable expressions of opinion by Vice-Presidents indicate in some instances a leaning toward branches for savings banks under certain conditions as, for instance, in cities, but state that either the state law forbids, or the banking commissioner frowns upon the plan.

One more opinion in favor of branches which is interesting is that of our former Secretary, William H. Kniffin, Jr., who writes: "Regarding branch banking, I believe it is the solution of the question of extending savings facilities to communities not served, and it would not only avoid the establishment of new savings banks where conditions would not promise success, but also provide for the establishment where conditions might be favorable, but competition too keen to permit a new bank to make a healthy growth, as the situation in New York City today will demonstrate."

"I believe that many of the ills of the savings bank situation would be cured by establishment of branches under certain conditions, such as; there must be no savings bank within a certain distance, the number of branches to be proportionate to the surplus, and the field so divided that every part could

be covered without encroaching upon the legitimate domain of any bank."

Another instance of successful savings bank branches is that of the Lowell Institution for Savings, Lowell, Massachusetts. Mr. Edward B. Carney, Treasurer, writes that they operate three branches in factories located at such a distance that the car fare would be an important item if deposits were to be made at the main office by the operatives. A clerk goes to these factories each Friday afternoon to receive deposits and open accounts, but no payments are made there. These branches have been a great success, and are maintained at a minimum of expense.

Thus we have food for reflection upon one side of the question and next month will present the negative side, devoting possibly a further instalment to a summing up.

CHARLES EZRA SPRAGUE.

ON the twenty-first day of March Colonel Charles Ezra Sprague, President of the Union Dime Savings Bank of New York passed away, and in his going our Section loses one of its most distinguished members. Soldier, scholar, financier, gentleman, he endeared himself to all who were privileged to know him personally, and enjoyed the respect of thousands who knew him solely through his writings.

Colonel Sprague graduated from Union College with the class of '60. He enlisted in the army at the outbreak of the war, and when but twenty-one was carried off the field of Gettysburg with a wound, which while hampering his physical being through life, made his capacity for work and his achievements all the more remarkable.

Colonel Sprague had been connected with his bank since 1870, serving it as President since 1892. During 1904-5 he was President of the Section, and only last year served as Chairman of our Committee upon Methods and Systems.

Probably the sphere in which the Colonel excelled was that of mathematics. He was Professor of Accountancy at New York University, and his publications are regarded as standards in matters of amortization and bond values.

The funeral services, of a most impressive, yet simple character, were conducted in the University Place Presbyterian Church on Sunday afternoon, March 24th, jointly by the pastor, Dr. Alexander, and Colonel Sprague's comrades in the Grand Army of the Republic, and as the last notes of the bugle sounding "Taps" faded away, while bowed down with sorrow at our loss, one felt that it was good that this man had lived.

The President has appointed Mr. William E. Knox of the Bowery Savings Bank and Mr. William F. Burns of the Williamsburgh Savings Bank a committee to prepare suitable resolutions upon the death of Colonel Sprague, same to be engrossed and forwarded to Mrs. Sprague.

The Section was represented at the funeral services by Mr. Knox and the Secretary.



CLEARING HOUSE SECTION



A NUMERICAL SYSTEM FOR CANADA.

IN the Journal of the Canadian Bankers Association for January a plan for numbering the Canadian banks is outlined by Mr. Stewart-Patterson, who is a well known writer on financial subjects and an authority on bank accounting. As early as 1898 Mr. Stewart-Patterson advocated a system of numbers for banks and his present ideas are in conformation with the Universal System of transit numbers in this country. The finance department of the Canadian Government has already assigned numbers to the twenty-nine banks in the Dominion, and using these numbers as a prefix it is suggested that each bank number its branches in the order of their establishment, except that a common number be used by all the banks to designate their branches in the cities of a population of 5,000 and over. This plan is admirably adapted to the Canadian banking system, the prefix number denoting the bank and the affix the name of the town. This is the reverse of our system but in practice it achieves the same result. The branches in towns not included in the uniform list of cities would be numbered by their respective banks, presumable alphabetically to start with. In handling Canadian transit items in the United States in order to avoid conflict with our own transit numbers it is suggested that 100 be added to the Canadian prefixes: 101-2 would then represent the Bank of Montreal in Toronto, 108-3 The Eastern Townships Bank in Winnipeg, etc.

In concluding his article Mr. Stewart-Patterson says:

"The numbering of branches would not only serve all the purposes of mutual benefit claimed for it, but would become no mean factor in the internal routine of the banks themselves. The constantly increasing number of branches in many of the banks has made the old method of abbreviation dangerous as far as accurate designation is concerned, and a systematic and generally recognized method of numbering should be welcome, especially in view of the fact that the numbers will appear on all cheques, drafts, letterheads, rubber stamps, etc., in fact every place where the name of a branch is printed. On branch clearing and other statements, in the mailing department and for many other purposes, such a system would prove economical, labor-saving and efficient.

"Outside of any selfish reason that may influence the adoption of the suggested plan, we must remember that even as a matter of courtesy to our U. S. Correspondents it is worthy of every consideration, for as long as we have no Numerical System on our cheques and stamps they will have to handle our

transit items both to and fro in an entirely different manner from their own items, although forwarded to the same place."

WHILE it is gratifying to note that efforts are being made to extend the system into Canada our attention is centered on the problem of introducing it effectively in our own bank machinery. Quite the best idea that has appeared recently has come out of Cleveland. This plan for doing missionary work is explained under the Cleveland Chapter news in this issue of the Journal-Bulletin. Several large banks in other cities are co-operating upon Mr. Ward's plan and it is most encouraging to note the assistance that is being rendered by organized committees in many of the chapters of the Institute.

Let not the country banker imagine that the benefits of the Numerical System are limited to the large city banks. If the small bank makes only a hundred transit records a day, it is certainly easier to make them by number than by name. The success of the system, however, depends largely upon the co-operation of the banks who produce the greatest volume of transit items—the country bankers. It costs but ten cents to procure a small rubber numbering stamp, and it is a matter of a few minutes daily to number enough check books to keep the tellers supplied. Do not wait for your old books to run out before using the numbers. Do it today and ten thousand transit men will rise up and call you blessed!

Resolved that transit items should be collected through Clearing Houses rather than by individual arrangements between banks was the subject of an interesting debate between the young bankers of Pittsburgh and Cincinnati Chapters on March 19. There was a full attendance not only from Pittsburgh but from other cities as well, an indication of the general interest in this live subject. In a later issue we hope to give a synopsis of the best arguments advanced by both sides.

The affirmative was successful.

ARKANSAS BANKERS ASSOCIATION.

Postponement of Convention.

BY reason of conflict with other conventions in Little Rock on May 14-15, it has been found necessary to postpone the Annual State Convention to Tuesday and Wednesday, May 28-29.

STATE SECRETARIES SECTION

CONVENTIONS TO BE HELD IN 1912.

April	4-5	Florida	Key West
"	26-27	Louisiana	Covington
May	3-4	New Jersey	Atlantic City
"	6-8	Executive Council	A. B. A., Briarcliff Manor, N. Y.
"	7-9	Texas	San Antonio
"	10-11	Oklahoma	Tulsa
"	17-18	Alatama	Mobile
"	21-22	Missouri	Joplin
"	21-23	Mississippi	Gulfport
"	22-24	Kansas	Topeka
"	23-25	California	Long Beach
"	24-25	Georgia	Atlantic Beach
"	28-29	Arkansas	Little Rock
"	29-30	Tennessee	Knoxville
June	5-6	Iowa	Cedar Rapids
"	11-13	Michigan	Kalamazoo
"	13-14	New York	Buffalo
"	14-15	Minnesota (State Agricultural College),	St. Paul.
"	17-19	Idaho	Coeur d'Alene
"	18-19	Connecticut, "The Griswold,"	Eastern Point, New London.
"	18-19	Pennsylvania	Bedford Springs
"	19-20	North Dakota	Jamestown
"	20-22	Maryland	Blue Mountain
"	20-22	Virginia	Old Point Comfort
"	21-22	Oregon	Gearhart Park
"	26-27	South Dakota	Belle Fourche
"	26-28	North Carolina	Morehead City
"	27-29	Washington	Tacoma-Olympia
July	2-3	Ohio	Hotel Breakers, Cedar Point
"	5-6	South Carolina	Charleston
"	11-12	West Virginia	White Sulphur Springs
"	24-25	Wisconsin	Milwaukee
Aug.	21-23	American Institute of Banking,	Salt Lake City, Utah.
Sept.	9-14	American Bankers Association,	Detroit, Mich.
Oct.	18-19	Arizona	Tucson

CENTRAL STATES BANKERS ASSOCIATIONS' CONFERENCE.

ON the invitation of Mr. R. L. Crampton, Secretary Illinois Bankers Association, a conference of the Central States Bankers Associations was held in Chicago, March 15th-16th. The following states were represented:

Illinois—B. F. Harris, President, R. L. Crampton, Secretary.
 Indiana—Earl S. Gwin, President, Andrew Smith, Secretary.
 Iowa—E. J. Curtin, President, P. W. Hall, Secretary.
 Kansas—W. W. Bowman, Secretary.
 Michigan—C. J. Monroe, President, Mrs. H. M. Brown, Secretary.
 Missouri—W. F. Keyser, Secretary.
 Nebraska—Francis McGiverin, President, Wm. B. Hughes, Secretary.
 North Dakota—Karl J. Farup, President, W. C. Macfadden, Secretary.
 Ohio—Major S. B. Rankin, Secretary.
 South Dakota—J. E. Platt, Secretary.
 Wisconsin—George D. Bartlett, Secretary.

The following were invited as guests at the conference:

Fred. E. Farnsworth, General Secretary, The American Bankers Association.
 J. W. Hoopes and F. M. Mayfield, President and Secretary respectively of the Secretaries Section of The American Bankers Association.

R. L. Crampton was chosen chairman of the meeting and W. W. Bowman, Secretary.

Two days' deliberation and consideration were given to the important subjects with which the State Associations are concerned, and some new features of Association work were discussed—features which are not now in use by some of these Central States. There were about fifteen headings of Association work to be discussed and these were divided into at least 75 questions and answers. Much time and attention was given to the new feature of agricultural and vocational development, fidelity bonds and burglary insurance, protective service, new members, and the organization of groups, as well as many other subjects.

The gentlemen began by breakfasting together, which was followed by luncheons and dinners, and a theatre party on Friday evening, March 15th, being tendered to the visitors by Chicago bankers. In no sense was the entertainment allowed to interfere with the strenuous business sessions.

It was the unanimous opinion of those present that this meeting was invaluable to the active State Secretary, and it was suggested that similar conferences be held by the West Coast Secretaries, the Southern Secretaries, and the Atlantic Coast Secretaries, with a view to acquiring a more thorough understanding and discussion of all these subjects which are to be presented at the annual meeting of the Organization of Secretaries to be held in Detroit.

INVESTMENT BANKERS SECTION.

ON the call of George B. Caldwell, Vice-President Continental and Commercial Trust and Savings Bank, Chicago, Illinois, a meeting of investment bankers was held at the Union League Club, Chicago, Friday evening, March 29th. The meeting was preceded by a dinner tendered by Mr. Caldwell. There were representatives of bankers and brokers, or investment bankers present from the following cities, Chicago, New York, Boston, Philadelphia, Pittsburgh, Cincinnati, Cleveland, Baltimore, St. Louis and Minneapolis.

The subject of the meeting was the discussion of the proposition to form an organization of investment bankers which might eventually become a section of the American Bankers Association. It was the unanimous opinion of every representative present that such an organization would be desirable and of bene-

fit to the American Bankers Association, as well as to the investment banker. As this subject had already been presented to the American Bankers Association at the New Orleans meeting, and had also been considered by the Committee on Amendments recently appointed, this Committee authorized Mr. Lucius Teter, of Chicago, a member of the Committee, and General Secretary Farnsworth to attend this conference in Chicago.

The present membership of bankers and brokers and investment bankers in the American Bankers Association is four hundred.

The result of the meeting was the determination to perfect an organization. Mr. Caldwell was chosen as Chairman and Mr. Frederic R. Fenton, of Chicago, as Secretary of the temporary organization. These, with a Committee of five were authorized to appoint several committees, which shall give this subject consideration and map out a campaign of action.

MORTUARY RECORD REPORTED DURING MARCH, 1912.

- Beber, J. A.—President First National Bank, Williamsport, Pa.
- Buhler, Theo.—Cashier First National Bank, Victoria, Texas.
- Bullock, Major Robert S.—Cashier Fayette National Bank, Lexington, Ky.
- Carhart, Amory S.—Trustee People's Trust Company, Brooklyn, N. Y.
- Cone, Charles S.—Cashier State National Bank, St. Louis, Mo.
- Craig, Joseph Watson—Director Farmers' Deposit National Bank, Pittsburgh, Pa.
- Culbertson, John D.—Director First National Bank, Pittsburgh, Pa.
- Cutting, Wm. Bayard—Director American Exchange National Bank, New York City.
- Date, Edwin R.—Cashier National City Bank, Cleveland, Ohio.
- Doerfler, Theodore—Cashier First National Bank, Wesley, Iowa.
- Emley, Wm. S.—President Sixth National Bank, Philadelphia, Pa.
- Fox, Sr., Henry S.—President Houston National Exchange Bank, Houston, Texas.
- Gold, John T.—President Gold Company State Bank, Big Stone City, S. D.
- Gough, Harry M.—Secretary Empire Trust Company, New York City.
- Halleck, Lewis L.—Vice-President Citizens National Bank, Emporia, Kans.
- Harding, Fred E.—President Second National Bank, Monmouth, Ill.
- Harris, Geo. H.—Cashier First National Bank, Rocky Ford, Colo.
- Howard, Edward—Cashier Cape County Savings Bank, Jackson, Mo.
- King, N. C.—President Havana National Bank, Havana, Ill.
- King, Wm. H.—Trustee Mechanics Savings Bank, Hartford, Conn.
- Leonard, Geo. S.—Cashier Third National Bank, Syracuse, N. Y.
- Lewis, Col. Hiram W.—President Kansas National Bank, Wichita, Kans.
- Lilley, Lucius—President Lilley State Bank, Tecumseh, Mich.
- Mackay, Donald—Of the firm of Mackay & Company, New York City.
- Maguire, James—Cashier National State Bank, Elizabeth, N. J.
- Mortensen, Peter—President First National Bank, Ord, Nebr.
- Mossman, John M.—Director Fidelity Trust Company, New York City.
- Nichols, G. G.—Cashier Citizens State Bank, Petersburg, Ind.
- Nichols, W. S.—Director Exchange National Bank, Colorado Springs, Colo.
- Northrop, Wm. N.—Director Newtown Savings Bank, Newtown, Conn.
- Pardee, Charles W.—Vice-President Market Bank of Buffalo, Buffalo, N. Y.
- Parker, Edward J.—President State Savings Loan & Trust Company, Quincy, Ill.
- Phillips, Henry R.—Cashier Kountze Bros., Bankers, New York City.
- Robie, Frederick—President First National Bank, Portland, Me.
- Robinson, C. O.—Cashier Arizona Central Bank, Flagstaff, Ariz.
- Rollins, Jordan J.—Director Windsor Trust Co., New York City.
- Rouse, Dudley—President Boone County Deposit Bank, Burlington, Ky.
- Russell, Ogen—Cashier Third National Bank, Pittsburgh, Pa.
- Shriver, Robert—President First National Bank, Cumberland, Md.
- Smith, A. Lee—First Vice-President Chemung Canal Trust Co., Elmira, N. Y.
- Smith, Bryan, H.—Trustee Brooklyn Savings Bank, Brooklyn, N. Y.
- Sprague, Chas. Ezra—President Union Dime Savings Bank, New York City.
- Steffens, John—Vice-President California National Bank, Sacramento, Cal.
- Stoner, Jacob—President Union Bridge Banking & Trust Co., Union Bridge, Mo.
- Timpson, Arthur Terry—Secretary Empire City Savings Bank, New York City.
- Unger, Irvine B.—Vice-President Old Detroit National Bank, Detroit, Mich.
- Van Houten, A. Zabriskie—Vice-President Passaic Trust & Safe Deposit Co., Passaic, N. J.
- Wallace, W. H.—President First National Bank, Drayton, N. D.
- Wilder, A. E.—Cashier Garden City Bank & Trust Co., San Jose, Cal.
- Wolf, Amos Craig—Director First State Savings Bank, Three Rivers, Mich.

REGISTRATION AT OFFICES.

THE following visitors registered at the Association offices during the month of March.

Appleton, C. G., Comptroller Fidelity Trust Company, Newark, N. J.

Barlow, C. C., Vice-President Yale National Bank, New Haven, Conn.

Beale, Wilbur F., Treasurer Dorchester Trust Company, Boston, Mass.

Bennett, W. H., Vice-President American Exchange National Bank, New York City.

Berg, Philip E., Cashier Farmers & Traders National Bank, Hillsboro, Ohio.

Brown, Joseph G., President Citizens National Bank, Raleigh, N. C.

Carpenter, H. M., Vice-President Ossining National Bank, Ossining, N. Y.

Carr, E. S., Secretary and Treasurer City Trust Company, Newark, N. J.

Clapp, Howard H., Cashier Central Bank, Rochester, N. Y.

Clarkson, E. B., Director Peoples National Bank, Jackson, Mich.

Champlain, Edwin, Vice-President San Antonio Loan & Trust Co., San Antonio, Texas.

Chapman, Jr., Joseph, Vice-President Northwestern National Bank, Minneapolis, Minn.

Cogswell, Ledyard, President New York State National Bank, Albany, N. Y.

Cox, J. Elwood, President Commercial National Bank, High Point, N. C.

Crandell, H. L., Vice-President Bank of Long Island, Jamaica, N. Y.

Cutler, Ralph W., President Hartford Trust Co., Hartford, Conn.

Demarest, R. A., Cashier National Bank of Walden, Walden, N. Y.

Doar, Elias, Cashier Bank of Dorchester, Summerville, S. C.

Edwards, G. E., President Dollar Savings Bank, New York City.

Ellner, Joseph, Financial Record, New York City.

Evans, Montgomery, President Norristown Trust Company, Norristown, Pa.

Feathers, W. C., Cashier Manufacturers National Bank, Troy, N. Y.

Ferres, John G., President The Johnstown Bank, Johnstown, N. Y.

Field, William J., Secretary-Treasurer Commercial Trust Co. of N. J., Jersey City, N. J.

Fordyce, R. D., Vice-President German American Trust Co., Paterson, N. J.

Foye, E. Elmer, Vice-President Old Colony Trust Company, Boston, Mass.

Fry, J. W., President Greensboro Loan & Trust Co., Greensboro, N. C.

Grape, Maurice H., Assistant Treasurer Continental Trust Company, Baltimore, Md.

Gregory, E. W., New York City.

Halsey, C. H. K., President Union County Trust Co., Elizabeth, N. J.

Harris, B. F., Vice-President First National Bank, Champaign, Ill.

Henry, W. J., Secretary New York State Bankers Association, New York City.

Huyssoon, Arnold B., Secretary and Treasurer Silk City Safe Deposit & Trust Co., Paterson, N. J.

Hyde, Fred W., Cashier National Chautauqua County Bank, Jamestown, N. Y.

Imhoff, C. H., Vice-President Mercantile National Bank, New York City.

James, R. E., President Easton Trust Company, Easton, Pa.

Jones, Breckinridge, President Mississippi Valley Trust Co., St. Louis, Mo.

Jones, R. E., Assistant Agent Royal Bank of Canada, New York City.

Kloss, D. S., Cashier First National Bank, Tyrone, Pa.

Lacey, B. R., State Treasurer, Raleigh, N. C.

Lesch, R., New York City.

Maltzberger, J. H., Cashier Keystone National Bank, Reading, Pa.

McDougal, E. C., President Bank of Buffalo, Buffalo, N. Y.

McKinney, J. F., Treasurer Palisades Trust & Guaranty Co., Englewood, N. J.

Meek, Chas. E., Assistant Cashier Fourth National Bank, New York City.

Miller, Theodore F., President Brooklyn Trust Co., Brooklyn, N. Y.

Minot, Jesse, Assistant Cashier Asbury Park & Ocean Grove Bank, Asbury Park, N. J.

Mitchell, H. G., Cashier Peoples National Bank, Langhorne, Pa.

Mott, H. S., President Bank of Northport, Northport, N. Y.

Murphy, G. A., Cashier Lionell Perera & Co., New York, N. Y.

Paynter, W. H., Cashier West Branch National Bank, Williamsport, Pa.

Pond, H. H., Secretary-Treasurer Plainfield Trust Company, Plainfield, N. J.

Pugsley, Hon. Cornelius A., President Westchester County National Bank, Peekskill, N. Y.

Reading, J. G., President Susquehanna Trust & Safe Dep. Co., Williamsport, Pa.

Robbins, H. G., Publicity Manager, N. W. Halsey & Co., New York City.

Robinson, Edward L., Vice-President Eutaw Savings Bank, Baltimore, Md.

Schermerhorn, Col. Arthur F., Assistant Secretary American Surety Co. of New York, New York City.

Sexton, F. S., Cashier Fulton County National Bank, Gloversville, N. Y.

Sherwood, L. W., Assistant Cashier Dime Savings Bank, Detroit, Mich.

Shields, Edward E., Assistant Cashier First National Bank, Westchester, Pa.

Siegfried, H. G., Cashier Easton National Bank, Easton, Pa.

Sniffen, Frank L., Manager Title Guarantee & Trust Co., Brooklyn, N. Y.

Sturgis, J. H., Treasurer Franklin Savings Bank, Boston, Mass.

Tetor, Lucius, President Chicago Savings Bank & Trust Co., Chicago, Ill.

Tompkins, H. L., State Bank Examiner, Banking Dept., New York City, N. Y.

Townsend, Garrett T., President Merchants National Bank, Middletown, N. Y.

Verplanck, W. G., Vice-President Geneva National Bank, Geneva, N. Y.

Watts, F. O., President First National Bank, Nashville, Tenn.

Watts, Mrs. F. O., Nashville, Tenn.

Weeks, Willet, care of Wilmerding & Bisset, New York, N. Y.

Well, Chas. R., Paying Teller Colonial Trust Co., Philadelphia, Pa.

Wells, Edward, President Peoples Bank, Johnstown, N. Y.

Weyl, Thomas J., Cashier National Bank of Roxbury, Roxbury, N. Y.

Wheeler, Wm. D., Irving Savings Bank, New York City.

Whitmer, G. R., Treasurer Farmers Loan & Trust Co., Sioux City, Iowa.

Willock, C. E., Treasurer Fidelity Title & Trust Co., Pittsburgh, Pa.

MISSISSIPPI BANKERS ASSOCIATION ANNUAL CONVENTION.

THE bankers of Gulfport and Biloxi will unite in providing the entertainment features for the Annual Convention of the Association at Gulfport on May 21-23. An elaborate program has been prepared and by reason of Gulfport being located directly on the Mississippi Sound there are many opportunities for the pleasure of the guests.

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SMALL BANKS AND THE NATIONAL RESERVE ASSOCIATION.

The small banks are asking, "What benefits will we derive from the National Reserve Association?" To answer this question, we publish here a clear statement of the case, which has been prepared by a leading banking expert for the National Citizen's League for the Promotion of a Sound Banking System. This article is an advance chapter from the book, "BANKING REFORM," which the League will distribute to its members throughout the United States. The preparation of the book has been under the editorial supervision of J. Laurence Laughlin, the head of the Economic Department in the University of Chicago, who, for many years, has been a leader in the struggle for sound money and sound banking.

THE National Reserve Association is proposed as a means of completing and perfecting the process of organization of our banking institutions which has been in progress at least since the establishment of our national banking system. It is designed to serve these institutions, not to compete with them; to add something to what they already have, to increase their usefulness, not to take something away from them or to supplant them. Constituting as they do probably seventy-five per cent. of the total number, small banks are vitally concerned in this project.

The plan at present under consideration places before such a bank first of all the alternative of becoming a member of a National Reserve Association or of remaining outside. Assuming that it decides to become a part of the organization, it would be required to subscribe for stock in the Association to the amount of twenty per cent. of its capital and to pay half that amount in cash, the other half remaining subject to call. It would also be required to join with the other banks in its vicinity, which had also become members of the Association, in the formation of a local Association. It would not be required to sever any of its existing relations with other banks. It could retain its correspondents, its membership in the clearing house, if it had one, and its bank customers. It could form any new relations of this kind that might be desired. Its relations to the national or the state system to which it belongs would not be in any respect disturbed. National banks would continue as at present to be inspected and supervised by the Comptroller of the Currency and his assistants, and state banks and trust companies by the state officers at present entrusted with that duty.

These simple additions to the connections of the small bank would impose upon it new duties and give it privileges not now enjoyed. Chief among the former are the choice of one of its officers as its representative in the election of directors of the local

Association and his equipment with any desired instructions, and, in conjunction with fellow members of the Association, the choice of representatives to vote for directors of the district Association and to vote the stock of the Association in the election of directors of the district branch and of the central Association. Another is the assumption, in conjunction with fellow members of the local Association, of the obligation to make good any losses involved in the non-payment by any member, of the paper bearing the endorsement of the local Association, which the bank had rediscounted at any branch or at the central office; the amount of its obligation in such a case being determined by the proportion its capital and surplus bear to the aggregate capital and surplus of all the banks of the local Association. A third is the obligation to report to the National Reserve Association monthly or oftener, if required, the principal items in its balance sheet and to submit to examination by representatives of the local Association.

The new privileges to be made available pertain to its reserves, rediscounts and loans, clearings and transfers, note issues and holdings of government bonds. It would be permitted to count as part of its legal reserve its balances in any of the offices of the Association in addition to those with its present reserve agents which it is now permitted to count. This would relieve the small bank of the obligation now imposed of keeping locked up in its vaults cash to the amount of at least six per cent. of its deposits. It would also be relieved of the necessity of keeping reserves against time deposits payable more than thirty days ahead and it would be permitted to diminish its reserves against savings deposits, which are to be subject to thirty days' notice, to forty per cent. of that required for demand deposits.

Value of Rediscount Privilege.

In the matter of rediscounts small banks at the present time have very limited, if any, facilities. Occasionally as a special favor their correspondents will take some of their customers' paper, but ordinarily they are obliged to hold such paper until maturity and frequently to renew it. The plan for a National Reserve Association proposes materially to change this condition of affairs by furnishing adequate rediscount facilities. Genuine commercial bills maturing in not more than twenty-eight days, which have been made at least thirty days previously, are to be rediscountable directly; that is, when presented by the bank itself without the mediation of its local Association. Bills of the same character maturing in not to exceed four months are to be acceptable for rediscount when endorsed by the local Association. In cases of special need loans are also to be made directly to banks on the security of their own paper endorsed by the local Association and secured by collateral. Such loans, however, must have the approval of the Secretary of the Treasury, and are intended to

meet special exigencies only and would not probably, therefore, be often available for small banks.

It should be noted that the extension of these rediscount and loan facilities to all banks will benefit the small ones not only directly but also indirectly by making it possible for their large correspondents to grant them facilities in this line not now possible. Being able themselves to secure ample accommodations from the Reserve Association, these correspondents will be able without danger to rediscount for their small-bank customers and to loan to them. The latter would thus doubtless be able to rediscount other paper than that acceptable to the Reserve Association and would be able to avoid application to the local Association, if for any reason that should not seem desirable. Small banks which do not belong to the Association would in this way also be able to enjoy some of its advantages.

Economies Under New Plan.

Another very valuable privilege is that of the transfer without charge of the whole or any part of a bank's balance with the Reserve Association to any other bank having an account with the Association. This would practically eliminate exchange charges and greatly diminish the time now required for the making of exchanges between distant places. Another saving would be effected by the privilege of securing without cost shipments of the circulating notes of the Association. Since these would serve all the purposes of cash and could be counted as a part of the legal reserve, banks would be saved the greater part of the expense now involved in currency shipments to replenish depleted supplies.

Another feature of the plan of great importance to small banks is the privilege to be accorded local Associations of exercising the powers and functions of clearing houses. If these Associations should generally avail themselves of this privilege, the collections of the small banks would be greatly facilitated and the greater part of the expense now involved in them eliminated. Since these local Associations would embrace the entire country and would be connected with each other through the branches and the central office of the general Association, banks would have no difficulty in disposing at par of any check or draft, no matter in what part of the country drawn or payable. Since clearing balances would be made payable in checks against balances in the Reserve Association's offices, no shipment of currency would be required in their settlement. This privilege would remove one of the chief causes of friction now existing between small banks and their correspondents, a considerable amount of irritation now being caused by the refusal of the latter from time to time to accept certain checks or to collect them without a heavy charge for exchange.

All the privileges thus far described would be available to state and national banks alike. The latter would enjoy the additional one of being able, if they so desire, to dispose of their government bonds at par without forfeiting their national charters. The plan does not contemplate the application to national banks of any pressure to give up their present issues, but it offers them the opportunity on terms that are fair and that involve little, if any, loss. The extension of their note issues beyond the amount outstanding at the date of the organization of the Association is not to be permitted.

The plan further proposes to permit national banks to lend a portion of their savings deposits on real estate security, thus removing one of the handicaps under which they now operate in competition with state institutions. This privilege concerns principally the small banks of this group, especially those located in small towns and country districts. It would greatly enlarge their capacity to serve their present constituents and to add to their number.

Another privilege is offered national banks by this plan, namely, that of accepting bills for their customers. This concerns small institutions as well as large, although the latter will doubtless make most use of it, at any rate at first. To the small bank, however, it offers a form of two-name paper which in many cases it will be able to substitute for the one-name paper it is now obliged to accept.

Small Banks in Control.

The assumption of the obligations and the enjoyment of the privileges which have been mentioned are calculated to strengthen the small banks of the country, improve their business methods and remove from them the chief obstacles in the way of their proper development and the chief dangers which now threaten them. In substantiation of this claim it should be noted first of all that the plan now under consideration proposes to put the control of the National Reserve Association in their hands on the assumption that an institution which is designed for the service of banks ought to be controlled and managed by them; otherwise there is danger of its becoming a master instead of a servant. The assumption of such an obligation is a great responsibility, and like all great responsibilities it promises the development of strength as well as power.

One of the penalties which our small banks have been obliged to pay for their independence of ownership, their close connection with local interests and their circumscribed field of operations is relative isolation. They are at a distance from the larger currents of affairs and in ordinary times out of touch with them. As a rule only when crises threaten or actually occur does the fact that they are but parts of a great mechanism of exchange, international in the scope of its operation and influence, strike their attention and impress them in a vivid manner. Among the consequences of this isolation are inaccessibility to sources of information essential to the proper training of their officers and to the safest and most successful conduct of their business, and a species of provincialism which stands in the way of progress.

A National Reserve Association controlled by them would bring small banks into close touch with each other, with larger banks in the commercial centers, and with itself, the balance wheel of the entire system. As members of a local Association and financially responsible for losses resulting from defaulted paper rediscounted by fellow members, they would be forced to interest themselves in each other's affairs and in the economic activities of the region embraced in the Association. Having the duty to vote for directors of the branches and of the central Association at Washington and being vitally interested in the discount, reserve and issue policies practiced by them, they would be obliged to study these matters, and through them the financial and commercial facts and movements on which they are based. No bank could properly perform its function in the proposed organization without strengthening its officers and directors along lines which tend to develop length and breadth of vision, broad-mindedness, wider and deeper knowledge of banking and commercial affairs, and the spirit of co-operation and patriotism.

Dangers to Be Averted.

Among the more obvious services a National Reserve Association will render the small banks, are the removal of the chief danger which now menaces them, the increase of their capacity to serve their constituents, and the power it will place in their hands for the inducement of the co-operation of their constituents in the development of sounder business methods.

The chief danger which now menaces the small bank which honestly and faithfully serves its constituents is the locking up of its resources in unmarketable securities. Its chief business is the receipt of deposits which it agrees to pay on demand and their loan for considerable periods of time on personal security, usually one-name paper. Its borrowers consist chiefly of local business men who are little known outside of their home town and whose paper in consequence is unmarketable except at the local bank. The quality of this paper varies widely, but, all things considered, is high. It is not revealed by the face of the instrument itself, however; can be tested as a rule only by the banker of the man who makes it; and his method of putting it to a test would frequently not pass muster in a court of credit men. In fact it is the essential conservatism and soundness of the methods of the average American business man upon which dependence is placed rather than upon balance sheets, careful investigation, or collateral.

Moreover, the small banker's relation to his constituents is personal and private. In this respect it resembles that of a physician to his patient. The business man expects his banker to afford him such accommodations as he needs in the form of loans, and the banker is obliged practically to assume this obligation. His cash resources, however, which are even further beyond his power of regulation and control, bear no necessary relation to the magnitude of these loans. They depend primarily upon the amount of money in circulation in the community, the number of his depositors who are not borrowers and the relative proportion of time to demand deposits. If it were not for the fact that most of his borrowers receive the proceeds of their loans in the form of balances against which they check, and his ability consequently to pay off one customer by borrowing from another, he could not do business at all. But in spite of the high development of the check system in this country, the danger of being called upon for more cash than he receives from his customers in the normal course of events constantly menaces him. At the present time he is able to provide against this only in a very imperfect and haphazard manner. There is no regular and normal way of so doing. He must always resort to such expedients as his ingenuity and conditions at the time suggest.

More Freedom of Action.

The National Reserve Association will completely change all this. It will provide an easy, normal and always available method of adjusting cash resources to needs, and that, too, without compelling the small banker to change in any essential particular his present business methods or without in any way curtailing his activities. In case he is threatened by a shortage of cash, he will simply need to select those notes from his portfolio which mature in the near future and which he knows from experience or from pre-arrangement with the customers whose names are upon them, will be paid at maturity instead of renewed, and turn them over to the nearest branch of the National Reserve Association for rediscount. A favorable credit balance will thus be created against which he can draw to the extent of his need. Upon demand the Association will even ship him currency free of charge.

This privilege of rediscount will not only relieve the small banker of his chief anxiety and his chief danger, but will enlarge his capacity to serve his constituents. Safety now compels him either to keep on hand funds in excess of his real needs and in excess of the legal reserve, which he is forbidden to use, or else to invest in such securities as he can readily turn into cash, and these are rarely the kind that his customers can supply. In either case his constituents are deprived of the use of funds which the National Reserve Association will enable him to place at their disposal.

Furthermore, the National Reserve Association will enable the small banker to place at the disposal of his customers foreign capital to a degree which is now impossible. He will not be obliged to reject a good loan simply because he is "loaned up." He can always turn such a loan over to the Reserve Association, provided only the proceeds are to be used for strictly commercial purposes. This limitation will prevent him from lending assistance to such of his customers as are interested in over-expansion and inflation, but in no way interfere with his aiding them in the prosecution of legitimate commerce.

The fear has been expressed that danger lurks in the scheme at this point, that the National Reserve Association will make it so easy for the small banker to get capital for his customers that they will be encouraged to embark in all kinds of inflation schemes. This fear is based upon a misconception of the nature of the commercial paper to which it is proposed to limit the investments of the Association, and upon a failure to note the effects of variations in the rate of discount.

Commercial and Investment Paper.

The term "commercial paper" is commonly used in this country to mean paper that is sold about the country by brokers, and small bankers, having fre-

quently suffered loss from investments in it, do not rank it highly. Indeed many of them will have nothing to do with it. Emphasis should be placed on the fact that as the term is used in connection with the National Reserve Association it means something very different, namely, paper which represents movements of goods from producers to consumers, the transformation of raw materials into finished products, of the seed, fertilizers, machinery, labor and tools of the farmer into crops, and of lean into fat cattle, etc., etc. It should be contrasted with investment paper, which represents the capitalization of new enterprises and the enlargement of old ones, the purchase of land, water powers, irrigation projects, the construction of buildings, the opening up of mines, and the building of railroads, lighting and heating plants, etc. Commercial paper in this sense is to be found in every community. It is presented to the banker by his own customers and is more abundant than any other form of loan.

Inflation results when investment loans exceed current savings, because when this happens, banks assume demand obligations, that is, issue currency against obligations which will not be paid for years, and the currency consequently piles up, accumulates, instead of being returned and redeemed. When, however, they invest in commercial paper, they simply act as intermediaries in an exchange of goods against goods, the currency which they create being returned to them for cancellation by the completion of the process of exchange in which it originates, and this normally happens, sometimes in a few hours, usually in a few days or weeks, and at the longest in a few months.

Against the possibility of even temporary inflation caused by over-investment in commercial paper of the longest maturities or by a temporary stoppage of the ordinary processes of commerce, the power of the Reserve Association to regulate the rate of discount is a safeguard. When that rate is raised, it will check the rapidity of exchange operations all along the line and diminish their magnitude. When it is lowered the opposite will happen. The Reserve Association will thus be able to maintain a proper balance between the country's money resources and its commerce.

Better Terms For Commercial Paper.

The emphasis which the Reserve Association will be forced to place on commercial paper and the fact that it will supply for the first time in this country an open market for such paper will tend to influence in a wholesome fashion the business habits of small banks and their constituents. Few of these now observe in their practice, and perhaps many of them are unconscious of, the distinction which has just been drawn between commercial and investment loans. In consequence they contribute, without doubt unconsciously in most cases, to the inflation of credit which characterizes every period of so-called prosperity. The National Reserve Association will force this distinction upon their attention and will furnish them a strong motive for its observance in practice. Unless our experience proves to be different from that of other countries, once a market for commercial paper is created, it will be placed at the top of the list of bank investments, and the rate on it will be the lowest in the market. Small bankers will, therefore, be able to offer customers decidedly better terms for paper of this kind than for any other, thus furnishing them the strongest kind of a motive for giving this character to as large a proportion of their obligations as possible.

This will also materially aid such bankers in the very difficult task of inducing their customers to disclose the uses to which they propose to put borrowed funds and to supply financial statements of their business operations. At the present time small bankers are able to get this information only to a limited extent, especially in regard to paper furnished by note-brokers. When they are able to offer a customer a one or two per cent. reduction in the rate of interest on all paper which bears on its face or in the form of attached documents the evidence of its commercial character, he will no longer hesitate to furnish what is wanted. If he does, he will force his banker to the

conclusion that he cannot furnish it and thus injure his own credit.

It is at this point that the significance of the proposal to allow banks to accept drafts for their customers appears. Such acceptances will be useful and superior to promissory notes only in the financing of purchases of goods at distant points, the buyer in such cases being able to discount a bank acceptance, but not that of an unknown merchant. The name and location of the drawer will in most cases reveal to the accepting bank the nature of the transaction on which the bill is based, and the customer will derive the advantage of getting credit for the period in question at a lower rate than would otherwise be possible.

Not so obvious, perhaps, but quite as important in the long run are the scrutiny and supervision of his fellow bankers and the increase in real independence which the National Reserve Association will bring to the small banker. In order that the officers of the local Associations may be in a position to pass intelligently upon the quality of the paper submitted to them for rediscount, they must carefully study the business methods of the bankers with whom they deal, and this study will not be spasmodic but continuous. Their fund of knowledge will constantly increase and become the common property of the entire banking community. Every bank will have a pecuniary interest in keeping its fellows up to a high grade of soundness and will be obliged to conduct its own affairs in the open. The knowledge of this fact and the consciousness of this scrutiny will be the most efficient check on bad banking yet devised in this country. It will do for small banks everywhere what clearing-house inspection in some of our large cities has done for banks thus associated.

This mutual scrutiny and supervision will furnish the best possible guarantee to depositors. Deposits can never be in danger so long as loans are properly made and safeguarded and are readily transmutable into cash, and it is primarily on loans that this scrutiny will be concentrated. The borrowers of a bank will gradually be revealed by the paper sent up for rediscount and their character will be put to the test of outside, disinterested investigation. In this investigation the banker will ultimately find his strongest weapon against the undue pressure of unscrupulous and plunging borrowers.

Will Make Country Banks Independent.

It is a widespread belief at the present time that the much-boasted independence of the small American bank has been partially, if not wholly, lost. Without attempting to examine the validity of the grounds usually assigned for this belief, it is pertinent to note the fact that a degree of dependence upon reserve city banks and the stock market is unavoidable under present conditions. The small banker must have liquid assets and his only method of getting them now is by the favor of his reserve agent in granting him rediscounts, or loans on collateral, or by investments in stock exchange securities. Whichever horn of the dilemma he chooses, he delivers his fortunes in part into the hands of other people. His reserve agent is not obliged to rediscount for him or to grant him loans. Neither obligation is necessarily involved in the reserve agent function. The small banker must ask these privileges as a favor and in consequence must be prepared to grant favors in return, and these return favors at times may seriously interfere with his independence. When he invests in stock exchange securities with the expectation of turning these into cash in case of need, he throws his fortunes to that extent into the hands of the people who have most influence in determining the value of such securities, and, in order to be on the right side of the market, he is tempted to seek their favor and to follow their advice.

The National Reserve Association will deliver him from both kinds of thralldom. It will give him an institution of his own in which he has property rights and over which he has control, to which he can always turn for cash as a right instead of a favor, which in fact exists primarily for the purpose of rendering him this service. He will then be truly independent, an equal among equals, the arbiter of his own fortunes.

Recently the fear has been expressed that some small banks would be unable to derive much benefit from rediscounts through the proposed Reserve Association because the greater part of the paper they hold is of longer maturities than four months, the maximum the Association is to be allowed to accept. This fear is based upon a misconception of the clause in the proposed act which permits rediscounts of paper maturing in not less than twenty-eight days. Such paper must have been in the possession of the bank for at least thirty days, but it may have been there for a much longer period. Every bank always has on hand paper maturing during the coming month. So far as this regulation is concerned it matters not how long it may have been in the bank's possession. Provided it is actually payable within twenty-eight days it falls within the category of directly rediscountable paper.

It should furthermore be remembered that nothing in the proposed plan prevents correspondents from rediscounting for their bank customers paper of longer maturities than four months, and their ability to rediscount with the Reserve Association will give them facilities for so doing which they do not now possess and a motive for so doing which does not now exist. Such banks will ordinarily have plenty of paper which falls within the rediscountable categories and, in order to prevent the removal of their bank customers' balances to the Reserve Association, they will find it in their interest to accommodate them in every possible way.

COMMITTEE ON AMENDMENTS.

THE Committee on Amendments to the Constitution which was authorized by the Executive Council at its New Orleans Convention, met in the Association offices in New York City on Monday, March 25th.

There were present the following members of the Committee: E. L. Robinson, Chairman, E. Elmer Foye, E. C. McDougal, Lucius Teter and Montgomery Evans. Messrs. Sears and McNider were unavoidably absent.

The Committee discussed quite fully the present constitution and certain suggestions which had been made for changes, and adjourned to meet again in the near future when the entire personnel can be present. In the meantime the individual members of the Committee have been supplied with the present constitution and by-laws and suggestions, and will come prepared to formulate such changes as appear to be desired, when the next meeting shall be called.

HOTEL COMMITTEE AT DETROIT.

THE associated banks of Detroit have not yet announced their committees for the next convention which is to take place in that city beginning Monday, September ninth.

The Hotel Committee has just been appointed, and is comprised of the following: John W. Staley, Assistant Cashier, First National Bank, Chairman; Charles H. Ayers, Assistant Cashier, Peoples State Bank; Charles R. Dunn, Treasurer, Union Trust Co.; Elmer E. Ford, Assistant Cashier, Old Detroit National Bank; L. C. Sherwood, Assistant Cashier, Dime Savings Bank.

Communications from those desiring hotel accommodations may be addressed to the Chairman of this Committee or can be addressed to the Detroit hotels, a list of which appeared in the "Journal-Bulletin" for March. As fast as the hotels are filled from the applications received, surplus applications will be turned over to the Hotel Committee, who will communicate with the applicants.

LEGAL DEPARTMENT

THOMAS B. PATON · GENERAL COUNSEL

BILLS OF LADING IN THE SENATE.

HEARINGS before the Committee on Interstate Commerce United States Senate on

S. 957, a bill relating to bills of lading, and S. 4713, a bill relating to bills of lading in commerce with foreign nations and among the several states,

have been held on February 16, 17, March 1, 2 and 15, 1912, five days in all having been devoted to these hearings.

S. 957 which was introduced by Senator Clapp, Chairman of the Committee on Interstate Commerce, is the bill originally drafted on behalf of the American Bankers' Association and covers the points most vital to the security of a banker or a consignee advancing value upon a draft secured by a bill of lading. These points are in brief (1) liability of carrier on bill of lading signed by agent without receipt of goods (2) liability of carrier on order bill of lading where goods delivered and bill left outstanding (3) making bill of lading altered without authority of carrier enforceable according to its original tenor. S. 957 is known in the House as the Stevens bill. It passed the House of Representatives in June 1910, and was reintroduced by Mr. Stevens in the 62nd Congress, being H. R. 4726.

S. 4713 was introduced by Senator Pomerene of Ohio and is a copy of the Uniform Bills of Lading Act approved by the Commissioners on Uniform State Laws for state enactment and now the law in nine states. This bill is in reality an entire code of law of bills of lading covering, in addition to the matters of liability provided in the Clapp-Stevens bill, a variety of topics relating to the issue, negotiation and redemption of bills of lading.

All interests affected by the proposed legislation—shipper, banker, consignee and carrier—were well represented at the hearings before the Senate Committee and the necessity for legislation, at least to the extent of providing a responsibility of the carrier to the bona fide holder of a false bill of lading—which responsibility is denied by the Supreme Court of the United States—was clearly demonstrated. Those favoring the Clapp bill had no objection to the Pomerene bill if the passage of the latter was practicable, but because of the length and variety of provisions of that bill and the possibility that certain portions, if enacted as a federal law, might be attacked on constitutional grounds, the Clapp bill was favored by the bankers and by some of the shippers. It was evident from the expressions of opinion of a number of members of the Senate Committee that remedial legislation was desirable but that a bill even shorter than the Clapp-Stevens bill, would best fit the case. To this end there has been prepared on behalf of the

American Bankers Association and submitted to the Chairman of the Senate Committee on Interstate Commerce a modified draft of the Clapp-Stevens bill, reduced to the shortest form possible consistent with safeguarding interests of those who advance value on the faith of bills of lading. The Senate Committee has not, at this writing, made its report of a proposed law governing this subject but the outlook seems good for a favorable report of some kind of legislation which will protect bona fide holders of these important documents.

Following is copy of a letter dated March 20th, 1912, written by General Counsel of the Association to the Chairman of the Senate Committee presenting the modified draft of bill, which explains the measure and how it differs from the original Clapp-Stevens bill; also a copy of the final modified draft:

Copy Letter General Counsel Paton to Senator Clapp.

Bearing in mind your suggestion that the Clapp bill (S. 957) ought to be shortened and that the main thing which would seem to be necessary is simply a law that would overturn the rule of the Friedlander case, Professor Williston and myself, acting on behalf of the American Bankers Association, have prepared a final modified draft of S. 957, copies of which I enclose, asking that same be considered as a suggested form of law that would meet the requirement of the interests we represent as well as remedy the main evils necessary to be corrected by Federal legislation.

To briefly describe this modified draft and how it differs from S. 957, would say that taking the latter as a basis, the following are the material differences:

1. Sections 1, 2 and 3 of S. 957 have been eliminated. These define Order and Straight bills of lading and provide certain things they must and must not contain. When these provisions were originally drafted, the Interstate Commerce Commission only had power to make recommendations concerning the form of bill but since the powers of the Commission have been increased, the matters covered by Sections 1, 2 and 3 may properly come within the scope of regulation of the Commission and are not really necessary in the proposed law.

2. Section 4 of S. 957 is made Section 1 of the modified draft. This has been shortened by taking out the provisions as to estoppel and simply retaining those as to liability of the carrier, which are sufficient. The proviso limiting liability is the same as that in the State Uniform Bill of Lading Act and the Pomerene bill and is satisfactory to the carriers, with the exception that we have redrafted the "shipper's load and count" provision concerning which there was so much discussion. We provide in effect, that where such words are on the bill the carrier shall not be liable but we prohibit the carrier from putting such words on the bill without the consent of the shipper in all cases where he has been requested by the shipper and given reasonable opportunity to verify the description of the property. This Section 1 of the suggested modified draft therefore, overturns the rule of the Friedlander case and provides a general liability of carriers where their agents have issued bills without goods, or have issued unmarked dupli-

cates which are in effect the same, and it couples an exemption of the carrier from liability in those cases where it is just that he should be exempted.

3. Section 2 of the modified draft is the same as Section 5 of S. 957, except that we shortened same by taking out estoppel, leaving in liability. This relates solely to Order bills and makes the carrier liable where he leaves the bill outstanding. This, of course, is a matter not covered by the Friedlander case but, as explained by Professor Williston at the last hearing, in view of certain decisions relieving carriers from liability where the goods had been delivered to the holder of the bill, without taking it up and the holder afterwards negotiated the bill, this is a danger to those who advance value on bills of lading, which requires legislation making the carrier liable, equally as in case of false bills. In other words, the holder for value of a bill of lading ought to be protected where there are no goods behind it not only where the carrier never received the goods originally, but also where he has parted with the goods and left the bill outstanding.

4. Section 6 of S. 957 is made Section 3 of the modified draft. Having by the preceding section made the carrier liable for delivering goods without taking up the bill, this section naturally follows to exempt him from such liability in proper cases as where the goods are taken from him by legal process, or are sold to satisfy his lien and the like. In order, however, to protect the holder of the bill in such cases, as far as possible, there has been added a provision requiring the carrier to notify the consignee or party according to the terms of the bill to be notified of arrival that they may protect themselves as far as possible.

5. Section 7 of S. 957 is made Section 4 of the modified draft. It provides in effect that a bill altered without authority should be good for its original tenor. This is to prevent the bona fide holder being injured from the application of the rule of the common law that the alteration of a bill makes it void and of no effect. Decisions exist which make this section important in the interest of the bona fide holder.

6. A new section has been added to the modified draft, Section 5 relating to bills in sets issued by ocean carriers. It is desirable that this legislation cover not only interstate but foreign bills of lading and it is made to cover foreign bills by Section 1 of the modified draft and would apply to through bills, issued by the railroads of the country for goods shipped to foreign countries. Such railroads do not issue these in sets. But the custom is still in vogue for ocean carriers to issue bills in sets and in view of the criticism and the fear of such ocean carriers that the proposed law prohibiting unmarked duplicates would apply to sets of a bill and make them liable on each one of a set, it has been thought wise to add this section.

I trust you will pardon the length of this explanation of the modified draft which I have endeavored to make as brief as possible and accept it as a suggestion from the interests represented by us of the kind of law which is deemed necessary for the protection of all those who advance value on the faith of bills of lading. Copies of this suggested modified draft have been forwarded to Ex-Senator Faulkner, representing the railroads, Mr. Francis B. James, who appeared in behalf of the Pomerene bill and Mr. Lynde, representing the Chicago Association of Commerce.

Final Modified Draft (S. 957 and H. R. 4726) Relating to Bills of Lading.
Suggested on behalf of American Bankers Association.

That every common carrier, railroad or transportation company (hereinafter termed "carrier"), who himself or by his officer, agent or servant, authorized to issue bills of lading, shall issue an order bill of lading or a straight bill of lading for the transportation of property from a place in one State to a place in another State (the word "State" to include any Territory or District of the United States), or from a place in the United States to any foreign country

before the whole of the property as described therein shall have been actually received and is at the time under the actual control of such carrier to be transported, or who shall issue a second or duplicate order bill of lading or straight bill of lading for the same property, in whole or in part, for which a former bill of lading has been issued and remains outstanding and uncanceled, without prominently marking across the face of the same the word "Duplicate" or some other word or words indicating that the document is not an original bill of lading, shall be liable to the consignee named in a straight bill of lading or to the holder of an order bill of lading who has given value in good faith, relying on the description therein of the property for damages caused by the nonreceipt by the carrier of all or part of the property, or its failure to correspond with the description thereof in the bill of lading at the time of its issue, or for the failure to mark the word "Duplicate" or other word or words as hereinbefore provided upon a second or duplicate bill of lading.

Provided that if the property is described in an order or a straight bill of lading merely by a statement of marks or labels upon the property or upon packages containing it, or by a statement that the property is said to be of a certain kind or quantity, or in a certain condition, or it is stated in any such bill of lading that packages are said to contain property of a certain kind or quantity or in a certain condition, or that the contents or condition of the contents of packages are unknown, or words of like purport are contained in any such bill of lading, such statements, if true, shall not make liable the carrier issuing the bill of lading although the property is not of the kind or quantity or in the condition which the marks or labels indicate, or of the kind or quantity or in the condition it was said to be by the consignor. Also if a bill of lading contains the words, "shipper's load and count" or other words indicating that the property was loaded by the consignor and the description made by him, the carrier shall not be liable for damages caused by the improper loading, nonreceipt by the carrier or misdescription of the property. But without the consent of the consignor a carrier shall not insert in a bill of lading the words "shipper's load and count" or other words of like purport, if requested by the consignor and given reasonable opportunity to verify the description of the property.

Section 2. That every carrier who himself or by his officer, agent, or servant, shall deliver the property described in an order bill of lading without requiring surrender and making cancellation of such bill, or, in case of partial delivery, indorsing thereon a statement of the property delivered, shall be liable to every person who has acquired, or who thereafter shall acquire, in good faith and for value, any such order bill of lading for the damages which he may have sustained because of reliance upon such bill according to its original tenor and effect.

Section 3. That no carrier shall be liable under the provisions of this Act where the property is replevied, or removed from the possession of the carrier by other legal or governmental process or authority, or has been lawfully sold to satisfy the carrier's lien, or in case of sale or disposition of perishable, hazardous, or unclaimed goods, in accordance with law or the terms of the bill of lading, or in case of other lawful excuse for refusal to deliver. Provided, that in every such case due notice be given by the carrier to the consignee or to any party who, according to the terms of the bill of lading, is to be notified of the arrival of the goods at their destination.

Section 4. That any alteration, addition, or erasure in a bill of lading after its issue without authority from the carrier issuing the same, either in writing or noted on the bill of lading, shall be void, but such bill of lading shall be enforceable according to its original tenor.

Section 5. Nothing herein contained shall be construed as prohibiting the issue of bills of lading in sets by ocean carriers, or as rendering such carriers liable for delivering the property without requiring the surrender of all parts of a set of bills of lading issued for such property.

BILLS OF LADING IN THE HOUSE.

THE Clapp-Stevens bill (S. 957, H. R. 4726) has received full and exhaustive consideration by the Senate Committee on Interstate Commerce at three separate sessions in February and March occupying five full days. In the House it is pending before the Committee on Interstate and Foreign Commerce and has not, at this writing, been taken up for consideration. Owing to the fact that this measure passed the House in the 61st Congress in June, 1910, and that the outlook in the Senate of the present Congress is distinctly favorable, it is highly desirable at the present time that the commercial and banking interests of the country do everything possible in a legitimate way to bring to the minds of the members of the House of Representatives and especially of the House Committee having the bill in charge, the facts, reasons and conditions which make the enactment of this legislation by the present Congress one of vital importance to the general welfare. The small shipper of the country cannot have a cash market at his own door for his products unless he can present to the banker and the latter, in turn, to the consignee at destination, a bill of lading that carries with it a responsibility of the carrier for the truth of his agent's certificate that described goods have been received and the cases which are constantly arising of the issue of bills without goods, either fraudulently or as matter of accommodation are discrediting these documents to such an extent that unless the carrier is made responsible by legislation for the acts of his agent, the movement of crops and products of the country under present methods will be seriously hampered. This rule of responsibility already exists in over one-half the states, either by force of statute or by virtue of judicial decision, but it does not exist in the Federal courts of the country owing to the doctrine laid down by the Supreme Court of the United States in the Friedlander and other cases that until the goods are actually received by the carrier, no agency arises or authority exists to acknowledge their receipt and therefore the act of an agent who signs and issues a bill of lading before receipt of the goods is unauthorized and not binding on the carrier. It is this doctrine that the proposed legislation is designed mainly to overturn. All bankers and their customers, interested in bills of lading and in having the law corrected to meet modern needs and conditions, are therefore earnestly requested to do all they properly and rightfully can, and at once, to urge the importance of this remedial legislation upon members of Congress. Following is a list of the House Committee on Interstate and Foreign Commerce as at present constituted:

Interstate and Foreign Commerce Committee, House of Representatives.

Chairman: William C. Adamson, Carrollton, Ga.; William Richardson, Huntsville, Ala.; Thetus W. Sims, Linden, Tenn.; William R. Smith, Colorado, Tex.; Robert F. Broussard, New Iberia, La.; Henry M. Goldfogle, New York, N. Y.; Courtney W. Hamlin, Springfield, Mo.; Adolph J. Sabath, Chicago, Ill.; John A. Martin, Pueblo, Col.; J. Harry Covington, Easton, Md.; William A. Cullop, Vincennes, Ind.; Samuel W. Gould, Skowhegan, Me.; Frank E. Doremus, Detroit, Mich.; J. H. Goeke, Wapakoneta, Ohio; Frederick C. Stevens, St. Paul, Minn.; John J. Esch, La.

Crosse, Wis.; Joseph R. Knowland, Alameda, Cal.; William M. Calder, Brooklyn, N. Y.; Edward L. Hamilton, Niles, Mich.; Michael E. Driscoll, Syracuse, N. Y.; Eben W. Martin, Deadwood, So. Dak.

LAW COMMITTEE.

THE Law Committee of the Association held a Conference with representative bankers from the States of New York, Pennsylvania, and New Jersey, relative to savings deposits and their investment, in the rooms of the Association on Friday, March 22nd. There were present Chairman Jay, John H. Sturgis and General Counsel Paton, representing the Law Committee and thirty-nine bankers from the three states named. A full and thorough discussion was had covering all phases of the subject under investigation and the information obtained will be summarized with similar information obtained at other conferences throughout the country and presented to the Executive Council at its spring meeting in a special report of the Law Committee.

FORGED AND RAISED CHECKS IN MASSACHUSETTS.

THE Legislature of Massachusetts has passed the so-called one-year liability bill on forged and raised checks recommended by this Association for enactment in the different states but has changed and broadened the measure to cover all negotiable instruments and matters of forgery and alteration other than signature of drawer and increase of amount. The petition for the bill was filed by Mr. Charles P. Blinn, Jr., a member of the Legislative Committee of the Massachusetts Bankers Association. It constitutes Chapter 277, Acts of 1912 and is as follows:

COMMONWEALTH OF MASSACHUSETTS.

Acts of 1912, Chapter 277.

Section 1. No bank shall be liable to a depositor, or to the drawer of a bill of exchange upon the bank, for an amount charged to or collected from him on account of the payment by such bank of a negotiable instrument upon which the signature of any party is forged, or which is made, drawn, accepted or indorsed without authority, or which is materially altered, or the amount of which is raised; unless within one year after the return of such negotiable instrument to such depositor or drawer, he shall notify the bank in writing, that, as the case may be, the signature of a party to the instrument is forged, or that the instrument was made, drawn, accepted or indorsed without authority, or that it has been materially altered, or that the amount has been raised.

Section 2. A depositor's vouchers may be returned by mailing the same to him at his last known address, postage prepaid, and such depositor may, when required to notify the bank, give notice in like manner.

Section 3. In this act the term "bank" shall include any person or association of persons carrying on the business of banking, whether incorporated or not.

Approved March 19, 1912.

VIRGINIA LEGISLATION.

MR. GEORGE BRYAN, Attorney for the Virginia Bankers Association, reports that of five bills recommended by the American Bankers Association and advocated by the Legislative Committee of the State Association, only one passed both Houses of the Virginia Legislature and is now a law, namely, the bill in regard to deposits in two or more names. The other four bills, namely, relating to bills of lading, burglary with explosives, forged or raised checks, and false statements for credit were all favorably reported from Committees and the bill in regard to punishment of burglary with explosives passed the House but was not acted upon by the Senate.

OVERDRAFTS.

WE have been publishing recently in successive issues of the Journal sample forms of letters used by banks to discourage overdrafts on the part of their customers. The following have been received during the last month.

From a national bank in Kentucky:

On November 10th, 1911, the Comptroller of Currency issued a general letter on the subject of Overdrafts, strongly condemning same, and quotes from a decision of the Supreme Court of the United States, concerning overdrafts in National Banks, as follows:

"Such a usage and practice is a manifest departure from the duty, both of the directors

and cashier, as cannot receive any countenance in a court of justice. It could not be supported by any vote of the directors, however formal; and therefore, whenever done by the cashier, is at his own peril, and upon the responsibility of himself and his sureties."

Will you not co-operate with us in carrying out the spirit of the law, and a rule that has always held in this bank?

From a national bank in Kansas we have received the following letter and sample enclosed:

We have just been reading article in the March number of the Journal relating to overdrafts.

We think that the letter sent you by the Ohio banker is objectionable for two reasons. In the first place it is too long, and in the second place it leaves the impression that any old system of banking is good enough if the Comptroller of the Currency did not object to it.

We enclose herewith a form letter such as we send to our customers when we find their account overdrawn. We would be glad to hear from others along this line.

.....19.....

Dear Sir: According to our books your account is overdrawn to the amount of \$..... We have checked the account over carefully and are unable to find wherein we have failed to give you proper credit for any item deposited.

We would thank you to check the account over and advise us at once if you find that we are in error; however, if you find that the account is correct we would ask that you give the matter your prompt attention.

OPINIONS BY GENERAL COUNSEL.

Summary of Questions Received and Opinions Rendered to Members of the Association.

CHECK IS AN ASSIGNMENT.

The Supreme Court of Minnesota newly establishes the doctrine that a check is an assignment, which differs from the rule in the great majority of states—Practical questions which arise under new doctrine answered by reference to decisions of Illinois courts where doctrine formerly prevailed.

From Minnesota.—I enclose a brief outline of a decision by the Minnesota Supreme Court in *Wagstaff v. First National Bank*, clipped from yesterday's Minneapolis Journal, and would be glad of your opinion of the bearing of same on following supposed cases:

First.—Where a check on which payment has been stopped by the drawer is presented for payment by the payee or subsequent holder.

Second.—Where a bank has notice that a check on itself has been given by A to B, but before same is presented for payment, another check given by A to C is presented, payment of which will leave insufficient funds to credit of A's account to take care of the other check.

Third.—Where a depositor issues a check and then dies before same is presented at the drawee bank for payment.

We are somewhat in doubt as to the proper and safe course for a bank in this State to take, in view of the enclosed decision.

The Supreme Court of Minnesota in *Wagstaff v. First Nat. Bank of Blue Earth*, 134 N. W. 224 (Jan. 26, 1912) adopted the "check is an assignment" doctrine—the question not having theretofore been decided by the court—and held as follows:

"We hold that a check on a bank in which the drawer has funds on deposit subject to check is an assignment of such funds of the drawer to the amount of the check, which assignment is complete as between the drawer and payee when the check is given and complete as between the payee or holder and the bank when the check is presented for payment. Upon such presentation the bank, unless its right to pay has been taken away by some occurrence before presentation, is legally bound to pay the check."

Check not Revoked by Drawer's Death.

In the case before the court the check had been given for a valuable consideration and had been presented to the bank for payment after the death of the drawer. It was at first refused because of the drawer's death, but was subsequently presented and paid.

The executor of the drawer's estate sued the bank, but the court affirms a judgment in the bank's favor declaring, in accordance with its statement of the law above quoted: "when therefore the check was presented to the defendant bank in this case it became legally obligated to pay it." In other words, under the "check is an assignment" doctrine, the death of the drawer does not revoke the check in the hands of the payee.

This answers your question No 3. Your questions 1 and 2 may be best answered by reference to the decisions in Illinois, the courts of which State formerly held the same doctrine until it was overturned by the enactment of the Negotiable Instruments Law under which "a check of itself does not operate as an assignment of any part of the funds to the credit of the drawer with the bank, and the bank is not liable to the holder, unless and until it accepts or certifies the check."

Drawer Cannot Stop Payment.

Concerning question No. 1 the Illinois cases held that after a check has passed unto the hands of a bona fide holder it is not in the power of the drawer to countermand the order of payment. *Union Nat. Bank v. Oceana Co. Bank*, 80 Ill. 212; *Gage Hotel Co. v. Union Nat. Bank*, 171 Ill. 531. And later in the case of *First National Bank v. Keith*, 183 Ill. 475 that where a check has been issued to a payee for value, payment cannot be stopped and it is immaterial whether there is a bona fide assignment to an innocent holder or not. The court in this case cited the previous decisions that after a check had passed into the hands of a bona fide holder, payment cannot be countermanded and said that it follows that where there is no defense to the check in the hands of the payee, he stands in as safe a position as the assignee would and the maker cannot undo the transaction by notifying the bank not to pay.

Effect of Notice to Bank of Check Before Presentment.

Your remaining question is: Where a bank has notice of the existence of a check on it, the funds being sufficient at the time of notice, does such notice fix the right of the holder to the funds before the check is presented for payment; or is it the right and duty of the bank to afterwards pay another check when presented which will leave insufficient funds to take care of the first stated check?

This question was a troublesome one under the Illinois doctrine. It was held in 1888, in *Myers v. Union Nat. Bank*, 27 Ill. App. 254 that the bank might appropriate the funds of a depositor to pay an indebtedness to itself after receiving notice by telegram that the holder of checks of such depositor had sent a messenger to present them, and that as between competing checks, with not money enough to pay all, the banker pays the one first presented. This would indicate that presentment for payment was necessary to fix the rights of the holder and that notice of the existence of the check without presentment was not sufficient.

But in 1894 the Supreme Court of Illinois in *Bank of Antigo v. Union Trust Co.*, 149 Ill., 343 cast doubt upon the question by holding that while the drawing and delivery of a check operates as an assignment of

the amount to the payee yet "in order to charge the bank with the amount it is indispensable that the check be first presented to it for payment or some other act done equivalent thereto." Following this in 1896 the court in *Jacobson v. Bank of Commerce*, 66 Ill. App. 370 said: "As between different check-holders, the one who first presents his check is entitled to priority, at least if the bank has no notice of any prior check outstanding. We are referred to no case in which priority among check-holders has been the question but in the very nature of the banking business the rule must be 'first come, first served.'" The inference from this case is that if the bank had notice of a prior check it might be bound thereby. In 1898 the Supreme Court of Illinois, in *Gage Hotel Co. v. Union Nat. Bank*, 171 Ill. 531, said: "There is no privity between the bank and the check-holder until presentment and priority in drawing a check does not give priority of the right to the fund as against the banker, but such priority of right is determined by the order of presentment." This case holds that priority of presentment rules over priority of date. It does not specifically touch on the effect of notice, although the statement that there is no privity between holder and bank until presentment might be taken as indicating that notice without presentment created no obligation on the bank's part. But in 1899 in *Wyman v. Fort Dearborn Nat. Bank*, 181 Ill. 279, the Supreme Court of Illinois held that a bank might apply a deposit to an indebtedness due the bank, although the depositor has drawn a check against the deposit that has not yet been presented or any notice thereof given to the drawee bank. The court said: "until the bank had notice, it can pay subsequently drawn checks or credit the amount of the deposit on any overdue paper of its own." From this it would seem that notice, without presentation for payment, would be sufficient to fix the check-holders' rights. In the same year, however, the Appellate Court of Illinois in *Harrington v. First Nat. Bank*, 85 Ill. App. 212, had a case before it where actual notice had been given and in this case it was expressly held that notice of the existence of a check at a time when there are funds on deposit cannot be treated as a presentation for payment so that the holder would acquire an assignment of the fund against the bank. As to the bank, the court held, there was no appropriation until the check was presented for payment. But the court further held that such notice was good as against a garnishing creditor; that is to say, the court decided that where a bank after being served with process and before it answers or pays out the fund or is subjected to any other liability on account thereof, receives notice of a previous assignment by check, the assignee is protected against the garnishment as the garnishing creditor simply stands in the shoes of the depositor. According to this case a mere notice of the existence of a check, without actual presentment of the check for payment, would leave the bank free to apply the deposit to an indebtedness of its own or to pay a check afterwards drawn and presented, but would protect the holder of the check from garnishment of the deposit not only where the process was served after notice and before presentment of the check but even where the process was served before the notice,

provided the bank had not answered or incurred any liability in respect thereto.

These various decisions illustrate some of the practical difficulties which have arisen under the operation of the "check is an assignment" doctrine.

I think on the particular question just considered that the Minnesota courts would rule that priority of payment is to be determined by order of presentment and that a mere notice of the existence of a check, without its actual presentment for payment, would not fix the right of the notifying holder to the fund, so as to prevent payment of a check afterwards presented although such payment would leave insufficient to meet the check as to which notice was given.

Other Questions.

There have been a number of other disputed questions arising from the "check is an assignment" doctrine which have been passed upon by the Illinois courts. One of the results of this doctrine is that if the bank refuses payment when in funds, the holder of the check has a right of action against the bank thereon. This has been repeatedly held in Illinois and it is unnecessary to cite authorities on the proposition. Among other propositions decided in Illinois under this doctrine are the following:

When a check is presented the bank cannot set off an indebtedness to it of the holder against the check. The holder in such a case is regarded as agent of the drawer to collect the money. *Brown v. Leckie*, 43 Ill. 497.

Bank cannot set off debt of drawer not due against check-holder. *Fourth Nat. Bank v. Citizens Nat. Bank*, 68 Ill. 398.

The holder of a check drawn before and presented after a petition in bankruptcy against the drawer is entitled to the fund as against the assignee in bankruptcy. *Fourth Nat. Bank v. Citizens Nat. Bank*, 66 Ill., 398.

The "check is an assignment" rule does not apply to a check drawn payable in anything but money. The bank is not obliged to pay a check drawn payable "in exchange" and the payee has no right of action upon such a check. *Hogue v. Edwards*, 9 Ill., App. 148.

Where a check is made payable to "P & H for account L. C. & Co.," being given for a debt due by the drawers to clients of the payees, the legal title is vested in the payees as trustees for their clients and suit thereon against the bank is properly brought in the name of the payees. *Ridgely Bank v. Patton & Hamilton*, 109 Ill., 479.

Checks drawn before and paid after service of writ of garnishment are properly paid. But where checks do not appear to have been drawn before service of writ, they come within the rule which forbids transfer of funds attached after service of writ and before time for distribution. *Nat. Bank of America v. Indiana Banking Co.*, 114 Ill., 483.

In an action by holder against bank the burden is on the holder to show that, at time check is presented bank had sufficient sum on deposit to credit of drawer. It is not enough to show that drawer made adequate deposit on same day as that may have been made subsequent to presentment of check. *International Bank v. Jones*, 15 Ill., App. 594.

Where a check was drawn in Illinois payable in New York in which state the giving of a check did not amount to an assignment and where before presentation of check a voluntary assignment has vested in the assignee for creditors all the property of the drawer, the title to the fund represented by the check, not then having been transferred by means of the check, passed to assignee for creditors. *Pabst Brewing Co. v. Reeves*, 42 Ill., App. 154.

Where a subsequent holder sues the bank on a check for which no consideration was given to the drawer by the payee, such subsequent holder is presumed to be a bona fide holder for value without notice and in the absence of proof that the holder had notice of defenses, it is proper for the trial court to direct a verdict for the holder. *Nat. Bank of America v. Nat. Bank of Illinois*, 164 Ill. 503.

In order to entitle a bank to set off an indebtedness of the depositor against a presenting check-holder, the bank must have actually appropriated the deposit to payment of the indebtedness before presentment of the check. *Niblack v. Park Nat. Bank*, 169 Ill., 517 (I understand however that a contrary rule has been held under the "check is an assignment" doctrine of other states).

A check constitutes an assignment although the funds are insufficient at the time of drawing provided they are sufficient at the time of presentment. *Gage Hotel Co. v. Union Nat. Bank*, 171 Ill., 531.

A cashier's check given to a depositor to cover the amount of a withdrawal merely changes the form of the bank's indebtedness and does not operate to assign the amount called for to the depositor as against a receiver who takes possession of the funds of the bank under order of the court before the check is presented to the bank for payment. *Clark v. Chicago Title & Trust Co.*, 186 Ill., 440.

The above partial summary from decisions in Illinois under the "check is an assignment" doctrine are given as they may be useful in determining questions which may hereafter arise under this doctrine in the State of Minnesota. The doctrine, as already said, has been discarded in most of the states.

COLLECTION OF CHECK.

Collecting bank liable in Texas for default of correspondent—Rule in Oklahoma uncertain—Application of law to facts of particular case.

From Oklahoma.—John Jones deposited a check of \$1,500 with the F National Bank of Bagdad, Oklahoma. This bank deposited the check in the usual course of business with the M & P National Bank of London, Texas. That bank sent the item to the F National Bank of Liverpool, Texas. That bank sent the check to the C National Bank of Manchester, Texas. That bank sent the check for collection to the H National Bank of Tallahassee, Texas who collected it from the E National Bank of Tallahassee, Texas, on which it was drawn, and issued their draft in favor of the C National Bank of Manchester from whom they received the collection. While this draft was in transit the H National Bank of Tallahassee failed. The bank at Manchester charged back the item to the bank at Liverpool, which in turn charged it back to the bank at London, which in turn charged

it back to the bank at Bagdad, Oklahoma, which in turn charged it back to John Jones, the customer. John Jones does not wish to submit to this charge on the ground that the check was paid on presentation by the bank on which it was drawn, the E National Bank of Tallahassee, Texas, and that he is therefore entitled to the money.

What is the legal status of this question and on whom has John Jones recourse for his money? If he has recourse on the bank with whom he deposited the check, then on whom has that bank recourse?

I assume Jones, the payee, deposited this check in the Oklahoma bank for collection and that it was received for collection by the succeeding Texas banks through whose hands it passed. There is a conflict of decision among the courts of the country upon the question of liability of a collecting bank for the default of its correspondent. The rule in Texas is that, in absence of contrary agreement, the bank undertaking a collection is liable for the default of its correspondent, such correspondent being its own agent and not sub-agent of its principal. I referred to the Texas authorities to this effect in an opinion which you will find published in the Journal for March, 1912. (See page 554). The courts of many other states hold the same rule; while in a large number of others the rule is that the collecting bank is not liable for the default of its correspondent if duly selected and that the loss falls upon the owner of the item. I do not find that the courts of Oklahoma have as yet passed upon the question.

Such being the law, the loss in this case would under the Texas decisions seem to fall upon the bank at Manchester, Texas, whose correspondent at Tallahassee, Texas, failed after collecting the item, unless the Manchester bank had protected itself by agreement that it would not be so responsible. But assuming that all the Texas banks had thus protected themselves by agreement—that is to say had undertaken the collection under an agreement that they would select a suitable correspondent but would not be responsible for the correspondents' defaults—then the question of responsibility for loss would arise between the Oklahoma bank and its customer Jones, and the question would be whether, under the law of Oklahoma, the collecting bank was liable for the default of subsequent correspondents or was exempt from liability provided it had exercised due care in selecting a suitable correspondent. This question, as said, does not appear to have been passed upon in Oklahoma and is yet uncertain. If the Oklahoma courts should hold the latter rule, or if the Oklahoma bank had received the item for collection under an agreement exempting itself from liability for correspondents' defaults, the loss would fall upon the payee, Jones.

CHECK "PAY TO JOHN JONES."

Is neither to bearer nor to order but payable to John Jones only.

From Mississippi.—Will you kindly give me your opinion on the following:

A check is drawn on us on our form which reads,

"Pay to.....or bearer," but the drawer in writing the check made it to read, "Pay to John Jones," scratching out or erasing the "or bearer," thus making the check payable simply to John Jones. Is this a bearer check or order check, and does this restrict the indorsement?

Where the drawer uses a form of check "pay to.....or bearer," scratches out "or bearer" and makes the check read "pay to John Jones," this is neither a bearer check nor an order check but is one payable to John Jones only. Under the Mississippi statute (Code 1906, Sec. 4001) notes, bills, etc., are made assignable by indorsement "whether payable to order or assigns or not" and the assignee may maintain an action thereon in his own name. But the assignee takes subject to defenses. This is what is known as the "Anti-Commercial Statute." Instruments payable to bearer, it has been held, are not within the statute (Craig v. Vicksburg, 31 Miss., 216) but where the instrument is payable to a specified payee, whether it is to order or not, it is within the statute and is not negotiable free from equities.

BILL OF LADING DRAFT.

Acceptor of draft with bill of lading attached not liable to bona fide holder, under Mississippi law, where he has good defense against drawer.

From Mississippi.—We have for collection a draft with bill of lading attached for so much cotton drawn on a local cotton firm. The drawees before having checked the invoice carelessly accept the draft in order to take the three days of grace allowed in this state, thus making the paper in the nature of a note. Before the maturity of the three days they discover the error and refuse payment when presented thus necessitating protest of the draft. Can suit be brought and judgment secured because of failure to protect the draft or will the fact of the error prevent this?

It was held in Miller v. Bank, 76 Miss., 84, that a draft with bill of lading attached, accepted and paid by a drawee in Mississippi, is within the Anti-Commercial Statute of the state and although the draft has been purchased in good faith and for value by a bank, the drawee has the same rights defensive and affirmative against the bank discounting the draft as against the drawer. I think this decision would cover the case you state. I assume that the drawee refused payment of the draft, after accepting it, because he discovered some defect or short weight in the cotton or had some other matter of defense against the drawer. Under this statute and the decision above referred to, the holder of the draft has no greater rights against the acceptor than the drawer would have. The holder could sue the acceptor but the acceptor would be allowed to plead in defense any lack of consideration or claim for damages that he might have against the drawer. If he had no good defense against the drawer, the holder of the draft could recover judgment against him.

BILL OF LADING DRAFT.

Bank discounting and becoming owner of draft with bill of lading attached has right to proceeds of draft superior to attaching creditor of drawer.

From California.—We desire to ask your advice in the following matter concerning a Bill of Lading. About two years ago this Bank advanced the value of a draft against a new order Bill of Lading duly indorsed, covering a carload of prunes shipped to Milwaukee, Wis. This draft was paid in due time and the funds immediately attached in the hands of the collecting bank by a brokerage firm of that city. The matter ran along for some time before we received the release of all but \$250, a sum sufficient to cover the claim in question. Up to this time we have been unable to secure a settlement, but we have on hand an offer of compromise together with a threat to take the matter up to the Supreme Court, which will involve us in heavy cost.

Can you advise us in the matter?

There have been numerous cases in this country where a bank has purchased or discounted a bill of lading draft and where, after the draft has been paid and the bill of lading surrendered, the consignee has turned around and attached the proceeds in the hands of the collecting bank, because of some debt owed him by the shipper, the attaching creditor taking the ground that such proceeds are the property of the shipper and that the initial bank who discounted the draft was not the owner thereof, but only a collecting agent for the shipper. By far the greater number of decisions in such cases have protected the initial bank, holding its right to the proceeds superior to that of the attaching creditor. I will cite some of the cases where the discounting bank has prevailed against the attaching creditor, as they may be useful to your attorneys:

- Seward Co. v. Miller, 55 S. E. 681 (Va.).
- Mather v. Gordon, 77 Conn. 341.
- American Nat. Bank v. Henderson, 123 Ala., 612.
- Neill v. Rogers, 41 W. Va. 37.
- First Nat. Bank v. Milling Co., 103 Iowa, 518.
- Nat. Bank v. Everett, 71 S. E. 660 (Ga.).

In several cases of this kind the attaching creditor has attempted to prove that the initial bank, taking the draft from the drawer and shipper, gave no value therefor and was therefore not owner, but collecting agent. It is therefore important, in any such case, for the initial bank to prove by competent evidence the necessary facts to show that it acquired title to the draft and became owner thereof and that it did not hold the same merely for collection.

In your case you state, that two years ago, the proceeds of a draft belonging to you were attached, presumably by a creditor of the shipper and that afterwards all but \$250, sufficient to cover the attaching creditor's claim, was released but that up to this time you have been unable to secure a settlement although you have had an offer of compromise coupled with a threat to take the matter to the Supreme Court of the State. You do not state whether the case has already gone to judgment in your favor in the lower court but, in view of the threat to take the case to

the Supreme Court, I presume it has. If your ownership of this draft has been clearly proved, or can be clearly proved in the event the case has not yet been tried in the lower court, there is very little doubt but that you would be successful in the Supreme Court of the State of Wisconsin. At the same time, if the offer of settlement is a substantial one, and would net you more than you would ultimately receive even if you won the case in the Supreme Court it is, of course, a question for your own decision whether it is better to accept the compromise or to fight the matter out on principle, whatever the cost.

COLLECTION OF DRAFT WITH B-L COVERING INTERSTATE SHIPMENT OF INTOXICATING LIQUORS.

Section 239 of U. S. Criminal Code makes it criminal for a bank to collect a draft with B-L attached covering a shipment of intoxicating liquor from one state to another.

From Pennsylvania.—Is it illegal for a bank to collect a draft with bill of lading attached, covering a consignment of intoxicating liquor, shipped from one State or Territory into another?

We have been told that the United States District Court in North Dakota, has handed down a decision that a bank receiving, with bill of lading attached, a draft for the purchase price of intoxicating liquor, shipped from one State or Territory into another, and collecting the draft from the consignee, delivering to him the bill of lading so that he may present same to the carrier to receive the liquor, violates a Federal statute.

A decision such as described by you was handed down by the U. S. District Court in North Dakota on September 27, 1911, in the case of United States v. First National Bank of Anamoose, 190 Fed. 336. This decision shows it to be in violation of Section 239 of the Criminal Code of the United States for a bank to collect a draft with bill of lading attached covering a shipment of intoxicating liquor from one state to another. Banks engaged in the collection of bill of lading drafts should, therefore, be careful not to handle this kind of business.

In the case before the Court one Meyers, residing at Anamoose, ordered a case of beer from a brewery at St. Paul. The beer was shipped on an Order bill of lading which was attached to a sight draft for the purchase price and the documents sent by the brewery to the First National Bank of Anamoose, which bank collected the draft and surrendered the bill of lading. The bank was indicted for violation of Section 239 of the U. S. Criminal Code and after a demurrer to the indictment was overruled, a plea of guilty was entered coupled with a motion in arrest of judgment which motion was denied by the Court in the decision above cited.

Section 239 of the Criminal Code of the United States provides:

Any railroad company, express company, or other common carrier, or any other person who,

in connection with the transportation of any spirituous, vinous, malted, fermented, or other intoxicating liquor of any kind, from one State, Territory, or District of the United States, or place noncontiguous to but subject to the jurisdiction thereof, into any other State, Territory, or District of the United States, or place noncontiguous to but subject to the jurisdiction thereof, or from any foreign country into any State, Territory, or District of the United States, or place noncontiguous to but subject to the jurisdiction thereof, shall collect the purchase price or any part thereof, before, on, or after delivery, from the consignee, or from any other person, or shall in any manner act as the agent of the buyer or seller of any such liquor, for the purpose of buying or selling or completing the sale thereof, saving only in the actual transportation and delivery of the same, shall be fined not more than five thousand dollars.

The court in explaining this Section gives a brief history of the conflict between liquor dealers claiming the protection of the Commerce clause of the Federal Constitution and states prohibiting the sale of intoxicating liquors. That conflict arose as soon as the prohibition measures of Kansas and Iowa had been sustained by the Supreme Court of the United States. The sale of intoxicating liquors in the usual method at retail then became illegal in those states. The liquor dealers then sought the protection of the Commerce clause, shipping goods into those states and selling them in their original packages by means of resident agents. The Wilson Law (Act Aug. 1890) put an end to the sale of liquor in original packages by resident agents. Liquor dealers then sought to accomplish the same result by means of C. O. D. shipments in two forms (1) by making the carrier agent of the shipper to collect the purchase price at or before delivery (2) by means of bills of lading with drafts attached for the purchase price, forwarded through banks or other similar agency. These practices were assailed in the courts but the Supreme Court in *American Express Co. v. Iowa*, 196 U. S. 139 sustained the contention that C. O. D. shipments, including the collection of the purchase price, was within the protection of the commerce clause. The subject was finally regulated by a measure drafted by Senator Knox and incorporated in the new Criminal Code as Sections 238, 239 and 240. Inasmuch as no state had prohibited the use of intoxicating liquors, Congress did not seek by this legislation to deny them admission to the channels of interstate commerce, as had been done in the case of lottery tickets but proposed to leave "the actual transportation and delivery" of such liquors free but to cut out all other agency between the seller and the buyer.

The Federal Court in North Dakota, after describing the mischief with which Congress attempted to deal in this legislation, then proceeds to apply the statute (Section 239) to the case in hand. It holds that the words "any other person" in Section 239 are not limited to a person connected with the carrier but cover an incorporated bank; that the bank's acts were done "in connection with the transportation" of the liquors and that the language "for the purpose of buying or selling or completing the sale" was intended to cover C. O. D. shipments by means of draft and bill of lading and it was immaterial whether the carrier collected the purchase

price or a bank did so. The Court concludes its opinion:

"The statute was not primarily aimed at carriers, but at all acts done wholly within the state for the purpose of completing the sale of intoxicating liquors shipped in interstate commerce. At the time the law was framed, the form of such agency which employed a bill of lading with a draft attached was brought clearly before Congress in the decision of the Supreme Court which gave rise to the legislation. It would have been idle for Congress to deny such agency to carriers, and leave it open to other equally well-known forms. The contest had been a long one to prevent the interstate commerce clause of the Federal Constitution from being used as a means for carrying on traffic in intoxicating liquors through local agencies in violation of state laws. In my judgment Congress intended by the present statute to cut off all agency in the sale of intoxicating liquors to be shipped in interstate or foreign commerce, 'saving only the actual transportation and delivery' of such liquors. Its language is broad enough to attain that object. The court ought not to narrow it so as to make possible the mischief which the statute was intended to prevent by a mere change of form, especially when that form of transaction was well known, and was brought clearly to the attention of Congress in the decision which gave rise to the statute."

COMPETENCY OF NOTARY.

In Alabama, notary who is stockholder of mortgagee bank incompetent to take acknowledgment of mortgage but where he is an officer or employee, not a stockholder he is competent—Question of notary's competency to protest paper for the bank undecided.

From Alabama.—Under the laws of the State of Alabama is a Notary Public, who is a stockholder of a national bank, a proper person to protest paper for said bank?

It has been held in Alabama (*Jenkins v. Schwab Co.* decided in 1903) that the acknowledgment of a mortgage to a corporation before a notary who is stockholder and officer thereof is invalid but it has also been held (*Morris v. Bank of Attalla*, decided in 1905) that the acknowledgment of a mortgage to a bank was not invalid because taken before a notary who is an agent or employee of the mortgagee.

The Alabama courts have not passed upon the question of the competency of a notary-stockholder to protest paper for the bank. Where the bank holds the paper for collection and has no proprietary interest in it, I have no doubt that the notary would be held competent but if the bank was owner of the paper, there would be some doubt upon the question, although in one state where a notary was held incompetent to take acknowledgments of instruments running to the bank, because a stockholder, he was in another case held competent, whether a stockholder or not, to protest paper owned by the bank.

COMPETENCY OF NOTARY.

In Illinois, notary who is stockholder of mortgagee incompetent to acknowledge mortgage—Question whether notary who is partner of private bank competent to protest checks drawn on bank not decided and uncertain.

From Illinois.—Would like you to answer the following question for our information. Can a partner of a private bank or the cashier of same be notary who protests checks, the payment of which is refused by the same bank?

It has been decided in Illinois that an acknowledgment of a mortgage taken before a notary who is stockholder of the mortgagee is invalid because of the notary's indirect pecuniary interest (*Ogden Bldg. & Loan Ass'n. v. Mensch*, 196 Ill., 554) but the competency of a notary who is stockholder of a banking corporation, or part owner of a private bank, to make protests has not been passed upon so far as I know whether the paper is owned by the bank or drawn on it or otherwise held for collection.

In the specific case you mention of checks drawn on and refused payment by a private bank, the bank itself has no pecuniary interest in the checks but is one of the parties thereto, namely drawee. I think without doubt the cashier, where not a partner, would be competent as notary to protest the checks; but where a partner, the point might be raised that, as the partnership was drawee, it would be incompetent for one of the partners, as notary, to protest paper virtually drawn on and refused payment by himself. At the same time drawee banks often act in the dual capacity of agent of the payor to make or refuse payment and agent of the holder to take the necessary steps upon the dishonor and it is just as likely that the courts would hold the partner competent as the reverse.

COMPETENCY OF NOTARY.

In Kansas, statute of 1905 authorizes notary-stockholder to take acknowledgments of instruments executed to his bank except "when acting himself in behalf of corporation"—Question considered whether notary who draws up mortgage for bank is himself acting in its behalf, so as to be incompetent, or whether exception only applies where notary is named as party to instrument—Necessity of affidavit of ownership for renewal of chattel mortgage.

From Kansas.—This is a "one man bank," and acting as Cashier, also Notary Public, I have been in the habit of drawing up chattel mortgages, or real estate mortgages, made direct to the bank, and then taking the acknowledgment. My interpretation of the laws of 1905, Chapter 311, is to the effect that the notary has the right to act, except

where it requires his own name as official of the bank, such as in the transfer of real estate, affidavit of condition of bank, assignment of mortgages, etc.

If this is incorrect, it would certainly work a hardship on the small banks where one man does all the work. It would mean that every time there is a loan made, secured by chattels, it would be necessary to go to some outside notary (who are often scarce in the small towns) or have some other party draw up the papers.

Finally, is it possible to make a chattel mortgage absolutely secure, without the affidavit of ownership, acknowledged before a proper official?

Chapter 311 of the laws of Kansas of 1905 authorizes notaries public, although officers or stockholders of corporations, to take acknowledgments of instruments executed to or by the corporation or to administer oaths to officers, agents or employees of the corporation "provided that no such notary public shall take an acknowledgment or administer an oath when acting himself in behalf of the corporation."

The question is raised, where a notary who is cashier and stockholder is virtually in charge of the bank's business and in such position necessarily receives the application for a loan, arranges its terms and draws up the mortgage security, whether he is "acting himself in behalf of" the bank so as to come within the meaning and prohibition of the proviso quoted or whether such prohibition only applies where the notary is named as a party in the instrument acknowledged, either individually or in a representative capacity?

In the proposed "Competency of Notary" Act recommended on behalf of the Association which has been enacted in a number of states (but not in Kansas) and which among other things empowers notary-stockholders to take acknowledgments of instruments running to the bank, the disqualifying proviso prohibits the notary from taking the acknowledgment of an instrument by or to a bank or other corporation "where such notary is a party to such instrument, either individually or as a representative of such corporation," and under this it would be clear that the act of the notary in arranging the terms of the loan and the mere ministerial or clerical act of drawing up the mortgage or other necessary papers, would not disqualify him where he is not named in the instrument in any way as a party. Whether the proviso of the Kansas statute would be construed in the same way is the question. Is the notary "acting himself in behalf of" the bank where he is not named in the papers as the representative of the bank or must his agency in behalf of the bank be evidenced in the papers themselves? Just how the Kansas courts would construe this proviso cannot be foretold with certainty but it is not unreasonable to suppose that they would interpret the law as you have done, and hold that unless the notary is named in the mortgage as a party representing or acting in behalf of the bank, the prohibition is not violated although he personally drew up the mortgage. The same reasoning would apply to the administering of an oath. In a case where it was necessary for some officer of a bank to make an affidavit in behalf of the bank, the officer swearing to the affidavit could not, of course, as notary administer the oath to himself; but where another officer makes the affidavit it would seem perfectly competent for the notary-

stockholder to administer the oath although he personally drew up the affidavit.

Your remaining question is whether it is possible to make a chattel mortgage absolutely secure without the affidavit of ownership acknowledged before a proper official. The Kansas statute does not require affidavit of ownership upon original filing, but only upon renewal (Gen. Stat. Kan. 1909 Secs. 5224-5227). The omission of the necessary affidavit on renewal makes the mortgage void as against creditors or subsequent purchasers or mortgagees in good faith. A subsequent mortgagee, however, who becomes such before the expiration of the time for filing the affidavit of renewal cannot take advantage of the omission (46 Kan. 377) and a subsequent mortgagee with notice is not a subsequent mortgagee in good faith under this section (44 Kan. 549). The statute also provides for the case where the affidavit of renewal is not filed within the time prescribed and enacts that if it is thereafter filed before any purchase of the mortgaged property has been made or other mortgage deposited or lien obtained thereon in good faith, it shall be as valid to continue in effect the mortgage as if the affidavit had been made and filed within the prescribed period. In January 1905, before the enactment of Chapter 311 of the laws of that year above referred to, the Supreme Court of Kansas held in *Fair v. Citizens State Bank*, that an affidavit of a renewal of a chattel mortgage in favor of a corporation after it is received and filed by the register of deeds of the county, is not void, so as not to impart constructive notice of the lien of the mortgage, by reason of the fact that the affidavit is sworn to by an officer of the corporation before a notary public who is an officer and stockholder in said corporation.

INSTRUMENT FALLING DUE ON SATURDAY.

Presentable and protestable on Monday under Negotiable Instruments Law.

From Missouri.—In order to settle a controversy between ourselves and another bank, will you kindly inform us on the following point? Is a negotiable instrument which falls due on Saturday, (not a legal holiday) protestable on Saturday in our city, or should it be held over until the succeeding business day, which would be Monday?

The Negotiable Instruments Law of Missouri provides that "instruments falling due or becoming payable on Saturday are to be presented for payment on the next succeeding business day except that instruments payable on demand may, at the option of the holder be presented for payment before twelve o'clock noon on Saturday when that entire day is not a holiday." Under this, as a negotiable instrument falling due on Saturday (other than one payable on demand) cannot be presented for payment until the next succeeding business day, it cannot be protested before Monday.

NECESSITY OF PROTEST.

Protest only required in case of foreign bills but permissible on inland bills and checks and drawer and indorser liable for protest fee.

From Wisconsin.—According to Wisconsin laws, is it necessary to protest an indorsed check that has been refused by the bank on which drawn in order to hold the indorser and if protested, can the collection of protest fee be enforced?

Under the Negotiable Instruments Law in Wisconsin, as in other States, any negotiable instrument may be protested on dishonor but protest is not required except in case of foreign bills of exchange. In the case of an indorsed check, such as you mention (assuming that it does not appear on its face to be a foreign bill) protest is not legally necessary to hold the indorser but demand and notice of dishonor are sufficient. However, protest is permissible and where the check is held by an agent for collection, the proper course is to have it protested on dishonor and both drawer and indorser would be liable for the protest fee as well as for the face of the check.

RESERVE AGAINST SAVINGS DEPOSITS.

Question whether banking law of Washington, which requires all banks to maintain a reserve of 20 per cent. of demand liabilities applies to savings deposits which, although payable on demand, are subject to right of bank to require notice of withdrawal.

From Washington.—The Banking Law of this State provides as follows:

"Every bank doing business under this act shall have on hand at all times in available funds not less than twenty (20) per cent. of its demand liabilities."

The State Bank Examiner takes the position that Savings Deposits must be considered by him as Demand Deposits because while savings banks in this state have the usual rules providing for notice of withdrawal these rules are only exercised at the option of the bank, and in practice such deposits are paid on demand.

The State Banks do not feel that this is the legitimate interpretation and I shall be glad to have your views thereon.

In the banking systems of many states a distinction is made in the matter of reserve between commercial deposits and savings deposits and a lower percentage of reserve is required for the latter because while savings deposits are, in a sense, demand liabilities, the bank may protect itself by requiring notice of withdrawal. For example, in California, the required reserve of "every bank other than a savings bank" is 15 per cent. (Banking Law Sec. 20). But the required reserve of "every savings bank or sav-

ings department of a bank" is only 4 per cent. (Id. Sec. 68).

In the State of Washington, while the banking law provides for the doing of savings bank business by a commercial bank, it has only one requirement of reserve applicable to "every bank doing business under this Act" namely, "twenty per cent. of its demand liabilities." Unless, therefore, this requirement applies to savings deposits subject to notice of withdrawal, there is no requirement of reserve applicable to this class of deposits. In this situation it does not seem unreasonable for the bank examiner to take the position that the legislature intended that the reserve requirement should apply to savings deposits for otherwise he would have to take the responsibility of ruling that banks are not required to carry any reserve against their savings deposits when subject to notice of withdrawal. At the same time although such a deposit is payable on demand in the absence of exercise of the right to require notice, I am of opinion that in view of such right resting in the debtor it is not strictly a demand liability. In other words, it is not a liability of the bank to pay on demand which the depositor can enforce against the will of the bank. It is a liability of the bank to pay, but not on demand unless it chooses to do so; the bank may and generally does pay on demand, but having the right to defer payment, this right enters into the contract between bank and depositor and makes the only liability which can be enforced against the bank, one to pay on time. I think a construction of the law that a savings deposit subject to notice is not a demand liability, is reasonable in view of the purpose for which reserve is required. A high percentage, such as 20 per cent., is deemed to be necessary and is required by the law-makers of Washington in the case of demand liabilities; that is to say where the bank is subject to demands that it must meet and cannot postpone. But the reason for such a high percentage is lacking in the case of savings deposits, subject to notice, because in the first place the ordinary demand for such deposits does not require the keeping of such a high percentage of reserve and further because a bank, having the right to require notice of withdrawal, is not under obligation to pay on demand unless it chooses and is afforded opportunity before time of payment to accumulate the necessary cash to meet demands. It is just as reasonable, therefore, to suppose that in requiring a reserve of 20 per cent. of demand liabilities, the Legislature of Washington did not have in view and did not intend to include savings deposits subject to notice, as the reverse.

I would suggest if the ruling of the Bank Examiner works hardship to banks carrying savings deposits, that an opinion of the Attorney General be obtained construing the law upon this point and whether or not his opinion should favor the view that savings deposits subject to notice are not demand liabilities within the meaning of the Act, it would seem desirable that the Legislature of the State should amend the Banking Act in this respect and expressly provide a separate and smaller reserve against this class of deposits.

LOST SAVINGS BANK BOOK.

Question whether bank has right to require bond of indemnity before paying depositor who claims that his book has been lost or stolen.

From California.—Will you please inform us of the usual and proper method of procedure in cases where a depositor's savings bank-book is either lost or stolen, and he desires to draw his money without the book.

We have a case where a Hindoo lost his savings bank-book and is unable to furnish satisfactory references and we have informed him that it will be necessary for him to give us an indemnity bond for twice the amount of his balance on the book, to protect us against any loss that we may occasion, by issuing him a duplicate savings book or before paying him his balance.

It is customary for savings banks to print in the passbooks of depositors a by-law or rule that, in the event the passbook has been lost or stolen, the bank shall be entitled to require indemnity before making payment. These passbook rules are generally held contracts binding on the depositor but there has been considerable conflict among the courts in the different states as to whether the bank is entitled to indemnity before making payment to the depositor who alleges loss of his book. All the courts seem to agree that a savings bank passbook is not a negotiable instrument but, notwithstanding this, some courts hold that the bank is entitled to enforce its contract requiring indemnity before paying a deposit where the book has been lost. The theory underlying some of these decisions seems to be that as the book contains a contract that the deposit will not be paid except upon its production, an assignee of the book might have a right to rely on this contract; hence if the bank should pay a depositor who falsely alleged loss but who had in reality assigned his book for value, without requiring indemnity, the bank might be held liable to the assignee and estopped from showing that it had paid the original depositor without production of the book.

The rule, however, which seems to find favor with the greater and an increasing number of courts is that as the book is not negotiable an assignee can take no greater rights than the original depositor and if the bank pays the original depositor, before notice of the assignment, it is protected even though the book has not been produced. Therefore, notwithstanding a by-law giving the bank the right to require indemnity, the courts will compel payment to the depositor without such indemnity. Decisions to this effect have been recently rendered in Michigan, New Jersey and Missouri and I believe in one or two other states. I do not know that the question has been up for decision in California. The California Bank Act (Sec. 64) provides that "savings banks may prescribe by their by-laws, or by contract with the depositors, the time and conditions on which repayment is to be made to depositors, except as in this Act otherwise prohibited . . ." I presume that in the bank book of your depositor you have inserted a by-law or contract giving you the right to require indemnity before paying a depositor who claims that his book has been lost.

In Bayer v. Commonwealth Trust Co., 129 S. W.

268, decided in Missouri, where similarly to California, the law provides for payment of deposits under such regulations as the bank may prescribe, a depositor in a savings bank claimed to have lost his pass-book and demanded his deposit which the bank refused unless the depositor would execute a bond of indemnity as provided by its rules. The depositor offered a bond of indemnity executed by a local jeweler, which after investigation, the bank refused. No further bond was offered and the depositor sued the bank for recovery of his money. Judgment was given for the depositor which was affirmed on appeal. I quote the language of the court as it is instructive upon the case in hand:

"It seems clear to us that these rules were reasonable and were designed to protect the defendant against loss by payment of money to the wrong party; but it does not follow that these rules could be arbitrarily enforced and a compliance with them to the letter required in every instance before a party could withdraw his money. The very purpose of the organization of savings banks is to accommodate people of small means, and it goes without saying that many of these people might be unable to furnish bond at all, and hence, if the rule requiring an indemnity bond to be given before the repayment of money in case of the loss of a passbook was a condition precedent to be complied with in all cases, many instances would arise in which the party would be compelled to lose his money, and the defendant would be enriched to that extent. The evident intent of the provisions of the statute above quoted was to place it in the power of institutions of the character of this defendant to protect themselves against imposition and loss; but they must receive a reasonable construction, and the rules adopted under them must also receive a reasonable construction, and when it is clear that the purpose to be accomplished by them, which is the security to defendant against loss, can be fully accomplished without requiring the production of a bond, then they should not be permitted to withhold the money because the bond it not furnished.

"The reason which justified the adoption of the rule requiring bond before payment of money, after the loss of a passbook, is the necessity for protecting defendant against the possibility of being compelled to again pay should some other person produce the passbook. It logically follows that when, in a given case, the defendant has no reason to fear that any loss might occur in that way, then there would be no reason for requiring the bond. These passbooks are not negotiable. Hence, if the amount deposited was paid to the person who deposited it before receiving notice of the transfer of a passbook, such payment would be an absolute protection to the defendant against any demand that might subsequently be made by one having the passbook in his possession, so that the real necessity for requiring bond in such a case would be to protect the bank in case a mistake was made in the identity of the person to whom they were paying the money. In this case there was no question about the identity of the depositor. The officers of defendant were fully satisfied that he was the right party, and that his passbook had been lost or stolen, and under these conditions it would seem entirely useless to require the depositor to give a bond to protect the defendant against a repayment of the money when no such contingency could be made possible. Had there been any question as to the identity of the depositor, then, in that event, the right of defendant to insist on the bond of indemnity would have been absolute, and plaintiff could not, and ought not, to have recovered the money until the bond was furnished; but, under the evidence in this case, the court was justified in holding that the bond should not have been required."

I think this case fairly typifies the view of the majority of courts upon this question. If the same view is to be adopted by the courts of California, which is not at all unlikely, and there is no question about the identity of your Hindoo depositor, I think it would be safe to make payment, without requiring an indemnity bond, taking from him a receipt or acquittance and an affidavit of loss and establishing his identity as the depositor entitled to the money. If however, the bank is not satisfied that the Hindoo is the right person and there is no way of satisfactorily establishing this fact, I think your courts would uphold you in refusing to pay without a satisfactory bond of indemnity.

CONVERSION OF NOTES BY INN-KEEPER.

Where a lodger at a boarding house dies and among his effects are certain notes which the boarding house keeper appropriates and collects in satisfaction of an alleged board bill—Questions considered, upon facts of case, as to (1) liability of different parties to notes and (2) criminal responsibility of boarding house keeper.

From Florida.—We desire to know who is liable in the following transaction.

In the summer of 1910, W. S. S. came to this city and stopped at a boarding house managed by W. W. S. About the 1st of September W. S. S. died, and W. W. S. evidently found in his room, two notes for \$200.00 and \$180.00 respectively, payable at the Blank Bank of Battle Creek, Nebraska. W. W. S. passed these notes through our bank, indorsing the same, but the payee (W. S. S.) had not indorsed the notes. We sent them to the bank at Battle Creek, Neb., and they were paid by the makers and the amount was remitted us by the Blank Bank at Battle Creek, Neb., and we paid W. W. S. the money.

Now the administrator of the estate of W. S. S. is endeavoring to collect the money from the makers of the notes, and we want to know who is liable, and furthermore, did W. W. S. commit a criminal act in obtaining the money on these notes, although he claims that W. S. S. owed him about this amount for lodging?

Two questions are presented:

1. Liability on notes.
2. Criminal responsibility of W. W. S.

As to the first question, assuming that W. S. S. owed W. W. S. an equal amount for board and that W. W. S. had a common law or statutory lien therefor (I have not taken time to examine the Florida statute) upon the goods of his lodger, this would not give him any title to the notes or right to collect them by the method he pursued. Therefore, when he indorsed the notes and forwarded them for payment, he was guilty of conversion of the property of another and the makers who paid them to a holder without title or right to receive the money would still remain liable, I think, to the administrator of the estate of W. S. S. The makers, in turn, can look to the Nebraska bank for the money as having been paid under mistake of fact, without consideration; that bank can, in turn, look to

your bank, and you on the same grounds would be entitled to recover this money from W. W. S. I do not think that an indebtedness of the estate of W. S. S. to W. W. S. for board could be pleaded by the latter in defense of liability but that any such claim would have to be recovered by him from the Administrator of the estate.

Upon the question of criminal responsibility of W. W. S. I doubt if the case is of such nature as would make him criminally liable. If there had been no indebtedness, what he did would probably have been larceny or embezzlement. But to constitute larceny there must exist felonious intent (*Long v. State*, 44 Fla. 134) and where one in good faith takes the property of another honestly believing that he has a right to its possession, he is exempt from the charge of larceny (*Higginbotham v. State*, 42 Fla. 573). And in a prosecution for embezzlement where defendant seeks to show that he retained money of his employer, believing in good faith that he had a right so to do because of a debt due him by his employer, although such claim of right was ill-founded, testimony as to such debt is admissible on the question of intent (*Eatman v. State*, 48 Fla. 21). If in this case there was an indebtedness for lodging by W. S. S. to W. W. S. and the latter honestly, though mistakenly, believed he had a right to appropriate and collect the notes left by W. S. S. in satisfaction of this indebtedness, it is doubtful if the courts would hold him criminally responsible.

SIGNATURE TO CHECK.

Where first letter of drawer's name is written by another and drawer finishes signature in his own handwriting, opinion that (1) drawer bound by signature but that (2) if signature created doubt as to genuineness in mind of drawee, refusal of payment would be justified until verification obtained.

From Arizona.—We would like to know your opinion whether you regard the below a correct signature, and if we would be liable in turning same down.

We will say that name of customer is Robert Moore. Now his daughter started to give a man a check on his account and she started to sign his name, but she only put the letter "R," and then she decided that she had better let her father give the check as it might be turned down. So when she took the check book to him to sign, he left the "R" there and wrote out the balance of his name as follows in his handwriting, "obert Moore."

As the check was presented for payment the latter part of his name looked genuine but the letter "R" was entirely different from his regular way of making said letter. I personally contended that it was not Moore's signature and we would have the right to turn check down. Now the question is, suppose Moore had been out of town and we could not have seen him to verify the check, which we did before we paid same, we would have been placed in an embarrassing position.

I think without doubt, the signature as made was valid and binding as the signature of the drawer. Although the initial letter of the drawer's name was written by another hand, the fact that the drawer himself finished out or completed his signature thus

begun was clearly an adoption or ratification of the initial letter written by another. The drawer would, therefore, be bound upon a check so signed.

But the question of the drawer's legal obligation upon such a check is different from the question of the drawee bank's duty in paying the check so signed. The drawee contracts with the drawer to pay according to a form of signature agreed upon and filed with the bank; and if the drawer deviates from this in any material particular, I think the bank would be justified in refusing to pay. In this case I presume the signature agreed upon was to be written entirely by the hand of the drawer and such agreement was not literally lived up to where another hand, besides that of the drawer, contributed to the making of the signature. If this fact was sufficient to create any serious doubt of genuineness in the mind of the drawee, I think the latter would be justified in refusing payment until verification of the signature was obtained.

ALTERATION OF CHECK.

Where payee alters statement of consideration for which check given, bank should not pay because (1) alteration would probably be held material and avoid check and (2) bank as paying agent of depositor would not properly protect his interests in making the payment.

From Connecticut.—I enclose herewith a copy of a check drawn upon us by one of our customers having substituted fictitious names for the real ones. (Check is ordinary form and contains above signature of drawer the words: "For account indebtedness Doe to Roe").

The memo. on the bottom in reference to the purpose for which the check was issued was scratched and partially erased and we refused payment of the item on the basis that it was an altered check. The payee acknowledged making the erasure.

Her attorney has claimed that we had no right to do so insisting that the memo. in no way affected the order to pay but we do not see the matter that way. We feel that we were ordered to pay the amount for a specific account and purpose and the order to do so was tampered with by an unauthorized party.

Will you kindly advise us your opinion of our position?

Concerning the question you submit, I think your action was perfectly correct in refusing to pay a check drawn upon you where the payee had made an alteration in the statement of consideration for which the check was given. Under the law, the alteration of an instrument in a material particular avoids or destroys it. There are cases which hold that the alteration of mere marginal memoranda on a check does not affect the instrument as such memoranda are no part of it. I think, however, the statement of consideration for which a check is given is a material part of the instrument and that an alteration therein is a material alteration. I have not the time to look up the authorities on this proposition. I have an Oklahoma case at hand, however, (*Richardson v. Fillner*, 9 Okla.) where a promissory

note recited on its face that it was given for the purchase price of buildings on Lot 1 and the note was altered by erasing the word "on" and inserting the word "and" so as to make the note read that it was given for the purchase price of the buildings and Lot 1. This was held a material alteration which vitiated the instrument. I think, without further citation, that it is reasonable to take the ground that a change by the payee of the check in the statement of consideration, as described by you, was a material alteration and on this ground your bank properly refused to pay it.

Apart from the above, however, and even assuming that the statement of consideration was not a material part of the instrument, so that the alteration did not affect the validity of the check, I think that your bank properly refused payment on the following ground:

The bank is not only debtor of its depositor but agent to pay his checks as he directs. The office of the check is not only to provide the payee with the means of obtaining the money but also to provide the drawer with a receipt of payment. Now when the drawer inserts in his check a statement of consideration for which the check is given, this indicates his desire to have the payee's acknowledgment that the money has been received upon such consideration. If the payee takes the check but strikes out or alters the statement of consideration, this does not affect the object desired by the depositor; consequently the bank, as paying agent of the depositor would not be serving his interests by paying a check so changed and should refuse payment on this ground alone, even though the alteration was not to be held material. I recall a question that was presented to me not long ago where a man gave his check "for July rent." The payee endorsed "not for July rent." I gave it as my opinion that the bank should refuse to pay such a check as the payment would not be in accordance with the order of the depositor.

AMERICAN BANKERS ASSOCIATION'S FIDELITY BOND.

Covers loss where bonded teller without authority dishonestly allows overdrafts and hides them from management of bank.

From New York.—If a teller without any authority from the directors or any of the officials allows overdrafts and hides them from the management of the bank and they are finally discovered, in your opinion is the bond of the teller liable for loss by reason of these overdrafts? The form of the bond used is the American Bankers Association form.

The American Bankers Association's Standard Form of Fidelity Bond insures the bank against any loss that shall happen "through the dishonesty of any of the (bonded) employees or through any act of omission or commission of any of the employees done or omitted in bad faith and not through mere negligence, incompetency or error of judgment."

In my opinion this is broad enough to cover a loss through payment of overdrafts by a teller who knows he has no authority to allow such overdrafts,

and who hides them from the management of the bank. It might not cover a case where a teller through negligence or error of judgment allowed an overdraft without dishonest intent, believing he had authority. But where a teller knows he has no right or authority to pay an overdraft and dishonestly does so and conceals the fact from his superiors, this makes out a case of loss through dishonesty of the teller which, I think, would be covered by the bond.

Bad faith or dishonesty is the test by which the liability is to be determined.

"WITHOUT RECOURSE."

Opinion that words "without recourse" over signature of indorser qualify indorser's liability only and do not apply to the contract of any subsequent indorser.

From Wisconsin.—If a note is endorsed by the payee "without recourse," but not made payable to any particular person, just indorsed in blank, this note is turned over to another party for value, and this third party, indorses the note under the other indorsement, but does not write the words, "without recourse" above his signature, can the last indorser be held? Or does the waiver of the first one also act as a waiver of the second indorsement?

I think the words "without recourse" added by an indorser to or written by him over his signature, relate to his indorsement only and do not apply to or qualify the contract of a subsequent indorser. The Negotiable Instruments Law is silent on this point although in the matter of waiver of notice of dishonor that law expressly provides that: "Where the waiver is embodied in the instrument itself it is binding upon all parties; but where it is written before the signature of an indorser, it binds him only." Apart from the Negotiable Instruments Law, however, I think under the rule of the law merchant which applies in all cases not governed by the Act, the words "without recourse" written by an indorser over his signature qualify his indorsement only and that a subsequent indorser would be bound without any such qualification. I cannot at the moment cite any authority directly so holding but Ogden in his work on Negotiable Instruments (Sec. 106) without, however, citing any authority, says: "'without recourse' only applies to the person who writes those words after his name."

You speak of the words "without recourse" as being a waiver. They are not in the nature of a waiver of any right held by the indorser such as, for example, a right to notice of dishonor but on the contrary they are a qualification of his liability. The Negotiable Instruments Law provides: "a qualified indorsement constitutes the indorser a mere assignor of title to the instrument. It may be made by adding to the indorser's signature the words 'without recourse' or any words of similar import. Such an indorsement does not impair the negotiable character of the instrument." Such an indorsement does not relieve the indorser from his warranty that the instrument is genuine but it does relieve him from any obligation to pay in case of dishonor by the principal debtor.



PROTECTIVE DEPARTMENT



L.W. GAMMON

MANAGER

OFFICERS OF THE WILLIAM J. BURNS NATIONAL DETECTIVE AGENCY, INC.

CALIFORNIA, LOS ANGELES.—Walter P. Story Building.
 CALIFORNIA, SAN FRANCISCO.—First National Bank Building.
 GEORGIA, ATLANTA.—606 Empire Life Building.
 ILLINOIS, CHICAGO.—First National Bank Building.
 LOUISIANA, NEW ORLEANS.—Whitney Central Building.
 MASSACHUSETTS, BOSTON.—201 Devonshire Street.
 MINNESOTA, MINNEAPOLIS.—Bank of Commerce Building.
 MISSOURI, KANSAS CITY.—Midland Building.
 MISSOURI, ST. LOUIS.—Frisco Building.
 NEW YORK, NEW YORK CITY.—21 Park Row.
 OHIO, CLEVELAND.—444 Rockefeller Building.
 OREGON, PORTLAND.—Board of Trade Building.
 PENNSYLVANIA, PHILADELPHIA.—Real Estate Trust Building.
 PENNSYLVANIA, PITTSBURGH.—Commonwealth Building.
 WASHINGTON, SEATTLE.—308 Hinckley Block.

CORRESPONDENTS OF THE WILLIAM J. BURNS NATIONAL DETECTIVE AGENCY, INC.

ARKANSAS, LITTLE ROCK.—W. L. Vick, 325 West Markham St.
 COLORADO, DENVER.—Leonard De Lue Detective Agency, Gas Building.

IOWA, DES MOINES.—The Gust. J. Patek Detective Agency, 515 Mulberry Street.
 IOWA, SIOUX CITY.—The W. C. Davenport Detective Agency, Iowa Building.
 LOUISIANA, SHREVEPORT.—T. D. Price, City Hall.
 MICHIGAN, DETROIT.—The B. & M. Secret Service Co., Harvey Block.
 OHIO, CINCINNATI.—Furlong Secret Service Co., Lyric Theatre Building.
 OKLAHOMA, OKLAHOMA CITY.—Frank L. Staton, 230 American Bank Bldg.
 PENNSYLVANIA, HARRISBURG.—T. G. George, 9 North Market Square.
 TEXAS, HOUSTON.—J. E. Smith, 705 Drew Avenue.
 VIRGINIA, RICHMOND.—Louis B. Hatke, American National Bank Bldg.

FOREIGN CORRESPONDENTS OF THE WILLIAM J. BURNS NATIONAL DETECTIVE AGENCY, INC.

ENGLAND, LONDON.—Arrow's Detective Agency, 89 Chancery Lane.
 FRANCE, PARIS.—Calchas & Debischop, 15-17 Rue Auber.

THE following is a report for the month of March, pertaining to the work of the Protective Department:

Bank members in Providence, R. I., New York, N. Y. and Philadelphia, Pa. have been in receipt of cashier drafts drawn against balances with correspondents, by means of these worthless drafts several depositors have sustained heavy losses; the operator is evidently quite familiar with banking practice, in this connection the following warning has been sent out:

Your attention is called to a party securing funds on fraudulent checks of large amounts. His mode of operation is as follows:

He commences by advertising that he is desirous of employing people to work for him in an office, claiming to represent the publishing house of Dodd, Mead & Co. After receiving responses to advertisements, he asks the applicant for references, only being satisfied with bank references, and in conversation with his victim, usually a young woman, finds out at what bank they have an account and about the amounts. He then, to secure their confidence, requests that they go with him to some building to rent offices, making them feel that he would not rent the offices unless they were satisfactory to the victim. His next move is to say that he is going to some office furniture house, requesting the victim to also go along to select the furniture, remarking that he needs a little cash, and then suggests to his victim to go to the bank where he or she keeps an account to have a draft cashed, purporting to be drawn by the Irving National Exchange Bank of New York, on the Girard National Bank of Philadelphia, or by the Atlantic National Bank of Providence, R. I., on the National City Bank of New York, these drafts being signed by Harry E. Ward and Frank W. Peabody, respectively. Other bank forms may be used the next time. He is operating at the present time under the names of Arthur E. Clayton and Clifford A. Williams. The checks are stamped by use of the protectograph not over the given amount as indicated in the draft.

The description is as follows: About 5 ft. 6 in. in height, light complexioned, has a light sandy mustache, is nicely dressed and a good talker. He is described as wearing a black overcoat and a black derby hat.

Should this party try to negotiate any of this paper in your locality cause his arrest for attempt to

defraud, and notify the nearest office of our detective agents, the Wm. J. Burns National Detective Agency who will arrange to lodge other complaints against him.

Arthur E. Clayton
Clifford A. Williams

A party using the names of H. C. Byers, E. W. Flanders and others is obtaining funds on worthless checks by forging the name of a responsible person in the city or town visited in the guise of a canvasser for subscriptions to magazines. He begins by filling out fake subscription orders which he shows to the person approached who is signing the subscription blank, gives the criminal a specimen of his handwriting which he then transfers as an endorsement on a worthless check, first having made inquiries as to whether or not such a party's endorsement will be sufficient identification. His description is as follows: Age, 30 to 35 yrs.; height, about 5 ft. 10 in.; complexion, dark; facial features, somewhat pronounced; educated, no hesitation in speech.

E. W. Flanders
Seventy \$7.00
H. C. Byers

Several complaints have been received by the Protective Department regarding the operations of one "W. C. Mason" whose victims are depositors in the smaller towns among whom are being circulated checks purporting to be drawn by the Pitch Pine Lumber Company by G. R. Crosby, President, on two banks in the theatre district in New York. As the checks are supposed to be certified by the Banks on whom they are drawn, the local trades people are accepting them in payment for purchases and returned the difference in cash to the impostor. No bank members have as yet suffered loss in the matter. Below is a specimen of handwriting in a back hand for the purpose of making same look different from body of the check, usually signed Pitch Pine Lumber Company. He is described as follows: Age, about 35 years; 5 ft. 10 in. tall; 140 lbs.; full face; wears glasses; very neat dresser, dark clothes.



MORRIS COHEN.

A party, using the name of Morris Cohen most frequently, a forger and worthless check operator is wanted in connection with several crimes since his last release. His photograph and specimen of his handwriting are given here and members are asked to have him arrested at once. He generally operates among salesmen making their headquarters at the best hotels.

Description: A Hebrew; 35 years; 5 ft. 3 in.; small build; about 140 lbs.; smooth face; blue eyes; black hair sprinkled with gray; one prominent gold tooth in lower jaw; scar over right eye; right leg three inches shorter than left; wears large diamond ring with flaw; also horse shoe pin with diamonds. Black derby hat; light gray clothes. When last seen, wore dark overcoat, silk lined even over lapels. Carried bamboo walking stick. Wanted in Chicago.

*Pitch Pine Lumber Co.
G. R. Crosby Pres.*

W. C. Mason

F. A. Mullen, a negro, alias David J. White, P. W. Wood, Wilson, etc., formerly of Newark, N. J., is again passing worthless checks against members in the South. He poses as a preacher, and should be arrested at sight. Age, 41 years; height, 5 ft. 9 in.; weight, 156 lbs.; hair black mixed with gray.

We are advised by the First National Bank of Hoboken, N. J. that another of the four checks which were stolen from the check book of Oscar Fromeill Bros., being Nos. 1846, 1847, 1848 and 1849, had been sent through for collection. Party negotiating these checks, which are rather ornate, will forge the name of the Secretary of the Company. He is described as: Age, about 29 years; height, 5 ft. 9 in.; weight 130 lbs.; hair, dirty brown and wavy; complexion, sallow; brown eyes and smooth shaven.

Of the three convicts serving time in the Nebraska Penitentiary for bank robbery who broke jail March 14, 1912, after killing four of the officials in charge, two, Thomas C. Murray and John Doud, were killed and Charles Morley was captured and returned to the Penitentiary. These convicts would have been a constant menace to the banking fraternity.

Curtis Stokley and William Williams were convicted of perjury, February 10, 1912, at St. Johns, Kansas, in connection with the Hudson State Bank burglary and given an indeterminate sentence of one to seven years in Kansas State Penitentiary. The jury brought in a verdict of not guilty in the case of Gus Tendall. Of the three burglars in this case, Heine Bowers is serving a life sentence. Walter Bergar and Charles McKenzie were given 35 and 45 years sentences, respectively.

Matt Conner, arrested in June, at Bakersfield, California, on a charge of forgery was returned to West Virginia where he confessed to the charge of forgery against a member bank in Hinton and was sentenced November, 1911, in Circuit Court Judge to seven years in State Penitentiary.

Morris Cohen
Morris Cohen

Roy A. McKnight arrested in connection with a fraud against a bank (M) in Johnson City, Tenn., involving the use of a worthless check has been returned to an Insane Asylum in custody of his father.

John Wagner, arrested December 20, 1911 by our detective agents, charged with forgery by a bank (M) at Mantua, Ohio, has pleaded guilty and been sentenced to an intermediate term in the Penitentiary at Mansfield, Ohio.

Benjamin Goldstein, arrested January 5, on charge of forgery against a New York Institution (M) was arraigned in the Children's Court and upon making a full confession, was paroled in the custody of the Gerry Society.

Allyn Johnson, alias Templeton, was arrested February 23, 1912, at San Francisco for passing fictitious check signed "Charles Mathews" on local bank, held for trial Superior Court to answer charge of forgery.

Walter Endris, alias Cameron, who had been actively operating against banks (M) Washington, was arrested March 2, at Walla Walla and will face charges on a large number of charges covering his transactions with some half dozen institutions. He is 28 years of age; six ft. tall; weighs 165 lbs.; light complexioned. His stock in trade consisted of a deputy Sheriff's badge, pair of hand cuffs, a 32-calibre automatic Colt's revolver with a large supply of cartridges. Also bank books and other matter belonging to several financial institutions in Washington and Oregon. When apprehended, by our detective agents, Endris was about to leave for St. Paul, Minnesota.



MARTIN J. DEGNAN.

Martin J. Degnan was arrested March 9, at Lorain, Ohio, Degnan's specialty was the raising of cashier's drafts, using the protectograph to give a seeming look of genuineness to the altered paper. Through a confession obtained immediately after his arrest by our detective agents, the Protective Department found itself in a position to clear up several like frauds against other members of the Association. Your attention is called to this man's likeness.

H. H. Hedges, arrested in Akron, Ohio, who defrauded an Akron Bank (M) by forgeries, was paroled by the Court, March 7, upon his agreeing to make

good whatever loss he may have caused by reason of his forging the checks for which he was indicted; as he has not made restitution and it is not the policy of the American Bankers Association to allow such persons their liberty to operate against its membership, our detective agents, have taken steps looking to the indictment of Hedges on another count.

Morris Heilbronner, alias Alex. Bernstein, George F. Blum, was arrested, March 14, 1912, in St. Louis, Mo. Under the last name he represented himself as a travelling salesman for the F. L. Breckenridge Co. of Chicago. He negotiated drafts signed by himself as treasurer of this company. These drafts were drawn against funds supposed to be on deposit with the Second National Bank of Chicago which does not exist. He admits having served a term in the Columbus, Ohio Penitentiary, being sentenced as Morris Heilbronner for passing forged checks as Jos. J. Morris at Cincinnati, Ohio. Since his release, a year ago, it is believed that he has operated extensively. Description: Age, 28 years; height, 5 ft. 8 in.; weight, 137 lbs.; medium slender build; dark chestnut hair and slate blue eyes.

March 13th, Chester L. Errico, responsible for a large forgery against one of the New York banks (M) the details of which together with photograph were published in January, 1912, Journal on page 442, was located through information supplied by the bank interested, and arrested at Boston, Mass. On March 22nd, Jas. Devine, alias Elliott, was also arrested at New York City in connection with this case.

Peter C. Georgis, a Greek, age thirty-five years; height 5 ft. 11 in.; weight 190 lbs.; black hair; smooth face except side-burns. Supposed to earn a livelihood as an actor, was arrested in Denver, Colorado, and returned by our Detective Agents to Mason City, Iowa, where he was convicted of obtaining money under false pretenses from a bank (M) and on March 16, 1912, was given a sentence of seven years. Georgis is the reputed author of the "Greek Drama Galfa."

Members in Georgia report the operations of a party using the name of C. Ware and W. Carson who is drawing bogus cashier's checks on blanks, purporting to be drafts of the Bank of Tifton, Tifton, Georgia, on their account in the National Bank of Commerce in New York, bearing the firm name of Foote and Davies, Atlanta, Ga., printed on the bottom of the checks, at the left hand side, apparently to indicate the lithographers. The signature forged on these checks is that of B. H. McLeod, Assistant Cashier. Red ink is sometimes used on the checks.

Herewith we print specimen:

TO THE NATIONAL BANK OF COMMERCE, IN NEW YORK.

ORIGINAL.

Pay to the order of
P. J. New

No. 719
\$ 300⁰⁰/₁₀₀
Three Hundred *00/100* *Dollars*
IN CURRENT FUNDS.

March 14, 1912
FOOTE & DAVIES CO
ATLANTA, GA.

THE BANK OF TIFTON, TIFTON, GA.
B. H. McLeod
Cashier



LEONARD PRIESTER.

One, Leonard Priestler, Jr., alias James R. Randolph and L. J. Nicolaus, is wanted in connection with his swindling operations against a customer of a bank (M) at New Orleans, La. Age, 29 years, but looks to be 35; six ft. tall; weight, 135 lbs.; very slender build; hair parted on the left side of head; large dark brown eyes; rather large Roman nose; smooth shaven; sickly sallow complexion; small hands; stoop shouldered; wears rimless glasses; very neat dresser; usually wears diamond question mark stick pin; diamond studded cuff links. He is a consumptive, and as a stenographer has worked for railroads. The picture reproduced is a splendid likeness of him, although taken several years ago.

Our detective agents, while engaged on a private operation, caused the arrest, March 18, at San Francisco, Calif., of Bert Steinberger and Harry Eppinger for having forged endorsements on checks collected through seven of the local banks. The latter has made a complete confession which involves the former.

Morris Ephraim was arrested March 13, in New York, by our detective agents. An investigation by them, showing that this man repeatedly stole checks received from and sent to customers of a Brooklyn dealer, forging endorsements, and in one instance, opening an account with the stolen checks by impersonating the dealer, two Brooklyn Institutions (Ms) being defrauded. Ephraim is in custody pending further hearing.

L. J. Flannigan, (See Journal Sept. 1911, page 161 also Nov. 1911, page 315) pleaded guilty to forgery in the 2nd degree and upon being released, March 20, was immediately rearrested to stand trial on charges for forgeries against him at Memphis, Tenn.

Joseph A. Ward (Negro) arrested in Boston, Mass., March 27, having defrauded a Brookline Bank (M) by a series of forgeries. He was arrested by our detective agent while awaiting returns from his last operation. Waived examination; was held for the Grand Jury.

This Department is in receipt of information to the effect that a party using the names of A. J. Johnson, alias W. H. Harter, alias W. H. Haller, has been operating in Arkansas, Missouri and Indiana. He is drawing drafts on checks on the First National Bank, Fort Dodge, Iowa, and First National Bank, Peoria, Ill. He has no account at either one of these banks. He is described as follows:

He claims his residence is at Fort Dodge, Iowa, livery or real estate business; weight, 115 pounds; height, five feet seven or eight inches; build, slender; clean shaven except for a short stubby moustache; sickly looking, appearance of a consumptive. Cough,

claims to be bothered with asthma, and occasionally smokes a cubeb pipe for relief. Is said to be a degenerate. Two or three upper front teeth are missing.

He claims to have been in the livery business at Fort Dodge, but owing to his health being bad he was seeking a change of climate. He gains the confidence of individuals, mostly farmers and claims to be looking around for a farm. He gets the farmer to introduce him at his bank, claiming to have a demand certificate of deposit issued by the Fort Dodge National Bank, and also has a checking account at the First National Bank of Fort Dodge, and wants to transfer part of his banking business. He is evidently giving the same story relative to his account at the First National Bank, Peoria, Ill. So far, no member of this Association has been defrauded.

A. R. Saffold, arrested as a swindler and worthless check operator in whom several banks (Ms) at Atlanta, Ga., are interested, was sentenced Jan. 22, 1912, to five years in the Georgia State Penitentiary on one forgery count.

A criminal operative under the names of Marion Butler and H. J. Thurman has been issuing worthless Cashier's checks supposed to be drawn by the Merchants Bank & Trust Co. of Tuscaloosa, Ala., against balances in the National Bank of Commerce of New York, during the past month in Alabama. To these drafts is forged the name of Glenn Foster, Cashier. The criminal is described as a smooth-talking young man of about 30 years of age. Height 5 ft. 10 in. Dresses in dark clothes. Wears black overcoat with initials J. H. T. sewed inside under pocket. Leads you to think he knows your friends and then requests you to endorse a draft.

Marion Butler

Sixty one/100

2-4-6

H J Thurman

Glenn Foster

Walter Sapp, described as 45 years of age, 6 ft. tall, dark complexion, with black moustache and hair, a specimen of whose writing appears below, has in his possession a check book on the Delaware City National Bank, Delaware City, Del., secured by opening an account with a bogus check on a bank at Tuckerron, N. J. Generally operates among farmers looking for a farm. After getting a worthless check cashed he leaves for parts unknown.

Walter Sapp

Twelve 12.00

STATISTICS OF THE WORK OF THE PROTECTIVE DEPARTMENT.

AS REPORTED TO THE STANDING PROTECTIVE COMMITTEE.

From September 1, 1911, to March 31, 1912

New York, April 1, 1912.

Persons arrested, discharged, convicted, sentenced, awaiting trial, etc.

	Awaiting trial, etc. Sept. 1, 1911.	Arrests From Sept. 1, 1911, to Feb. 29, 1912.	Arrests in March, 1912.	Total.	Convicted.	Discharged or Acquitted.	Escaped or Fugitives.	Insane, Suicide or Died.	Awaiting Trial.
Forgers	69	173	14	186	78	32	3	2	71
Burglars	9	13	..	12	10	1	1
Hold-up Robbers ...	1	6	..	6	3	3
	79	190	14	204	91	33	3	2	75

ALLEGED FORGERIES, ETC.

Feb. 14, 1912, Isaac A. Abrahams, arrested, forged bills of lading, Seymour, Wis.; admitted to bail; awaiting trial. Journal Mar. 1912, p. 567.

Feb. 9, 1912, J. C. Adams, arrested, swindler, Roswell, N. Mexico; awaiting trial. See Journal Dec. 1911, p. 380.

April 18, 1911, Ernest Bernard, arrested, forgery, New York City; awaiting trial. Journal May 1911, p. 684.

Jan. 25, 1912, J. F. Berry, arrested, swindler, Kansas City, Mo.; admitted to bail; awaiting trial. Journal Jan. 1912, p. 444.

July 11, 1911, C. C. Blasdel, arrested, swindle, Perry, Okla.; admitted to bail; awaiting trial.

Mar. 29, 1912, Geo. C. Briscoe, arrested, forgery, Fort Smith, Ark.; await extradition.

April 6, 1910, Eug. C. Brokaw, rearrested, swindle, Chicago, Ill.; admitted to bail; awaiting trial.

Sept. 1, 1911, John C. Byland, arrested, forgery, Burlington, Ky.; awaiting trial. Journals Oct. 1910, p. 213; Sept. 1911, p. 163.

Feb. 13, 1912, Albert W. Cantor, surrendered himself, forgery, Kansas City, Mo.; awaits extradition. Journal Dec. 1911, p. 377.

Feb. 14, 1912, Theo. H. E. Carter, arrested, forgery, Boston, Mass.; awaiting trial.

Aug. 24, 1910, J. W. Casteel, arrested, swindle, Muskogee, Okla.; awaiting trial. Journals Oct. 1910, p. 210; Feb. 1912, p. 497.

Oct. 1911, A. S. Cauble, arrested, forgery, Cairo, Ill.; awaiting trial. Journal, June 1911, p. 740.

Feb. 5, 1912, Abraham Cohen, arrested, larceny, Seymour, Wis.; admitted to bail; awaiting trial.

Mar. 15, 1912, Samuel Cohen, arrested, forgery, Boston, Mass.; awaits trial.

Jan. 15, 1912, C. E. Cole, arrested, swindle, Atlanta, Ga.; awaiting trial. Journal Jan. 1912, p. 437.

Dec. 13, 1911, Richard Colston, arrested, swindle, East Orange, N. J.; awaiting trial. Journal Jan. 1912, p. 443.

Nov. 1911, Matt Conner, sentenced, seven years State Penitentiary for forgery, Hinton, W. Va. Journals, May 1911, p. 683; Aug. 1911, p. 98.

Mar. 6, 1912, Barzillo Conover, sentenced, indeterminate term 7½ to 20 years for forgery, Califon, N. J. Journal Nov. 1911, p. 314.

Mar. 11, 1911, Irving G. Crocker, arrested, forgery, Chicago, Ill.; awaiting trial. Journal May 1910, p. 500.

Feb. 13, 1911, Ed. L. Deem, arrested, forgery, Parkersburg, W. Va.; awaiting trial. Journal Jan. 1912, p. 444.

Mar. 22, 1912, Jas. Devine, arrested, forgery, N. Y. City; awaiting trial. Journal April 1912.

Mar. 9, 1912, Martin J. Degnan, arrested, Lorain, O.; swindle; awaiting trial. Journal Apr. 1912.

Mar. 25, 1912, Roy Deihl, arrested, forgery, Everett, Pa.; awaiting trial.

Mar. 2, 1912, Walter Endris, alias Cameron, arrested, forgery, Walla Walla, Wash.; awaiting trial. Journal April 1912.

Mar. 13, 1912, Morris Ephraim, arrested, forgery, Brooklyn, N. Y.; awaits trial. Journal April 1912.

Mar. 13, 1912, Chester L. Errico, arrested, forgery, New York, N. Y.; awaits trial. Journal Jan. 1912, p. 442.

Mar. 20, 1912, L. J. Flannigan, pleaded guilty, forgery, St. Louis, Mo.; 2nd degree; released. Journals Sept. 1911, p. 161; Nov. 1911, p. 315.

Mar. 12, 1912, Francis L. Frick, arrested Nov. 5, 1912, forgery, St. Louis, Mo.; sentenced one year St. Louis Workhouse. Journal Dec. 1911, p. 381.

Mar. 27, 1912, John Gay; arrested; forgery; West Palm Beach, Fla.; awaits trial.

Aug. 9, 1911, Patrick Gallagher, arrested, forgery, Jersey City, N. J.; awaiting sentence. Journal Sept. 1911, p. 164.

Mar. 14, 1912, Peter Georgis, convicted, obtaining money under false pretenses, Mason City, Ia.; sentenced; seven years' imprisonment. Journal Apr. 1912.

Jan. 5, 1912, Benj. Goldstein, trial in Children's Court, New York City; paroled in custody Gerry Society. Journal Feb. 1912, p. 497.

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Nov. 12, 1910, S. H. Gray, arrested, forgery, Athens, Tenn.; awaiting trial. Journal Dec. 1910, p. 347.

May 13, 1911, Warren Hank, arrested, attempted swindle, Wapakoneta, O.; awaiting trial. Journal June 1911, p. 741.

Mar. 27, 1912, Frank Hargett, arrested, forgery, Charlotte, N. C.; awaits trial.

Mar. 7, 1912, H. H. Hedges, arrested, forgery, Akron, O.; paroled. Journal Feb. 1912, p. 499.

Nov. 11, 1911, Lee Hepler, arrested, forgery, Hickory, Pa.; awaiting trial.

Nov. 14, 1910, Ollie Hilliards, arrested, forgery, West Newton, Pa.; awaiting trial. Journal Dec. 1910, p. 347.

June 30, 1911, Chas. L. Johnson, arrested, swindle, Grand Rapids, Mich.; awaiting trial. Journals Aug. 1911, p. 100; July 1911, p. 38.

Dec. 14, 1911, J. A. Johnson, arrested, forgery, Cleveland, O.; awaiting second trial. Journal Jan. 1912, p. 445.

Aug. 17, 1910, Wm. J. Jones, arrested, swindle, Claremore, Okla.; awaiting trial.

July 13, 1911, Max Kaplan, arrested, swindle, Brooklyn, N. Y.; awaiting trial. Journal Aug. 1911, p. 101.

Feb. 19, 1912, Jacob Katz, arrested swindle, Chicago, Ill.; awaiting trial.

Oct. 17, 1911, Jack Kelly, arrested, forgery, San Francisco, Cal.; awaiting trial. Journal Nov. 1911, p. 314.

Feb. 2, 1912, E. W. Kelt, Portland, Ore.; sentenced to from two to twenty years; swindling. Journal Feb. 1912, p. 496.

Feb. 14, 1912, Theo. H. E. Carter, arrested, forgery, Boston, Mass.; awaiting trial.

June 15, 1911, H. S. Kirkpatrick, arrested, forgery, West Point, Ga.; admitted to bail; awaiting trial. Journal July 1911, p. 37.

Jan. 10, 1912, E. Klein, arrested, forgery, Scranton, Pa.; awaiting trial. Journals Dec. 1911, p. 378; Jan. 1912, p. 442.

Feb. 21, 1912, G. Kline, arrested, attempted to defraud, Cleveland, O.; awaiting trial. Journal Mar. 1912, p. 560.

Aug. 23, 1911, Albert M. Kutzkey, arrested, forgery, St. Johns, Ore.; awaiting trial. Journal Sept. 1911, p. 163.

Sept. 1911, R. A. McKnight, adjudged insane, Johnson City, Tenn.; under bond in custody of father; Journal Oct. 1911, p. 225.

Feb. 23, 1912, P. H. Martyn, arrested, forgery, San Francisco, Cal.; awaiting trial. Journal Feb. 1912, p. 499.

Feb. 6, 1912, Chas. M. Meeker, arrested, swindle, Kansas City, Mo.; awaiting trial. Journal Mar. 1911, p. 526.

Feb. 15, 1912, Chas. Merz, arrested, swindle, San Antonio, Tex.; awaiting trial. Journal Feb. 1912, p. 498.

Dec. 25, 1911, Julius Moe, arrested, forgery, Grand Forks, N. Dak.; awaiting trial.

Sept. 7, 1911, H. H. Moody, arrested, forgery, Oklahoma City, Okla.; awaiting trial. Journal Oct. 1911, p. 227.

Mar. 13, 1912, Frank L. Moore, Mt. Morris, Pa., forgery; sentenced two years in workhouse.

Jan. 6, 1912, Chas. S. Morton, arrested, swindle, Baltimore, Md.; awaiting trial. Journal Feb. 1912, p. 499.

Apr. 4, 1911, Wm. Nance, arrested, swindle, Bixby, Okla.; awaiting trial. Journal May 1911, p. 684.

Feb. 22, 1912, Edward C. Nelson, arrested, forgery, Brooklyn, N. Y.; awaiting trial.

Feb. 13, 1912, Chas. E. Nott, arrested, forgery, Boston, Mass.; awaiting trial. Journal Mar. 1912, p. 561.

Aug. 12, 1911, R. L. Peeples, arrested, swindle, Birmingham, Ala.; awaiting trial. Journal Sept. 1910, p. 155.

Aug. 10, 1911, J. E. Posey, arrested, forgery, Aiken, S. C.; awaiting trial. Journal Sept. 1911, p. 163.

Mar. 30, 1912, Harry Posner, arrested, forgery, New York, N. Y.; awaits trial.

Oct. 24, 1911, Walter Purnell, arrested, forgery, Point Pleasant, N. J.; awaiting trial.

Feb. 14, 1912, Gabriel Retaliata, arrested, forgery, Baltimore, Md.; awaiting trial.

Dec. 5, 1911, W. F. Richards, arrested, swindle, Tescott, Kans.; awaiting trial.

Feb. 9, 1912, Ralph W. Rosenau, arrested, forgery, Boston, Mass.; awaiting trial.

Jan. 22, 1912, A. R. Saffold, Atlanta, Ga.; forgery, sentenced five years in Georgia State Penitentiary.

Dec. 21, 1911, Vernon F. Shivers, arrested, forgery, Lake Providence, La.; awaiting trial.

Dec. 2, 1912, R. D. Simpson, arrested, forgery, Lewiston, Mont.; awaiting trial.

Nov. 11, 1911, P. R. Stock, arrested, forgery, Anaheim, Cal.; awaiting trial.

Feb. 10, 1912, Curtis Stokley, convicted, perjury, St. Johns, Kans.; given indeterminate sentence one to seven years.

Mar. 22, 1912, Moe Suckno, arrested, larceny, New York, N. Y.; admitted to bail, awaits trial. Journal Apr. 1912.

Feb. 21, 1912, Wm. L. Sutton, arrested, swindle, Chicago, Ill.; awaiting trial.

Dec. 6, 1911, H. J. Taylor, arrested, swindle, Tescott, Kans.; awaiting trial.

Feb. 10, 1912, Geo. Tendall, St. Johns, Kans.; jury find verdict not guilty.

Mar. 30, 1912, Chas. H. Thompson, arrested, swindle, Des Moines, Ia.; awaits trial. Journals Jan. 1911, p. 408; Feb. 1911, p. 474; Sept. 1911, p. 165; April 1912.

Feb. 23, 1912, John Thompson, arrested, forgery, New York, N. Y.; awaiting trial.

Dec. 20, 1911, John Wagner, Cleveland, O.; sentenced Intermediate Penitentiary at Mansfield, Ohio; Journal Feb. 1912, p. 499.

Mar. 29, 1911, John J. Walsh, arrested, forgery, Brooklyn, N. Y.; fugitive from justice. Journals Apr. 1911, p. 592; Aug. 1911, p. 101.

Mar. 27, 1912, Joseph A. Ward, arrested, forgery, Boston, Mass.; awaits trial. Journal April 1912.

Oct. 24, 1911, F. Wehner, arrested, swindle, Ridgefield Park, N. J.; awaiting trial.

Feb. 17, 1912, Michael Weil, arrested, swindle, Chicago, Ill.; awaiting trial.

May 19, 1911, Henry West, arrested, forgery, Yuma, Ariz.; awaiting trial. Journal July 1911, p. 37.

Feb. 10, 1912, Will Williams, convicted, perjury, St. Johns, Kans.; given indeterminate sentence one to seven years.

Oct. 6, 1911, D. E. Woods, arrested, swindle, Nowata, Okla.; admitted to bail, awaiting trial.

BURGLARS.

May 9, 1911, Frank Morris, arrested, attempted burglary, Layton, Utah; awaiting new trial. Journal July 1911, p. 36.

HOLD-UP ROBBERS.

Feb. 22, 1912, Deb Clark, arrested, attempted hold-up, Centralia, Wash.; awaiting trial.

Aug. 11, 1911, Tom Hogan, arrested, attempted hold-up, Harlem, Mont.; awaiting trial. Journals Sept. 1911, p. 162; Dec. 1911, p. 380.

Oct. 16, 1911, Stanley Miller, arrested, attempted hold-up, Harlem, Mont.; awaiting trial.

AWAITING TRIAL, EXTRADITION OR SENTENCE, APRIL 1, 1912.

ALLEGED FORGERS, ETC.

Isaac A. Abrahams.....Seymour, Wis.
 J. G. Adams.....Roswell, N. Mex.
 Ernest Bernard.....New York, N. Y.
 J. F. Berry.....Kansas City, Mo.
 C. C. Blasdel.....Perry, Okla.
 George C. Briscoe.....Fort Smith, Ark.
 Eug. C. Brockaw.....Chicago, Ill.
 John C. Byland.....Burlington, Ky.
 Albert W. Cantor.....Kansas City, Mo.
 Theo. H. E. Carter.....Boston, Mass.
 J. W. Casteel.....Muskogee, Okla.
 A. S. Cauble.....Cairo, Ill.
 Abraham Cohen.....Seymour, Wis.
 Samuel Cohen.....Boston, Mass.
 C. E. Cole.....Atlanta, Ga.
 Richard Colston.....E. Orange, N. J.
 Irving G. Crocker.....Chicago, Ill.
 Ed. L. Deem.....Parkersburg, W. Va.
 Martin J. Degnan.....Lorain, O.
 Roy Deihl.....Everett, Pa.
 James Devine.....New York, N. Y.
 Walter Endris, alias Cameron.....Walla Walla, Wash.
 Morris Ephraim.....Brooklyn, N. Y.
 Chester L. Errico.....New York, N. Y.
 Patrick Gallagher.....Jersey City, N. J.
 John Gay.....W. Palm Beach, Fla.
 S. H. Gray.....Athens, Tenn.
 Warren Hank.....Wapakoneta, O.
 Frank Hargett.....Charlotte, N. C.
 Lee Hepler.....Hickory, Pa.
 Ollie Hilliards.....West Newton, Pa.
 Chas. L. Johnson.....Grand Rapids, Mich.
 J. A. Johnson.....Cleveland, O.
 Wm. J. Jones.....Claremore, Okla.
 Max Kaplan.....Brooklyn, N. Y.
 Jacob Katz.....Chicago, Ill.
 Jack Kelly.....San Francisco, Cal.
 Theo. H. E. Carter.....Boston, Mass.


H. S. Kirkpatrick.....West Point, Ga.
 E. Klein.....Scranton, Pa.
 G. Kline.....Cleveland, O.
 Albert M. Kutzkey.....St. Johns, Ore.
 P. H. Martyn.....San Francisco, Cal.
 Chas. M. Meeker.....Kansas City, Mo.
 Chas. Merz.....San Antonio, Tex.
 Julius Moe.....Grand Forks, N. Dak.
 H. H. Moody.....Oklahoma City, Okla.
 Chas. S. Morton.....Baltimore, Md.
 Wm. Nance.....Bixby, Okla.
 Edward C. Nelson.....Brooklyn, N. Y.
 Chas. E. Nott.....Boston, Mass.
 R. L. Peoples.....Birmingham, Ala.
 J. E. Posey.....Aiken, S. C.
 Harry Posner.....New York, N. Y.
 Walter Purnell.....Pt. Pleasant, N. J.
 Gabriel Retallata.....Baltimore, Md.
 W. F. Richards.....Tescott, Kans.
 Ralph W. Rosenau.....Boston, Mass.
 Vernon F. Shivers.....Lake Providence, La.
 R. D. Simpson.....Lewiston, Mont.
 P. R. Stock.....Anaheim, Cal.
 Moe Suckno.....New York, N. Y.
 Wm. L. Sutton.....Chicago, Ill.
 H. J. Taylor.....Tescott, Kans.
 Chas. H. Thompson.....Des Moines, Ia.
 John Thompson.....New York, N. Y.
 Joseph A. Ward.....Boston, Mass.
 F. Wehner.....Ridgefield Park, N. J.
 Michael Weil.....Chicago, Ill.
 Henry West.....Yuma, Ariz.
 D. E. Woods.....Nowata, Okla.

BURGLARS.


Frank Morris.....Layton, Utah.

HOLD-UP ROBBERS.

Deb. Clark.....Centralia, Wash.
 Tom Hogan.....Harlem, Mont.
 Stanley Miller.....Harlem, Mont.



AMERICAN INSTITUTE OF BANKING BULLETIN



STUDIES IN BONDS.

By George B. Caldwell, Vice-President of the Continental and Commercial Trust and Savings Bank of Chicago—Synopsis of an Address Before Chicago Chapter.

I ASSUME that we all know that property as the possession of civilized man is fundamentally divided into two kinds—land, with whatever is permanently attached to it; and personal property, meaning movable goods and chattels, to which classification bonds belong. Let us start this discussion then with the premise that all pure investments are loans. Then must follow that all investment securities are credit instruments, or contracts, for the future delivery of money. Since there can be no contract without consideration, loans may be divided according to the nature of this consideration into (A) Those with no monetary rental value, meaning credit balances in open account not interest bearing; (B) those with fixed periodic rental or interest, meaning commercial loans, secured and unsecured and bonds, and (C) those with indeterminate time or rate of interest, of which income bonds are a typical class. Another classification may be made according to the contract for redemption, in which case we have loans payable as to principal: First, at the will of the lender—for example, the demand loan; second, at the will of the borrower—the time loan; and, third, at a prearranged time—like a perpetual loan, with an option, or an endowment insurance policy, whereby the principal and interest is returned, if certain things prearranged are fulfilled. Bonds and mortgages are among the various kinds of investments that dominate all others, the prime fundamental difference being that bonds are merely fractional parts of ownership in a mortgage and possess a liquid value, or market value, that cannot be said of mortgage investments—at least of those for large amounts.

In the financial forum, no topic furnishes material for a livelier debate than the question, "Which are the better investments, bonds or mortgages?" The contest is fought over and over again without casualties to either side, and with neither side convincing the other. If we try to answer the question by the record of defaults, we find that only by visiting

at every office of record could one ascertain the number and value of mortgages that go wrong every year, while the census of bond defaults are given greater publicity, and are quite easily determined. Not only are trustees' records available, but the records of the Interstate Commerce Commission will show accurately the default in railroad bonds, and the records of various state public utility commissions will likewise show the default of such public utility bond issues in their state as come under their control. The obligations of industrial corporations will likely give meager statistical information for years to come, unless the bureau of corporations of the department of labor and commerce should take up this work. While on this subject, there is one thought I would leave with you—that American municipal bonds have been for the past twenty years a safer investment than American real estate mortgages, so that any debatable ground relates to railroad, public service and industrial bonds, as compared to real estate mortgages, and without debating the question I will add that this form of bond has grown in favor only as it has improved in security, and is today quite a popular form of investment.

The statement is frequently made that real estate mortgages are always worth par, because the principal will be paid promptly at maturity. It is obvious the same can be said of bonds, either long or short time, regardless of the price they are selling at. While it is doubtless true that a real estate mortgage cannot decline to the same extent as a long-time bond, yet the price of money must be reckoned with, if either are sold before maturity, and while a mortgage may not decline in market value like a long-time bond, neither can it appreciate. It is also true that an investor in long-time bonds, if made at the proper period, when they are selling low, has the benefit of the high yield until maturity, and is not called upon to reinvest his money at low rates, as is frequently true of purely mortgage investors. I, of course, believe there is little to choose between a mortgage and a bond in the investment essentials, but those who will acquaint themselves with the collateral advantages of bonds will purchase them instead of mortgages, as is evidenced by the great growth of the bond business in general, and in real estate mortgage bonds in particular.

I will leave this discussion here, and ask your attention for a moment to the question of listed

versus unlisted bonds. One of the stock opinions arising from half-truths in financial matters is this, "Listed bonds are the only kind to buy." Of the nine or ten desirable elements in an ideal investment only three can be advanced seriously as being affected by listing on the stock exchanges: First, the security of the investment; second, the negotiability of it, and, third, the rate of income it yields.

As to security, it is true that the listing committees of some of the exchanges require certain definite statements concerning the companies whose securities are to be listed, and it is also true that the New York Stock Exchange requires all bonds to be dealt in there shall be certified to as to their genuineness by a trust company, but the information of any listing committee concerning the value of the security is blackest ignorance compared with the intimate knowledge any bond house must have of the condition of the company whose obligation it floats. The members of the listing committee are handed a financial statement and brief answers to set meetings, while the bond house employs engineers for appraising, auditors for verification of accounts and attorneys for passing upon all legal questions. This is reasonable when it is understood that bankers in investment securities usually own the bonds they sell, while stock exchanges are merely associations of agents who sell for the account of others. What possible assurance of safety, in the ordinary sense, can be found in listing when Erie common and Southern Railway common are to be found listed on the New York board, while Standard Oil is not, or when Wabash-Pittsburg Terminal second 4s, selling at 4 cents to 11 1-2 cents on the dollar are listed, when State of Massachusetts 3½s or various issues of first mortgage public service bonds are not?

The buyer who holds up his hands at unlisted bonds usually makes one of two errors, either he calls what he wants by the wrong name, or else he buys what he does not need. If current bonds are what he wishes, he can get them on the curb, or at the bond counter, as well as on the board. If he is buying for investment (the purpose for which funded loans are made), he not asking himself this question, "If I buy this unlisted and inactive bond at 95 I may have to sell it at 90 to get rid of it, but if I buy this active bond at 95 I can turn around and sell it again, say at 94 to 94½, including commissions both ways," and allowing nothing for market changes, in which case he would be paying 5 per cent. for activity and 90 per cent. for investment value.

I am making no plea for unlisted bonds, or uncurrent issues. It is merely the application of sound investment principles to all bond buying and selling that I desire to call to your attention. It is fitting that the fallacy of listed bonds be exposed, in order to emphasize the desirability of analyzing one's investment needs before buying, and herein the judgment of the bond house and salesman who is, or should be, an expert in his line has much of value to the investor.

In making loans upon collateral, other conditions enter in, which give listed bonds and listed stocks a decided advantage. A bank has not the time or personal interest to investigate and frequently does not have an expert at hand. Personal credit is his specialty, collateral credit, or credit instruments are secondary. In taking them the bank moves along

the line of least resistance, the loan clerk has less thinking to do. For ordinary investment purposes, it may be truthfully said that whether buying or selling, the bond business as now conducted is not done with listed bonds. Most of the listed issues are sold with a promise that "Application will be made to list on some exchange." The real market is among the bond houses, and the older and larger the house, the more likely is the investor, in buying from such houses, to buy a bond that is not only good but whose market will thereafter be protected.

In the classification of bonds, it may be said that for all practical purposes, the classification or name is established by business use. For instance, as bonds are bought above or below par, they are premium or discount bonds; likewise government issues sold at home or abroad are internal or external loans. Even the very color can give us the blue bonds or brown bonds of South Carolina.

The four general and accepted schemes of classification are:

1. According to the character of the issuing corporation.
2. According to the character of the security of the bonds.
3. According to the function or purpose of the issue.
4. According to the conditions attending payment of principal and interest.

The full title of almost every bond is derived from some or all of these four, and the possible number of classes and titles of bonds is limited only by the possible combinations of names from these four schemes of classification.

I think I can say that the public which does not buy bonds has but little idea of the importance and value to the community of the bond business. In round numbers, \$1,500,000,000 of American bonds are marketed every year; hence the bond business is of vast importance to the economic life of the country. As our wealth increases, the bond business increases, and it is well that our largest and strongest banking houses are prominent in this work. It brings a greater stability and assurance to every investor and aids growth of business by obtaining capital for the creation of new enterprises, or enlarging old ones in a way that twenty years ago could not have been done. By their ultra conservatism they are establishing themselves in public confidence, broadening the market and bringing together with the greatest expedition the capital necessary for municipal and industrial development.

There is a radical difference, also, between bond dealers today and those of twenty years ago in the matter of repurchasing securities of clients to whom they have sold them. Small houses, in some cases, still hold to the idea that a sale is a sale and that the responsibility of the house ceases upon delivery and the receipt of payment. This position is logical and just, but competition steps in to the benefit of the investor until many leading houses now say, "We make no promises, but, except in times of panic, we shall be glad to repurchase at a fair market price, the securities we have sold."

But the protective function of the bond house is most important in respect to the moral responsibility. In some instances losses have been averted or made

good—interest which has been suspended is paid, while every reputable bond house may be called upon to take the active leadership in upholding the mortgage rights or other claims of the bondholders. With the organizations now handling this form of credit, the creditor class cannot help but be the gainer, if they deal with those houses having a strong personality—strong convictions on investment matters and the capital and equipment to back them up.

LOCAL RESERVE ASSOCIATIONS.

By United States Senator Gilbert M. Hitchcock of Nebraska—Proposed Modification of the Aldrich Plan—Address at Baltimore Chapter Banquet.

THE advocates of the so-called Aldrich banking plan, not content with explaining the advantages of their proposal, lay entirely too much emphasis on the evils and dangers of our present banking and currency system.

I have no sympathy with this method of attack and exaggeration. I am satisfied that in pointing out the evils and dangers of our present banking and currency system they have been greatly magnified. We are told that our system is unscientific; that it is out of date; that it breeds panics; that it retards progress; and that it is inferior to the banking and currency systems of all the great nations of the world.

Now, for a few moments, let us examine these claims by reviewing the situation.

The first great fact that we confront is this—that the United States at the present time possesses 40 per cent. of the whole banking power of the world. To my mind this is a very significant item to be taken into consideration in this comparison. Think of it! Our country possesses 40 per cent. of the banking power of the world, while all the other countries, including Great Britain, France, Germany, Russia, Austria, Italy, Norway, Sweden, Denmark, and all the other civilized nations of the world combined, possess only 60 per cent. of the world's banking power. Now, does it stand to reason that our banking power would have grown to such overshadowing importance and strength as compared with any other country in the world if our system of banking and currency were so infested with evils and dangers as its critics affirm. Would it have outgrown all its older rivals if it had been so inferior to them?

In, perhaps, no other respect does the United States overshadow other nations of the world. We certainly have not 40 per cent. of the population of the world, nor 40 per cent. of the wealth of the world, nor 40 per cent. of the business of the world, nor 40 per cent. of the resources of the world. So far as I can recall at the present time we have no single industry or interest in which we overshadow other nations to such an extent as we overshadow them in the banking power, with the possible exception of railroads. In the case of railroads we boast of our superiority and base it in part upon the excellence of our railroads. By a parity of reasoning, we might point to our banking methods as an explanation of our superiority in banking power. And we not only far excel all nations of the world in banking power,

but I have no hesitation in saying that the banks of the United States, large and small, render greater service to their patrons and to the people than the banks of any other country. They fill a larger place in our daily lives.

When we examine the banking system of the United States from the depositors' viewpoint, we will not find in recent years that it has been either disastrous or discreditable. There have, of course, been losses to the depositors of American banks, but the losses in recent years have been nothing to compare with what they were in earlier years. There has been a steady improvement; and even if we take a period of 25 years, we will find that the annual loss to the depositors has only amounted in the aggregate to a mere fraction of one per cent. My recollection is that it has been less than one-twentieth of one per cent. a year, so that even from that standpoint the condition is by no means as horrible as the critics have pointed out, and it will be easily possible to still further reduce the losses and improve the conditions without resorting to revolutionary methods.

Bank losses are naturally larger in a new country where values are unsettled and where exploitation is common than in an old country where values are fixed and exploitation almost unknown. Any country will occasionally have bank losses and bank failures. In Great Britain, for instance, while the failures have been few they have been on a large scale, like the great Gurney failure of 1866, the bank of Glasgow in 1878, and Baring Brothers in 1890. France had her failure of the Union Generale in 1882, and the Comptoir D'Escompte in 1889, while the great disaster to the Leipziger Bank in Germany in 1901 is still more recent. Each of these failures involved a string of branch banks and shook the whole financial fabric of the country where it occurred.

So much for the banking side of our American situation. Now for a moment let us look at the currency side of it.

Old men can remember in the United States when much of the bank currency in circulation was discredited. They can recall the time when if a man took a bank note he had to examine and refer to a catalog to learn its value. In those days there were enormous losses which occurred by reason of the failure of banks to make good their notes. Business was greatly embarrassed by this uncertainty. Particularly, in the West and in the Middle West, the wildcat system of banking flooded the country with bank notes of questionable value. How is it now in the United States?

For half a century or more there has not been a single dollar lost in this way. When currency is given and received now, no one ever notices whether it is a bank note, treasury note, silver certificate, or a gold certificate, nor whether if a note it is issued by a bank in the East or in the West. All the world knows that every bank note is good. So, therefore, in the most important of bank circulation we have attained a stage of perfection; that is, security.

But while I deny the charge that our banking system and our currency system are so far behind the systems of European countries that we should discard our own and copy theirs, I am not here tonight to claim that our system is without defects, nor to say that it cannot be improved by amendment. But I

do want to emphasize the idea that we should have amendment and reform, rather than revolution. We should retain the American idea of banking and currency with only such modifications as experience dictates to be wise.

What is, then, the American system, as distinguished from the European system of banking? The American system of banking is the independence of the individual bank in its own community, with a broad diffusion of these independent banks throughout the country. The European system of banking is the establishment of an official note issuing or government bank, and the concentration around it of a few great banks at the national capital, each having its branches located in the provincial cities and towns of that country.

In the United States today we have nearly 25,000 banking institutions. Of these, 7,000 are national banks. A number are state banks, some are savings banks, and some are trust companies. With comparatively few exceptions, each one of these institutions is owned in the locality in which it does business. Its directors and stockholders sympathize with and respond to the interests of the people there. Its control is local.

This is in strong contrast to the condition in England, or France, or Germany. All of those countries have a great central bank, more or less closely connected with the government; and in it is concentrated the real control of the finances of the country. To a considerable extent it fixes the rate of interest, controls credit, and influences the importation and exportation of gold. Clustered around each of these central institutions are a few great banks, each having hundreds of branches located throughout the country. At each of those branches there is a nominal manager or board of directors, but in all cases they are absolutely dependent upon the central office, and they can respond to local needs only to the extent that the home office dictates.

Now, it is proposed by the Aldrich plan to stimulate, as far as possible, in the United States that condition. Great care is exercised not to propose the adoption of a central bank by name, because of the tremendous sentiment in this country in opposition to a central bank; but it is proposed to adopt a central bank in fact and give it the name of the National Reserve Association, with fifteen branches located in different parts of the United States. It is proposed that this National Reserve Association shall have a capital of \$300,000,000, and shall begin when \$200,000,000 have been subscribed. Each bank which becomes a member of this association is to subscribe an amount equal to 20 per cent. of its own capital and surplus, of which one-half shall be paid in cash and the balance at the call of the directors. We are told that this avoids the branch banking evil because instead of the central bank having a lot of branch banks, the reverse would be true—all the banks throughout the country would own the central bank. To my mind this is only a difference in form. The real fact would soon be the control by a few men of a central banking institution.

This danger is not imaginary but it is real and the advocates of the Aldrich plan have been forced to recognize it and have attempted to guard against it. They have sought to do this by providing that the directors of the Central Reserve Association shall be

electd by an elaborate system so framed as to divide responsibility and control. Each of the 15 branches is to be permitted through its board of directors to elect two directors. That makes 30. Then 9 are to be elected by voting representatives of the different branches, each of whom shall cast a number of votes equal to the shares of stock which the banks of his branch hold in the central reserve association. That brings the number up to 39. Then there are to be 7 ex-officio members including the governor, and two deputies, three cabinet officers and the comptroller of the currency. That brings the board of directors nominally up to 46 members, but its real functions will be exercised by an executive committee of 9, of which only 5 are elected by the directors, the others being the governor, two deputies and the comptroller of the currency. In this way power is perfectly centralized.

This institution would have on deposit all of the money of the United States Government. It would have practically all the reserves of most of the banks throughout the country, it would, also, have according to the plan the power to issue bank currency to an almost unlimited extent without depositing security with the Treasurer of the United States.

The only security for its notes would be the obligation to maintain a gold reserve of 50 per cent. of the amount of note issue and deposits. That is to say, its notes have no more security than its depositors. If the gold reserve falls below 50 per cent of its obligations, including notes and deposits, a tax is imposed. If the reserve gets as low as 33 1-3 per cent., no more notes can be issued till it is restored. That may be sufficient provision of security for bank notes, but it is not as good as we have now.

Gradually the note issues of national banks would be retired and the bonds they hold to secure their currency would be absorbed by the National Reserve Association. It would then be practically supreme in the banking and financial world, with the power at will to expand and contract currency, to grant or to deny credit to its member banks, to raise or lower the rate of interest, to effect values, and to check or stimulate speculation. In short, it would become not only the greatest power in the United States, but the greatest power in the world. In it would be found all the possible evils of centralized banking. It would be the over-lord of the now independent banks of the country, and would be able to exercise upon them and through them an influence upon business as un-American as it would be dangerous.

Now, I am willing to concede that our present banking and currency system can be improved, but in seeking to improve it I am not willing to jump from the frying pan into the fire, nor to abandon the American method of doing business.

We are already suffering from a concentration of power in the business world. Our railroads have passed under the control of a few powerful syndicates which are decreasing in number as they increase in size and today the construction of a new railroad by a new company has become impossible, because the syndicated railroad control forbids it. Our manufacturing interests have to a large extent passed into the hands of trusts. Our great coal supply is in

the hands of the coal trust. Wherever we turn in the world of business we find the same tendency to imperialism and monopoly. Shall we aggravate this situation by legislating to create a banking trust? I say, no, and I think the American voter will say no if he ever gets a chance.

At present our banks have local ownership and control. That would soon be modified if the Aldrich plan were adopted because in order to control the National Reserve Association big business would not only find it necessary to control the great banks of New York and other great cities but would reach out to control five or six other branches. The control of eight branch associations including New York would mean the control of the Reserve Association with its 300 million dollar capital, its untold deposits, its power over credits and its unparalleled power to issue hundreds of millions of bank notes. Does anyone doubt that the great financial kings of the country would buy enough bank stock here and there to control the eight branch associations? It would not take a majority in any bank to influence the attitude of that bank. A man like Rockefeller or Morgan could direct the policy of a bank with much less than a control of its stock. There is already among provincial bankers too much of a tendency to allow the great men in the banking world to think for them. In a short time the whole control of such an institution as the National Reserve Association would pass into the hands of a few men, just as the control of every great corporation in the United States has done.

So much for the dangers of the Aldrich plan.

Undoubtedly you will say that it is not enough to condemn the Aldrich plan. You will naturally ask its critics what they have to propose.

On this point let me again repeat that I deny the Aldrich claim that our present condition is either deplorable or dangerous. If the banking laws could be strictly enforced in New York City, I doubt whether the country would feel any great need for legislation. Even as it is, the case is represented to be far more urgent than it really is.

Nevertheless, I am going to close by leaving with you some thoughts on an amendment of our banking laws. I will suggest a plan which I think would harmonize with American institutions and be free from the evils of the Aldrich plan.

My plan would be to authorize the incorporation under federal law of 25 National Reserve Associations to be located in 25 of the leading banking centers of the United States, which I suggest should be located in the following cities:

- | | |
|-------------------|---------------------|
| 1. New York. | 13. Cleveland. |
| 2. Chicago. | 14. Detroit. |
| 3. Boston. | 15. Los Angeles. |
| 4. Philadelphia. | 16. Omaha. |
| 5. St. Louis. | 17. Milwaukee. |
| 6. Kansas City. | 18. Louisville. |
| 7. Pittsburgh. | 19. Atlanta. |
| 8. San Francisco. | 20. Seattle. |
| 9. Baltimore. | 21. Buffalo. |
| 10. Cincinnati. | 22. Denver. |
| 11. Minneapolis. | 23. Salt Lake City. |
| 12. New Orleans. | 24. Fort Worth. |
| | 25. Memphis. |

I have named these cities after an examination of the Clearing House reports which are published

week by week in the papers and which indicate that the cities would naturally serve the country around them.

I would provide that each one of these National Reserve Associations might be composed of national banks in its own city and tributary country and of such State banks and trust companies and trust companies as complied either the law or with the act of Congress relative to capital, surplus and reserves, that each bank which sought to become a member should subscribe for an amount of stock equal to 20 per cent. of its own capital and surplus, one-half of this to be paid in cash, the balance to remain till called for by the directors of the Association. It would not, as a matter of fact, be called for in all probability.

Each Reserve Association should be controlled by 15 directors, five elected by the banks, each having one vote, five elected by the banks, each voting in proportion to its holding of stock in the Association, and the other five elected by the Clearing Houses organized in that same region under rules and regulations prescribed by the Comptroller of the Currency.

Each Reserve Association should be permitted to receive only the deposits of banks, trust companies, cities, states and counties, in addition to the deposits of the federal government, all of the latter being withdrawn from banks and kept in the various reserve associations in proportion to their size as measured by their capital and surplus.

Each Reserve Association should be a legal reserve agent for each national bank located in its territory.

Each Reserve Association should be authorized rediscount the commercial paper of any of its member banks or of banks belonging to any other Reserve Association, to buy or sell exchange and commercial acceptances, made or guaranteed by banks, and to buy or sell gold and United States bonds.

Each Reserve Association should be subject to the same supervision and control by the Comptroller of the Currency that is provided for national banks, should make and publish reports at the end of each week, and should maintain in its own vaults a cash reserve of 15 per cent. of its deposit liabilities.

Each Reserve Association from week to week should fix and publish the rate at which it will discount commercial paper or acceptances guaranteed by banks, and these rates shall be uniform to all bank members of the Association for paper of the same time to run.

Each Reserve Association should be authorized to receive, examine, guarantee, and forward to the Treasury of the United States commercial paper of any National bank belonging to said Reserve Association and desiring to secure temporary circulating notes from the Treasury to an amount not exceeding 50 per cent. of its bond secured currency outstanding. For this service, the Reserve Association should charge a commission which shall be uniform to all member banks entitled to secure such circulation and this commission shall in no case exceed 2 per cent. of the amount so secured.

Each Reserve Association shall after setting aside an amount of surplus each equal to 3 per cent. of its paid in capital be permitted to pay dividends to its

stockholders not exceeding 7 per cent. on its paid in capital stock.

Any National bank belonging to a National Reserve Association shall be permitted to secure an amount of temporary circulating notes not exceeding 50 per cent. of its bond secured notes by depositing with the Treasury, through the medium of its Reserve Association an amount of commercial paper equal at least to the notes to be issued, said commercial paper to be guaranteed by the bank as well as by the Reserve Association. Said notes shall be retired or the money for their retirement deposited with the Treasury not later than 4 months from date of issue. The bank shall pay to the Treasury a special tax on said notes which shall be at the rate of 2 per cent. a year for 60 days, 3 per cent. a year for 3 months and 4 per cent. a year for 4 months.

For the purpose of creating a broad market for commercial paper any bank belonging to any Reserve Association shall be permitted to give acceptances to an aggregate amount not exceeding its capital, or to buy or sell acceptances made or guaranteed by other banks or to rediscount its notes and bills with the Reserve Association of which it is a member.

I think the working of such a plan would maintain the present independence of the American bank, would retain in their hands the issuance of bank currency, enable them from time to time to get a temporary supply of currency to meet the demands of trade, would enable them to keep their reserves nearer home by having them largely on deposit in their own Reserve Association. I believe that the various Reserve Associations would become the natural medium for maintaining the exchanges of the country. No doubt, there would be organized in the city of New York a National Reserve Association of tremendous power and strength, able to cope with all legitimate demands that could arise in New York or its immediately surrounding country. When, therefore, New York desires additional currency to meet its own needs, it would have the power to secure it direct from the Treasury of the United States to the extent of 50 per cent. of its bond secured currency. On the other hand, in other Reserve centers there would be the same independence of action.

There are doubtless difficult questions to decide as to the control of each one of these Reserve Associations. Some might believe that the directors should be elected by giving to each bank one vote, some would say that the directors should be elected by giving to each bank a number of votes according to their amount of stock in the Reserve Association. My own suggestion, as heretofore stated, would be that each board of directors of a Reserve Association should be divided into three parts. Say there are 15 directors who control the Association, five of them should be elected by allowing one vote to each bank, five of them should be elected by allowing each bank to vote according to its holdings, and five of them should be elected by allowing one vote to each Clearing House existing in the territory belonging to the Reserve Association. In this way there would be a mixed control, and, in any event, the law should provide such safeguards as would prevent the control from being used for purposes of favoritism.

The amount of dividends to be paid by the Reserve Association should be limited so that there would be no inducement to operate the Association for any other than the benefit of the banks composing it and the communities that they serve. The officers of the Association should and would naturally be men of large calibre and local men. The cost of operating such Reserve Associations, however, would not be great, as the business, being confined to banks and Government, matters would be on a large scale.

VOCATIONAL EDUCATION.

By Dr. Elmer Ellsworth Brown, Chancellor of New York University—Address at New York Chapter Banquet.

THE commercial world is manifesting at the present time an unusual interest in the problem of education for a business. Quite naturally, education for business must take account of two things. One of these is business, the other is education. If I cannot instruct you on the subject of business, which I certainly shall not undertake to do, it is possible that I may have something to say on the subject of education, in which I have had more or less of experience.

Indeed, almost every modern educational development involves two or more elements and it is well-nigh impossible for any one man to be equally well informed regarding all sides of the question. It is the part of wisdom for the specialists on the different sides to get together and see how well they can fit together their diverse modes of thought and experience. That is what creative educational activity must accomplish in the present day. It must bring together the occupation in life which has some educational need and the theory of education which is to be applied to some occupation in life. Out of the combination is to come not only a better practice of the occupation, but also a better education of the men who practice it.

I should like to say a few words about the modern movement which is giving us a general scheme of vocational education. We hear of new schools for this occupation and that occupation in life. The most of these schools are interesting enough in themselves, but do you realize the fact that they represent a much more general movement? School used to concern itself with only one or two sides of human life—with its literary and spiritual side—with its public and its moral side. But times have changed and now almost every side of our life is going to school. The change is one of the most characteristic features of modern civilization. Policemen are training for their business in a school, aviators and chauffeurs are training in schools, farmers go to schools of agriculture, cooks and tailors and barbers, as well as lawyers and physicians, follow the same course. There are schools of peace and schools of war, and schools of diplomacy that lie between the two. There are schools to educate women for home life, and schools to educate them away from home life. There are schools for teachers, and schools for the teachers of

teachers, and I believe one or two schools for the teachers of teachers of teachers.

The newer movement in commercial education is highly interesting in itself, but it is much more interesting as part of this rising tide which is sweeping the dilettant, the irresponsible empiricist, and the jack-of-all-trades into the far corners of our society. I should like to know what this movement really means. I do not believe we fully understand it even yet. It results in part, I have no doubt, from the more concentrated competition of modern life. Our improved methods of transportation and of communication have undoubtedly given to competition a character unknown in early times. It results perhaps as much from the spread of modern science. We have come to believe that there is no phase nor fragment of human occupation and interest which does not have its scientific co-efficient. Matthew Arnold said: Whatever is worth doing is worth thinking about. We add to this: Whatever is worth doing has something in it that men can learn about.

I might go further and say that this condition results from a higher standard as regards all human performance. I would say it, too, but for the simple fact that it isn't so. We have higher standards in many directions but not in all directions. Our art standards have not kept pace with our science standards. In the practice of many of the arts and many of the trades, there was a higher demand for perfection of product generations ago than there is today. There is something to be said about this further on.

Every kind of trade education and every kind of professional education has had to face the objection that that particular occupation cannot be taught in school. Medicine had to meet that objection two or three generations ago and the laws requiring thorough medical education have been forced against intense opposition every step of the way. Legal education has gone much the same course. Even within the past generation there have been lawyers who argued that the only good training for practice was in a lawyer's office. The profession of divinity went through the same discussion from beginning to end in the Eighteenth Century and I can't say how many times before and since. You know how it is in the domain of agriculture. The school-trained farmer has been a laughing stock until the past ten or fifteen years, that is until a goodly number of them have grown rich by making superior yield of corn and cotton and dairy products. You might go all up and down the list and find the same history everywhere, but the net result has been what I have said before. In spite of all their failures, the schools of one vocation after another have made their way, until, all together, they now represent the modern spirit and the modern manner of life.

Commercial education has to meet the same run of objections. It is meeting them in fact today. It is only half-way successful even yet, but it is half-way successful already, and that is a very different way of saying the same thing. It is at least half-way successful already in a number of important schools, and it requires no seventh son of a prophet to predict that the subjects of banking, transportation, industrial organization, and insurance, with many

other subjects related to these, will be as surely subjects for professional training in professional schools as are medicine, law, and engineering today, and this outcome, when it is fully achieved, will be as much a gain for education as it is a gain for our commercial and industrial life.

What is the system that such vocational training in schools is going to supplant? Men learned their trade in some way or other before there were schools and colleges. They would learn their trade today, whatever it may be, if there were no schools and colleges. What is the difference then? Let us look into that question a little, for I think we can learn something from it.

The answer to the question is simple enough. The old system was a system of apprenticeship. The new system is a system of organized teaching. Under the old system, one said with Browning:

Here work enough to watch
The master work, and catch
Hints of the proper craft,
Tricks of the tool's true play.

Under the new system one works by the application of general principles.

There can be no doubt that the old system had its great achievements, and out of it came some of the ablest practitioners that the world has ever seen. I do not for a moment believe that the vocational training of the future is going to be as simply scientific, as opposed to the practice of an apprentice under the eye of a real master. The great new thing in the vocational training of the world is not going to be the substitution of scientific schooling for individual apprenticeship. It is going to be, instead, the skillful joining of those two together. Here is one of the finest and hardest problems of our modern education. Even our great and successful schools of the professions have not altogether solved this problem even yet. The best of these schools, however, have given up expecting that mere classroom lectures will prepare the successful practitioner, and they are even now studying with the utmost care the question as to ways in which the professional student may be initiated into the practice of the art which is to be his work in life. The more scientific any profession becomes, the more the scholastic side of training for the profession must be emphasized, but every work in life is an art as well as a form of knowledge. Even the profession of medicine, the scientific aspects of which have been most fully developed, must pay particular attention in these days to the clinical side of its courses of instruction, and to the training of young graduates as internes in various hospitals. Engineering education is dealing with the same problem in another form.

So commercial education will undoubtedly find its best development in combinations of scientific teaching and carefully supervised practice, such as we have been unable to realize as yet, but such as we can forecast in the light of educational experience.

It amounts to this, that after the analogy of schools of medicine, our higher schools of commerce will have to provide their clinical and laboratory

facilities and their graduate courses of introduction to business practice.

We must expect that the scientific side of business, as well as the scientific side of other occupations, will grow relatively larger as the sciences of economic relationships advance. More and more instruction must be organized with a view to an understanding of the processes of business in their relation not only to a whole world of business but also to a whole world of ideas and of organized knowledge. But this scientific knowledge of business is not to be a thing apart but most intimately dovetailed into practice. There have been great men of business who were at the same time great teachers and have trained up younger men to follow them and utilize their systems in the administration of affairs. There are such men—a goodly number of them—in this city today. It will be a part of the problem of the commercial education of the future to utilize this extraordinary teaching ability that is already present in the business world and to project the training of the schools into intimate relationships with such teaching.

The schools, on the other hand, by their very emphasis upon the scientific aspects of business will help in the everlasting process of clearing the moral atmosphere of the business world, for men cannot associate with scientific pursuits without becoming more or less imbued with the scientific spirit of truth and sheer, unmixed honesty. The forces that are making so powerfully for the moral uplift in the business world itself will undoubtedly be reinforced by every arrangement which furthers the scientific study of the problems of the business world.

INSTITUTE PUBLICITY.

By Chas. T. Conway, Boston.

THE matter of publicity includes, in a measure, the extension of Institute influence through providing a convenient way to introduce the Institute into cities where it is now perhaps unknown, thus leading to a material increase in the number of chapters organized throughout the country, and a means through which chapters now organized may supply their own members as well as all the banking men in their localities with definite and accurate information about the Institute.

To accomplish this a small pamphlet should be prepared, to be used all over the country in chapter extension work, clearly and concisely describing the Institute, its organization, history, objects, methods and actual results already accomplished. (Perhaps a word about the Fellowship Class might also be in order).

Each chapter should see that a copy is received by every bank officer in its vicinity and copies should be sent to all prospective members for their enlightenment.

When a new chapter is being started in a city, every bank man in that city should receive a copy before the first organization meeting is held.

The booklet may be published by the National organization and if necessary, may be paid for by the chapters using the copies.

It should present the Institute in the best light and should be a masterpiece of the printers' and advertisers' art. It should compel interest!

Here is a task worthy of the efforts of the prominent Bank Publicity Men of the Institute.

NEW FELLOWS OF THE INSTITUTE.

Result of the Recent Election.

THE Executive Council in a vote recently taken by mail, elected the following named gentlemen as Fellows of the Institute: C. W. Allendoerfer, Kansas City, Missouri; T. W. Ball, Salt Lake City, Utah; John T. Bate, Louisville, Ky.; Roland Benjamin, Baltimore, Md.; Victor L. Bernard, New Orleans, La.; J. A. Broderick, New York City; A. B. Claxton, Washington, D. C.; George T. Courtney, Detroit, Mich.; Wm. A. Day, San Francisco, Cal.; C. F. Duns-moor, Oakland, Cal.; H. J. Dreher, Milwaukee, Wis.; Wm. S. Evans, Philadelphia, Pa.; H. R. Fairchild, St. Paul, Minn.; J. D. D. Gladding, Scranton, Pa.; D. H. Griswold, Chattanooga, Tenn.; Wm. R. Green, Cleveland, Ohio; H. J. Guckenberger, Cincinnati, Ohio; John Henderson, Rochester, N. Y.; Craig B. Hazlewood, Chicago, Illinois; B. W. Moser, St. Louis, Mo.; J. E. Rovensky, Pittsburgh, Pa.; Leigh Sargent, Chicago, Illinois; C. B. Sewell, Portland, Ore.; Jerome Thralls, Kansas City, Mo.

NEW YORK STATE BANKERS CONVENTION.

Preliminary Notice.

THE nineteenth annual convention of the New York State Bankers Association will be held at Buffalo, Thursday and Friday, June 13th and 14th. The principal speakers at the day session: are George M. Reynolds, President of the Continental and Commercial National Bank of Chicago; Sir Edmund Walker, President of the Canadian Bank of Commerce, and George E. Allen, Educational Director of the American Institute of Banking. The Association is making plans to promote agricultural education and Mr. Allen's address will be on that subject. The speakers at the banquet, Thursday evening, will be Messrs. Reynolds and Walker, Rev. Dr. V. V. Raymond, Arthur Brisbane and Rev. George Caleb Moor. The entertainment features will include a boat ride on Lake Erie and a trip over the Gorge Route at Niagara Falls. Automobile trips have been arranged for ladies in attendance.



INSTITUTE CHAPTERGRAMS

ALBANY.

By Edmund W. Corrie.

A CHAPTER of the American Institute of Banking has been organized in Albany under favorable circumstances. The matter had been under consideration for some time and on March 2 a preliminary meeting was held. George E. Allen, Educational Director of the Institute, explained the character and purposes of the organization. A committee was appointed to consider the formation of a chapter and on the 16th of March Albany Chapter came into existence. The organizing committee was pleasantly surprised at having the greater part of the constitution accepted without much change, and it is not believed many loop-holes for criticism are left. The season being late, it is not proposed to start the lecture courses this quarter, but to wait until fall. In the meanwhile the intention is to have interest stimulated by a couple of talks and a large membership is expected when the general meeting in May is called. The officers are: George E. Wilkinson, President; Samuel Applebaum, Vice-President; John O'Byrne, Treasurer; Edmund W. Corrie, Secretary.

BALTIMORE.

By C. H. Mueller.

OUR chapter has been very active during the past few months. Our regular study classes have been meeting once every week, and have been very well attended. Mr. Dickerson of the Baltimore Law School, who is conducting our study class, is a very interesting and instructive talker, and those that are giving him the attention that he deserves are surely going to reap the benefit of a fuller knowledge of banking law.

Our monthly meetings have been drawing the usual large crowd, and we have been having some excellent addresses on subjects pertinent to banking and some closely allied with it. A. R. L. Dohme, President of the City Wide Congress, addressed us on Bank Taxation, a new bill which is before our present legislature. Waldo Newcomer, President of the Baltimore Clearing House and of the National Exchange Bank, one of Baltimore Chapter's staunchest friends, and a progressive banker, gave us his views on the Clearing House and its possibilities. From his remarks there is much to be accomplished on progressive lines here in Baltimore and it is our wish that the chapter members may be in some way responsible for the accomplishment of some feature of his outline. A. S. Goldsborough, Secretary of the Factory Site Commission, spoke to us on the commission and its purposes. His closing remarks urged the bankers to co-operate with the commission by

encouraging loans having as collateral local industrial stocks and bonds, thereby creating a closer relation to existing manufacturing enterprises and being an attractive feature to any new enterprise with sound business principles.

On March 2nd our tenth annual banquet was held at Baltimore's newest hotel, the Emerson. This is the big social event of the year in our chapter life, and to quote one of our bank presidents, "Our banquets are growing larger and better year by year, and this last one surpassed all previous affairs." Too much praise cannot be given the banquet committee of which Leonard Hoffman, Jr., of the First National Bank was chairman. Our list of speakers included W. Morgan Shuster, former Treasurer-General of Persia, Senator Gilbert N. Hitchcock of Nebraska, Congressman James L. Slayden of Texas, Congressman J. Harry Covington of Maryland and Raymond B. Cox, President of the Institute. During the evening the prize winners of the best essays on the Exchange Question were announced, Frederick O. Scherf, of the National Mechanics Bank took first prize, Albert N. Smith, Merchants National Bank, second; Harry W. Ewalt, Merchants National Bank, third. It was through the generosity of W. W. Cloud, President of the State Bank of Maryland, that the contest was held. John E. Ramsay, President of the National Mechanics Bank, announced that he would offer similar prizes for the best essays on the "Proper Methods and Rate of Paying Interest by the Commercial Banks."

Through the kindness of Mr. Woodward of the Burroughs Adding Machine Company, we recently held an adding machine contest. There were about forty contestants, and some excellent records were made. Thomas J. Thatcher of the Farmers and Merchants National Bank, succeeded in running a hundred checks without an error in one minute and forty-seven seconds. Donald Reitz of the Maryland National Bank 1:50, Chas. R. Lucas of the Merchants National Bank, 1:51, and Osborne Wilhelm of the Merchants National Bank, 1:53.

Our bowling league will end its season shortly, and the team representing Alexander Brown & Sons will lead the league. The Maryland National Bank team will get second place, Fidelity Trust Company team, third, and Citizens National Bank team, fourth.

BIRMINGHAM.

By H. H. Brown.

WEDNESDAY, March 20th, marked the beginning of a series of debates which Birmingham Chapter hopes to have in the next few months. This initial movement has proven of such interest, we feel that if supplemented to our general

meetings more often will increase our average attendance. The attendance at this meeting, however, was splendid, owing to the program which excited unusual interest among our younger members and brought them out in full force.

The first event of the evening was a debate on the question, "Resolved, That the privilege of stopping payment on checks facilitates business generally," the contestants being among the local membership and allowed ten minutes in which to present their side of the question. The affirmative was represented by Alan Daly, American Trust & Savings Bank, and J. D. Dickson of the Birmingham Trust & Savings Co., while the negative was upheld by L. C. Collins of the Traders National Bank, and R. A. L. Wilkes of the First National Bank. These were followed by impromptu speeches from the membership on whichever side appealed most to their sympathies, the decision being finally rendered in favor of the affirmative.

The most interesting feature of the evening, however, proved to be the adding machine contest held under the auspices of the Burroughs Adding Machine Co., L. B. Graham, local manager, who gave as an incentive to fast and accurate work three prizes consisting of a ten, five, and two and a half dollar gold piece, to the three contestants making the best record. The prizes were won by W. V. Bartlett, American Trust & Savings Bank, with a record of 4:13; C. N. Gilley, First National Bank, 4:25; and R. C. Perkins, American Trust & Savings Bank, 4:28. This being the first contest of its kind we have had, the boys were naturally somewhat nervous, but they hope to make the world's championship hustle by the time the next adding machine contest is held here.

The Executive Committee informed us they had secured rooms in a pleasant locality, to be used in future as regular club rooms, and would fit them up comfortably with plenty of reading matter, games, etc., which will help our members to become better acquainted with each other.

Our law class has increased its membership to fifty-five, and A. Oberndorfer, the young attorney who is acting as leader, makes the lessons so interesting, we feel assured our membership will continue to increase.

BOSTON.

By Perceval Sayward.

DURING the past month the season's program has been proceeding in orderly and systematic fashion. A committee appointed some months ago to revise the by-laws has brought in a report that has been laid before all the members. It is hoped that after this report has come up for action before a regular meeting of the chapter the subject of the constitution and by-laws may be laid on the shelf for some years. The thorough work of this committee was really needed but it is safe to say that after such work has been done carefully and well once it is a matter that should be left alone.

The Numercial Transit System Committee is about to address the eleven hundred banks of New England on the subject of the full adoption and use

of this system. We anticipate that the committee will be most influential in securing the speedy introduction of this excellent plan throughout the New England States. Work of such character is most helpful in demonstrating what a power for progress the Institute may be in a community.

The manufacturer and large merchant is really always conducting his business six months or a year ahead. The stock of goods in his warehouses or on his shelves at the present moment hold his interest but slightly for they were long ago contracted for. It is the future that fixes his attention.

So the long-headed chapter executives at this season should be taking stock of their experience during the past winter and begin to lay plans now for next season's work. How can the activities for next year be conducted so that each member will profit thereby more than he has this year? How can the educational work particularly be planned so that it will be more interesting, useful and popular? In considering these questions we should not fail to seek the best professional help within our reach in the way of the best trained teachers in our community. This advice should not be overlooked by us laymen in making up our programs. Now is the time to begin the consideration of these matters which cannot be settled wisely in a few hurried meetings of a committee which too often has given the question little or no serious thought previously.

CHATTANOOGA.

By T. R. Durham.

THE March meeting of the chapter was one of the most interesting that has been held for many months. J. W. Rawlings, Consul for Cuba, located at Chattanooga, and Foreign Manager of the Chattanooga Plow Company, addressed the chapter on "Exports." Mr. Rawlings has been around the world in the interest of his company, making a special study of foreign trade customs and exports from the United States. He is a great believer in ship subsidy and expresses himself as believing that that is the only solution that will protect American manufacturers in their export business. He called attention to the fact that freight rates on certain classes of tonnage increased more than 100 per cent. during the past few months. He showed many cases where the increase in rates was a clear discrimination against American manufacturers. He also called particular attention to the fact that the United States did not have sufficient banking facilities to handle the foreign trade. The foreign steamship lines and some of the powerful banking institutions he claims are controlled by the same capital and always work in harmony for the upbuilding of their respective nations. His address was highly instructive and before he had finished he had created a very strong sentiment in favor of ship subsidy.

Impromptu talks on subjects drawn from a hat were next in order and a general discussion was had upon several subjects. "Should National Banks loan money on real estate?" "Are the rates of interest paid on deposits too high?" "Is the method of Clearing Houses handling transit items preferable to in-

dividual banks?" "Is the American Bankers Association Numerical System a Success?" were among the most important of the questions discussed pro and con.

Our class on Commercial Law is grinding away, having found the winter's work both pleasant and profitable.

The Tennessee Bankers Association have offered two prizes to the bank clerks of the state on the best papers submitted on the subject "Should Banks, other than Savings Banks, pay interest on deposits?" The first prize is \$25.00, and the second prize, \$15.00, the winner of the first prize to have his expenses paid to the Tennessee Bankers Association Convention which meets in Knoxville this spring, and to have the privilege of reading his paper before that body. The chapter has been officially informed of its election as a regular member of the Tennessee Bankers Association.

CHICAGO.

By R. M. Coleman.

THE general meeting nights of the chapter have been interfered with during last month by holidays and elections. March 12th Prof. J. Lawrence Laughlin, Chairman of the Executive Committee of the National Citizens League and Professor of Economics of the University of Chicago addressed the chapter, and explained why the country is in need of monetary revision. The following is a part of Mr. Laughlin's speech. "The subject that you ask me to discuss, 'The relation of the National Reserve Association and Banking Reform' is a very large and important subject. I suppose you scarcely realize that we are face to face with a situation and a possibility of change in our legislation with regard to our monetary and banking system, of the gravest character, since the Civil War. Do you realize that we are face to face with the fundamental proposition with our present banking and current system, the like of which we have not seen during the past 50 years. Mary Antoinette when told of the riots of the thousands of their starving people, of their demands for bread, said, why if there is so much trouble about their getting bread, why don't they give them cake. Now the remark of the Queen of France showed the ignorance she had of the subject, and is a fair illustration of the judgment of our congressmen of today on the subject of banking reform.

"The business men of this country have united together, putting their shoulder to shoulder together in this struggle to try and see if they cannot educate 90 million people on the reform of the currency system, and thereby obtain legitimate legislation. The great need of today is an elastic credit system. We have no market for commercial paper, such as they have in Europe, where you can buy acceptances. We have no such market in this country. Moreover we have no uniform rate of discount in this country. The rate varies enormously in the different parts of this country. We have here in the United States, in our banking system, practically no co-operation among the banks in protecting the gold reserves of all the banks, although we have had a free banking system since 1874; the first Clearing House in the United States being started in 1853 in New York City. The

banking system fails to function the moment it is unable to give the business man a loan at the time when he most needs it. How will the National Reform Association remove that difficulty, simply because it is a co-operation, by which the credit and capital is brought to bear on the section that is in most need of it."

Frank Henry Waitrous, Discount Teller of the Merchants Loan & Trust Co., explained in detail the various methods of handling demand and time loans and the manner of discounting them, as well as municipal warrants, that are drawn against the anticipated taxes, and which are considered a very good form of discount, being usually handled through brokers the same as commercial paper. He also explained the difference that is gained by taking the actual discount on paper and as it would be taken, figured on present worth basis.

The banking and finance class which terminated Tuesday, February 20, 1912, with an examination on the subject was one of the attractive educational features of the year. Over 153 members of this class, or over 50 per cent. who enrolled at the beginning of the year, attended 80 per cent. of the meetings. Out of this number 56 took the examination, or about 33 per cent. of the active members of the class. "Where," asks President Smale, "were the other 67 per cent. to let such a valued opportunity slip by them?" Some may have felt a little timid about passing the examination, but I am of the firm opinion that at least 80 per cent. of the 97 active members that failed to make the examination would qualify, if they made the effort.

"With this firm opinion I have in mind to hold another examination in the latter part of April, say, at the completion of the law course in negotiable instruments, providing a sufficient number of those members of the class who attended say, 75 per cent. of the meetings, will agree to take such examination. This examination means a 50 per cent. credit toward qualifying for the Institute certificate."

Following is a list of the members who passed the examination, C. A. Elsner, J. W. Hayes, and Fred G. Letchford, Central Trust Company; Frank A. Lindsten, Chicago Clearing House Association; Maurice A. Milenbach and L. E. Wilson, Chicago Savings Bank and Trust Company; Bernard E. Ehlers, Fred C. Johnson, J. W. Olson, Clarence A. Robb, Theo. G. Schafrank, Otto W. Schreiber and H. L. Sievertsen, Continental and Commercial National; C. S. Hall and J. W. Youle, Corn Exchange National; H. A. Anderson, Bruce Baird, H. S. Beckwith, Harry Carlson, W. G. Coggeshall, Charles Johnson, J. W. Johnson, George C. Loveless, Frank L. LePelley, E. J. Mulvihill, Gustave H. Peterson, C. E. Schiffner, J. O. Sorg, and E. A. Stanton, First National; Roy R. Marquardt, T. S. McCarty, and Daniel W. Westervelt, First Trust and Savings Bank; Edwin C. Baur, F. S. Kingore, A. W. Lander, and Herbert C. Roer, Fort Dearborn National; Wm. R. Dowell and H. K. Roney, Illinois Trust and Savings Bank; M. D. Goldberg, Live Stock Exchange National; Fred W. Roth, National Bank of the Republic; John W. Gorby, Peoples Trust and Savings Bank; John G. S. Linner, State Bank of Chicago; and W. H. Damon and Gustav Hake, Union Trust Company.

The following having previously passed the final examination in law are now entitled to the Institute Certificate: F. C. Johnson, Continental & Commercial National Bank; Chas. Johnson, First National Bank; T. S. McCarty, First National Bank; M. Nulensch, Chicago Savings Bank & Trust Co.; J. W. Johnson, First National Bank; E. J. Mulvihill, First National Bank; R. R. Marquardt, First National Bank; W. H. Damon, Union Trust Company; C. E. Schiffner, First National Bank; E. A. Stanton, First National Bank.

CINCINNATI.

By A. DeWitt Shockley.

CINCINNATI CHAPTER held a large and interesting meeting Tuesday evening, February 27th, in the Union Trust Company parlors, with a debate on "Resolved, That Transit Items should be collected through Clearing Houses rather than by individual arrangements between banks," as the event of the evening. The debate was given for the purpose of choosing Cincinnati's representatives for the debate between our chapter and Pittsburgh. As a result, Messrs. Beiser, Brewster, Thomas and Schraffenberger were chosen.

Our next great social event will be in the form of a Dutch lunch over in Covington, one of our Kentucky suburbs. Everything good to eat and drink will be the order of the meeting. Hans Zinke, one of our most prominent ex-presidents, will give an interesting address on his recent tour through Europe. Other attractive features are also promised.

CLEVELAND.

By W. R. Green.

THIS is a winter of real work for Cleveland Chapter. The study classes are doing well and general meetings are of high character. An interesting paper on the progress of the numerical system adopted by the Clearing House Section of the American Bankers Association, was read before our chapter March 12th, by R. P. Sears, Auditor of the Cleveland National Bank. The paper describes a plan which originated with J. A. Ward. After first describing the method of numbering the banks, Mr. Sears said: "What is necessary to be done in order to make this system an assured success? In our answer we will follow the same order as that given by the American Bankers Association:

"First: Every item that your bank endorses, have it done with a stamp that contains the number assigned you.

"Second: Have your number printed on all checks drawn on your bank, and on certificates of deposit, and cashier's checks. The number to be printed immediately following the name of the bank.

"Third: By printing the number assigned your bank and also the number assigned your correspondents on all your drafts drawn on your correspondents; the numbers to be printed immediately following the name of the bank.

"If every bank would follow the above three sug-

gestions, the system would be an immediate success, and be adopted, I believe, almost universally.

"Inasmuch as it has been less than one year since the adoption of this system, those suggestions—especially the last two—have not been complied with to any considerable extent, therefore what can those do who wish to use the system at once, so that those who have not fallen into line will not block the progress of the system? My best answer would be by telling what our own bank—The Cleveland National, has done.

"Of all the items that we receive from our bank correspondents, I believe at least 95 per cent. (if not more) of the endorsements bear the assigned number of the bank from whom we receive them. The items that do not bear such numbers come from so few different banks that when the operator sees the endorsement of one of those banks, he at once remembers its number. Those banks to him are just like the proverbial sore thumb—they cannot be forgotten. As to the endorsement of your local or city depositor, that can be taken care of either by the "batch" system, or by giving each depositor a number and having same placed in his endorsement stamp. We preferred the latter, and as I think our method of numbering a good one, I ask your indulgence to explain it. We gave the first nine numbers to the nine accounts depositing the largest number of out of town checks. The next ninety numbers we gave to the next ninety accounts having the largest number of out of town checks. Then we numbered consecutively each account in the order that they deposited out of town items. Thus, you see, the nine endorsements we would list the most frequently could be done by a single key; the next ninety by two keys. This also keeps your numbers small, as no matter how active an account may be it will not be numbered until it deposits an out of town item. The endorsement problem, I believe, will not be a barrier to anyone desiring to use the system.

"The greatest problem is describing the 'where payable' or 'on whom drawn,' which, we must admit, has caused some worry, owing to the fact that a great many banks had in stock large quantities of checks, drafts, etc., when this system was adopted. Our bank overcame its share of that difficulty for all other banks, by hiring a \$30.00 per month clerk and stamped all our stock on hand. But, that did not assist ourselves in any way in describing our out of town checks. We believed in the principle 'The Lord helps those who help themselves,' and so 'got busy.' We made a card (or cards) for every bank to whom we send cash letters (except the very small sundries). On that card we placed the name and number of every bank in the town to which the letter was addressed. We also placed on that card the name of every town within the same state that we routed to that bank. Immediately preceding these town names we placed the number of the first bank listed for that town in the official directory of this system, e. g.: There are four banks in Cairo, Ill., the first one listed in the directory is '70-173.' If we were sending our Cairo checks to another town in the same state we would list all our Cairo items '70-173' which merely means it was a Cairo check. That is all the information we gave, even when writing the name of the town. Of course, when the numbers have been printed on all checks,

we can give the exact number of the bank. Then, too, we placed on that card the name and prefix number of all other states we collect through that bank. Then our description of any item in any of the outside states is the prefix number only for that state. At first thought, one would imagine that a very meager description, and, perhaps it is. But as a rule, banks have one or two centers in each state (outside their own) for collecting that state, so that if they know the state on which drawn, they will at once know the routing for same. We obtain these authentic numbers from the key and boil down for ready reference and to suit our peculiar requirements.

"Now, we have the equipment for describing the 'where payable' but that of itself does not place the numbers on the checks. We have a clerk that takes the items after they have been assorted and placed in the different cases for the individual letters, and, supposing he has the items to be sent to the Continental & Commercial National Bank, Chicago, he turns to their card and then places number on face of check with ink, and in connection with a rubber stamp that reads:

"Please use your
 A. B. A.
 No....."

which calls attention to the bank on whom check is drawn, what this number is on for, and that at least one bank is using the system. Then when the operator gets the items they are completely described by numbers, and, in so far as he is concerned the numerical system has progressed to the point that it is a complete success—and made so without any additional help.

"One clerk, with the card equipment above described, will be able to number all the checks for one operator. In our bank we secured that one clerk by our Transit Machine operator writing more than twice the same number of letters as any operator had been able to do on our other machines (describing in the old way) and therefore leaving an idle clerk and he does the numbering.

"There are two distinct advantages in placing the numbers on the checks rather than the operator himself looking at the cards, and then listing the numbers on the machine.

"First, he will list the items much more speedily and accurately.

"Second, the number is then on the check for all other banks that handle it, which is a very great item, for you all know that most all items pass through several banks and if the first one handling same, places the number on, that ends the trouble.

"What are the advantages in using this Numerical System?

"First of all it prevents a great many exchange charges by not allowing a wrong routing, e. g.: Suppose your routing for Lebanon, Ohio, was First National, Cincinnati, and that the assorter placed the check in with Second Cincinnati's; when the clerk would be numbering Second Cincinnati's checks, Lebanon would not be listed on that card and it would then be routed correctly.

"Second, when the numbers have been printed on the checks, I believe the same items can be written in

one-half the time they can be by the system of writing the names, which means a reduction in the number of clerks necessary to operate the transit department.

"Third, a much neater letter.

"Now, we have the system outlined. It does not necessarily follow that it will be an entire success. It will not, unless every bank does its share. And to do that it is such a small matter that I do not see why any bank would object.

"No doubt some banks will say 'Oh, it looks very good but we are satisfied with our own system.' Now, isn't that just a little bit selfish? Did you ever know of any line of business making a nation-wide improvement without the co-operation of the different individual firms composing that business?

"If we expect this to be a success we must be generous. Neither can every bank wait to be the last. So get busy, fellows, and have your bank up-to-date."

DALLAS.

By Sim T. Lake.

THE members of Dallas Chapter are hard at work on the course in Commercial Law under the leadership of Judge A. A. Cocke, who is recognized as a man who knows the law and has the faculty of imparting it to other people. Thursday, March the 14th, was the date of our Adding Machine Contest and great was the interest manifested therein. There were two prizes of \$10.00 and \$5.00 each offered by the chapter. Twelve entries were announced and the gladiators took their places. In the preliminaries all were eliminated except Frank Ayres, Clarence E. Breg, and Louis E. Spencer. In the final, Louis E. Spencer of the City National Bank, captured first prize by running 100 checks in two minutes and one second, Frank Ayres taking second. Music was rendered by the male quartette, and the following talks made by members of the chapter; "Would YOU Hire Yourself," Forrest Mathis; "City Collections," Stuart D. Beckley; "Mutual Loan & Savings Association," M. Boyd Kelth.

DENVER.

By Wm. O. Bird.

OUR March meeting was held in the Assembly Hall of the Young Men's Christian Association and the feature of the evening was the annual debate. The Membership Committee made an especial effort to get out a large number of the members and their friends and for this purpose sent an invitation to every bank man in the city. The result justified their efforts in spite of a very bad night and there were about one hundred and twenty-five present.

The subject for debate was the National Reserve Association. The affirmative was upheld by Richard Crane of the First National Bank; Seaver Daly of the Capitol National Bank; Paul Butterick of the First National Bank. The negative was sustained by C. A.

Land of the Interstate Savings Bank; R. A. Means of the Federal National Bank; W. O. Bird of the Colorado National Bank.

The judges were: C. A. Johnson, Ex-President Chamber of Commerce; Professor Wardell of Denver University; Howard Crocker of the City Bank & Trust Co.

The discussion was listened to with a great deal of interest by all present and there is no doubt that all left with a greater knowledge of and interest in this proposed bill.

The feature of the debate was the almost inexhaustible vein of humor that was revealed by Mr. Daly and his witticisms relieved what would have ordinarily been a dry subject. All of the speakers showed that they had given a great deal of study and thought to their side of the question and their presentation of their findings was creditable both to themselves and to the training they had received in the chapter.

The decision was awarded to the affirmative and gave general satisfaction.

A number of new members were voted in at this meeting and it is the hope of the Membership Committee that many more will be added as a result of the hospitality extended to non-members.

Our Study Class is progressing in a safe and sane manner and the interest keeps up fairly well.

President Weston has appointed a committee which is to have full charge of the entertainment for the visiting delegations in August. The committee is composed of a chapter member from each bank in the city and to that number our president has added H. B. Snyder and George A. Brown.

This committee met for organization Tuesday evening, March 19th, and elected George A. Brown as chairman and Campbell Garver as secretary. A Subcommittee on Transportation, of which W. O. Bird was made chairman, was instructed to take immediate steps to find out from the Convention Transportation Committee as to their plans for routing the various delegations so as to know when they would arrive in our city and how much time we would have for their entertainment. This committee, under the able leadership of Mr. Brown, is full of enthusiasm and energy and we can count on their giving the delegates a good time.

HARTFORD.

By William J. Reid.

HARTFORD Chapter's work this year is to make the educational work stand out as the most important part of the year's program. The Chairman of our Educational Committee is leading a class in the pamphlets put out by the Institute and we expect several of our members will be eligible for the examination at the close of the year's work.

Our last open meeting was addressed by O. Howard Wolfe, Secretary of the Clearing House Section of the American Bankers Association, who spoke on the Transit Situation in this country with special refer-

ence to the numerical system. The subject is an important one and the members of the Hartford Chapter listened carefully to Mr. Wolfe's remarks. After his address we had the opportunity of seeing the saving of time that a modern adding machine makes possible in making up letters where the numerical system is used. Mr. Wolfe in his remarks explained how the transit work, or the collecting of out of town checks, had grown in the last few years. He explained carefully how bankers in various sections of the country had tried to solve the problems of collections and collection charges. He explained the systems tried by New Orleans, Nashville, Kansas City, New York and Boston, complimenting the Boston Clearing House for the way it has come to the front with the country Clearing House idea.

As the number of items handled by a bank increased, banks began to number their customers until numbers became so numerous that conflicts were constant. In order to systemize these numbers the American Bankers Association called a meeting of some of the best transit men in the country and the numerical system explained by Mr. Wolfe was the result. The first forty-nine numbers represent reserve cities and other large cities important as transit centers. From 50 to 100 the numbers represent states being so divided that a person by careful study can soon learn at a glance which state a particular number stands for. Following these numbers and separated by a dash are the numbers given the individual banks in the cities and states. Thus the two numbers separated by a dash gives the name and address of an institution in a very small space. The co-operation in numbering checks and endorsement stamps would save about one-third the time now used in transit departments of banks. Mr. Wolfe's address was much appreciated and we notice that most of Hartford's banks are now having their number appear on the checks and in their endorsement stamps.

Lincoln's Day a team of three debaters from our chapter met a similar team of Boston men to debate the question "Resolved that a branch banking system would be advantageous to the interests of this country." Our team upheld the affirmative and after doing their best failed to convince the judges of their position. Our team came back feeling that Boston beat them fairly and they have not stopped talking yet about the fine way Boston Chapter entertained them.

It is not often that we can report six promotions to official positions in one month. Accordingly these events seem worthy of special mention. At the Hartford National Bank, Frank P. Furlong was elected Vice-President, still retaining the position of Cashier and Addison G. Brainard was elected Assistant Cashier. At the annual meeting of the Security Company, Chas. Edward Prior, Jr., was promoted from Assistant Treasurer to Secretary, Arthur H. Cooley was elected Assistant Treasurer, Arthur M. Bunce, Assistant Secretary, and Earl E. Dimon, Assistant Trust Officer. These men have all been active chapter members, Mr. Cooley having served as president of our chapter and as a delegate at several conventions. Of the twenty-eight men who have become officers in Hartford banks during the nine years of Hartford Chapters existence all but two have been chapter members. This is certainly an argument in favor of chapter membership.

KANSAS CITY.

By A. B. Eisenbower.

KANSAS CITY is doing systematic educational work and therefore lacks the variety that makes up chaptergrams. We are happy to announce the promotion of another active chapter member. Robert H. Baumgardt, formerly Paying Teller of the Gate City National Bank, has been elected Assistant Cashier.

MILWAUKEE.

By Edward Schrauz, Jr.

ON Washington's Birthday we celebrated the tenth anniversary of chapter existence and were honored in having as our principal speaker, President Raymond B. Cox. The "Ideals and Purposes of the Institute" formed the principal part of Mr. Cox's talk and no doubt many who had previously regarded the chapter as an organization of bankmen without any specific purpose, became familiar for the first time with the work already accomplished by the Institute and were impressed with its future possibilities. Among other speakers was Col. Norman Watkins, the first President of Milwaukee Chapter, whose reminiscences of the organization and early history of the chapter were interesting and entertaining.

Class work still constitutes the main feature of our activities. We have had, however, a number of interesting lectures in the last few months. Professor J. Paul Goode, University of Chicago, delivered two illustrated lectures on the Philippines and Industrial Japan, and dwelling as he did on the commercial and agricultural wealth of these countries made apparent the advantages of mutual trade relations with Japan and the retention of the Philippines as American property.

As the Convention Program Committee has announced its intention of arranging a trip to Yellowstone Park, we had Judge J. C. Karel of the Probate Court deliver his illustrated lecture on the park. The Judge has made this trip several times and his pictures were beautiful and his talk very interesting. Symptoms of "delegate fever" have developed since, and within the next month those who are to receive the "cure" will have been elected, as also our officials for the next year.

MINNEAPOLIS.

By Joseph J. Cameron.

NEARLY every newspaper we pick up nowadays contains some interesting item made up of special picture features either praising or abusing our mutual friend the "farmer." He was the first to be accused of pernicious activity in boosting the "high cost of living" and escaped the consequences of this heinous crime by proving an unquestionable alibi. It is however, granted by nearly everybody that the farmer is not guilty, that he really is entitled to the reasonable prices he is getting for his stuff, and that somebody else is skimming the cream off of things in general after they have left the farmers' hands. At

a recent dinner Minneapolis Chapter had the pleasure of hearing a really-truly-big-brother to the farmer enumerate the sterling virtues of the agriculturist. P. V. Collins, editor of the "Northwestern Agriculturist," by such addresses as he gave to us helps in a noticeable way to remove the line of demarcation which now exists between the farmer and the city man. In fact, Minneapolis Chapter during the past month played the role of god-father at the birth of two new chapters, situated in the heart of the world's greatest wheat farming country, at Fargo, North Dakota, and Grand Forks, North Dakota.

Raymond B. Cox, National President of the A. I. B., must come to Minneapolis oftener. He is a speaker such as the bunch likes to hear, and carries the interests of the Institute right next to his heart.

NEW YORK.

By E. G. McWilliam.

NEW YORK Chapter's digestive organs having by the aid of a large portion of the medical profession resumed their normal functions after the annual "square meal," education has again become our main object in life, and our five-night-a-week program has continued to draw good attendance though some of our courses are now drawing to a close. Probably the most unique of these, which began after the practical banking course had finished on Tuesday nights, is the course of six lectures on Personal Hygiene by Dr. Charles B. Meding. Naturally a gifted orator, Dr. Meding has handled this delicate subject in all its intricacies, in a noble uplifting manner, which will make for better manhood in all who were privileged to hear him, and as an expression of our appreciation of these lectures, which were delivered gratuitously, a set of engrossed resolutions was presented to Dr. Meding at the conclusion of his final lecture and a short reception held, at which every man present grasped the Doctor's hand and personally thanked him. Following this course, a few Tuesday evenings will be given over to a Public Speaking Class, at which general topics will be discussed, and our "boy orators," of which new ones are being discovered daily, will have an opportunity to relieve themselves of a season's suppressed oratory. As the topics range almost from Women's Suffrage to the Future Life, these ought to be rare occasions without being positively "raw."

The Trust Company and Savings Bank men have also been served with especial treats which should have been taken advantage of by every one of them. Walter Lindner, Chief Solicitor of the Title Guarantee and Trust Company, lectured for their especial benefit two successive Wednesday evenings upon the Law of Real Property, and the Hon. Herbert L. Ketcham, Surrogate of Kings County, whose decisions are quoted throughout this State, lectured two evenings upon Surrogate's Practice, dealing especially with wills, and the payment of the accounts of deceased persons.

It will be remembered that our entire program was prepared and published before the beginning of the season, up to March 18th, and we now take pleasure in presenting the program for the balance of the season as follows:

- March 18. English Class, Prof. Drury.
- March 19. Meeting of Board of Consuls.
- March 20. "My Thoughts" and "The Spirit that Ruleth," Dr. Meding.
- March 21. Purchase for Value. Professor Tompkins. (Negotiable Instruments Law).
- March 22. The Chapter Forum. Professor Greene. (Banking and Finance).
- March 25. English Class, Professor Drury.
- March 26. Public Speaking Class.
- March 27. Mortgages from the Investment Standpoint, Mr. John J. Pulleyn. Real Estate Taxation, Hon. Lawson Purdy.
- March 28. "Without Notice," Meaning of, Professor Tompkins.
- March 29. The Chapter Forum, Professor Greene.
- April 1. English Class. Professor Drury.
- April 2. Public Speaking, Informal Discussion.
- April 8. English Class, Professor Drury.
- April 9. Meeting of Board of Governors.
- April 11. What is Value? Professor Tompkins.
- April 12. The Chapter Forum, Professor Greene.
- April 13. Chapter Dance. Bretton Hall, Broadway and 86th Street.
- April 15. English Class, Professor Drury.
- April 16. Review Practical Banking.
- April 17. Illustrated Lecture on Bonds, Mr. Edmund D. Fisher, Deputy Comptroller of the City of New York.
- April 18. Presentment for Acceptance and Payment, Professor Tompkins.
- April 19. The Chapter Forum, Professor Greene.
- April 22. English Class, Professor Drury.
- April 23. Review Practical Banking.
- April 25. Discharge of Negotiable Instruments and Review, Professor Tompkins.
- April 26. Review, Professor Greene.
- April 29. English Class, Professor Drury.
- April 30. Examination, Practical Banking.
- May 2. Examination, Negotiable Instruments Law.
- May 6. English Class, Professor Drury.
- May 9. Annual Meeting.
- May 13. English Class, Professor Drury.
- May 16. Election of Officers by Board of Consuls.
- May 20. English Class, Professor Drury.
- May 27. English Class, Professor Drury.

Doubtless the fact that we have a "Chapter Dance" scheduled for April 13th will attract some attention, but never was it truer that "a little nonsense now and then, is relished by the wisest men" than in this instance, and the old fellows who objected to this innovation last year are falling over themselves to get one of the two hundred tickets, which is the limited number issued for this year's function.

While politics is tabooed in New York Chapter, naturally there is some interest in those who may be selected to direct our activities next year. Two committees are appointed in February—one from the Consuls to nominate officers, and one from the Governors to nominate ten Governors to serve three years. These committees presented their reports at the last meetings of the Board of Governors and the Board of Consuls, and will be posted until the elections in May.

The nominations for officers are as follows: For President, E. G. McWilliam, Irving Savings Institu-

tion; for First Vice-President, Henry Billman, North Side Bank, Brooklyn; for Second Vice-President, C. C. Seifert, Fourth National Bank; for Secretary, H. S. Schultz, Chapter Rooms; for Treasurer, H. M. Baldwin, Title Guarantee and Trust Co.; for Chief Consul, C. H. Stevens, Harris, Forbes & Co.; for Secretary Board of Consuls, G. L. Birmingham, Citizens Central National Bank; for Librarian, L. H. Ohlrogge, National Park Bank.

The nominations for Governors to serve three years are as follows: E. H. Callanan, National Bank of Commerce; C. W. Cary, Metropolitan Trust Co.; V. F. Hann, Fifth Avenue Bank; A. W. Hudson, Windsor Trust Co.; W. C. Hutton, New York Produce Exchange Bank; H. Kinsey, Williamsburgh Savings Bank, Brooklyn; G. L. Pegram, Metropolitan Bank; J. H. Thompson, Guaranty Trust Co.; W. H. Radcliff, Westchester Trust Co., Yonkers; F. C. Riggs, National Newark Banking Co., Newark.

Any other nominations may be made upon a petition which must be posted one month prior to the election, signed by at least twenty-five men representing five different institutions.

It was with much regret that the resignation of Alfred M. Barrett from the Board of Governors was accepted, and the Secretary was instructed to write him a letter which should be spread upon the minutes, expressing their regret, and appreciation of his numerous services to New York Chapter, and the American Institute of Banking. At the same time it is a pleasure to record the fact that Mr. Barrett was recently elected Treasurer of the Guardian Trust Company of which he is also a director, having been promoted from the position of Assistant Secretary. We congratulate both Mr. Barrett and his company.

Mr. Ernest Satterlee, who for the past year has been our very efficient Consul in the Guaranty Trust Company, has severed his connection with that Company to accept the appointment of National Bank Examiner. "Uncle Sam" is certainly to be congratulated upon such an addition to his official family, and New York Chapter's best wishes go with Mr. Satterlee as he takes up his new work.

Two of our members having been incapacitated by a lingering illness the sympathy of the Board has been extended to them, and their dues suspended until such time as they can again be with us.

New York Chapter has suffered the loss of an old and valued friend in the death of Col. Charles E. Sprague, President of the Union Dime Savings Bank. While a record of his work and achievements appears elsewhere in this issue, we of the chapter desire to record our appreciation of his services and advice to us, and are filled with sorrow when we realize that he will no longer grace our meetings by his presence.

Already our Educational Advisory Committee has been appointed for next year and is busy mapping out the campaign. In another month our educational policy will have been determined and the details intrusted to competent hands for execution, so that following last year's precedent, our entire program will be in the hands of our members by September first. This is no small task, when you consider the responsibility of caring for the educational needs of our nineteen hundred members, and it is an inspira-

tion to better things to observe the unselfish work of those men, who throughout the summer, when others are resting, toil unceasingly for the betterment of their profession, and humanity, through education.

OAKLAND.

By George W. Ludlow.

ON the 24th of February our third annual banquet was held at a local cafe. It was a very enjoyable affair, full of meat for mind and body. Among the speakers were Hon. Frank K. Mott, Mayor, and Joseph M. Cumming, Assistant Secretary of the Panama-Pacific International Exposition Company.

On March 7th we listened to a very interesting talk on "Legislative Finance" by Professor Thos. H. Read of the Department of Government of the University of California, and ex-advisory secretary to Governor Johnson. Here was the unique combination which is not often met with—a man with both theoretical and practical knowledge of his subject.

On March 14th was held the second of a series of monthly smokers. The speaker of the evening was H. H. Caldwell, head of the Bureau of Identification of the Oakland Police Department, and an expert of national reputation on the finger print system. His subject was, "Identification by Finger Prints and Verbal Portraits, as Applied to the Banking Business."

The annual chapter adding machine contest is now being arranged.

PHOENIX.

By James C. Blaine.

AFTER a year of inactivity, the members of the Phoenix Chapter A. I. B. have met and discussed a general reorganization together with such other topics as were of interest, not only to the chapter as a unit, but to each and every member. A partial reorganization was instituted and our classes reopened under the able management of J. L. Gust, a man of more than ordinary ability, sound judgment and an A. I. B. enthusiast

PITTSBURGH.

By H. E. Hebrank.

A GREAT awakening has taken place among the Pittsburgh Institute members, and all the classes are being well attended. Meetings are held each Tuesday night and once a month occurs the open meeting at which time a prominent speaker is obtained and good music secured to help make the night a grand success. Classes on "Public Speaking," "Savings Banks and Trust Companies," and "Commercial and Banking Law" are all receiving good attention and the large assembly hall adjoining the chapter club rooms is generally well filled. Professor W. J. Kay of Washington & Jefferson College has aroused wonderful interest in the

public speaking class and the classes this month are looked forward to with renewed interest. On April 2nd his talk was a complete review of the Pittsburgh-Cincinnati debate and was enjoyed by a large turnout. Dr. J. T. Holdsworth, Dean of Economics of the University of Pittsburgh, is of national reputation, and his class on savings banks is certainly a treat for the trust company boys and is an education in itself.

Attorney Jos. B. Conrad opened his law class on the 26th and the indications are for another popular course of lectures by this popular educator.

Professor S. L. Heeter, the new Superintendent of Pittsburgh Public Schools, spoke at the March open meeting, taking for his subject "Education outside of school." Professor Heeter having lately arrived from St. Paul, every one was anxious to hear him and the hall was packed. Several of the Pittsburgh credit men were in the audience and all were well rewarded for the speaker had an interesting talk. He spoke in glowing terms of the grand work being done by the American Institute of Banking and recommended other organizations to pattern after the Institute.

There is talk of holding a Ladies' Night at which all the wives and sweethearts will be invited and if present plans carry a good musical and vaudeville program will be offered and light refreshments will be served. It is figured that those that so kindly "allow" the boys to attend the classes all winter should not be forgotten and the "ladies' night" will be especially for them and their every wish will be catered to.

Plans are already under way preparing for the national convention at Salt Lake City in August and Pittsburgh Chapter has extended an invitation to the delegates to stop over in the Smoky City and be their guests. Pittsburgh Chapter boys feel grateful to the different chapters for the entertainment they themselves have so often received and are looking forward to the opportunity of returning the compliment. Everyone is invited to stop over and the more the merrier for all will be guaranteed one grand time.

The large inter-city debate, between Cincinnati and Pittsburgh Chapters, that occurred Feb. 19th at the headquarters in the Jenkins Arcade, was from every point of view, the greatest success ever known in institute work. The largest crowd that ever assembled at an Institute meeting was in attendance, and long before the time for starting, seats were at a premium.

The Cincinnati boys arrived at eight o'clock and were accorded a rousing reception and a few minutes later the Pittsburgh boys took up their position at the table and again the applause started and the excitement began. When Geo. E. Allen announced the subject—"Resolved, That transit items should be collected through clearing houses, rather than by individual arrangements between banks," and called the first Pittsburgh speaker, Geo. Rankin, who introduced the subject and outlined the argument for the affirmative, every one present realized one of the greatest battles had started and that a subject of far-reaching importance had been chosen for debate.

The first speaker for Cincinnati Chapter was Geo.

Schroffenberger, Jr., and he must have felt flattered by the hearty reception accorded him as he started to outline the negative side of the question.

Those following for Pittsburgh Chapter were: Albert T. Eyer, Union National Bank; F. G. Lancaster, Keystone National Bank and for Cincinnati Chapter: Jno. P. H. Brewster, German National Bank; Wm. Beiser, Western German Bank.

Both sides presented many arguments and handled the topic in a thorough manner.

The affirmative, who received the award, held that clearing houses are the only solution for the exorbitant exchange cost for collecting country items, and that all banks, both city and country, will be the beneficiaries by the same in the saving of postage, stationery and clerk hire, and the depositor will have his deposit reduced to "available funds" much sooner by the saving in transit time.

The Cincinnati boys fought hard and deserve great credit for the magnificent way they handled the negative side of the subject.

The judges were: Raymond B. Cox, Fourth National Bank, New York City; Harrison Nesbitt, Bank of Pittsburgh, N. A.; Dr. W. H. Temple, Washington & Jefferson College.

The timers were: L. J. Kaufman, President Cleveland Chapter, A. I. B.; O. Howard Wolfe, Secretary Clearing House Section, A. B. A., New York City.

The Chairman of Meeting was Geo. E. Allen, Educational Director, A. I. B., New York City.

Chicago Chapter has challenged the winner and by this time has received an acceptance by her rival, Pittsburgh Chapter.

The following well-known bankers responded by short addresses and told of the great work the chapter man is doing and of the great questions that are before the chapters for decision: A. S. Beymer, Cashier Keystone National Bank; J. W. Fleming, Cashier Farmers Dep. National Bank; J. M. Young, Vice-President Second National Bank; D. C. Wills, Cashier Diamond National Bank; Hervey Schumacher, Cashier Peoples National Bank; O. Howard Wolfe, Secretary Clearing House Section, A. B. A.; L. J. Kaufman, Guardian Savings & Trust, Cleveland, O.; Harry F. Pratt, First National Bank, Cleveland, O.

PROVIDENCE.

By H. C. Owen.

PROVIDENCE CHAPTER is about to make its debut before the footlights! A regular show in a regular theatre, with regular scenery and costumes, and what's more, at regular prices! How's that for staid New England bankers?

All this too, in spite of Mr. Rattray, of Buffalo, who, in his February contribution, warned all chapters to "Cut the Comedy" and cater only to the "high-brows."

Why do we ignore this timely warning? We need the money! Indeed we are already planning how to spend the money, although the show can't be given till the latter part of May.

More frivolity! Our "All Star" bowling team covered itself with glory by defeating a picked team

of Fall River bankers. To be sure, it was necessary to roll three matches to decide the winner, but a miss is as good as a mile, and a win is as good as a "Waterloo."

Now about that warning from Buffalo. We've heard the same thing from other sources, including the educational director, so there must be something in it. But we've hired an eminent legal light to instruct us in the highways and byways of practical banking and commercial law. He holds seances every now and then, on Tuesday evenings, and frequently some of us, including the writer, go and listen to him. So far as I can find out, it hasn't done any of us any harm. By and by, some of us may take a crack at the Institute examinations.

One of our number has already done so and was made Assistant Cashier of his bank almost immediately.

But speaking seriously, while we in Providence, realize that the Institute was organized to educate its members in banking and banking law, nevertheless we have, and probably most other chapters have members who don't care to be educated. These members joined for sociability and good fellowship, and pay dues for the support of the chapter, just like the "high-brow" fellows.

Are they not entitled to some returns on their investment? And if they don't like, or can't digest bear's meat, haven't we got to give them three kinds of pie? It's expensive serving a varied menu, with the present high cost of living, so we're going to give a minstrel show to defray expenses.

We need the money! Please accept our apologies.

RICHMOND.

By John S. Haw.

IN addition to the 140 members of the Richmond Chapter of the American Institute of Banking, fully as many more visitors and specially invited guests attended the annual banquet at the Jefferson, at which the Secretary of Commerce and Labor was the principal speaker. Practically the entire banking colony of the city, messenger boy to president, was in the Jefferson auditorium when Thomas B. McAdams, the toastmaster of the evening, presented the first speaker, Colonel John B. Purcell, President of the First National Bank. His subject was "The Young Man in Banking."

Raymond B. Cox, President of the Institute, was the second speaker, and took for his theme an outline of the institution he represented, dwelling upon the educative influence of the American Institute of Banking upon bank employees, and the manner in which it is operated to increase the dignity of the calling, and in producing a higher type of banker.

Joseph C. Taylor discussed "The Outsiders' View of Banking." An elaborate menu and musical program consumed most of the evening, and the speaking did not begin until after 10 o'clock. When Kessnich's orchestra launched into "Auld Lang Syne," it was after midnight.

The toastmaster tickled the assembled bankers with his introduction of Secretary Nagel. "We are especially proud in having him with us tonight," he

said, "because he is a Southerner. He comes from that good old State of Missouri, the only state in the Union which has seen fit to adopt three mottoes, "Show Me," "Budweiser," and "Y'gotta stop kickin' my dog aroun'."

Secretary Nagel, in opening his address, put down on the program as "Constructive Legislation," stated that he would refrain from touching upon any partisan feature of his subject. That the task was extremely difficult, he admitted at once.

"There is hardly a big problem before the American people today," he said, "and particularly any problem having to do with constructive legislation, that is not tinged with a political significance. We have traveled far from the conception of government held by the framers of the Constitution—no interference with private liberty—and have adopted the doctrine that liberty uncontrolled and unregulated results in the loss of that equality which the Constitution was designed to conserve."

It cannot be ignored, he thought, that the problem of proper regulation is the most insistent one before the American people today. It is true to an extent undreamed of by statesmen of the age and generation in which the American government was born. With this problem of regulation comes the consequent problem of the reconciliation of State and Federal authority—where shall the one cease and the other begin. The question, he said, was bitterly agitated in the time of Henry Clay, has been agitated since then, and will in all probability never be fully settled.

But the question of States' rights, said the speaker, far from being the sectional thing which it is commonly conceived to be, is really a national problem, as much northern as it is southern, and as much eastern as it is western. It should be no longer made the subject of controversy between the states. On the other hand, the whole country should agree upon a policy of Federal regulation of those matters which by nature are not fitted for state control, and in that way remove most of the friction which has kept the states' rights question alive through the century.

However much opposed certain sections of the country may be to the doctrine of Federal regulation, said Secretary Nagel, in practice no such repugnance is manifested. The entire country agrees upon the duty of the Federal government to construct and improve internal waterways. It was realized early that such an undertaking was beyond the powers of any one state, and the most rabid opponent of national regulation did not raise his voice in protest. The same is true, he said, in a more obvious sense in the Federal operation of the post-office system. A better example is government supervision of banking. The whole system of national banks, he said, is nothing more nor less than an instance of the national government regulating and safeguarding an industry too large to be handled by the separate states.

With the principle thus established, it was only logical that the government should undertake to regulate every business of interstate importance and should frame laws for their supervision. But while he would detract nothing from the usefulness of the Sherman law, said Secretary Nagel, he could not help

feeling that there existed an anomalous condition in the fact that, while the government undertook to say that interstate corporations shall not do this or that, there was no nation-wide law under which business of this character could organize and adhering to the provisions of which it could conduct its affairs without harrowing interference.

ST. PAUL.

By Owen E. Thomas.

ST. PAUL CHAPTER has been very active again this season. We have a membership of two hundred which means that to keep so many interested our meetings should be especially so, and such they have been. We have called upon some of our foremost business men and attorneys to address our meetings and in every case they have responded very cordially. Our social events have also been well provided for, and our smokers, entertainments and annual dance have proven to be still as popular as ever. Under the leadership of our president, Robt. Lindeke, we have kept up to all our past records and have also taken a few more strides in advance. We feel very proud in saying that we have in our midst, C. S. Diether, who was elected national treasurer of the Institute.

Shortly after the return of the Rochester delegation our delegates entertained the Minneapolis delegates at a dinner given in their honor at the St. Paul Hotel, and we spent a most enjoyable evening together. St. Paul is but a short distance from Minneapolis and as they are building very rapidly toward each other, it is but a question of time when the two cities will be one great center of trade. If these get-together meetings with Minneapolis Chapter are as often as we plan they shall be, in event of a consolidation of the two cities, our two chapters will be entirely unaffected, having already advanced far beyond this stage. Did you hear the president of Minneapolis Chapter say "Amen"?

April 6th St. Paul and Minneapolis Chapters clash in their annual contest and we look forward to a very enjoyable as well as exciting evening. St. Paul will be represented by quite a number of speedy men, but we also know that Minneapolis has a sufficient number to cope with us. C. G. Sutherland will again represent St. Paul Chapter and be supported by many others in the adding machine contest and we look forward to a new world record, or in event that he does not establish a new record we hope that he will maintain the same record which he made last year when he was declared by the Burroughs officials to hold the world's record on two hundred and fifty and five hundred checks. Mr. Sutherland is with the Capital National Bank. We also have another genius in our midst, one who probably is the best man at handling figures in the northwest. He is Mr. Wolff, Auditor for the National German-American Bank. He will add four or five columns of figures at one time with ease and often enjoys giving the rest of us fellows a headache by taking a bunch of checks, regardless of amount or number and adding them mentally as he turns them over. It is worth a five-cent admission fee to see this alone, but this is always a special event at

every contest, so St. Paul and Minneapolis chaptermen enjoy the privilege free of charge.

Saturday evening Feb. 24th, St. Paul Chapter gave an informal dinner at Hotel Ryan in honor of Raymond B. Cox, our national President and our meeting with him will long be remembered by all of us. O. M. Nelson of the First National Bank acted as toastmaster and he got away with his parts very nicely. Mayor H. P. Keller welcomed Mr. Cox on behalf of the city of St. Paul and made a very pleasing address. Mr. Cox in his address discussed Institute work and its results. He stated that banking was the keystone in the structure of our national life, therefore if the banks are weak the whole structure will be weak, and if strong and efficient all else will be proportionately so. He emphasized the fact that the aim of the Institute is purely along educational lines whereby those who affiliate themselves with chapter work may prepare themselves for positions which at present they may be looking toward through a magnifying glass. The St. Paul boys heartily endorse everything that Mr. Cox said at the dinner because they all believe that he has been advanced to the position he now holds along these lines and they all believe him to be deeply in earnest in everything which he says pertaining to chapter work, and that he is only too familiar with the fact that chapter work is a reality and not a dream and that the mighty task is the Institute's, namely, the educating of her members that they may be able at some time to take their place in the financial world.

SALT LAKE.

By T. W. Ball.

SALT LAKE CITY can boast of having enough points of interest to alone make it a famous city from the tourist point of view and it can also boast of a geographical location that will insure the permanent future growth of the city, it being the center of a very rich territory.

While Salt Lake's growth has been fairly rapid particularly in the last ten years, it has not been in the nature of a boom. The growth has been regular and consistent with existing conditions. For a number of years the growth perhaps was curtailed by the religious quarrels here but there now seems to be a disposition on the part of all citizens to put religious questions aside and get together and boost for a Greater Salt Lake.

Mining is the chief industry of the state, and one may gain some idea of its magnitude when told that mining operations involving one-fifth of the total output of the United States are directed from Salt Lake City. Smelting plants within a radius of twenty-five miles from this city handle a metal output of over \$26,000,000.00 a year.

We are not, however, entirely dependent on the mining industry as some of the finest and richest agricultural lands found anywhere lie at our very doors. Millions of dollars have been spent in building irrigation dams and ditches to reclaim dry lands and millions more are planned to be spent. We are particularly adapted for raising sugar beets and very choice fruit. The bench land at the base of our mountain ranges is favorably located for protection

against early frosts. There are at present six sugar factories here turning our beets into sugar.

We are steadily gaining prominence as a distributing center. The favorable ruling of the Interstate Commerce Commission on freight rates will enable our merchants to enter fields heretofore closed. We are now the distributing centre for a territory extending six hundred miles in every direction, which territory is prospering and being continually developed. Recently new coal fields have been opened up seventy miles south of Salt Lake and a great deal of money will be spent on developing them and building railroads.

There are five steam railroads at the present time entering Salt Lake, three interurban roads now in operation and franchises granted for two more.

The growth of Salt Lake since 1900 has been flattering. In 1890 the population was 44,843; in 1900, 53,531 and in 1910, 92,777.

Building permits in 1900 totaled \$931,928.00, while in 1910 they had assumed the neat sum of \$4,427,700.00. In the last three years there have been erected \$8,000,000.00 worth of office, hotel and business buildings and in the immediate future work is to be commenced on a \$2,000,000.00 State Capitol Building on a beautiful site overlooking the entire valley.

The building activity has not been confined alone to office buildings as there has been a steady increase in the building of beautiful homes, apartments and school buildings in keeping with the growth in population.

We can claim for our school system that it ranks with the best found anywhere. In fact, statistics place us second in the United States in efficiency. We have thirty-three public grade school buildings representing an investment of about \$2,000,000.00. At the present time work is being rushed on a new half million dollar high school building.

The methods of instruction employed are the most modern and approved and the instructors are of a high type of efficiency. Of the four hundred and eleven teachers employed, two hundred and forty-seven have obtained their graduation diploma in Utah. This, of itself, speaks well of the efficiency of our higher educational institutions.

The University of Utah is located in the eastern part of the city on a beautiful site. The school at present consists of the School of Arts and Sciences, School of Education, the State School of Mines and the School of Medicine. In the School of Arts is the department of law. Two years work may now be done at this school in either law or medicine, which work will be accepted by the leading universities of the United States. The school has superior advantage for instruction in mining as practical experience may be gained during summer months in the mines nearby. The standing of this department has attracted many students from other states.

Many people who have not visited Salt Lake have an idea that the Mormon Church is the only church represented. People so informed will be surprised to learn that there are fifteen different religious denominations represented here, all holding regular services. The Catholic Cathedral, Presbyterian and Methodist Church Buildings number among the many beautiful buildings here.

The climate of Salt Lake and Utah is one of our chief assets. We have four seasons, spring, summer, autumn and winter, giving variety and no weather being so extreme as to cause very great discomfort.

In the hottest season of the year we may in a few hours time reach any of our fine canyons where the cool breezes from the snow capped mountains make blankets a necessity for comfortable sleeping, or if we choose a place of easier access we may go to Saltair and bathe in the waters of the Great Salt Lake.

The Great Salt Lake is one of the wonders of the world. It lies eleven miles west of the city, has an area of 2,500 square miles and its waters are said to contain 380,000,000 carloads of salt. The visitor can hardly believe us when we tell him that one cannot sink in this water. One can lie perfectly still on the bosom of the water and without any effort on his part will float like he were a cork. The only danger to the bather lies in the possibility of strangulation, but with ordinary care to keep mouth, eyes and nose from contact with the water there need be no fear.

The lake has eight mountain islands all containing springs of fresh water. There is no outlet to this lake but many streams flow into it and all are fresh water and most of them very muddy. The waters of the lake, however, are clear and of a greenish color. Nothing can live in this water but there is a bird called the gull which lives on the islands in the lake and seems perfectly at home riding on the bosom of the waters feeding perhaps on gnats and insects flying in the air.

The pavilion at Saltair, one of the largest of its kind in the world, stands out over the waters of the lake four thousand feet from the shore. The pavilion contains a dance hall on the second floor which can accommodate nine hundred couples.

This famous resort represents an investment of half a million dollars which sum is being continually increased by improvements. In addition to furnishing pleasure to the 300,000 persons visiting the place each year, this great body of water affords the substance for one of our great industries, salt refining.

We have another wonder in the nature of a hot sulphur water which flows from springs in the mountains to the north of the city. This water is particularly good for sufferers from rheumatism and such ailments.

There are two resorts where the lovers of the water may enjoy themselves. There is a mineral water near these hot sulphur springs which is a very healthful water, particularly helpful for Brights Disease or such complaints. This spring as yet has not been fully developed and little is known of this wonderful water, but some day it will be used extensively over the country.

Probably the most interesting points of interest directly in the city to the tourist are the Great Mormon Temple and the Mormon Tabernacle with its great pipe organ. The Temple is one of the most beautiful buildings in the world, being built of a gray granite stone quarried in a canyon to the southeast of the city. There are six spires on this building and on the east central spire 234 feet from the ground stands the golden figure of Moroni. The Temple covers an area of 21,850 feet.

The tabernacle is noted for its peculiar form and style of architecture. It resembles a longitudinal half of a monster egg. The building is 250 feet long, 150 feet wide and 80 feet high and seats about 8,000 persons. It was built by Brigham Young at a cost of \$300,000.00. The acoustic properties of this building are wonderful, it being possible for persons sitting in the rear end of the building to hear a pin drop in the opposite end 250 feet away.

The great organ is said to be the sweetest toned instrument in the world and contains 5,000 pipes ranging in length from one-fourth of an inch to thirty-two feet. The organist, Professor McClellan, delights thousands of tourists monthly, recitals being held every day at noon during the summer months, and with his master touch he can bring forth such melody from this grand instrument that the listener cannot help but feel that he has been lifted to a higher plane. Sounds ranging in volume from the roar of a cannon to the peep of a young bird are produced, and the Vox Humana stop, one of the most wonderful features of the organ, produces sounds so near human that people have actually believed that there was concealed in the rear of the organ a choir, a quartet and soloist.

SAN ANTONIO.

By H. M. Hart.

THE organization of San Antonio Chapter of the American Institute of Banking was effected at a recent meeting held in the assembly room of the International Club. One hundred applications for membership were received. Chapter rooms will be secured at once and meetings held twice each month. All officers, directors and employees of financial institutions of the city are entitled to membership.

The following officers were elected: H. M. Hart, President; L. Lenz, Vice-President; Edmund Young, Secretary; Theo. V. Mueller, Treasurer. Members of the Executive Committee: Albert Engelke, W. B. Hamilton, Jr., Frank V. Pancoast, Jack Trollinger, John C. Mason. Entertainment Committee, Frank Gallagher, Rufus Boylan and W. C. Herpel.

Our idea is to at first diversify our working plans considerably, gradually approaching a more steady routine of study. No effort will be made at present to form a study class outside of the regular meetings, it being our desire to feel out the attitude of all first.

SAN FRANCISCO.

By William A. Marcus.

FEBRUARY and March have been busy months for San Francisco Chapter. We have devoted two nights a week to study classes; we have had the pleasure of listening to Wm. Sussman's experiences with "The Reichbank"; we have enjoyed the address of L. E. Greene on "Trust Company Legislation"; we have been fortunate in securing Robt. W. Harrison's services for a special evening on the "Law of Collections," and we have performed the arduous duties of revising our constitution and nominating officers and delegates for the coming year.

Our Athletic Committee has been hustling and promises an exceptional interesting swimming contest and baseball season.

Tickets are now on sale for the annual vaudeville show and dance to be held April 11th, 1912, the talent for which is obtained exclusively from chapter members.

Day for Executive Council.

The chapter, at the March meeting, passed a resolution nominating the president of the chapter, William A. Day, for a member of the Institute Executive Council from the Fellowship Class.

SCRANTON.

By Frank A. Loro.

SCRANTON CHAPTER continues to retain the interest its members had at the beginning of the 1911-12 season. This is clearly shown by the attendance at the regular monthly meetings, its constant increase in membership, and its undisputable progress along educational lines.

A regular meeting of the chapter was held on the evening of February 27th in the parlors of the Scranton Y. M. C. A. The evening's most important feature was the open discussion of the Aldrich plan for a "National Reserve Association," and proved to be a very interesting subject, being one of the many questions confronting the bankers of today. Another important feature of the evening being a most thorough and instructive talk by the chairman of our Educational Committee John Greiner, Jr., on "Titles and Mortgages."

The Committee on Conventions is devising plans to thoroughly advertise the Electric City in the hope of having its chapter realize its ambitious object, in securing the convention for 1913.

SEATTLE.

By Ross MacDonald.

ANOTHER Chapter year about drawing to a close finds Seattle Chapter still hard at work. The Educational Class is making good its early promise of being the liveliest factor of a live organization, which is all as it should be. A noticeable feature is that the regular meetings and the other activities of the chapter seem to profit in attendance as a reflex of the interest shown in educational matters. Likewise discussion which sometimes grows very animated in the class room has been training many of our members to express their thoughts in a clear and concise way with quiet confidence and when the need arises for public speaking the chapter now has representatives who can give a logical, forceful and well-balanced presentation of the subject in hand.

The first social event of the current season—our first chapter "informal"—was held in the Austin and Freed gymnasium, adjoining our club rooms on February 28th. About seventy-five couples attended. The committee who had charge of the affair and provided all the accessories to a successful party including good music consisted of J. H. Newberger, W. E. Slater, Walter Heath and Arthur Goodfellow.

At our regular March meeting the chapter was

privileged to listen to a very interesting address by Rev. W. K. McKibben, a Baptist Missionary in China for thirty-seven years.

The warm spring days have proved irresistible in their appeal and the Bankers Base Ball league has almost perfected its plans. A six team league is planned with the teams from the Seattle National Bank, National Bank of Commerce, Dexter Horton National Bank, Scandinavian American Bank, a joint team from the First National Bank and the Northwest Trust Co., and a general team made up of men from the other institutions.

Woolfolk for Executive Council.

AT the regular March meeting of the Seattle Chapter of the American Institution of Banking the name of L. H. Woolfolk was presented for approval, as a candidate for membership on the National Executive Council of the Institute.

Mr. Woolfolk was unanimously and enthusiastically endorsed by the Seattle Chapter which has been so fortunate as to receive the benefit of Mr. Woolfolk's services as President, National Convention Delegate and Chairman of Committees. Mr. Woolfolk possesses a great deal of executive ability, which together with his fine judgment renders him a very valuable acquisition to any organization and the Seattle Chapter has been particularly fortunate in having had the benefit of his services.

H. J. COLWELL, Secretary.
E. G. NORRIS, President.

SPOKANE.

By W. N. Baker.

THE evening of March 6th was the occasion of the annual smoker of Spokane Chapter, and as the main feature of the entertainment, the annual adding machine and chart adding contests were held. The attendance was by far the best of the year, and the interest in the two contests ran high. The first prize in the adding machine contest, a handsome silver loving-cup presented by the Burroughs Adding Machine Company, was won by Thomas Rodgers of the National Bank of Commerce, whose time for listing correctly one hundred regular contest checks, was 1 minute 45 1-2 seconds. Mr. Rodgers also won \$5.00 in gold, presented by an officer of the bank with which he is connected. The second prize of ten dollars in gold went to Charles A. Ham of the Exchange National, with a mark of one minute, 56 seconds, who landed inside the money for the third consecutive time. The third prize of one year's dues in the chapter was taken by Otto Allgaier, of the Commerce, with a mark of 2 minutes flat. There were thirty-one entries.

In the chart adding contest C. J. Wagner of the Old National was first, C. E. Cooper of the Fidelity, second, and C. H. Hausken of the Old National, third among fifteen contestants. The prizes were \$7.50 cash for first, one year's dues in the chapter for second, and \$2.50 cash for third. The cash prizes in both contests were donated by the banks of the city. Professor M. M. Beddall, M. M. Cook, Cashier of the National Bank of Commerce, and George S. Wilson, of the Burroughs Adding Machine Company, were the

judges in both contests. Three machines were furnished by the Burroughs Company for the event.

At the regular meeting of the chapter in February, we were favored with a visit from Charles E. Meek, Assistant Cashier of the Fourth National Bank of New York and Vice-President of the National Credit Men's Association. Mr. Meek's address on "Bank Credits" was decidedly interesting and we considered ourselves fortunate in having him with us, even for the brief time that he could spare. Mr. Morton MacCartney, City Engineer, gave us an excellent talk on "Grade Separation," which was very instructive and opportune, on account of the controversy between the Northern Pacific Railroad and the city. Julius Galland, President of the Northwest Loan & Trust Company was present and offered a few words of encouragement to the chapter for the progress it has made. It was announced at this meeting that the remainder of the outstanding bonds of the chapter would be called on February 20th.

The class in banking and finance is meeting regularly every Wednesday evening, with the exception of the open meeting night and is making good progress under the direction of Professor Beddall. The two lectures on "Bank Accounting" and "Bank Examinations," were conducted by B. L. Jenkins, Auditor of the Union Securities Company.

Our library now contains upwards of one hundred volumes on subjects pertaining to banking and finance and commercial law. A number of these have been presented or loaned by bank officers out of their own private libraries, or purchased by them for the chapter. The members of the Library Committee are E. A. Anderson, Joseph Baily, M. W. Lewer, and T. H. Keown, librarian.

The second chapter dance of the winter season was held in the Masonic Temple, February 15th, and was one of the most successful social affairs the chapter has attempted. There were about eighty-five couples in attendance and the music for the occasion was furnished by Galgano's Orchestra. Charles A. Alison, Sidney E. Smith and W. N. Baker comprised the committee.

A meeting of the baseball managers of the various banks, was held in the chapter rooms on March 3rd, to effect the organization of a bank league for the coming season. Lamont Barnes of the Fidelity National, was elected President and Charles A. Ham of the Exchange National, Secretary and Treasurer. The league will be made up of five teams, Traders National, Exchange National, Fidelity National, Spokane & Eastern Trust Company and the combined Northwest Loan & Trust and National Bank of Commerce. The season will probably open about May 1st, and a double-header will be played every Saturday afternoon.

The plans for the first annual banquet, which will be held in the Moorish room of the Spokane Hotel on April 17th, are now well under way. The menu is in charge of Messrs. Schiesl, Snow and Keown. The tickets and printing will be handled by Messrs. Brooks, Boilleau, White and Gage, and the program is in the hands of Messrs. Bradley, Randall and Baily. Among the speakers invited are Mayor W. J. Hindley, Judge J. Stanley Webster, of the Superior Court, Charles A. McLean, President of the Washington Bankers Association, P. C. Kauffman of

Tacoma, Secretary of that body, and Samuel Galland, President of the Spokane Clearing House Association. The banquet will mark the closing of the chapter's most successful year, as the administration of President Bradley is generally admitted to be. April 17th is also the date of the annual election, and while not much political "dope" is heard at the present time, there will no doubt be a warm contest for several of the offices and more particularly for places on the delegation to Salt Lake City. It is planned to send four delegates.

WASHINGTON.

By Harry V. Haynes.

"MEN may come and men may go, but I go on forever." While these are Tennyson's words, 'tis not Tennyson talking now, but education which has come into being in Washington Chapter. We have our social events which are looked forward to, enjoyed—then forgotten. We have our business meetings which are practically ignored. The only thing we now have that attracts and holds the crowd is the educational movement and the spirit of advancement seems to be on the rampage. The attendance at the last two lectures taxed the capacity of the rooms, and the limit of interest has certainly not yet been reached. Looking backward, the notion we entertained that the attendance would fall off as the season progressed seems a foolish one.

It is to be hoped that the committee, which is charged with the duty of suggesting education along advanced lines and which meets in New York in the near future, will formulate some definite plans in that direction. The men who are already certificate holders and those who are aspirants for that honor have only just whetted their appetites for the advantages which the Institute can afford them, and there is no question of doubt that when the classes for advanced studies are formed the men will crowd each other in their desire to go onward and upward. Certain it is that those who are giving a little of their time to the studies prescribed by the Institute will be the ones who will possess the knowledge which the banker will seek in his selection of the men to support the administration of the American banks, great and small. It does seem strange that thousands of bank men stand aloof from the majority and deny themselves the benefits accruing from chapter membership. If these men would only stop a moment and reason out the matter it is difficult to see how they could arrive at any decision other than that they owe it to themselves to be prepared to compete with their fellow men and at least make a creditable showing. This is the period in which the onward movement must be recognized and one must keep step with the march of progress or be swept to the wall as the procession moves on.

It is a great pleasure to announce that Frank V. Grayson, Secretary of Washington Chapter, has received the reward which his good work merited. Mr. Grayson, who was formerly affiliated with the American National Bank, has accepted the post of Cashier of the new Merchants and Mechanics Bank of Seat Pleasant, Maryland, and the good wishes of his fellow members go with him.

The Excursion Committee, which is a most important one in that the chapter largely depends upon

the success of its efforts for revenue, will work under the direction of D. M. Addison who has been selected by President Evans as Chairman. Mr. Addison is a hard and conscientious worker and we feel assured that the selection was well made. No doubt we shall have some complimentary remarks to make of him when his task is finished.

ELECTION OF FELLOWS.

EDITOR BULLETIN.—In the recent election of Fellows, the undersigned had the honor to serve as one of the tellers. In compiling the results of this vote certain pertinent questions have presented themselves to which attention is respectfully invited.

First, let it be remembered that it is the avowed purpose of the Institute to establish and maintain a recognized standard of financial education by means of official examinations and the issuance of certificates. Therefore, it may be assumed that the holders of these certificates, or Institute Alumni, constitute a class who have attained a distinction which deserves recognition. At the same time, honors are due to Bank, Institute and Chapter officers who have had an active part in maintaining this educational standard.

Now, if it is the object of the Fellowship Class to confer honors upon these two groups on the basis of education, then the present method of election appears to fall short of this purpose. For it is impossible that the members of the Executive Council should know personally the merits of all the men who are nominated by their Chapters and therefore, it would seem that votes are cast upon a geographic or political basis. If it happens that a single chapter nominates four men, other things equal, but three of them graduates and one a non-graduate but well-known through political activities or attendance at conventions, he naturally receives preference through acquaintance-ship. In other words, these honors are apt to be distributed as favors to men or to chapters and not according to individual merit under the present system.

In the discussion that has arisen upon constitutional amendments since Rochester Convention, arguments have been advanced upon these points. (1) That the wisdom of abolishing the Fellow Class as a "balance wheel" may be questioned, but (2) the political power vested in the class is too great when it is considered that the majority of the Fellows are non-graduates and, therefore, do not represent the thing for which the Institute stands. (3) That the present method of electing Fellows gives the majority to the larger chapters and further decreases the political representation of the small chapters to which they are rightfully entitled.

As a compromise, the following amendment to Article IV is suggested:

Fellows of the Institute shall consist of Fellows already constituted and such others as chapters may elect not exceeding one from each chapter annually, subject to the following qualifications: (1) Bank officers who are Institute graduates and who have taken an active part in the educational work of the Institute. (2) Institute graduates, who have been chapter members in good standing for at least five years previous to their election as Fellows, and who have been either

(a) officers of the national organization of the Institute, (b) members of the Executive Council of the Institute, or (c) presidents of chapters. Fellows shall pay to the Institute annual dues of two dollars.

The effect of this amendment would be to place the election of Fellows entirely upon an educational basis and would insure their election by those qualified to pass upon the merits of the candidates.

From the political viewpoint, the equilibrium between the large and small chapters would be established and the "balance wheel" power of the Fellow Class would ultimately rest in the hands of men of executive ability and experience in chapter work, chosen through a process of elimination.

In local chapters a premium would be placed upon the Institute Certificate and there would be an added incentive to take up the study courses.

O. HOWARD WOLFE.

LUCIUS LILLEY.

An Active Banker Fifty-seven Years.

LUCIUS LILLEY, the veteran banker of Michigan is dead, having reached the ripe old age of 89 years. He was the oldest banker in the Wolverine State, both in point of years and service. A native of New York State, he moved when 17 years old to Akron, Ohio, thence to Cleveland, and then to Adrian, Michigan.

In 1855 Mr. Lilley located at Tecumseh, Michigan, and started in business as a private banker. In 1880 he organized the private bank of Lilley, Bidwell & Company, as the successor of his former bank; which later, was reorganized as the Lilley State Bank, he being elected its first president, and holding that office for the rest of his life.

Up to the time of his illness Mr. Lilley was a zealous worker in his community in all matters pertaining to the advancement of the banking business, agricultural development, and mercantile pursuits.

He was known throughout the State as a conservative banker whose methods, principles and ideals were of the highest order; adhering closely to the simple and fundamental rules of sound banking, strict integrity dominating all his dealings with his fellow-men.

Mr. Lilley's institution was a charter member of the Michigan Bankers Association, and he was a regular attendant at the annual conventions.

One noticeable characteristic was his geniality in fraternizing with the younger element and participating in their pleasures; his cheerful temperament and keen sense of humor making him an ever-welcome visitor in their midst.

He was one of the original stockholders and directors of the Detroit Trust Company, serving in the latter capacity continuously until his demise. He was also a member of the Bankers Club of Detroit.

The Lilley State Bank is a member of the American Bankers Association, and its late president took an active part in the deliberations at the annual conventions.

In the death of Mr. Lilley the banking profession has lost one of its most estimable and honored members.

