

JOURNAL

OF THE

AMERICAN BANKERS ASSOCIATION

Our Forty-Fifth Annual Convention

St. Louis, September 29 to October 2

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THE minds and hearts of the bankers of the United States were filled with the anxieties of war when the last two Annual Conventions of the American Bankers Association were held.

Our next, the Forty-fifth Annual Meeting, will be the first since the Armistice was signed and will be held in St. Louis, Missouri, September 29, October 1-2.

We are justly proud of the splendid patriotism the bankers in this country displayed in cooperating in every way with the Government to bring the war to such a quick and successful conclusion.

During the war great quantities of our raw and manufactured products were bought by Europe and other countries all over the world. This unprecedented demand created in the United States a wave of prosperity which has touched all classes of our people, but with this prosperity many serious problems have arisen which now need the best thought and cooperation of the ablest men in America.

With the great unrest still in Europe and the pending readjustments from a war to a peace basis, we must maintain in this country that spirit of unity which the past two years have so finely developed.

The various sections of our Association are now working in perfect accord and our membership has reached nearly 20,000.

Our Program Committee expects to present to the Convention this year, speakers whose prominence and patriotism are sure to make their addresses interesting and beneficial to all who attend.

The opportunity for the American Bankers Association to cooperate in the great work of carrying our country on to greater heights and greater glory, should make the next Convention the most largely attended and the most serviceable in the history of the Association.

Current Events

St. Louis Convention

VICE-PRESIDENT RICHARD S. HAWES writes that St. Louis is looking forward with eager expectation to the opportunity of welcoming the members of the American Bankers Association at the coming convention, to be held in that city, September 29 to October 2. St. Louis is situated in the center of the United States and in her citizens are happily blended the best attributes of the East, West, North and South.

"It is particularly fitting," says Mr. Hawes, "that the Association should meet in the great central West where there can be gathered not only bankers from the east and far west, but also the financial powers of



Hotel Statler

the great Mississippi Valley, which purposes to take its position in the development of world finance.

"The problems of the convention will be of such paramount interest and constructive character that they should attract not only the attention of bankers throughout the United States but the commercial communities as well.

"The question of reorganizing finance to meet the needs of business in a national way and to compete with foreign financiers in an international way should be given earnest and careful consideration.

"Development of close contact between all of the bankers of America and a co-ordination of their efforts for the good of the whole financial and economic structure should be urged and furthered in every possible way.

"The coming convention should be not only a source of information and pleasure to the members of the Association, but also an object lesson to non-member banks in the benefits of co-operation for the common



Hotel Jefferson

welfare of all financial institutions and the public that they serve.

"The city of St. Louis will do its best to entertain the visiting bankers so that they will not only have a comfortable time, but will see that their entertainment is of sufficient character to make them feel the warm hospitality of our city. The only thing St. Louisans ask is that our friends will remember the condition of hotels all over the country and make their



Planters Hotel

reservations as soon as possible, combining two men in a room wherever it is practicable."

The local committee decided on selecting the three well known, first class hotels for headquarters, with general registration in each of these hotels: the Statler, Jefferson and Planters. The local Hotel Committee will assign reservations of rooms as follows:

Hotel Statler: Executive Council, A. B. A. Officials, Commissions and Committees, Trust Company Section, State Secretaries Section.

Hotel Jefferson; Savings Bank Section, State Bank Section.

Planters Hotel: National Bank Section, Clearing House Section.

All applications for hotel accommodations must be made through A. C. White, manager St. Louis Clearing House, St. Louis, Mo. Mr. White is chairman of the local Hotel Committee. The committee requests that as far as possible bankers who will not be accompanied by their wives, endeavor to join with other banker friends in asking for a double room. This will enable the Hotel Committee to take care of a larger number of people in the better hotels of St. Louis.

The Administrative Committee at its recent meeting at White Sulphur Springs adopted the following plan for the various meetings at St. Louis:

Monday, September 29: Committee meetings, morning; section meetings, afternoon; Executive Council, evening.

Tuesday, September 30: General Convention, opening session, morning; section meetings, afternoon.

Wednesday, October 1: General Convention, morning; section meetings, afternoon.

Thursday, October 2: General Convention, morning and afternoon.

Financial Aid for Europe

In connection with attempts at solving the inter-related problems of giving substantial and intelligently directed aid toward the rehabilitation of industrial Europe and of providing a continuing market, as firmly established as possible and capable of normal development, for American products abroad, much attention has been attracted to the bill (S. 2472) introduced in the Senate July 15 by Mr. Edge of New Jersey. This measure, which is in the form of an amendment to the Federal Reserve Act, is, with a few suggested changes, indorsed by the Federal Reserve Board. In the view of Mr. Edge, his bill, in conjunction with the bill introduced by Senator McLean of Connecticut, July 8, represents about all the national legislation relative to the financing of export trade which is advisable at this time. The McLean bill (S. 2395) is designed to amend the Federal Reserve Act by permitting national banks until January 1, 1921, to invest an amount not exceeding in the aggregate 5 per cent. of paid-in capital and surplus in the stock of one or more corporations chartered or incorporated under the laws of the United States, or of any state thereof, and regardless of its location, principally engaged in such phases of international or foreign operations as may be necessary to facilitate the export of goods, wares or merchandise from the United States or any of its dependencies or insular possessions to any foreign

country. This bill, referred to the Senate Committee on Banking and Currency, was reported July 10 without amendment. Mr. Edge's bill was referred to the same committee, and was favorably reported, with amendments, July 25. Three of the four amendments, incorporated by the Committee, were suggested by the Federal Reserve Board. They are designed to clarify the measure, and, specifically, to have the powers exercised by corporations organized for the purpose of engaging principally in international or foreign banking or other financial operations, as defined in the bill, under such rules and regulations as the Federal Reserve Board may prescribe. The fourth amendment provides that corporations, "the controlling interest in which is owned by citizens of the United States," shall, with citizens of the United States and firms and companies, the controlling interest in which is owned by the citizens of the United States or of a state thereof, hold and own a majority of the shares of the capital stock of any corporation organized under the bill.

The Edge bill provides for the formation under Federal charter of such corporations as are referred to in the McLean bill. These corporations, "to have succession for a period of twenty years unless sooner dissolved by an act of Congress or unless (their) franchises become forfeited by some violation of law," are placed under the supervision of the Federal Reserve Board to which they must report as required by the Board. The Board can make examination of such corporations at such times as it deems necessary. No such corporation, under the terms of Mr. Edge's proposed amendment to the Federal Reserve Act, is to be organized with a capital stock of less than two million dollars, one-fourth of which must be paid in before the corporation may be authorized to begin business and in no case can the "natural persons" forming the corporation be in number fewer than five.

The proposed corporations, the majority of the individual directors of which must be citizens of the United States, would be organized, under the terms of the Edge bill, to engage principally in international or foreign banking or other financial operations or banking or other financial operations in a dependency or insular possession of the United States either directly or through the agency, ownership or control of local institutions in foreign countries and to act, when required, as fiscal agents of the United States.

Each corporation so organized would have power to purchase, sell, discount and negotiate notes, drafts, checks, bills of exchange, acceptances (including bankers' acceptances), cable transfers and other evidences of indebtedness; to purchase and sell securities, including the obligations of the United States or of any state thereof; to accept bills or drafts drawn upon it subject to such limitations and restrictions as the Federal Reserve Board may impose; to issue letters of credit; to purchase and sell, exchange, coin and bullion; to borrow and to lend money on real or personal security; to receive deposits, and generally to exercise such powers as are incidental to the powers conferred by the act, or as may be usual in connection with the transaction of the business of banking or other financial operations in the countries, colonies, dependencies or possessions in which it may transact business. It also would be empowered to establish and maintain,

for the transaction of its business, branches or agencies in foreign countries, their dependencies or colonies, and in the dependencies or insular possessions of the United States, at such places as may be approved by the Federal Reserve Board and under such rules and regulations as the Board may prescribe; and to establish and maintain such additional branches or agencies as the Federal Reserve Board may from time to time authorize even in countries or dependencies not specified in the original organization certificate.

According to the bill, "notwithstanding the provisions of Section 19 of the Federal Reserve Act, any member bank may act as a medium or agent for any corporation organized under the provisions of this section in applying for or receiving discounts from a Federal Reserve bank under rules and regulations to be prescribed by the Federal Reserve Board. The Federal Reserve Board is authorized, under rules and regulations to be prescribed by it, to permit Federal Reserve banks directly to extend their facilities in the manner and to the extent defined in such regulations to corporations organized under the provisions of this section. No such corporation, however, shall become a member of any Federal Reserve bank."

Senator Edge apparently has recognized the intricate nature of the problem of financing foreign purchasers of American exports. It also is apparent that he has framed his bill with the idea of meeting objections to the government actually investing in corporations engaged in foreign trade and to the government managing private business. Doubtless he would appreciate that investment bankers, manufacturers and investors generally might, in addition to national banks as subscribers, have to furnish, in large part, the capital required for the enterprises which he contemplates, and also that, in the last analysis, foreign trade depends upon the profitable exchange of commodities, the extension of credits being but a means to this end. By the Edge plan, a manufacturing concern in a European country wishing to buy raw materials or other goods from America would, in effect, apply to an American foreign trade corporation, as proposed. This corporation might, after investigation, take a mortgage on the plant in question, and against it issue debentures, using the money raised on the debentures for payment to American exporters.

The Railroad Problem

A carefully worked out plan for railroad legislation involving the return of the railroads to private ownership and operation as soon as the necessary Congressional action is taken, was made public for the first time at a hearing held by the Interstate and Foreign Commerce Committee of the House of Representatives last month. The proposal comes from the National Transportation Conference, a body created under the direction of the Chamber of Commerce of the United States and which has been studying the railroad situation since last December. The plan was presented in its entirety to the House Committee by Harry A. Wheeler, vice-president of the Union Trust Company of Chicago and formerly president of the Chamber of Commerce of the United States. Mr. Wheeler, the chairman of the National Transportation Confer-

ence, was accompanied by Mr. Paul M. Warburg, Professor Emory R. Johnson of the University of Pennsylvania, Mr. Alexander W. Smith of Atlanta, Ga., and Mr. W. W. Salmon, president of the General Railroad Signal Company of Rochester, N. Y., all of whom supported the conference's plan for remedial railroad legislation, taking up different aspects of it. The Conference, called by the Chamber of Commerce of the United States, included representatives of shippers and manufacturers, as well as of commercial and industrial interests in general; agricultural, financial, labor, governmental, transportation, economic, civic and social interests affected by transportation, all being represented.

The Conference's plan, it is stated, has been designed to embody what, after consideration, seemed the best of most of the railroad proposals thus far advanced. In addition to calling for the return of the railroads to corporate ownership and operation, the proposal advocates the consolidation of existing lines into strong competitive systems, the creation of a Federal Transportation Board, and the enactment of a statutory rule of rate-making designed to yield to the roads a return of 6 per cent. on the aggregate fair value of properties of the railroads by groups.

The proposal also contains the requirement that all carriers engaged in interstate commerce subject themselves as corporations to Federal jurisdiction, and provides exclusive Federal regulation of the capital expenditures and the security issues of all carriers engaged in interstate commerce. The Interstate Commerce Commission would retain its present powers and be given additional powers over rates. The public necessity for capital expenditures would be passed upon by the Federal Transportation Board, which also would regulate security issues and carry out plans authorized by Congress for merging all railroads engaged in interstate commerce into strong competing systems. The Transportation Board would promote the development of a national system of rail, water and highway transportation. The plan provides for the adjustment of the wages and working conditions of railroad employees by boards consisting of equal numbers of representatives of railroad employees and railroad officers, with the Federal Transportation Board as referee.

With respect to the stabilization of railroad revenues and credit, the plan calls for the creation of two kinds of contingent funds; an individual railroad fund established by each railroad to support its own credit and a general railroad fund maintained by contributions from all prosperous roads, this fund to be managed by trustees appointed by the Federal Transportation Board and used to support the credit of all the railroads of the country. In addition there would be a railroad reserve fund administered by the Federal Transportation Board to facilitate the prompt stabilization of railroad credit. To this fund \$500,000,000 would be loaned by Congress as soon as the railroads are returned to their owners, this loan to be used, as necessary, in making advances to the general railroad contingent fund and to be repaid with interest from moneys contributed by the railroads to the general contingent fund.

The establishment of the net return of 6 per cent.

per annum would be based upon the aggregate fair value of the property of the railroads in each traffic section of the country, such fair value to be determined after due consideration of both physical value and earning power. An interesting feature of the plan is the proposal for the organization of the board of directors of each consolidated railroad system. Of the twelve members of each board one would be a representative of the employees of the system nominated by the employees, and three would be selected by the Federal Transportation Board to represent the principal interests in the territory served.

Trade Resumption with Germany

It was on July 14 that formal announcement was made by the War Trade Board, acting as a part of the State Department, that trade relations with Germany could be resumed under certain restrictions having to do with the importation from Germany of certain commodities, notably dyes, enumerated drugs, potash, chemicals, sugar and wheat. The export conservation list and bunker regulations, as affecting Germany, were practically eliminated with the exception of wheat, which commodity for export remains under the control of the Grain Administration. The procedure was first to extend to Germany the "blanket license" as to exports, which came into effect in May, and this development was immediately followed by the issuance of an order as to imports from Germany. It is worthy of note that the rulings of the War Trade Board merely amount to a suspension of the Trading with the Enemy Act, which act might again be invoked if it was thought that there was occasion for it before the issuance by the President of the proclamation of peace. By the War Trade Board rulings on the date mentioned, America was given trade relations with all the world in respect to the great majority of commodities except with Bolshevik Russia, Hungary and Turkey in Asia. Authoritative figures recently published showed that the pre-war trade between the Central Powers and the Allies and their associates amounted to nearly \$3,000,000,000 a year, and during the fiscal year which ended June 30, 1914, the trade of the United States with Germany, Austria-Hungary and Turkey aggregated nearly \$600,000,000, of which more than \$500,000,000 was with Germany. In the twelve months which ended June 30, 1914, imports from Germany into this country amounted to \$189,919,000 in value, and the value of American exports to Germany was \$344,794,000. Because of necessary formalities and other reasons, the opening of trade relations with Germany naturally has not been rapid.

Savings Securities

Secretary Glass announces that Savings Securities will hereafter be issued in denominations of \$100 and \$1,000. Such certificates offer the same investment attractions as the War Savings Stamps in a much more convenient and much simpler form. They have the additional advantage of being issued only as registered securities. The \$1,000 single certificates will simplify the handling of the larger investments greatly, by re-

placing the ten war savings certificates, with their 200 stamps, which were the only evidences of an investment of \$1,000 in savings securities which could formerly be obtained.

The Secretary of the Treasury has made the war savings certificate with twenty \$5 stamps attached exchangeable into the new \$100 certificate. These persons who hold "the limit" (\$1,000 maturity value) of savings stamps may exchange them for one of the new \$1,000 savings certificates. The sale of the \$100 certificate is authorized through first and second-class post-offices, and such other post-offices as the Postmaster General may direct. The sale of both the \$100 and the \$1,000 certificate is authorized through banks and trust companies which are agents of the second class for the sale of war savings certificates and qualified to obtain certificates to the amount of \$1,000, maturity value, or more.

The new certificates will be issued only in registered form, and they must bear the name of the owner, which the issuing agent must inscribe when the certificate is purchased. Registration stubs in duplicate are attached to the certificates. The original stub will be sent to the treasury department where it will be kept as a record of the ownership of the certificate, and the duplicate will be retained by the issuing agent.

The tax exemptions covering the new certificates are the same as those covering war savings stamps. The circular announcing the issue set forth the tax exemption as follows: Treasury Savings Certificates shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any state, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations or corporations. The interest on an amount of bonds and certificates authorized by said act approved September 24, 1917, and amendments thereto, the principal of which does not exceed in the aggregate \$5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (b) above.

Death of Sir Edward Holden

One of the most notable figures in the banking circles of the world passed away July 23d, in the death of Sir Edward Holden, chairman of the London City and Midland Bank. Sir Edward, who was in his seventy-second year, long had been prominently identified with finance, and his influence, especially since the outbreak of the European war, was very marked. As the head of Britain's largest bank—indeed, one of the world's largest banks—he had visited America upon many important missions, one trip of special significance being in 1915, when he came to the United States in company with other financiers from England and France to help to arrange the flotation here of the \$500,000,000 Anglo-French loan. At the beginning of the war he placed at the disposal of the British Treasury a large amount of gold which was held by

his bank. At the time of his death he was greatly interested in peace-time plans for financing Europe.

Sir Edward, who was created a baronet in 1900, was born May 11, 1848, at Tottington, near Manchester, England. He was educated in a Manchester college and at Trinity College, Cambridge. He began his banking career as a clerk, finding time to read law and being called to the bar. He was a close student of financial affairs and of legal matters relating thereto, and his great ability was evidenced by the remarkable growth of the great institution with which he was connected. He held a Liberal Seat in Parliament for the Heywood division of Lancashire from 1906 to 1910.

Developments in Foreign Exchange

Speaking in Chicago last April, Fred I. Kent, vice-president of the Bankers Trust Company, and then director of the Foreign Exchange Division of the Federal Reserve Board, said that the first great step since the armistice to bring about a normal condition in the world's trade was taken when the exchanges of Great Britain, France and Italy were unpegged. While such exchanges were maintained at artificial rates, which was both necessary and of inestimable value during the war, Mr. Kent pointed out that they did not serve as a proper barometer of international transactions and those engaged in foreign trade depended upon pegged rates rather than upon the laws of supply and demand. A seeking of exchange levels since has been going on, with sterling in mid-July selling off on one day to \$4.26, with a large decline in continental exchange represented by the fact that at one time it took about seven and a quarter francs to buy a dollar. It was Mr. Kent's contention in the address referred to that with foreign currency at a considerable discount, the situation was one to curtail imports into foreign countries and stimulate exports. This prediction is to be kept in mind during such a transitional period as the present. Certain measures—the transfer of gold, for example, from foreign nations to America, or the extension of credits in one way or another by American to foreign purchasers—may operate to change the current of affairs and, perhaps, point the way to other things, but the final approach to anything like a balance will come only, if financial history is to be repeated, when there is something like equality in the exchange of commodities among nations. It is to such a trade development, profitable, at least theoretically, to all concerned, that certain efforts in international banking now are tending.

Senator Owen's Foreign Trade Plans

Two interesting bills, in connection with America's foreign trade plans were introduced in the Senate July 22 by Mr. Owen of Oklahoma, formerly chairman of the Senate Committee on Banking and Currency to which they were referred. The first is to incorporate a Foreign Finance Corporation to provide means of acquiring and selling public and private foreign securities, extending credits against the same and assisting in the development of the foreign trade of the United States. By the second measure the Federal Reserve Act would be amended so as to create a Fed-

eral reserve foreign bank of the United States, to be under the supervision of the Federal Reserve Board and to be located in the city of New York.

Senator Owen would have the Foreign Finance Corporation capitalized at \$1,000,000,000, the division being into ten million shares of \$100 each. It is provided that a quarter of this capitalization shall be subscribed by the War Finance Corporation, while another quarter may be subscribed by banks and trust companies. Five million shares shall be subscribed by individuals, firms, companies and corporations other than banks or trust companies. The Foreign Finance Corporation would be empowered, among other things, to make advances, duly safeguarded, to foreign governments or to foreign corporations or to individuals or firms located in or doing business in a foreign country for the purpose of importing goods from the United States into foreign countries, and it also would be authorized to buy and sell, at home and abroad, the obligations evidencing the advances as described. The Federal reserve foreign bank would have a capital of \$100,000,000, with a paid-up capital stock of \$20,000,000 to begin business. The stock would be offered at par to banks and to the public by the Secretary of the Treasury, any stock not subscribed for being taken by the Treasury of the United States, subject to sale at the option of the Secretary of the Treasury. This bank, which would have nine directors, appointed by the President of the United States, and an executive board of five members, would, through its board of directors, "extend to Federal reserve banks and to member banks, and to all other banks and bankers throughout the country, and to foreign banks and bankers such accommodations as may be safely and reasonably made in relation to foreign banking business." Among the powers of this bank would be "to open credits at home and abroad for account of domestic and foreign banks and bankers, to facilitate exports and imports to and from the United States, and exports and imports to and from one foreign country to another foreign country."

Senator Owen, on May 26, introduced a joint resolution designed to be supplementary to the authorization given by Congress at the last session to the War Finance Corporation to make advances on exports. It was Mr. Owen's idea at the time this resolution was introduced, to have the War Finance Corporation make secured advances, the aggregate of such advances remaining unpaid at any time never exceeding \$1,000,000,000, with the object of maintaining or promoting the country's foreign trade.

Secretary Glass to Bankers

In a letter to the bankers of the country, under date of July 27, Secretary of the Treasury Glass takes a survey, both as comprehensive and as detailed as seemed to him possible at the time, with respect to the treasury situation through the fiscal year ending June 30, 1920. He estimates that the government will be in receipt of revenues under existing law from Victory Liberty Loan instalments, the sale of certificates of indebtedness and other sources, during this fiscal year, totaling at least \$6,500,000,000, and says he has no present reason to believe that government expenditures

during the year will exceed receipts as indicated, excluding transactions in the principal of the public debt other than the Victory Loan. His forecast of the total public debt, as of June 30, 1920, when presumably the whole cost of the war will have been financed, is approximately \$26,500,000,000. Commenting on this showing, the Secretary says that "the realization of these sanguine expectations is contingent upon the practice of most rigid economy by the government and the continuance of ample revenues from taxation." He adds that "the figures which the Treasury is now able to present seem fully to justify the announcement made in April that the Victory Loan would be the last Liberty Loan," as well as the statement made recently to Congressional committees in connection with the financing of the war up to June 30, 1919, "that the treasury expects to be able to meet its further temporary requirements by the sale of treasury certificates of indebtedness bearing interest at the rate of 4½ per cent. or less, and also to fund as many of these as it may be desirable to fund by the issue of short-term notes, in moderate amounts, at convenient intervals, when market conditions are favorable, and upon terms advantageous to the government."

Certificates of indebtedness, known as Loan Certificates (as distinguished from the certificates of indebtedness which are issued in anticipation of taxes and are called Tax Certificates), will be issued the first and fifteenth of each month, each having five months' maturity. The first offering under this plan was dated August 1, and will mature January 2, 1920. The Secretary concludes: "It is with confidence that I lay before the banking institutions of America, who did so much to make our successful record of war finance possible, the present program of the government's current requirements for the balance of the calendar year, and ask each of them not only to subscribe its quota for each semi-monthly issue of treasury certificates, but to use its best efforts to distribute these certificates as widely as may be among investors." It is especially to be noted that in his letter to the bankers how much importance Secretary Glass inferentially attaches to a national budget.

Economy and Efficiency

The American Bankers Association may take umbrage to its soul because of its affirmative action on the proposition that the Federal Government adopt a budget system. The heaven is working. The subject is under discussion by committees in the National Congress and plans are receiving careful consideration with purpose that the best thought of the lawmakers be embodied in a measure intended to replace the past and present hit-or-miss system, if system it can be termed, with a scientific and orderly plan which will operate for economy and efficiency. It is a truism that if a business or financial organization were to conduct its affairs with a degree of heedlessness between actual and emergency income and outgo that ever has been followed at the seat of government, it would not long await a receiver. A system of accounting and the arrival at a proper balance are now proposed. Much work already has been done along this line. To pres-

ent time there has been lack of system and general plan, and absence of co-ordination of different departments and bureaus. Each governmental machine has been operated without regard to the others. This procedure is absurd and extravagant. Even if it has operated without bankrupting the country, now with a war debt of more than \$26,000,000,000 heed must be taken of the relation between the income and expenditures, and when legislators contemplate the tremendous figures they will authorize appropriations with more discrimination and the results will be beneficial to the whole people.

The Mark as Defeat Index

On July 15, the first day that the government permitted the resumption of dealings in marks with Berlin, Hamburg and other financial centers in parts of Germany not occupied by the armies of America and the nations associated with America in the war, the quotations in the New York foreign exchange market showed that the German standard of monetary value had depreciated about 65 per cent. as the result of the disastrous militaristic enterprise in which the one-time German Empire launched itself five years ago. On both sight bills and cable transfers the initial quotations ranged from eight cents to eight and one-half cents a mark. The rate bears testimony, among other things, to the pyramidal German financing on paper during the war, and is, of course, a silent verdict rendered in cold cash on the outcome of the vast German schemes for world trade and financial domination. This low value of the mark has a relation not alone to the payment by Germans for American supplies required in Germany and to the establishment of credits for Germany in America, but also to the more or less immediate indemnity payments scheduled, under the peace treaty, to be made by Germany. Certain neutral countries, which are said to be well supplied with marks, were understood to figure importantly in the early transactions. Dealings in marks with Germany were suspended since just before the time the United States entered the European war; recently dealings in marks were permitted with cities in occupied German zones, and the rate of exchange on such cities was at about the same figure that was registered when dealings with cities in unoccupied zones were permitted. In March, 1917, when dealings in marks with Germany were suspended, the quotations were eighteen and one-half cents a mark.

Joe Chapman

Joseph Chapman has resigned the vice-presidency of the Northwestern National Bank of Minneapolis to become vice-president and general manager of the mercantile house of the L. S. Donaldson Company of the same city. The rules of the American Bankers Association prohibit the JOURNAL from saying complimentary things about bankers, but Chapman is more than a banker—he is a citizen of the United States of America and a specialist in education. He has been a bulwark in the American Institute of Banking and a wheel-horse in promoting education in agriculture. As a captain of the dry goods industry, may he be

equally successful in educating the mothers and daughters of the northwest in the home economics of what to wear. This is the unanimous wish of the 20,000 members of the American Bankers Association.

McKenna Succeeds Holden

A dispatch from London tells that Reginald McKenna, a well-known British statesman, who has been prominently identified with the Empire's finances, will succeed the late Sir Edward Holden as chairman of the London City and Midland Bank. It is stated that Mr. McKenna has decided to give up his political career, and has withdrawn as a candidate for a parliamentary seat. Mr. McKenna was elected a director of the London City and Midland Bank in May, 1919. He has been at various times Chancellor of the Exchequer and First Lord of the Admiralty in the British Cabinet, as well as Home Secretary and President of the Board of Education.

Congress and Shipping Policies

Present prospects, according to the outlook at Washington, are that it will not be until October that national legislation will be shaped with respect to the future ownership and operation of government-built merchant vessels, sub-committees of Congress in the meantime, continuing to work in the way of obtaining data on which the legislation will be framed. The net result at this time is that the situation, certainly as regards important details, is a good deal in the air, although the belief obtains that the final plan, in its essentials, will register a decision to sell the Emergency Fleet Corporation's vessels to private owners, at least ultimately, at terms which the government would consider favorable to itself and fair to purchasers. There is, of course, a probability that any such plan might contemplate private operation of government-built ships for a time, in certain instances, and under government regulations, pending definite sales. It is not unlikely that when the whole matter comes before Congress the advocates of continued government ownership of the vessels built by the government will make a vigorous campaign in support of this idea. Certain steel vessels are now subject to sale by the government on a partial payment plan, the understood terms being 25 per cent. cash, 25 per cent. more within a year and the balance of 50 per cent. payable within four years, with the rate of interest at 5 per cent.

Swiss Railway Electrification

The introduction of electric traction on the lines of the Swiss Federal Railways has in these latter years, on account of the acute shortage of coal occasioned by the war, received the foremost attention of the authorities and has now emerged as a very practical economic question. The principal nerve of the Swiss railway system is government owned. The electrification of these lines is simplified by the vast store of unused water power which the country possesses. According

to an official survey, verified in 1914, including the stowing and improvement of lakes, the water power of Switzerland is capable of producing an energy equal to 2,173,000 horsepower. If old plants were replaced by new ones it is even estimated that the highest efficiency of the total water-power reserves could be raised to as much as 8,000,000 horsepower. On January 1, 1914, the electric power already in use in Switzerland amounted to 887,000 horsepower. The Swiss Confederation owns some 1,800 miles of the entire railway system of the country, which covers 3,216 miles. Of the 1,416 miles owned by private companies, 622 miles are already electrical.

Honor for Fred I. Kent

According to information received by friends in New York, Fred I. Kent, Esq., vice-president of the Bankers Trust Company, has just received from the French Government the decoration of the French Legion of Honor in recognition of his valuable services in international finance during the war.

French Treasury Bills Here

An important announcement was made July 30, in both Paris and New York, relative to the placing in the American market of a considerable block of French Treasury sixty and ninety-day bills.

The marketing of these bills, it is stated, will be along lines similar to the sale of British Treasury bills which have been current in the American market for the last two years. According to a statement made by J. P. Morgan & Co., which house is understood to be at the head of the group of American bankers handling the matter, the French Treasury contemplates at present the issuance in this country of its bills not to exceed \$50,000,000, with a maximum weekly maturity of not more than \$5,000,000. J. P. Morgan & Co. add that "the rate at which the bills will be sold will depend upon the money market conditions. The French Treasury has, of course, fully acquainted the officials of the United States Treasury at Washington with its plans."

Convention Calendar

DATE	ASSOCIATION	PLACE
Aug. 8-9	Montana	Yellowstone Park
Aug. 12-13	Washington	Mount Rainier
Aug. 20-21-22	North Carolina	Winston-Salem
Sept. 4	Delaware	Wilmington
Sept. 4-5	Illinois	La Salle
Sept. 4-5	Kentucky	Louisville
Sept. 8-9	New Mexico	Albuquerque
Sept. 11-12	West Virginia	White Sulphur Springs
Sept. 11-12	Colorado	Denver
Sept. 23-24	Farm Mortgage Bankers	Chicago, Ill.
Sept. 29-30	American Bankers Association,	Chicago, Ill.
Oct. 1-2		St. Louis, Mo.
Oct. 7-8-9	A. I. B.	New Orleans, La.
Nov. 3-4	Arizona	Phoenix
Sept. 24-25	Indiana	Indianapolis

The Home-Coming of Employees Who Served in the War

By E. D. HULBERT

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1. *What is the general plan being followed by your company in reinstating the returned soldier or sailor?*
2. *Do you find it necessary to dispense with the services of those who have filled the vacancies caused by war necessity?*
3. *Do you find the men desirous of returning to their old tasks?*
4. *Is there any marked change in their general attitude toward their former positions?*
5. *Are you having any interesting or unusual experiences in these respects?*

CONSIDERABLE speculation has existed in trust company and banking circles since the signing of the armistice in respect to the return to their old tasks of the men formerly employed in financial institutions.

With the demobilization of the various units of the army and navy and the gradual return of the men to civil life, would there be any marked change in their general attitude toward their former positions? If a general disposition were shown to return to the old positions, would it be necessary to dispense with the services of those who had filled the places made vacant by their departure, and what was the general plan to be followed in reinstating the men on their return?

A communication, therefore, embracing the above questions was recently addressed to the members of the Trust Company Section of the American Bankers Association. A large and prompt response clearly indicated deep interest in the subject, and these replies no doubt represent the views of all classes of banking institutions.

Immediately following the entry of the United States into the war and the operation of the Selective Service Act, inquiries were addressed to all trust companies relative to the methods used in filling vacancies, training of new employees, retaining of positions for absentees and payment of their salaries.

It was ascertained through this canvass that the majority of vacancies had been filled by the employment of women. In many cases, however, men above and below the draft age had been engaged. Satisfactory results were reported as having been secured from the services of women. We can say now that no small part of the credit due to women for their splendid war service should be given to those who so ably and faithfully closed up the thinning ranks in our financial institutions.

The information secured in reply to the question relative to holding positions open for absentees indicated unmistakably that a large majority of companies throughout the country were holding positions open and had also made definite promises of reinstatement upon the return of their men.

The spirit in which the entire situation was faced

was summarized by the president of a southern trust company, who wrote as follows: "I wish we had a hundred men we could give to the government, because we are in the war to the end with every means available and we stand behind the government with every dollar we can command."

The big question to be answered now is, "Did the trust companies of the country measure up to the sentiments expressed when the battle was on, and, now that the pressure of war is relieved, are they making performance square with promise?" A statement of the replies received to the recent inquiry will furnish the answer.

REINSTATEMENT OF RETURNED EMPLOYEES

To the question as to the general plan being followed in reinstating the returned soldiers and sailors, 72 per cent. of the replies indicate definite policies determined upon in order to meet the situation. A few expressions typical of the entire number follow.

From New Jersey: "We advised each employee that his position would be open for him upon his return and we are adhering strictly to that rule."

From Colorado: "The company allowed it to be generally understood when any one of its employees entered the service that it would endeavor to retain his position for him, or at least as good a one. Since the return of our men we have carried out this plan."

From Connecticut: "We are taking back, as they return, all of the men who left this company for service with the government."

From Delaware: "We assured our men that upon their return they should resume their former positions in this office or be assigned to those of equal importance, and that they would be paid the difference between their regular salaries and the amount they received from the government while in the service."

From the District of Columbia: "We have so far adopted the uniform policy of reinstating all such persons, and so far as possible have allowed them to resume their former position. In most instances they have been taken back at increased compensation."

From Georgia: "I am very glad to say that all of the boys that were connected with our institution prior to the war have been returned and their positions were all held for them."

From Illinois: "This institution passed a resolution during the war that it would not only take back upon their return all of the men called into the service, but that it would pay them, in addition, half of the salary which they were getting at the time of leaving."

The informal and the democratic manner with which the subject was handled in another company is illustrated in the following: "All of our young men left their positions with the understanding that when

the war was over and they were discharged, that they should walk into the bank, hang up their hats and resume their former positions."

Two New York companies wrote: "Proud to report that we have made it a rule to take back every man who left us to enter the service and who desires to return to us. Where it was not feasible to give the man his old position, we have taken care of him elsewhere in the organization, paying him at least the same salary that he formerly received, irrespective of the character of the new position." "This company kept the service men on the pay roll at half pay during the entire time of their absence and the men have been reinstated in their old positions as they returned."

In order that absences would not count against their men, a Massachusetts company reported a plan adopted, as follows: "We are taking back all of the returned soldiers and sailors and placing them in their former positions at such increase in salary as they would have received had they remained here during the war." A similar reply from Iowa stated, "We give every returning soldier his old position at the increase in pay to which he would have been entitled had he remained with us." Replies from other parts of the country indicated the adoption of similar policies.

An Ohio company determined upon the following plan: "We have adjusted their salaries proportionate to the amount paid other help, giving them the benefit of any increases during their absence, and if they remain in our employ for another year, they are to receive an additional salary bonus equal to the difference between the amount of salary which we paid them at the time they were drafted and that which they received while in service."

Two New York companies sent the following information: "We take them back in every case and give them the same salary as is being paid to other employees of the same class." "It is our intention to reinstate every man in the service of this company if he wishes to be reinstated, and it is also our intention to adjust salaries at the earliest possible date in order that they will not be losers financially."

Another company in Massachusetts wrote: "Every man who has returned thus far has had his position back. With one exception these positions have been satisfactory and in every case the salary we have paid the returned soldiers has been as good or better than they were receiving when they left."

"As all of our men come back discharged from the service," wrote another New Jersey company, "we offer them either their old positions or a position of equal rank in the corporation. The reason we reserve to ourselves the right to make it a position of equal rank in the company's employ is to protect some good new employee whom we might secure."

"We have in every instance placed them in better positions in our organization," stated an Indiana company, while a Kentucky company advised: "We have in all instances given our old employees their positions upon their return that they held prior to the outbreak of the war, and in a number of cases have taken in discharged soldiers who are filling positions of trust with us now and giving entire satisfaction in every respect."

"We will take back with us each one who desires

to come and we expect to follow this plan to the end," was reported by a California institution, while another Pacific coast company, located in the state of Washington, took the initiative as indicated in the following statement: "When our boys left for the front, it was with the understanding that the bank would have positions for them when they returned. Immediately upon the signing of the armistice we reiterated that statement by writing each one a personal letter and telling him the position was ready. As rapidly as they have returned, we have assigned them to positions; while not the same as they held when they went away, carry equal or better salaries."

Similar action is reported by a company in North Carolina, which wrote: "We beg to advise that promptly after the armistice was signed we notified our men, both from our bank and trust departments, who were with us at the beginning of the war, that we would be pleased to reinstate them."

In addition to assuring their men of positions upon the termination of hostilities, another New York company advised: "We also saw to it, although their salaries had been discontinued during their absence, that they were treated at Christmas time in the same way as if they had been in our employ. After the signing of the armistice each was officially written to and informed that he could return and would find his former position or a better one open to him."

One company reports as follows: "We have practically, without exception, taken back these men either in their old positions or ones paying them at least the same salary. We have let them know, however, that inasmuch as their old positions have been filled during their absence, that they are coming back on a competitive basis with the present holders of their old positions. In other words, if at the end of a reasonable period, say five or six months, the institution has not grown sufficiently to take care of both, and it becomes necessary to dispense with the services of either, the position will be retained by the better of the two."

EMERGENCY EMPLOYEES GENERALLY RETAINED

"Do you find it necessary to dispense with the services of those who have filled the vacancies caused by war necessity?" was the next question. All but a small percentage replied in the negative.

"We filled our positions with men who were not subject to the draft, and in nearly every case took them away from another good position, and of course, we had to assure them permanent employment," states a company in Arizona.

From an Atlantic coast state it was reported: "On account of the increased volume of our business we have not found it necessary to dispense with the services of those who have filled the vacancies caused by war conditions."

This was echoed from the Pacific coast, as follows: "We have not found it necessary to dispense with the services of substitute or temporary employees, except in cases where the services of such employees were not altogether satisfactory."

Companies in central and southern states wrote: "We have not found it necessary to dispose of any of our employees who filled the vacancies of our men in

the service, as we have found work for them all." "This bank has also grown considerably during and since the war, and we therefore have had no occasion thus far to discharge any of our employees who were taking the places of those who went to war." "Increase of business and changes in the personnel of our working force will make it possible for us to continue in our employ those who have been temporarily filling the positions of the absentees." "We have not found it necessary to displace any of our former employees by reason of taking these men back into our organization, because our business is increasing rapidly enough to make place for both the old and the new employees."

A New York company explained: "We have had to dispense with the services of very few of those who have filled vacancies caused by war necessity, and I may say that probably these few would have had to go in any event."

The manner in which another company in the same state anticipated the return of their men is explained in the following statement: "As we employed girls to take the places of the men who went into service, we do not anticipate the same conditions that other institutions will have who employed older men, and in many cases took them away from other positions."

That natural causes will assist in the solution of the problem is anticipated in this statement: "We expect that our girls in due time will eliminate themselves, which, although it may entail a double payroll for a short time, will be a great deal pleasanter than to be obliged to ask someone who has assisted us over a period of difficulty to find another position."

The following expressions reflect an attitude which seems to be general throughout the country:

"It is our intention to retain the services of those who filled vacancies caused by war necessity, as we feel there is a moral obligation upon our part to do this, inasmuch as they helped us out in our time of great need." "We have not discharged any of those who left permanent positions to fill the vacancies caused by war necessity, feeling that it would be better to run temporarily with a larger staff than is absolutely required than to further aggravate the unemployment situation." "We do not feel justified in discharging an employee who gave up some other position to come to us when we needed them most." "We have been compelled, in order to keep faith with our employees who entered the service, to let one man go, but we retained him for several months after the return of our employees in order to give him a chance to secure another position and paid him one month's additional salary at the time of his leaving." "We intend to retain also the new employees who were engaged to fill positions of absentees during the war, although this will probably result in our having for a while, a larger number of employees than is actually needed."

A Massachusetts company states that, thus far it has been unnecessary to discharge any of the girls employed to fill vacancies, but, "if very many of the men wish to come back it may be necessary to do so."

That disloyalty entered into the situation is shown in the following: "We found it necessary to dispense with the services of a few of the young women, but

retained those who were loyal until we secured better positions for them."

Inefficiency and incompetency caused certain changes as is indicated in these statements:

"Fortunately we were not obliged to dispense with the services of any clerks taken on temporarily, except those who proved inefficient and unable to perform the work assigned to them." "In filling the vacancies we have retired a few who have not proved able to perform satisfactorily the duties required of them." "We have only dispensed with the services of those who have filled vacancies because of their being incompetent." "If they made exceptionally good in their line of work we would endeavor to make a place for them." "We have been worried considerably during the war period by inexperienced help, but conditions seem to be much better at the present time, and the increase in business will provide, we believe, for retaining the additional help."

The young women employed to fill vacancies in certain Southern institutions evidently performed their tasks in a manner superior to that of the previous incumbents, thus creating a situation revealed in the two following communications from South Carolina and Maryland: "During the war the male employees who were with us, volunteered for service and we substituted young ladies in their place who have proven very satisfactory. In fact, to such an extent that when some of the male employees returned to us with the view of taking up their work we were prone to make any change." "Our bookkeeping department is now being operated by young ladies and we do not contemplate using young men in that department again if it can be avoided."

This is strongly contrasted by the statement of a New Jersey company, as follows: "Our general custom will be to dispose of some of the women help and come back to employing only men."

One company touching upon this subject, said: "The boys are now beginning to come back and as a rule, we are letting three women go for every two men we are taking back," while a Connecticut company stated: "When the draft was making such inroads in our ranks, we found it necessary to employ young ladies for the positions vacated, and in every case they have proved extremely satisfactory."

An Illinois company wrote: "During our participation in the war and while our men were away, we filled their places largely with women who were loyal and rendered very satisfactory service. In the circumstances, we felt obligated to take care of them and have therefore not asked for any resignations."

The experience of a New Jersey company is reported as follows: "We filled largely the vacancies caused by the absence of our clerks, with girls and women, and I think I am within the bounds of justice, as I am stating the truth, that our experience with women as a class is not satisfactory. There are many exceptions, of course, to that general rule, but I shall be glad when we have all of our old, tried men back again and a male force constituted as heretofore."

That all institutions in the same locality did not report similar growth or progress during the war period is shown in a letter received from a Missouri company which stated: "We found it necessary to

dispense with the services of several men whom we had employed temporarily, but were fortunate to find positions for them in other banks."

In several instances new positions were created in order to absorb the excess of help caused by the return of the men. A Massachusetts company writing upon this subject said: "We were obliged to substitute the services lost by taking on young women and upon the return of the men have made some adjustments by creating new positions for some of them."

That marriage enters into the solution of the problem is revealed in a statement, which says: "We find that there is more or less shifting around in the banks, some of the girls leaving to get married and others, whom we term 'drifters,' leaving for other positions, and very often this is the case with the men, so that instead of going out and hiring new men to fill these positions we take them in as they come back from the service and reinstate them in their old positions or somewhere in the bank, so as to take care of them."

The practical manner in which an Indiana company met the situation is shown in this portion of their reply: "It has not been necessary to dismiss any of the women whom we employed to take the places of absentees, as we employed the wives of men in the service where it was practicable and expect that they will resign as soon as their husbands have returned. This will help create vacancies for these returned soldiers."

GREAT MAJORITY RETURN TO FORMER POSITIONS

Are the men desirous of returning to their old tasks? In the mind of every employer, whether in bank, industrial plant or other walk of life, this question was prominent immediately following the cessation of war. No rule or device of science could supply the answer in advance of the actual experience to be encountered. Knowing that the men who formerly spent their working hours within the walls of the company's office had, in answering their country's call, been breathing a new atmosphere and living among entirely different surroundings, it was natural to wonder what form of mental readjustment had taken place which might preclude a return to their former tasks.

The answers to this question, which were based on actual experience, indicated that a large majority could report in the affirmative. Quotations from a few of the letters reporting a desire to return are shown herewith:

From Arizona: "We find the men generally desirous of returning to their old tasks."

From Arkansas: "They are glad to get their jobs back and we are glad to have them."

From California: "Our returning clerks seem more than delighted to get back."

"All of the men who left us desire to have their old positions back."

"Old employees have expressed their desire and pleasure to return to their old tasks."

From Illinois: "They were delighted to get back to America and to their regular work again."

"The men who left us for service desire to and did return to their old positions or other positions with us."

"Were very anxious to return to former positions."

"The majority of our men have wanted to return to their old positions."

From New York: "We find the men desirous of taking up their old tasks."

"Some of our men when they were in the army expressed the desire to get into some line of business that would keep them in the open, but with one or two exceptions they have all returned to their old desks."

"We find the men very desirous of returning to the U. S. A. and to their former positions."

"With two or three exceptions our men have seemed anxious to resume their old tasks."

"Our general observation is that most of the soldier boys are glad to get back and resume their old positions."

"Have expressed a strong desire to come back to us and have no thought of changing their occupation."

From Massachusetts: "Appear to be very glad to be able to obtain their old positions."

From New Jersey: "We recently received inquiries from the other side regarding positions and have answered that the same have been held open."

"Most of our men have re-entered our employ upon their return."

"A large majority, of course, are desirous of resuming their previous duties."

"All of the service men are back in their old positions with the exception of one clerk, who is now in Europe, but who expects to return to us when discharged from military duty."

"The men were delighted to return to their old positions and are apparently very well satisfied."

From North Carolina: "We find the men desirous of returning to their old tasks and seemingly quite anxious to get out of the army and into civilian activities."

From Ohio: "Without exception our men are all very glad to get back and so far as I myself am able to discover, quite as well satisfied with their present positions as they were with their old ones before the war."

"All of our employees who have returned so far seem to be very anxious to get to work and do not want to go anywhere else."

"We find that the men are anxious to return to their old positions and to take up the work with renewed zest."

"We find that those who are returning to the city seem anxious to get back into the bank and we are glad to offer them their old positions."

"We find our young men all very glad to be back with us and the spirit is splendid."

From Oregon: "The men appeared to be desirous of securing their old positions."

From Pennsylvania: "We find the men returning eager to get to work and it has been the policy of this bank to give them their old positions."

"Our people all seem very glad to get back to work."

"Each one seems to be very happy, indeed, to be back to his old work."

"In every instance we find them desirous of returning to their former duties."

From Tennessee: "Most of the men desire to return to their old positions and seem to be quite glad to get back."

"They were all anxious to return and we were fortunate in being able to give them their old positions back."

Quotations expressing doubt or being unfavorable to a resumption of the former tasks, follow:

From Illinois: "We do not find that our men are particularly anxious, as a whole, to return to their old work."

From New York: "We have never found a man who was willing to accept his old position."

From New Jersey: "We find that those who are married are more inclined to accept their old positions. The boys who are unmarried are more restless and looking for better places."

"We offered him a position, but he did not feel disposed to accept it."

From Indiana: "We have not found a man who was willing to accept his old position."

From Pennsylvania: "Only one of them has so far expressed the desire to re-enter our institution."

"We find that some employees do not care to return to their positions, having become rather indifferent and unable to again apply themselves to detail work."

"The men do not seem, in most instances, to be anxious to return to their former positions unless something better can be offered them."

From Washington: "We have found that some of the men are desirous of returning to their positions, while some of them are taking up other lines of work."

GENERAL ATTITUDE TOWARD FORMER POSITIONS

It would be a miracle if several thousand men, removed from their accustomed surroundings and habits, transported great distances, and made to encounter the most soul-trying experiences, returned to their old lives without marked changes in their physical and mental make-up and spiritual poise.

It is easy for the home-stayer, who is without these experiences, to prescribe formulas for the absentee which he would administer with military precision. It is a time which requires the utmost in forbearance not only upon the part of the employer but upon the part of the returned employee as well. It has now come to be recognized that it is extremely difficult even for men of middle life who had long business training before the war to settle down again to steady desk work. A great patience must be shown and time given for the readjustment of nerves and mental contact.

The following extracts from letters received from all parts of the country show the difference of opinion as to the general attitude of returned men toward their former positions.

From Arizona: "We also find that they return with interest to their old work."

From Arkansas: "We find the returned soldier is a stronger and broader man than he was formerly."

From California: "We have discovered a marked change in their attitude toward their work, which has been decidedly for the best."

From Connecticut: "We feel that they are working with renewed enthusiasm."

From Delaware: "If there is any change whatever in the general attitude, it is in the direction of greater earnestness to discharge their duties and to advance in our service."

From Illinois: "We believe there has been quite an improvement in their attitude and that they give better attention and service than they did before."

"We find the boys improved through their military training, and believe they are quicker and more energetic as a result."

From New York: "It takes a little time for them to become adjusted to the old conditions, but I rather feel that the service of the government has given them broader ideas and made at least some of them realize that there was a place where harder work and more rigid discipline is found than is usually experienced in a bank."

"In these men we note a marked desire to well-serve the institution, although their attitude is not an exception, as the same spirit is prevalent throughout our whole organization. They come back possibly with a broader vision and a better understanding of their work in relation to that of the work as a whole."

From Massachusetts: "Giving better service, if possible, than before."

"Those that left us were young men and they have returned matured, with a broader vision, more attentive, more alert and more thoughtful."

From New Jersey: "Doing their work in a very satisfactory manner and seem to take a more serious view regarding their duties and are endeavoring to equip themselves for a higher position."

From New Mexico: "We do not see any marked change in their general attitude, except that they have taken hold and seem to be well pleased and glad to return to their former occupations."

From Iowa: "We find that the young men who have had this experience have in every case developed mentally and physically, and are taking more interest in their work, showing more enthusiasm and seem to appreciate their opportunities more seriously than they did before."

From Kentucky: "Our experience has been that the returning soldier has taken up his work willingly and in some cases with more ambition and the desire to get on than before he entered the service."

From Missouri: "We cannot say that we find any marked change in their general attitude toward their former position. They are the same old boys."

"Our experience is that they are better employees because of the army and navy experience and the discipline."

From Mississippi: "The discipline received in the army proved beneficial in every respect."

From Maine: "The men who have been in the service are in a way more valuable than they were before, as their experience in the army has seemed to bring to them a keener realization of the benefits of application to their work."

From Maryland: "We find that their efficiency has not in any way been affected by their experience, but on the contrary, we think they show keener application to their duties."

From Indiana: "They seem to be very much contented and we believe, as a general rule, that they

make better and steadier men than before entering the service."

From Ohio: "In nearly every case they show more efficiency and a deeper interest in their work than they did at the time they went into the service."

"The liberal education and discipline of the army increased the value of his services to us almost 100 per cent."

From Pennsylvania: "So far we have not discovered any marked change in the attitude of those who have come back to their old work, except that they seem to be in a good deal better spirit, better health and, in our judgment, decidedly more efficient."

From Rhode Island: "We note a general expectancy of a better position and a most worthy confidence of their ability to do higher grade work."

From Texas: "We find that the service has broadened the boys in a good many ways. They are more conscientious in their work and take a more serious view of life. In addition to this, the physical development obtained has been very beneficial from a health standpoint."

From Utah: "The boys, as a whole, returned with renewed vim and energy, and we believe that their training and experience has been both profitable to them and ourselves."

From Washington: "They seem to come back with a fine feeling of co-operation and naturally they will all gain some experience from their war duties."

From California: "Our observation is that a returned soldier or sailor is not long satisfied with his old position."

From Connecticut: "There has been somewhat of a disposition to look for different employment."

From Washington, D. C.: "In many cases there is a disinclination to accept their former positions and compensation, and indeed, to undertake clerical work at all."

From Delaware: "We found that he had become afflicted with a very high opinion of his services, and from all appearances was dissatisfied."

From Georgia: "Our general opinion relative to men desiring to return to their old jobs is that so many of them have secured officers' places that they do not feel inclined to return to the confining and indoor work."

From Idaho: "None of them have accepted, finding other employment."

From New York: "I believe there is a marked change in the attitude of all of the men who are returning from the service, and I think there are very few exceptions. The attitude seems to be 'someone has got to recognize me.' This, no doubt, is due to the fact that they are all in the early twenty's and have received a great deal of attention. They have acquired what may be correctly termed, 'a swelled head.'"

From Iowa: "Our observation is that the men are glad to leave the service, particularly the enlisted men, and that they are restless and ambitious to better their positions and desire a change."

From Missouri: "The majority of these men who are returning have resumed their old tasks, possibly because of labor conditions, because a number of them

express themselves as being dissatisfied with such confining work."

From Montana: "In some cases there is a marked change in their attitude toward their former positions. This is noticeable among young men who have gained commissions."

From North Carolina: "He was reinstated, but became restless and resigned in March."

From Pennsylvania: "The one particularly noticeable change is that they all feel that they would prefer to have outdoor employment if it were possible to obtain something to their liking."

From Rhode Island: "Thus far less than half of the number that went from us have returned and several have advised us that they do not wish to come back into our service."

From Washington: "Some of the boys are more restless than they were before and are inclined to move about from place to place, while others are demanding much larger salaries than they did when they went away."

SPECIAL COMMENTS

One of the New Jersey companies writes: "The following is a quotation from one of our men which will show his eagerness to return: 'I read the very interesting news about the prosperity of the company, the very encouraging increase in deposits, etc., of which I was delighted to hear and which made me all the more eager to return, as I realize that in my absence I am missing many opportunities for advancement, as my greatest chance to make myself worth while to the bank and myself would be when the operations of the bank are expanding, but if application and hard work will in a measure make up for lost time, I will be very well satisfied.'"

Another comment worthy of special attention states: "We think that the general uncertainty of the returned soldier arises from the fact that he feels he should be provided with a better place on his return than when he left, which is largely but natural, as they all come back better in every respect, physically and mentally."

Another comment which needs no explanation, reads: "We are finding some difficulty with our returning employees, some of whom seem to have embodied Bolsheviki ideas. We are making short shift of them and informing them that they can come back if they will submit to our terms and conditions, otherwise we want nothing to do with them. In a word, the reconstruction period as related to our company, is working quite smoothly and I am very well satisfied with conditions as they exist."

A Central Western company in commenting at length upon this question, stated: "In a great many instances the experience has been good for these men and they are coming back with a different feeling than they had when they went away. In some instances it has not been so, especially where they have had a little brief authority during the war and could say to this man, 'Do this' and he did it, and where they were allowed certain latitude in calling on others to do for them what they should have done for themselves. They have brought that feeling along with them and have had to get over it. In an instance or two that came

to my knowledge, one of this class, feeling that he would put the man under him under the same rigid discipline that he had been under in the army, tried it out only to find that it did not go in private life. I think, as a rule, however, the experience has been a good one for the average young man. I find also that as time goes by they lose a certain sort of independence they had when they first came back, and I find also that the American people are prone to forget the service these boys rendered and to be patient over their seeming independence. The saddest part of the whole thing is that there are so many of them coming back broken in health, physically disabled in some way, and nothing particular open to them. It is that class that worries a good many of us as to just what to do with them, far more than do the able-bodied. They will in time find their places."

"In some exceptional cases," states one company, "they have come back to us with enlarged ideas of their importance and it has been necessary to 'read the riot act' to bring them within bounds."

A natural aversion to resuming inside duties is reported from all parts of the country. The existing situation in this respect has been clearly stated by a Montana company writing as follows: "A great many of the boys are desirous of outside work and do not care to go indoors again. The returned soldier does

not become himself again or show his efficiency until thirty or sixty days after his return, but we are all of the impression that they will make good again."

Another writes: "We hired three young men who had been in service and who accepted the salaries offered. One worked a half a day, the second a day and a half, and the third three days, then resigned stating that the work was too difficult or the pay too small. The last reason, we feel, was not justified owing to their lack of experience or training, yet the amount agreed upon was much more than would have been offered a year ago."

Viewing the situation as a whole, the financial institutions of the country have done their utmost to handle this situation with fairness to all concerned and exerted every effort to send their men to the big job equipped for efficient service. The many thousands who went from the trust companies and banks of the country did so with an assurance of support which contributed in no small measure to the splendid morale maintained by the boys whose privilege it was to carry the Stars and Stripes. They have generally returned to their tasks physically, mentally and spiritually better, and, much to their credit, are performing their work in much the same manner as when they went "Over the Top" in the biggest job in history.

Italian Bankers Association

There has been formed in Milan, "L'Associazione Bancaria Italiana," in the establishment of which the principal Italian banks and a considerable number of smaller institutions took part. This association, which will have its principal offices in Rome and branches in other cities, will have the following functions:

(a) To promote the systematic development of national finance and banking, and to safeguard the common interest of its various members;

(b) To protect the needs and the desires of the banking class by taking such action with the government authorities as may seem desirable, and through the initiation of legislative measures;

(c) Through a permanent advisory bureau, to provide for the interpretation and application of legislative provisions, especially in fiscal matters and questions of banking control;

(d) To foster and maintain the closest accord between its members, undertaking, upon the request of those concerned, to bring about a friendly understanding in questions of a special character;

(e) To establish relations with similar organizations existing in Italy and abroad.

(f) To encourage improvements in banking technique and banking methods, and to undertake statistical and economic studies.

Membership in the association does not imply any responsibility on the part of the institutions and firms participating, with respect to the operations of individual members. Credit institutions, banks, and bankers, of Italian origin and nationality, established for at least five years, are eligible for membership. The association is divided into sections, in which members are grouped as follows: Co-operative credit institutions; ordinary credit institutions, with a capital not less than thirty million lire; ordinary credit institutions, with a capital less than thirty million lire; and private banking firms.



Courtesy*

THESE are times when competition in banking is quite as keen as in any other line of business. It must be borne in mind that a bank's principal stock in trade is the service it can give its customers. Other lines of business can specialize in one class of merchandise or another, where quality, price or design enter into the sale, but the banker has but one thing to sell and that is service.

Thousands of dollars yearly are spent by banks in advertising, all with the view of attracting to the bank the new customer. It is not enough that you tell him that he should save his money, pay his bills by check or rent a safety deposit box for his Liberty Bonds. What he is anxious to know is the kind of treatment he is to receive when he comes to your bank.

All kinds and conditions of humanity go to make up the bank's clientele. Probably in no other line of business can you so clearly observe the workings of the minds of your customers as in banking, for when you have to treat with the money side of their nature they are most sure to show their true self and thus we have the suspicious, the careless, the miserly, the exacting, the old, the feeble, the child, the foreigner, those ignorant of business usages, all of whom require patience and protection.

The common approach to all these customers is by courtesy. Through this medium the greatest service may be rendered. The following few suggestions may be of aid to officers and employees in the conduct of the bank's business and will make for better service:

Cultivate a cheerful disposition. Some one has said: "Be pleasant every morning until ten o'clock and the rest of the day will take care of itself." Cheerfulness begets cheerfulness. Cultivate a smile, not a smirk. We little realize how we radiate our personality and magnetism and the bank clerk who is cheerful radiates his personality and unconsciously draws others to him who are less cheerful.

Learn to say "Thank you," two little words which mean so much in our daily life and in our contact with others; two little words which many times will turn ill feeling into kindly feeling.

Try to get the good will of all people who come into your bank, whether they are your customers or not. Good will makes for friendship and once these people become your friends they will soon become your customers.

Be thoughtful of children. Remember that the child of today is your customer of tomorrow. Children are very impressionable. Try to observe children by a kindly word or act, which will remain long in the memory of the child and bring forth fruit at some future time.

Cultivate your influence in your community. Everyone has an influence that radiates from him. The very nature of the banking business gives you a prestige that should not be overlooked. Signify your position by exerting your influence, which will grow, and you in turn will extend your influence.

Try to do little favors for the bank's customers. If you are asked a question which you are unable to answer, see to it that the question is answered by some one in the bank who can answer it. Do not let "Mr. Customer" leave the bank until every available source of information is exhausted in order that the customer's question may have an intelligent answer.

Be patient with people who are not familiar with business usages. Never make fun of their seeming ignorance of business customs. Do not argue with your customers. Try to influence them by persuasion, never by argument.

Take extra pains to be courteous to old people. The employee who is courteous and considerate of the aged is sure to have many friends.

Do not contradict your customers, even if you know them to be in the wrong. Use all the tact you possess with the view of showing the customer wherein he is wrong, and after you have shown him consider the incident closed.

Be considerate of your fellow employees. Be loyal to your bank. Do what you can to promote public confidence, for public confidence is one of a bank's most valuable assets.

Try and bring business to your bank. Do not be content to just draw your salary. Be a business producer for the institution. You cannot succeed in your present position if your bank does not succeed and your efforts as a business producer are vital to its success.

Do not feel that your efforts are not appreciated. The officer or clerk who has to be patted on the back for everything he does is fast becoming an obstruction in his own path. Do not think that by slighting your work you are cheating any one but yourself, for in the last analysis poor and slovenly work is but a reflection upon your own capabilities and the satisfaction of a task well and neatly done brings a feeling of great content to your own mind which no spoken word can compensate.

Do not try for speed at the expense of accuracy. First be accurate and then must necessarily follow that speed will be added and your ability to dispatch work will increase.

Be careful in your conversation with your family and friends not to divulge the secrets of the customers in their relations with your bank. Perhaps nothing will do greater harm to the bank than to have its known that information is "leaking." The relations of a bank and its customers are sacred and bank customers are made up of all kinds of people and nearly all resent their affairs being talked about by others.

Get new ideas regarding your work. Submit these ideas to your officers. Familiarize yourself with the workings of other departments. Do not be a machine. Be ready to take up other work and remember that it is up to you when vacancies occur, whether they will be filled from within the bank or whether they be filled by an outsider who is better fitted for advancement than you are.

Be clean in your life, live within your means and remember that the power of example is the greatest guide we have. Be courteous, for courtesy pays the biggest dividends. It costs nothing to be courteous. Therefore, on an investment of nothing you can draw unlimited dividends.

*Facsimile of posterette, designed by Ernest J. Perry, president First-Fond du Lac (Wisconsin) National Bank.

Why State Banks Joined the Reserve System and What They Think of It

II.

IN the June issue of the JOURNAL there appeared the first installment of a compilation of replies received from state chartered banking institutions in response to the following questions:

- a. What influenced you to become a member?
- b. Are you satisfied with your experience?
- c. What benefits result to you?
- d. Have you changes to suggest?

The remaining replies are given in this issue, together with a statement by Pierre Jay, chairman of the Federal Reserve Bank of New York, reviewing the letters.

MISSOURI—(Continued)

"a. Two reasons. First, the writer, who was one of the organizers of this institution, has served over fifteen years in two national banks before coming down here and felt that we should either organize a national bank or else join the Federal reserve system, there being no national bank or member of the Federal reserve system in this county. Second, that such affiliation with the government system would give us a distinct position in the county and also enable us to act as a county depository for some of the smaller banks, with the rediscount privileges as a safeguard in times of stringencies. b. Yes, generally. c. The rediscount privileges have enabled us to buy heavily of commercial and cattle paper when we have had plenty of money in excess of local demand, which we would not have done without such a conversion privilege. Par clearance of checks and drafts is a sound feature. d. There is still room for improvement in several directions; one change that could be made in view of the tremendous earnings of all the reserve banks during the past year would be to allow a limited rate of interest on the realized reserve balance carried on deposit with them by member banks. If they are to be operated primarily for the benefit of the country generally and not for excess profits, why should not the same principle of the postal savings system as applied to individuals, also apply to the banks who combine their resources under government supervision, turn over to the government the amount of required legal reserve and receive no return therefrom unless they have occasion to use the rediscount privilege."

"a. We were influenced to become a member of the Federal reserve system because we believed it our duty to do everything in our power to strengthen the financial condition of this country, and this was called especially to our attention by the war conditions. We believed that great advantages would accrue to us in our service to our customers and that we would have an outlet for our paper which would enable us to be more liberal in extending credit and that we would be in a safer position in taking care of fluctuating deposits. b. We are very well satisfied with our experience as a member. c. Benefits resulting to us have been numerous. We have felt safer in the stability of our position and while we have used our rediscounting and borrowing privilege only moderately, the fact that it has been available has been valuable."

MONTANA

"We joined the Federal reserve system in December, 1917. Our 1917 crop was almost an entire failure. We have a large number of country bank correspondents whose requirements for 1918 we knew would be heavy. Considering business conditions we thought we would likely have to borrow heavily to take care of these bank correspondents. We thought

the Federal reserve would be in a better condition to help us than our city correspondents, upon whom demands from their customers would be quite as heavy as upon us. We wanted a connection where we knew we could get the money. We are satisfied with the results of our experience during 1918. We see no special benefits to be gained under ordinary circumstances. Federal reserve members should be entitled to receive government deposits, as are national banks."

"a. Patriotic desire to assist in making the Federal Reserve Act a complete success by having practically all financial institutions of the country included in its membership. b. Yes. c. The advertisement that goes with membership and privilege of rediscounting. d. No."

"We have your letter of the 4th inst. in regard to what we think of our connection as being one of the members of the Federal reserve system. Beg to state that if we were to do it over again we would become a member of this system, as we believe it strengthens a bank and helps to make it much more conservative in its management, as well as from the opinion of the general public. They have more faith in a national conducted bank than in a state system. In answer to your second question, beg to state that we are perfectly satisfied with our experience as a member. While it requires a little more work on our part, yet we feel that we are entirely recompensated in many other features as a result of the membership. One of the principal benefits that has accrued to this bank has been in its rediscounting feature. In this part of the country during the months of June, July and August we have been called upon by our farmer customers to supply them with the money needed until their crop is harvested. Inasmuch as our demand is greater at that season than at any other season of the year, we are obliged to rediscount with the Federal reserve bank quite considerable. This one feature is a great aid to this institution. In answer to the fourth question, we have no particular changes to suggest. If we were to make any suggestion it would be that the agricultural paper, instead of being for a six-months period, be made eight months. It would be much more satisfactory in the agricultural sections in order to make the paper eligible for discount with the Federal reserve bank."

NEBRASKA

"The financial interest all pulling together under one head would give greater strength during the great World War. That we might receive some help in financing the people to buy Liberty bonds, and also to increase the output of wheat in our section of the country. b. Yes, up to the present time. c. We have been able to rediscount at a less rate than we would have been able to do otherwise. d. I think that the Federal reserve banks should be able to pay interest on the balances held by member banks, the same as other banks where large balances are held."

"It had always seemed to us that it would be of material help to any bank or set of bankers in some given district that was for the present temporarily hard up about the crop, or some industrial disturbance to be able to discount their paper with the Federal reserve bank, and thereby carry a secondary reserve to be relied upon at all times under all conditions. It makes the banker feel better and also has the same effect upon the customer. We are very well satisfied as far as we have gone. The benefits that have resulted from our membership in the way of deposits has not been anything to speak of, owing to the bank guaranty law in the state, but it has been a source of a great deal of satisfaction to know that we could rediscount without having to depend on the individual whims of any one banker or set of bankers."

NEW JERSEY

"We believed it to be an advantage and have so found it. We are satisfied with our experience. Our checks are collectible at par through the Federal Reserve Bank of New York. The immediate advantage of securing loans and discounts at a fair rate of interest."

"We became a member of the Federal reserve system to help the general situation and because we thought that was the best and most direct method. We are entirely satisfied with our experience. Facility in making collections through the system; ability to draw on our reserves when necessary and in emergency, and the feeling that we could always borrow as a matter of right and not of favor should it become necessary. Under the same circumstances we would undoubtedly become members of the system."

"We felt that there was considerable prestige attached to the Federal reserve system for a state institution. And again, we could borrow at a much lower rate than we could from our other banks. Also that they pay the expressage of all currency that we ship them. That was quite an item for us, as we probably ship \$2,000,000 during a year, which cost us considerable. We are satisfied with the results obtained. About the only changes that we would ask would be that the Federal reserve banks allow some moderate rate of interest on deposits. The rate need not be so very high, but it would overcome the criticism that you are obliged to leave your money in the Federal reserve banks without interest. We find it a little inconvenient to renew a note that we have every fifteen days. We are borrowing from them, secured by Liberty bonds, and the note can only be made for fifteen days. They will grant renewals, but it is inconvenient to be obliged to renew so often. If they could take a note with government security as collateral up to three months, it would be much better. They have been most courteous to us in every particular, granting us any loan that we wished at a low rate of interest. On account of joining the system we have found it necessary to close one of our New York accounts."

"We considered in the first place that it was a duty and in the second place we thought it would be a good business. Yes—we are satisfied with our experience. It is a practical form of banking insurance. It enables us to finance with ease our government committant. It encourages proper banking methods and makes liquid our commercial paper and trade acceptance."

NEW YORK

"We believe the Federal reserve system is the best banking system in the world, and that it is absolutely necessary to make it a success, and in order to do so it should be as strong as possible, and our desire to see it a success influenced us to become a member. We are absolutely satisfied with our experience. The ability to rediscount on demand and numerous other minor benefits."

NORTH DAKOTA

"a. The entrance of the United States into the World War and demoralization of the finance and business of the country coupled with the inability of individual banks to meet the legitimate needs of its customers in times of stress. b. Yes, with one exception. c. During the year of 1918—following a poor crop from previous season, and during which time North Dakota had to subscribe and finance its quota of Liberty Loans, we were able to care for all the legitimate needs of our customers by rediscounting farmers' notes with the Federal reserve bank. d. Yes, Federal reserve banks have and will continue to make enormous profits and should pay interest to member banks for daily balance on reserve carried with reserve banks which, under present regulations, are idle funds so far as member banks are concerned."

"Our reasons for joining were as follows: In the first place it was patriotic to do so. It was helping the government protect the banking system which has been tried out during the war period and has stood up in a way that I believe we

should be proud. Prior to the establishment of these Federal reserve banks it is my impression that the United States had the poorest banking system of any civilized country in the world. Second. It shows us that when we loan money we have the privilege of rediscounting and do not have to ask favors from our correspondent banks. If our loans are made as specified by the government ruling, all of our paper is eligible for rediscount. That places the banker of today in position so that he can go home at night and sleep and know that no money panic or other uncertainty is going to affect his institution. His deposits may be hard hit, but his business goes on just the same. Third. We are perfectly satisfied with our experience with the Federal reserve system and at different times have rediscounted quite freely. We would not be favorable to not being a member of that system. We are interested in other banks, and as their business grows we want their capital stock to be increased so that they may also share the benefits."

OHIO

"We were influenced to become a member of the Federal reserve system from a patriotic standpoint during the war, and to assist in centralizing the banking resources of the country and more completely mobilizing the credit system. We are particularly well satisfied with our experience in the system. Some of the leading benefits to us arise from our being able to operate with a less reserve in cash and with reserve agents than under our state law, and the funds so released can be profitably invested in either government or other short-term securities, bringing to us a higher return than we found possible under the state requirements, so that we feel that we have suffered no loss in the way of earnings by joining the Federal reserve system. It has occurred to us that institutions in our class, members of the system not doing an active commercial business, would be greatly benefited by a change in the law which would permit of temporary loans on selected bonds somewhat along the line of facilities afforded by the War Finance Corporation. This would prove inviting, we imagine, to a large number of trust companies and savings institutions which carry a large line of bond investments and under existing arrangements have no available commercial paper on which to secure temporary advances should contingencies arise. However, in making such a change we would oppose any plan which might impair the effectiveness of the system as a whole, or curtail in any great measure the liquidity of the assets of the Federal reserve banks."

OKLAHOMA

"We became a member of the system because we believe it to be our patriotic duty, and for the further reason that we believe in the merging of all individual banks into one great system, which no doubt strengthens our financial position in the world. Answering question b will say, generally speaking, yes. Cannot say that we have received any particular benefits. We are located in the heart of an oil district and the Federal reserve bank discriminates against oil men's paper. I would suggest that a good, reliable and substantial oil man is entitled to a reasonable credit through the Federal reserve system. That is, through his local bank. In conclusion, permit me to say that I believe the Federal reserve system saved the day financially in the United States."

"We have made application and joined the system for the primary reason that we felt it our patriotic duty to do so. Feeling that a system so devised as to withstand and avert a world money panic at a time that the country under whose law it was operating, was then preparing to enter the most gigantic of all wars and did so without scarcely causing a tremor in the financial world, was worthy our consideration and assistance if we could be of any service. We feel that the turning of all the banking resources through the several systems is sufficient concentration of same to meet all requirements. We are quite satisfied with our experience in the system and find that we are accorded most everything we are entitled to. c. The satisfaction of knowing that so long as we conduct a legitimate banking business, we are in no way disturbed about not being taken care of when matters become stringent in our locality. The only objection we have to offer is that they ask just a little too much in the way of small matters. Of course, we know that what money they

failed to make over and above the 6 per cent. dividend we would have to put up some other way, but we felt they were a little inconsistent in asking member banks to lay aside the idea of profits during the war, but they insisted on making a charge for a scratch of pen."

OREGON

"We were influenced to become a member of the system more as a patriotic duty than any other reason. It was our belief at the time of making our application for membership that the financial interests of the nation required the support of every bank qualified for membership. Our experience has proven very satisfactory. We do not know of any special benefits that have resulted by reason of our membership. This bank has never had occasion to ask for rediscount accommodations, being in the fortunate position as a purchaser of paper and securities. In view of the high rate of earnings of the Federal reserve banks, we believe that member banks should be allowed interest on their daily balances to compensate them for the loss on this account which they sustain by reason of being required to maintain their reserve with the Federal reserve bank."

"a. Patriotism. Prestige. b. We are sufficiently satisfied that we would not return to the old system. We avail ourselves of the rediscount when necessary, but the constant assurance that this privilege is available results in great benefits. I believe after giving consideration to the profits accruing to the government through the Federal reserve banks that the governing board will be fully justified in paying a nominal rate of interest on balances—1½ per cent., for instance, or even 1 per cent. Had we the last two years to go through again, knowing what we do now, we would join the Federal reserve system."

PENNSYLVANIA

"In the first place, our aim was we could do our share more successfully in the financing of the war proposition by being members of the reserve system than we could by working singly. We found in order to do our share and still accommodate our customers, as would naturally be expected by us, it would be necessary for us to reach out a little further than we had been doing, and get a rediscount on our government securities in the shape of collateral and borrow funds for the proposition, which could be done to better advantage by being a member of the Federal reserve system than by depending entirely on our New York and Philadelphia correspondents. By joining the system we have been enabled to take as much of the government securities as was considered our share, even though our own customers did not subscribe for the full amount of same. Thus we have been able to do that without any special difficulty. However, we believe it would have been somewhat of a problem for us to have done this if we had not been members of the system. We have been entirely satisfied with our experience as a member of said system and feel that it would have been almost impossible to have financed the war proposition without the operation of this system or some other system that would have been equally as good. At the present time we do not wish to offer any suggestions looking toward a change. To be frank, I will say this: Our main reason for joining was to render all the assistance possible in the financing of the war securities, and we thought we would be in a very much better position to do it by being members of the Federal reserve system than by remaining outside working along individual lines, and have found this to be the case. Thus, up to the present time, we have been very much pleased that we have joined."

"We joined the Federal reserve about a year ago in compliance with the urgent request of the President and the Federal Reserve Board for the mobilization of financial resources during the war. b. Yes. c. Our ability to borrow and rediscount (neither of which we have used) and ease in obtaining currency and transfer of funds. d. Changes which we would suggest would be some division of earnings to stockholders, either in the form of increased dividends or interest on balances, and better co-operation between the Federal Reserve Board and the State Banking Department to prevent the work entailed by too many calls for statement."

RHODE ISLAND

"I answer seriatim the questions asked in your letter of the 4th inst.: a. Protection. b. Yes. c. Peace of mind. d. No."

SOUTH CAROLINA

"We were influenced to enter the Federal reserve system by the appeal of our great President, Woodrow Wilson, and because we felt that we were receiving an indirect benefit from it without bearing a correspondent share in the burden of the collection system. We are in a section where there are a large number of non-member banks and trust companies, and we are having to remit all items on us at par while only a small proportion of the items we have for collection can be handled at all by the Federal reserve bank. The result is, the connection is very expensive to us indeed. c. Chiefly a feeling of security in that we have a place of rediscount that is always open to us. We have never had any trouble in getting from our old connections all the money we needed, but we realize that in panicky times it might not always be possible for us to rediscount or borrow as freely from old connections as we could rediscount with the Federal reserve bank. d. Yes, two. First: The Federal reserve bank should not handle, and require its member banks to remit at par, for items received from it by member banks bearing the indorsement of a non-member bank. This would go far, in my judgment, in reducing the cost of the connection to us. Second: The Federal reserve bank last year made a large profit, all of which it turns over to the government except the 6 per cent. paid to its stockholders. I am perfectly willing that the system should make a profit for the government, but there is no question about the expense of the service it renders members like ourselves being too high. During the war we felt that we could afford almost anything that would help our government, but the war is over now, and unless the connection can be made less expensive for us we feel that we will be forced, in the interest of our stockholders, to withdraw from it. Another thing I might mention is that we think the Federal reserve bank is too slow in giving its members credit for items forwarded them. Not infrequently they are more than forty-eight hours behind other banks in their city in handling our items."

"From a sense of patriotism and a desire to help the country mobilize its banking resources during the war, we agreed to join the Federal reserve system for the duration of the war. Our experience not proving satisfactory, we wrote the Federal reserve bank whose district we are in, intimating that we intended to withdraw. A deputy Federal reserve agent called on us in response thereto, and explained a good many things which make the restrictions appear necessary from the Federal reserve system standpoint, yet at the same time it works a hardship on us. Our state law permits us to purchase the paper of any concern, excepting that in which our directors are identified, in excess of 10 per cent. of our capital and surplus. The Federal reserve system will not only discount in excess of 10 per cent., but will not discount any if we have in excess of 10 per cent. We have found that they are stringent, but it is rather difficult in small towns to get current statements, and credits are based on personal character and acquaintance with the applicant. The Federal reserve bank will not discount a note of one of our customers in excess of \$5,000, but it is rather difficult in small towns to get current statements, and credits are based on personal character and acquaintance with the applicant. The Federal reserve bank will not discount a note of one of our customers in excess of 10 per cent. of our capital and surplus, said note being for 90 per cent. of the Liberty bonds for which the proceeds of the note are used to purchase. You can readily see that the larger banks can afford to keep their data in such a way as to meet the approval of the Federal reserve system and to have at all times a sufficient amount of acceptable paper which they can rediscount to meet their needs. But it would appear to us that the Federal reserve system will have to be revised so as to make it more elastic if it is to serve the country banks acceptably."

SOUTH DAKOTA

"We joined the Federal reserve system largely as a patriotic move; as it was said by the government that at least

the larger city banks ought to join the system, and for that reason we joined. As to our being satisfied with our experience with the Federal reserve system, I beg to state that, generally speaking, we would rather deal with other eastern banks, where we have an established line of credit; but there is no question that the Federal reserve system is of a great benefit to the banking institution. From a purely financial or selfish standpoint, I believe a bank can make more money by staying out of the system and doing business with private banks, where you receive interest on deposits. I cannot see why the Federal reserve bank could not pay a small amount of interest on balances left with them and time of borrowing changed from fifteen to thirty days. Generally speaking, we are very well pleased with the Federal reserve system, and under no conditions would we like to see it abolished."

"a. Possibility of a source of rediscount. b. No. c. None. d. That they pay interest on daily balances the same as any other reserve bank. We feel that we are losers about \$1,000 a year through loss of exchange and interest, and get no benefits. The writer has had experience in a state bank outside of the system, and after being with this bank, a member of the system, I would not advise any one to join. I find that our competitor, not a member of the Federal system, has just as good opportunity for rediscounting as we have."

"In reply to your questions: a. Patriotism. b. No. c. None. d. National banks are preferred; get credit for Liberty Loan subscriptions. State banks never mentioned, except with a slur."

TENNESSEE

"The only reason that influenced us to become a member was purely and simply a question of patriotism, believing that we should add our resources in the mobilization of other resources of the country for support of the country during the war. This is the sole and only reason of our joining the same. As to the changes I would suggest, I hardly feel as though I am competent to say, but I believe the Federal reserve system should divorce itself from the banking business which could be performed by its members and which is in reality a prerogative of its members. The Federal reserve system of itself is a magnificent idea and it is an advance in our banking system, but it should be divorced from politics and put on a pure and simple business basis."

TEXAS

"a. The financial condition of the world and the fact that we believed it would enable us to better care for our customers. b. Yes. c. It is not necessary for us to carry as large a reserve, we can rediscount our customers' notes at a better rate than we can borrow money in New York and know that we can get the money at any time; the Federal reserve banks are so placed over the country that we are enabled to become personally acquainted with the management, making our transactions more satisfactory. d. There are, no doubt, many changes that would make this system more satisfactory; however, we find that by complying with their requirements we have no trouble in getting what we want."

UTAH

"We were influenced to join more through patriotism than anything. b. We are well satisfied. c. Ability to rediscount at lower rates than we have ever been able to do with our correspondent banks, and for much larger amounts in the aggregate. d. No. Everything is working as well as we could reasonably expect. In conclusion, would further say that we have been able to reduce the number of our correspondents and carry larger balances with them and at the same time keep up our required reserve with the Federal reserve bank than we were before. In the past we had opened accounts in different cities in order to take care of discounts at times when they would be required, but now they are no longer necessary for this purpose."

"a. President's appeal as patriotic duty; to satisfy a foreign population as to our safety; to be in a position to benefit by discount privileges if desired. b. Entirely so. c. Satisfac-

tion of having done our patriotic duty. d. Since earnings of reserve banks are so great, a greater return on investment should be made. Why cannot a small interest be paid on reserve balance?"

"We joined the Federal reserve system about one year ago when the war was at its height, believing that all banking institutions should share in the burden of the government and that the Federal reserve system was the institution that would have to finance the war. We are satisfied with our experience, although we cannot see that we are materially benefited, except in a general way. The benefits that result to us are the feeling of security that the Federal reserve bank offers to member banks, enabling them to loan down to a closer margin of reserve than we otherwise would do. We have no changes to suggest."

VIRGINIA

"a. Because we thought there were many advantages in taking membership. The rediscount privilege is a most useful one, and then we think that the advertising is worth considerable, especially for a state bank. b. We have been very well satisfied with our experience. c. Under this system we are required a smaller percentage of reserve which has its benefits. d. As to changes, we think that several could be made which would improve the system, one is that we think that member banks should be paid a small income on the required reserve and we also think that the Federal reserve system should rediscount for the member banks at a lower rate of interest. Our idea was that this system was not supposed to make a great deal of money and while they do make large amounts of money."

"We joined because we thought the system essential to our business. We are satisfied with our experience to the present time. Benefits include immediate availability of funds when needed and at attractive rates."

"In my judgment, membership in the Federal reserve system for banks situated as we are is practically necessary, if we want to grow and keep pace with the development of the communities in which we are located. The benefits that we have received from our membership are almost too numerous to mention, and I firmly believe that, had we not entered the system, we would have been obliged to curtail our business very materially. There is not a single thing that I could criticize, and as time goes on the system is being made stronger and more attractive. I unhesitatingly advise every bank operating under a state charter and who are entitled to membership to join. The system will never be made a complete success until all the banks in the country become members, and, aside from every other reason, I believe it is their patriotic duty to do all that they can to make it the success it is destined to be."

"Our bank was the first state bank in the United States to make application for admittance to the Federal reserve system, and we were influenced in doing so because we thought we saw that this system would be of great value to the people of this country and especially to the banks; of course, we could not then foretell the terrible war and all of its consequences, but everybody will concede that it was almost providential that this system was provided for prior to the declaration of war. We are satisfied with our experience. The benefits resulting to us are not as large as they would be to commercial banks, but it is a great comfort to us to know that should a sudden demand for money arise that we have a place where we can go and get the funds in case we need them. And that sense of security is to our minds sufficient compensation and direct benefit. The only change which I can suggest has been brought to the notice of the Federal Reserve Board heretofore, but without any results, namely: there should be a closer union between the national banks and the state banks which are members of the Federal reserve system. It occurs to us that it is the policy of the department to always mention national banks, showing their growth, etc., thus impressing the public with the additional security of the national banks to the detriment of the state

institutions. It seems to me it would be very much better if it could be said of the 'members of the Federal reserve system instead of national banks only.' This is not said in any spirit of criticism of the Comptroller's office, because I have the very highest regard for the ability and integrity of the present incumbent of the office and, in my judgment, needs no defense against any assault or insinuation of misconduct that may be made against him. Knowing him as I do, I am fully convinced that there is no officer in the Federal Government that will discharge his duties on a higher plan than he will, and his enemies will find it very troublesome to bring any charge against him that can be proven. The suggestion which I make is one that I have thought over a great deal, and I believe if some action was taken along that line that it would help to bring the state banks into the system in much larger numbers than heretofore. I believe it arouses a spirit of antagonism instead of all the banks working together for one purpose."

WASHINGTON

"a. To have their resources behind the bank, with the benefits they give in the line of rediscounting our paper when we are in need. b. Yes, do not know what we should have done without them during the past two years of the great war. c. We can consider the notes in our pouch as liquid assets. d. None at present."

"When we applied for membership in the Federal reserve system some of our directors were doubtful as to the benefits we would receive from so doing. After having been in the system one and one-half years, they are of the unanimous opinion that it has not only enabled us to take better care of ourselves, but has been a money-maker for the bank."

"Answering your questions seriatim: We were influenced to become a member because having watched the growth of the Federal reserve system and recognizing its strength and stability, and the marvelous manner in which it passed through the troublous times of the early days of the war, we believed it our duty to assist in strengthening it. In other words, since we were receiving the benefits of the system, we felt it was no more than right that we should participate in its responsibilities. Looking at it from a selfish standpoint, we believed we would be in a better position to take care of our customers if we were members of the system than if we were not. Experience has proven that the system was all we had anticipated. We are well satisfied. The benefits we have received are our ability to rediscount freely and stabilize our reserves as well as to carry lower reserves than we had previously carried. The profit from this operation alone has been enough to pay more than our average loaning rate on the amount of reserve we have carried without interest. The check collection system has saved us many hundreds of dollars, to say nothing of the added facilities of direct routing. The only change we have to suggest is that we believe some arrangement should be made whereby the Federal reserve banks would purchase the float of member banks. By float, we mean checks on country towns and cities where there is no branch of the Federal reserve bank. These checks are drawn against existing balances and usually bear the indorsements of one or more firms, individuals or corporations, in addition to one or more banks. This would seem to make them the highest and most liquid class of paper the Federal reserve could handle. By discounting this paper at, say, 3½ or 4 per cent., members would be enabled to use money which at this time is tied up and make a small profit on it. As matters now stand, banks are carrying not only the legal reserve, but also the secondary reserve which usually runs higher than that required. In reply to your last question, if we had it to do over again, we would join the system as soon as our directors could pass the necessary resolutions and we could get the papers made out."

WEST VIRGINIA

"We were influenced to become a member for patriotic reasons and for the further reason that we thought the system would finally become the banking system of the United States, and we, therefore, joined for the reason that we wanted to become a part of and assist in its workings, recognizing at the same time that it had defects. We must confess that we

are not satisfied with our experience. First. It has locked up a large part of our reserve upon which we had been getting interest and to the extent of that interest is an entire loss to us. On the other hand, the Federal reserve bank has made large earnings of which, we understand, we only get a small share. Second. It seems to us as if the Federal reserve banks are run upon the basis that we have to do business with them and not with that spirit of consideration that one meets in doing business with a privately owned bank. In other words, the impression seems to be in Federal reserve banks that it is not incumbent upon them to give service, but to require service. We believe that inasmuch as a large part of our reserve is tied up in the Federal reserve bank without interest that we should either get interest upon our balances or be allowed to participate to a greater degree in the earnings upon our investment in the stock of the bank."

WISCONSIN

"Our reason for becoming a member was because it was our patriotic duty during the war. Our experience has been perfectly satisfactory. The benefits derived in our case are only in favor of the Federal reserve bank. We would suggest that the Federal reserve bank allow us a liberal charge for exchange, and also pay a small per cent. upon our required deposit. If they would meet us along those lines we see no reason why all state banks would not join the Federal reserve system. By our joining we have practically lost all charges of exchange, received no interest on our deposit, and after figuring it up, find it amounts to about \$10,000 alone to our bank. I think this is worth while expressing an opinion. As to what we are apt to do by remaining in the system I am unable to say at this time."

Statement by Pierre Jay

I have been asked to write briefly concerning the policy of the Federal reserve banks in not paying interest on deposits, about which so many of your correspondents write, and which the Nebraska banker expresses as follows:

"(d) I think that the Federal reserve banks should be able to pay interest on the balances held by member banks, the same as other banks where large balances are held."

PRESENT LARGE EARNINGS TEMPORARY

In the first place, let it be said that during 1918 the Federal reserve banks would have been "able" to pay 2 per cent. interest on balances, and the same will doubtless be true during 1919 as well. But the earnings of these two years are as exceptional and extraordinary as the great war itself; they are a mere financial reflection of its magnitude. No one anticipates that these earnings will continue, for this would demand a continuance of the present great expansion of credit and prices. Congress itself has recognized the temporary character of this by-product of war inflation and authorized the reserve banks to retain the windfall as surplus, as a governmental contribution to strengthen their capital account.

If, then, we may consider the present situation as wholly abnormal and temporary and may confine our discussion to what is likely to be the position of the Federal reserve banks in normal times, we shall be apt to reach more normal conclusions.

REASON FOR THE ESTABLISHMENT OF THE SYSTEM

In the autumn of 1907, after many years of experience with a system of administering bank reserves under which the reserves of banks were largely kept on deposit with other banks of the same general type.

we became convinced that there was something wrong with the system and set about to remedy it. *Elastic currency*, on which our attention was first focused, was soon seen to be but part of the greater requirement of *elastic credit of all kinds*, and this led directly to recognition of the *concentration of reserves* as the primary reform to be effected. We had had more than one clear demonstration that but very limited credit elasticity resulted from depositing the reserves of commercial bank A with commercial bank B. For the B banks, acting as reserve agents for the A banks, were compelled by competition to allow interest on deposits; and in order to earn enough to pay both interest to depositors and dividends to stockholders were obliged to keep their funds invested fairly close to the legal limit. Consequently, when any sudden demand for credit arose there was found to be but little reserve credit-making power in these banks; different groups of borrowers competed with one another for such credit as was available; interest rates rose sharply; on certain acute occasions the banks had to create the additional credit required through the medium of clearing house certificates; and the panics or stringencies which usually accompanied such action set back industry for months or years and caused untold losses to the business and labor of the country. Our bankers and our statesmen finally agreed that the situation called for an assembling of bank reserves into a reservoir of such size and strength that there would never be any question of its ability to provide all the credit which any sudden demand might require without having to curtail existing credits to meet the new demand. The Federal reserve system was accordingly created, primarily for this purpose.

THE SYSTEM MUST KEEP LARGE CASH RESERVES

Since the outset it has been operated not for profit but for service. The experiences in this country which preceded its formation and the practice of the European central banks all emphasized the necessity for maintaining normally a very large cash reserve, which means a very large credit-making power. The managers of the reserve banks have felt that they should normally maintain much higher reserves than the minimum of 35 per cent. on deposits and 40 per cent. on notes which Congress prescribed. When America entered the war the reserve system had a cash reserve of about 85 per cent., and it was this great cash reserve of the Federal reserve system which enabled the banks confidently and without hesitation to support the war finances and which has kept our banking position strong and sound.

What would have been the situation when America entered the war had the Federal reserve system been endeavoring to pay interest on deposits? On April 5, 1917, the day before the declaration of war, the deposits of member banks with the Federal reserve banks were \$758,000,000. To pay 2 per cent. on these deposits would have required yearly earnings of \$15,160,000. The investments of the Federal reserve system on that date were: Bonds and warrants, \$125,000,000; bills bought in the open market, \$83,000,000; discounts for member banks, \$18,000,000;

total, \$226,000,000. The earnings from these investments were at the rate of about \$6,400,000 yearly, which were sufficient to pay the expenses of the reserve banks and part of their \$3,400,000 annual dividends, \$488,000,000 additional would have to be invested in bills, in the open market, at the then current rate of 3.10 per cent., to have created the \$15,160,000 of earnings necessary to pay interest on deposits. As a matter of fact, this would have been impossible as there was no such volume of bills available. But to carry out the hypothesis to its logical conclusion: this investment, unless it had resulted in increased deposits in the reserve system, which would have been likely, would have reduced the reserve of the system to about 13 per cent. It does not take much imagination to see how impossible our war financing would have been had the reserves of the reserve system at the beginning of the war been 13 per cent. instead of 85 per cent. There would have been neither the confidence nor the financial strength to have undertaken the burdens of the war.

THE SITUATION TODAY

The fact that today the system is earning enough to pay interest on deposits is due to intensely heavy rediscounting by member banks under the greatest pressure for credit which the country has ever known. Instead of the \$18,000,000 of member bank discounts of April 5, 1917, there were on April 5, 1919, over \$1,800,000,000 of such discounts. The banks of the country are not habitually heavy borrowers and in due course their borrowings from the reserve system will doubtless resume normal proportions. Yet, to pay interest on the \$1,655,000,000 reserve balances now held and to cover operating expenses and dividends would require annual earnings of about \$50,000,000. To put such a heavy fixed charge on the Federal reserve banks would be to require them constantly to keep such a large volume of their funds invested that they would cease to be "reserve" banks at all, and would be obliged to follow generally the practice of commercial banks and trust companies in investing their funds, thereby negating the value of this great reform and practically putting us back to where we were before it was effected.

RESERVE BANKS AS STABILIZERS OF CREDIT

There is another fundamental reason why the Federal reserve banks should not be under pressure to earn enough to pay interest on deposits. One of the most important functions of the Federal reserve banks is that of the stabilization of credit, and they should always be in a position to act with the utmost freedom in putting out or withdrawing their funds, as the situation may require, to decrease or increase the amount of credit available in order to keep credit and interest conditions steady.

In times of credit ease, the more abundant credit became, the more of their funds the Federal reserve banks would have to invest in order to earn their interest charges. It does not take much reflection to see how *unsteady* this would be to credit conditions; nor how adversely the low interest rates it would create would affect the earning power of the member banks!

OFFSETS TO LOSS OF INTEREST ON DEPOSITS

Congress, in creating the Federal reserve system, recognized that a more scientific administration of banking reserves implied a more economical administration as well, and accordingly reduced the amount of reserves which member banks are obliged to maintain, and many states have also done likewise. For example, a national bank with \$1,000,000 of demand deposits formerly had to carry \$150,000 of reserve, of which \$60,000 had to be cash in vault and \$90,000 might be deposited with other banks. The income on this \$90,000 at the usual 2 per cent. rate was \$1,800. This income the bank now loses by keeping its reserves, without interest, at the Federal reserve bank. But the Federal Reserve Act has now reduced the total required reserve to \$70,000, all to be maintained in the Federal reserve bank. Assuming that the national bank finds it necessary, besides, to carry about \$30,000 in cash, it is apparent that its total reserve has been reduced from \$150,000 to \$100,000, giving it \$50,000 additional which it may invest. At 6 per cent. this would yield \$3,000, more than offsetting the loss of interest formerly received on reserve deposits. A bank which has a large volume of time deposits, as is frequently the case, especially in country districts, would show a still further offset to the loss of interest, as the reserve on these deposits has been reduced from 15 per cent. to 3 per cent. In the foregoing figures no allowance has been made, on account of the variations in conditions, for the cost of carrying float formerly sustained by reserve balances.

What is more likely to happen, however, and what has happened in the case of so many banks under the expansion of deposits which the war has required has been this: Formerly \$150,000 of reserves sustained \$1,000,000 of deposits. Now, assuming, as above, that \$100,000 of reserves will support \$1,000,000 of deposits, the bank finds that the \$150,000 of reserve it was formerly holding will support \$1,500,000 of deposits. These additional deposits have gradually been created and on the other side of the account the bank has \$500,000 additional notes, which, at 6 per cent., would yield an income of \$30,000 less such interest as might be allowed on the additional deposits created, but certainly far more than enough to offset the loss of \$1,800 interest formerly received on reserve balances.

SUMMARY OF SITUATION

Briefly summarized, the situation as I see it is as follows:

1. *The Federal reserve banks do not and should not pay interest on deposits:*

- (a) To keep their liquidity and conserve their strength for sudden heavy demands which may be made upon them;
- (b) To maintain freedom of action effectively to stabilize credit conditions.

2. *The loss of interest formerly received by member banks on their reserve balances is offset by—*

- (a) Lowered reserve requirements;
- (b) Currency facilities; shipments to and from Federal reserve banks being made without cost to member banks;

(c) Rediscount facilities; which thus far have usually been effected at somewhat less than rates charged by correspondent banks;

(d) The feeling that, because of their membership in the Federal reserve system, banks are justified in lending and investing more closely than heretofore. This, when it may properly be availed of, is often the most important offset of all.

No mention is made of the benefits of the more scientific collection and transit system the Federal reserve banks conduct for their member banks, the very large cost of which is absorbed in their operating expenses, as this should perhaps be considered as a separate matter and as an offset to the loss of exchange through par remittances. Nor is any mention made of the services of the Federal reserve system during the war, nor of what in normal times is the greatest offset or benefit of all; namely, the mere existence of the system and its creation of what one of your correspondents has called "peace of mind" for every banker and business man in the country.

BANKING METHODS ARE CHANGING

We are in the midst of accustoming ourselves and adjusting our business to a great banking reform which I believe no banker, whether a member of the system or not, would consent to have undone. Most member banks, whether national or state, I believe, are satisfied with it; many frankly admit that it has increased their earnings and, without profiteering, are making profits from membership. May it not be that many of those who believe that membership is costing them money have neither made a careful study of the system nor changed their methods in such ways as to enable them to take legitimate advantage of its privileges and services?

We are entering a new era. America needs the most scientific tools it can create to enable it to succeed in the great international industrial competition which seems likely to arise. The need is no less in banking than in other elements of the industrial whole. We have a new banking system which has been tested and found a tower of strength under war conditions. If it needs changes to adapt it to equally important services under peace conditions they will doubtless be made, but, in making them, *principles* must not be sacrificed. One of the fundamental principles of the system is the maintenance of its strength and its freedom of action through freedom from any commitment to pay interest on deposits. That is the keystone of its strength, and while it is perfectly natural to "think that the Federal reserve banks should be able to pay interest on the balances held by member banks, the same as other banks where large balances are held," I believe that any banker who studies the situation will be satisfied that Federal reserve banks should not be operated "the same as other banks where large balances are held." The fact that they have *not* been so operated has enabled them to carry this country through the war and keep its banking position strong and sound. A continuance of this policy will be equally necessary, and also advantageous to bankers and business men, under the new conditions which are before us.

How Careful People Keep Their Liberty Bonds

By R. D. BRIGHAM

Assistant to the President Anglo-California Trust Company, San Francisco

A GREAT many people have asked us how and why we decided to take care of Liberty Bonds free of charge for the public. The plan has become so well and favorably known that it is particularly interesting to relate that the idea originated with the head of one of the leading religious organizations in California. This man, ever mindful of the best interests of his people, came to us last Fall and told us that a great many members of his church were selling their Liberty Bonds or were losing them by theft or fire. He asked us to find a remedy for this deplorable situation. Here were people who had gone without many luxuries and necessities in order to cooperate with the government and purchase Liberty Bonds and they now were selling them at a loss. Upon investigation we found that a great many people were selling or losing their bonds because they did not have a safe place to keep them.

The officials of our institution immediately decided to inaugurate a general program of safe keeping Liberty Bonds for the public, free of charge. We did not expect any financial gain from the service. We only could see a great deal of work ahead of us in carrying out the plan, but the government thought it was a splendid idea and urged us to carry it out.

Since that day last December, when we installed our Liberty Bond plan, thousands of people have brought their bonds to us for safe keeping. One and all they seem to greatly appreciate the service, because it is truly an exceptional service. There is a touch of the dramatic to the depositing of Liberty Bonds by many people. One man came to the bank early one morning before banking hours and deposited three bonds. We noticed that they were slightly burned on one corner. Upon questioning, the owner said there was a fire in his home the night before and that the bonds were saved after much difficulty. The fire brought home the value of a Liberty Bond safe keeping service. A woman came to the bank and said she had not been able to sleep all night for fear of losing her bonds. She had received the bonds the day before from another bank and had kept them in the cupboard over night. Without exception, people heave a sigh of relief when they deposit their bonds, because the bonds often represent the savings of a lifetime and their loss would be a calamity.

When people bring their bonds to the bank, we issue a special pass-book with a description of the bonds listed therein. The bonds are then stored in our vaults and as the interest becomes due the coupons are clipped and the amount placed to the credit of the depositor's savings account which is part of his Liberty Bond account. In other words, each Liberty Bond depositor is automatically a savings depositor and these Liberty Bond accounts are the beginning of many worth-while savings accounts.

Rather than have people sell their bonds at prevailing market prices, the bank will loan up to ninety per cent. of their face value. The bank will also convert bonds from one issue into another at the discretion of the depositor. The service is complete in every detail and is much more efficient than could be secured by the average depositor handling his own bonds.

As a result of the Anglo-California Trust Company's experience in handling Liberty Bonds for depositors, the bank has become a sort of clearing house for ideas and methods to use in this kind of work. Hardly a day passes, but some bank on the Pacific Coast writes for complete information regarding the service. When the bank decided to inaugurate the plan the first thought was how to make it a complete success and how to bring it before the attention of the public. The officers of the bank had been making a study of the value of advertising for some time and they knew that advertising is most productive when the advertiser puts the interest of the buying public first. The officials knew that they had a proposition that considered the owner of Liberty Bonds first and they believed that if the plan was advertised judiciously, the results would be far-reaching. They believed that a bank could use advertising in a dignified way and obtain as good results as any other straight-forward business men in other lines of business endeavor.

The results obtained from the Anglo-California Trust Company's advertising has fulfilled the fondest expectations. People open Liberty Bond accounts as a direct result of the advertising. They are able to tell us where they saw the advertisements and why they were influenced in bringing their bonds to us for safe keeping. It is particularly interesting to know that newspaper advertising has been very helpful in increasing the number of our Liberty Bond depositors. Other mediums of advertising are very helpful, but newspaper advertising seems to come closest to the hearts of the people.

EDITOR'S NOTE:—Through the use of a unique combination pass-book having columns for a record of deposit or withdrawal of Liberty Bonds and War Savings Stamps, as well as cash, the problem of acting as custodian of these securities in conjunction with savings accounts, is solved by this Pacific Coast Company in a very satisfactory manner. Attractively illustrated newspaper advertisements with such headings as "What shall I do with them?" "How thrifty people keep their Liberty Bonds" and "Do you understand our plan?" have brought a large number of bonds and stamps to this company for safe keeping, and hence, placed them beyond the reach of thieves, crooks, or loss by fire.

Mississippi Valley Development

By C. F. HERB

Vice-President Hibernia Bank and Trust Company of New Orleans

THE Mississippi Valley Association was organized at a meeting held in the city of New Orleans in January of this year. This meeting was called by the New Orleans Association of Commerce, and was attended by representative bankers and business men from all the states comprising what is known as the "Mississippi Valley." At this meeting the temporary organization was formed, and at the first annual convention of the association, held in

The states which may properly be included in the Mississippi Valley contain 70 per cent. of the farm acreage of the United States; produce 76 per cent. of the wheat, 60 per cent. of the bituminous coal, 47 per cent. of the lumber, 70 per cent. of the cotton, 55 per cent. of the wool, 69 per cent. of the petroleum, 94 per cent. of the iron ore, 85 per cent. of the corn, 81 per cent. of the hogs, 52 per cent. of the sheep, 74 per cent. of the cattle of the nation. In addition, 51 per

MISSISSIPPI VALLEY ASSOCIATION REGIONAL MAP



Chicago April 23 and 24, the permanent organization was completed.

The objects of this association are to develop an economic transportation system by encouraging river shipping; to develop, equip and use the Gulf ports which are nearest of access; to promote a community spirit between the principal cities in the valley; and above all, to develop a Middle West consciousness of the enormous agricultural and industrial power in the Mississippi Valley states.

cent. of the voting population of the United States resides in the Mississippi Valley.

The men who first conceived the idea of organizing this association did not have in mind antagonizing the commercial interests of any section of our country, but felt that now was the opportune time for the people of the Mississippi Valley to awaken to a realization of the enormous commercial power and wonderful natural resources within their own states and to secure for the Middle West a portion of the world's trade, partic-

ularly with Latin-American countries, to which it is entitled, by reason of proximity and productive ability.

The territory included in the Mississippi Valley has been divided into regions or districts, from each of which a vice-president has been elected, as it was felt that the extensive interests of the valley would be better served by personal representation in the organization from different regions. Such regions are shown in the accompanying map of the territory tributary to the Mississippi river.

The policies of the Mississippi Valley Association also include plans for the formation of a large trading corporation to export manufactured products of the valley and to import raw materials from South and Central America. It is also proposed to establish a bank or finance corporation to finance these exports and imports, and committees appointed at the convention held in Chicago are now actively at work to bring about a practical realization of the objects of the association.

Interpretation of the Association Form of Insurance Policy

By L. W. GAMMON

Secretary of the Insurance Committee of the American Bankers Association

A MOST interesting and unusual situation recently developed by reason of the interpretation of the United States Circuit Court of Louisiana, of certain language appearing in the American Bankers Association Copyrighted Form Bank Burglary and Robbery Policy, the outcome of which is of great importance and interest to all member banks.

The 1918 and 1914 Copyrighted Bank Burglary and Robbery Policy Forms of the Association cover, under Section 1, General Agreement "B" in the 1918 form, and Section 1, General Agreement "C" in the 1914 form, all loss by robbery of money and securities, "from within the banking enclosure reserved for the use of officers or office employees of the Assured." General Agreement "B" in the 1918 form and General Agreement "C" in the 1914 form also provides that robbery is covered "from within that part of the safe or safes or vaults insured hereunder, caused by robberies during the day or night by compelling an officer or an office employee of the assured to unlock and open the safe or safes or vault."

The decision of the United States Circuit Court of Louisiana above referred to held that the safe or safes or vault were not necessarily a part of the banking enclosure reserved for the use of officers or office employees of the assured, and that the policy did not cover for robbery of money and securities from the safe or safes or vault unless the safe or safes or vault were closed and locked and the robbers compelled some officer or office employee to unlock and open same.

Recently, a member bank of the Association sustained a loss by robbery, approximately \$38,000 of which was due to the abstraction of money and securities from unlocked safes and vaults by the robbers, which safes and vaults were open in the usual conduct of the bank's business, and which were not opened at the time of the robbery by any officer or office employee being compelled to do so by the robbers. The insurance company covering this member bank under the American Bankers Association copyrighted form, held that it had no liability for that part of the loss being

approximately \$38,000, above described. The insurance company quoted the decision of the Louisiana court above outlined. The matter was referred by the bank to the Insurance Committee of the American Bankers Association, which committee, through its secretary, took up the case with the insurance company. It was the contention of the Insurance Committee that the copyrighted policy as compiled by the previous Insurance Committee who submitted same to the Bank Committee of the Burglary Underwriters Association, and after frequent and full discussions by and between these two committees both the language and the intent of the policy were agreed upon; that it was neither the intent of the policy or of either committee that any loss occurring under the conditions cited in this article should be excluded from the policy. The insurance company agreed to submit the whole matter to the Insurance Committee of the American Bankers Association for a decision as to whether or not the claim of the bank should be paid. The Insurance Committee unanimously agreed that the claim should be paid, and the insurance company, upon being duly notified of that decision, promptly transmitted to the bank its check in full settlement.

The Insurance Committee, through its Secretary, then brought the whole situation to the attention of the Burglary Underwriters Association, with the result that an indorsement was agreed upon which would clearly eliminate any further doubt as to the coverage of the policy under conditions of this sort. This indorsement was then submitted to all of the insurance companies licensed to write the American Bankers Association copyright forms, and all companies unananimously agreed not only to attach this indorsement to all copyright burglary forms hereafter issued by them, but also to construe all existing and outstanding policies written on the copyright forms as covering in accordance with the indorsement.

The members of the Insurance Committee and its Secretary are greatly pleased with this result—first, because it clears up satisfactorily a doubtful clause in

the policy, and second, because it indicates that the impartial and fair attitude which the Insurance Committee has tried at all times to assume in all matters between member banks and insurance companies, has caused insurance companies to abandon technical positions and seek a just and fair and liberal basis upon which to do business with the member banks of this Association. The attention of the members banks is particularly called to this very happy and satisfactory condition.

Appended hereto is a list of the insurance companies licensed to write the copyright forms of the American Bankers Association, all of which have agreed to use the indorsement referred to on new policies, and to construe existing policies as subject to the terms of the indorsement, whether or not such indorsement appears on the policy. For your further information a copy of the indorsement agreed upon is as follows: "From within the banking enclosure reserved for the use of officers or office employees of the assured, or from within any locked or unlocked safe or vault, located within or opening directly into said enclosure, provided at least one officer or office employee of the assured is present and regularly at work in the said premises."

American Guaranty Co., Columbus, Ohio.
 American Indemnity Co., Galveston, Texas.
 American Surety Co., New York, N. Y.
 Chicago Bonding & Insurance Co., Chicago, Ill.
 Continental Casualty Co., Chicago, Ill.
 Employers Liability Assurance Corp., Ltd., Boston, Mass.
 Fidelity & Casualty Co., New York, N. Y.
 Fidelity & Deposit Co. of Maryland, Baltimore, Md.

General Accident, Fire & Life Assurance Corp., Ltd., Philadelphia, Pa.
 Globe Indemnity Co., New York, N. Y.
 Hartford Accident & Indemnity Co., Hartford, Conn.
 Inter-State Surety Company, Redfield, S. D.
 Kansas Casualty & Surety Co., Wichita, Kan.
 Lion Bonding & Surety Co., Omaha, Neb.
 London Guarantee & Accident Co., Ltd., Chicago, Ill.
 London & Lancashire Indemnity Co. of America, New York, N. Y.
 Massachusetts Bonding & Insurance Co., Boston, Mass.
 Maryland Casualty Co., Baltimore, Md.
 Metropolitan Casualty Insurance Co. of New York, New York, N. Y.
 National Surety Co., New York, N. Y.
 New Amsterdam Casualty Co., Baltimore, Md.
 New Jersey Fidelity & Plate Glass Insurance Co., Newark, N. J.
 North Dakota Bankers Mutual Casualty Co., Fargo, N. D.
 Ocean Accident & Guarantee Corp., Ltd., New York, N. Y.
 Preferred Accident Insurance Co., New York, N. Y.
 Royal Indemnity Co., New York, N. Y.
 Travelers Indemnity Co., Hartford, Conn.
 United States Casualty Co., New York, N. Y.
 United States Fidelity & Guaranty Co., Baltimore, Md.
 Western Accident & Indemnity Co., Helena, Mont.
 Western Surety Co., Sioux Falls, S. Dak.

Overdone Advertising

The Houston Bank & Trust Company (unincorporated) of Channel City, Texas, has recently been indulging in advertising that, to say the least, is overdone. The laws of Texas permit the use of the words "bank" and "trust company" by unincorporated concerns provided the word "unincorporated" is used with the title. As will be seen from the accompanying facsimile of a letterhead of the Houston Bank & Trust Company, the word "unincorporated" under the title is noticeably small. There is nothing small about the advertising matter issued by that institution, however, as will be observed by the accompanying reproduction of the top of a poster that has been widely circulated among bankers and others.

In view of the fact that the Houston Bank & Trust Company in its advertising claims membership in the American Bankers Association, General Secretary Farnsworth makes the following statement:

"On May 17, 1917, the Houston Bank & Trust Company, Houston, Texas, joined the American Bankers Association; it being assumed that this con-

cern was organized under the laws of Texas; the company was represented as having ample capital and the institution having as correspondents some well-known banks. The dues of this company were paid at the time of joining and shortly thereafter, on the commencement of the fiscal year following September 1, 1917, dues were paid for the ensuing year—to September 1, 1918.

"It having come to the notice of the General Offices that the Houston Bank & Trust Company was utilizing on its letterheads, for advertising purposes, the fact of its membership in the American Bankers Association and in the Texas Bankers Association as well, and, notwithstanding the fact that the Executive Council of the Association sanctioned the idea that members print on their letterheads words indicating membership in the Association or A. B. A. code used, on September 20, 1917, we advised the president of the Houston Bank & Trust Company that it must cease using the name of the American Bankers Association on its letterheads and advertising matter. On September 26,

RESOURCES OVER ONE MILLION DOLLARS

HOUSTON BANK AND TRUST COMPANY ³⁵⁻⁶⁶

UNINCORPORATED

TRAVELLERS LETTERS OF CREDIT, FOREIGN EXCHANGE, ACCEPTANCES, FIRST MORTGAGE BONDS, REAL ESTATE LOANS, FARM SECURITIES, GOVERNMENT & MUNICIPAL BONDS, STOCKS, BILLS OF EXCHANGE, B/L DRAFTS, ESCROW TRANSACTIONS, CORRESPONDENCE AND INTERVIEWS INVITED.

HOUSTON - CHANNEL CITY.

MEMBERS
AMERICAN BANKERS ASSOCIATION
TEXAS BANKERS ASSOCIATIONSTOCK AND BOND
DEPARTMENT

CHANNEL CITY, TEXAS

Fac-simile of Letterhead

MAKE YOUR FORTUNE IN OIL

Oil is the Master Fortune Builder of History—Millions Are Made Every Year in Texas From Oil—Opportunity Knocks at Your Door

SINGLE WELLS PAY THOUSANDS DAILY

THE REAL AMERICAN SPORT

Have you ever seen a gusher? Have you ever seen Mother Earth pouring out Liquid Gold at the rate of \$10,000 per day?

In the everlasting search for wealth, nothing can exceed the fabulous fortunes made from oil in Texas during the past few months.

The facts and figures are so stupendous and out of proportion to the means of the average man as to almost baffle belief, or stagger the most fanciful imagination.

Take the Texas Company for instance. It began a few years ago with a capital of \$100,000.00. Today it is capitalized at over \$80,000,000—800 to 1—besides paying mammoth dividends annually.

its production will go into the treasury of the Terminal Oil Company.

The Garrett Brothers believe there are two big oil pools underlying the Terminal Oil Company's leases. They believe it strong enough that each of them has bought a large block of stock in the company.

They have always been successful before.

Here's a chance to make big returns. You will either win big or lose all. If the company gets oil on its mammoth lease holdings there is no telling what its stock will be worth.

Just think of it! Four thousand acres of oil land—room for 20,000 oil wells.

Top Part of a Promising Poster

a reply was received from the president to the effect that this company had a supply of letterheads which would probably run six or eight weeks and asked permission to use up these letterheads.

"We again advised the Houston Bank & Trust Company on October 27, 1917, by letter, and M. T. Garrett in answer to his telegram dated Chicago, Illinois, October 27, 1917, that advertising membership must cease. A draft for membership dues of this company for the fiscal year 1918-19 was not drawn and its dues have not been paid; therefore, its membership in the American Bankers Association ceased August 31, 1918.

"Recently, the office of the American Bankers

Association has received communications addressed to others, some of which are dated as late as July 5, 1919, showing that the Houston Bank & Trust Company is still advertising on its letterheads as a member of the American Bankers Association as well as on its literature, urging subscriptions to oil stock. The letters accompanying the literature are signed W. M. Oberholz, Manager, Stock & Bond Department."

General Counsel Thomas B. Paton instituted legal proceedings to prohibit the Houston Bank & Trust Company from further advertising itself as a member of the American Bankers Association. An injunction has been issued accordingly and is now in force. The text of the injunction appears on page 80.

The Movement for Free Zones in Ports

By WILLIAM F. COLLINS

Secretary Committee on Commerce and Marine

THE developing interest in the establishment of free zones in ports has recently been signaled by the formation in New York City of The National Free Zone Association. The object of this association, as defined in its constitution is "to encourage the establishment of a free zone system in the United States through Congressional action." To that end the association proposes to study and consider proposed legislation, to collect and disseminate useful data on the subject and to be prepared to advise and assist in the development of the system when established by law. The constitution continues:

"Being convinced from the experience of other countries, where free zones have been long in successful operation, that the system greatly accelerates the handling of vessels and cargoes, facilitates transshipment immeasurably and stimulates foreign commerce in general, without having any bearing directly or indirectly upon any governmental tariff policy, we favor the establishment of free zones in the interest of our foreign commerce and of our merchant marine and the general welfare."

NATIONAL ASPECTS CONSIDERED

It is stated in the constitution of the association that local projects will not be considered "except in their national aspects."

The free zone system, which has long been in operation in a number of European centers of commerce and which has been adopted in several ports elsewhere, has been defined by the United States Tariff Commission "as an isolated, inclosed and policed area, in or adjacent to a port of entry, without resident population, furnished with the necessary facilities for lading and unloading, for supplying fuel and ship's stores, for storing goods and for reshipping them by land and water; an area within which goods may be landed, stored, mixed, blended, repacked, manufactured and reshipped without payment of duties and without the intervention of customs officials. It is subject equally with adjacent regions to all the laws relating to public health, vessel inspection, postal service, labor conditions, immigration, and indeed everything except the customs." It should be noted in this connection that whenever any goods might pass from such restricted areas into the commerce of the United States, they would be subject to all regular duties.

PURPOSE OF THE FREE ZONE

As stated in a report from the United States Tariff Commission, November 20, 1918, to the Committee on Commerce of the United States Senate, "the purpose of the free zone is to encourage and expedite that part of a nation's foreign trade which its government wishes to free from the restrictions necessitated by customs duties; in other words, it aims to foster the dealings in foreign goods that are imported, not for

domestic consumption, but for re-export to free markets, and for conditioning, or for combining with domestic products previous to export." In this report the Tariff Commission says that although the free zone is naturally conceived to be on deep water, and is commonly regarded as in many ways an extension of the open sea, there is none the less a possibility of its establishment in an interior location where rail and inland waters may bring about the assembling of foreign and domestic goods destined for export.

The Commission has noted that the word "free" in connection with port or zone is apt to be misleading. It states that "the term has no relation either to port charges, or to any policy of 'free trade' or 'protection' in this case." "A 'neutral' zone," says the Commission, "would be more properly descriptive. A free port or free zone is a place, limited in extent, that differs from adjacent territory in being exempt from the customs laws as affecting goods destined for re-export; it means simply that, as regards customs duties, there is freedom, unless and until imported goods enter the domestic market."

DELEGATES FROM INTERIOR CITIES

A feature of the meeting in New York at which the National Free Zone Association was organized was the presence of delegates from more than one interior city. The Chamber of Commerce of Kansas City telegraphed that it was glad to lend its indorsement to the Free Zone Movement.

The conference, resulting in the formation of the Association, was held in the offices of the Merchants' Association of New York, June 30. It was called jointly by the San Francisco Chamber of Commerce and the Merchants' Association of New York. The San Francisco Chamber of Commerce selected the organizations on the Pacific Coast which were invited; the New Orleans Association of Commerce those on the Gulf and in the interior; and the Merchants' Association of New York those on the Atlantic seaboard.

ORGANIZATIONS REPRESENTED

The organizations represented at the conference, delegates from which agreed to the constitution, subject to the ratification of the organizations represented, included the Merchants' & Manufacturers' Association of Baltimore, the Baltimore Export & Import Board of Trade, the Boston Chamber of Commerce, the Los Angeles Chamber of Commerce, the New Orleans Association of Commerce, the Newport News Chamber of Commerce, the Merchants' Association of New York, the Philadelphia Bourse, the San Diego Chamber of Commerce, the San Francisco Chamber of Commerce, the Savannah Board of Trade, the Seattle Chamber of Commerce and Commercial Club, the Tacoma Chamber of Commerce and Commercial Club, and the Detroit Board of Commerce. Other organiza-

tions also represented were the Chicago Association of Commerce, the Chamber of Commerce of the State of New York, the National Foreign Trade Council, the Oakland Chamber of Commerce, the Philadelphia Chamber of Commerce, the Philadelphia Board of Trade, and the West Hudson (N. J.) Board of Trade.

OFFICERS AND DIRECTORS

Arthur McGuirk, special counsel of the Board of Commissioners of the Port of New Orleans, and representing the New Orleans Chamber of Commerce at the conference, later was elected president of the association and Lucius R. Eastman, chairman of the Foreign Trade Committee of the Merchants' Association of New York, was elected vice-president. Members of the board of directors of the association were chosen as follows: George F. Armstrong of Savannah; J. J. Dwyer of the San Francisco Chamber of Commerce; William M. Garland of the Los Angeles Chamber of Commerce; T. S. Lippy of the Seattle Chamber of Commerce and Commercial Club; Austin W. McLannahan of Baltimore; Charles G. Edwards, president of the Savannah Board of Trade; and R. Goodwin Rhett of Charleston, S. C.

VOTING PLAN ADOPTED

The board of directors of the association have adopted a membership voting plan for the association, grouping the membership in two classes: First, organization membership, which includes commercial associations and kindred bodies not organized for private purposes, and, second, individual members, which includes business corporations, as well as individuals interested in the development of free zones—in other words, interested business units. The right to vote at the meetings of the association is limited to organization members, each member being entitled to one vote to be cast as determined by a majority of the delegates from that organization present at the meeting of the association. Individual or associate members will not be entitled to vote or to hold office by virtue of such individual membership.

BILLS BEFORE CONGRESS

Bills providing for the establishment, operation and maintenance of free zones in ports of the United States are before Congress, having been introduced in both the Senate and the House.

Injunction Against Houston Bank and Trust Company

IN THE DISTRICT COURT OF HARRIS COUNTY, TEXAS
55TH JUDICIAL DISTRICT

The American Bankers Association	} No. 84349
vs.	
Houston Bank & Trust Company, et al.	}

COURT'S ORDER

IN CHAMBERS:

The plaintiff's original petition in this cause praying for temporary injunction was presented to the court in chambers, and the court having duly considered the same, is of opinion that an injunction should issue as prayed, restraining the defendant, its officers, agents and employees, from claiming to be members of the American Bankers Association, as asked for in the petition:

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED by the court that upon plaintiff, the American Bankers Association, giving bond in the sum of One Thousand (\$1,000.00) Dollars, conditioned as provided by law, that a temporary injunction issue and be served upon the Houston Bank & Trust Company, and its officers, B. N. Garrett, President, M. T.

Garrett, Cashier, and W. M. Oberholz, Manager of the Stock & Bond Department, restraining and prohibiting said Houston Bank & Trust Company, and the officers named and any other agents, servants or employees of said company, or by any person, either directly or indirectly, from asserting or advertising, either expressly or by implication, orally or in print or writing, or otherwise, that said Houston Bank & Trust Company is a member of the American Bankers Association, and especially from printing or having printed any stationery, literature or circulars containing the name of the American Bankers Association, or from making any claim thereon either expressly or by implication, that said Houston Bank & Trust Company is a member of the American Bankers Association, and from mailing any letters, circulars or literature of any kind in which the name of the American Bankers Association is used, or in which it is claimed, expressly or by implication, that said Houston Bank & Trust Company is a member of the said American Bankers Association; and it is further ordered that this injunction shall remain and be in force until changed by orders of this court.

This the 30th of July, 1919.

(Signed) EWING BOYD,
Judge.

(The foregoing injunction is referred to in the article appearing on pages 77 and 78 of this issue.)

The Banker's Duty in Public Finance

By GUY E. BOWERMAN

Commissioner of Finance of the State of Idaho

Address Delivered at the Convention of the Idaho Bankers Association

THE ordinary business man, wholly engrossed in the pursuit of his usual vocation, has no well-grounded knowledge, if any at all, of the fundamental purpose or economic necessities of public finance; and, what is more, he doesn't usually care. I say this, pleading guilty to the charge myself, and based upon an acknowledgment of my own shortcomings in this particular direction, but in making this confession I refuse to admit that I am the only, single, horrible example among the banking fraternity.

I do not intend to enter upon any technical discussion of financial problems; economic waste, or dynamic force, for reasons which any of you may discover in private conversation with me, but which, publicly, I ignore. What I want to do, if possible, is to get you, as bankers and vital factors, interested in the finances of your state to the end that you will make some study of the problems which confront this administration, and be able and willing to volunteer good counsel and advice.

The busy business man takes but little if any interest in public financial matters and but little concern as to what becomes of the revenues of the state. It is true that if there is an increase in your taxes, the world is vocal with your protests, and your condemnations of the dominant political party are something wonderful to hear, but did you ever try to help—honest-to-goodness—help—by a study of the conditions which contributed to this increase and suggest a solution therefor?

Did you ever stop to consider with what placid emotion and absolute complacency you viewed the increase of the tax of some one else had you personally been lucky enough to escape? That's one of the tests as to whether or not you are interested in public affairs.

Can you give a satisfactory answer to this? Here are two counties, similar in taxable wealth, population and the occupation of their people. Can you tell me why the office of sheriff, for instance, should cost the people of one county \$10,000 more than the other? That is another test. Can you tell me the amount of state funds—your money, the heritage of your children—is invested in bonds and mortgages? And in this connection, can you tell me why in January of this year nearly \$300,000 of these funds were seriously delinquent as to interest? Why a very large amount of taxes and water assessments against the lands covered by the mortgages have been paid by the state? Why there is a considerable amount on which no interest has ever been paid? And why at this time over seventy-five individual mortgages are either in process of foreclosure or preparation for such foreclosure is being made? That's test No. 3. And here's a simple one, under which all of you can qualify because it comes under your personal observation. What was the amount of state and county tax levy in your county in 1918? And how did it compare with 1917, and what items were increased or decreased?

The point I am trying to make, gentlemen, is that, if there is anything amiss in the administration of public affairs, our own personal neglect and indifference is responsible for its continuance.

I have learned a lot of things during my public career, which is now thirty days old, the most important to me being the realization of just how little I know about the things I have mentioned here, but again I refuse to publicly acknowledge that I stand alone.

Through its Department of Finance, the law contemplates the installation of a new financial policy for the state, the avoidance of waste, the elimination of overlapping interests and duplication of work, and a more equal distribution of the burden of taxation. The budget system which we are now working under is a scientific analysis of the financial requirements of the state. This is an entirely new feature in Idaho, but all that it may cost us will be well invested, because, once established, it will be invaluable for statistical purposes.

I would like to talk to you about bank taxation in this state, because it is a matter in which you are all personally interested. I would like to tell you, provided you do not already know, what, in my opinion, the last legislature attempted to do for your relief, but what it did not do.

The new bill of Governor Davis is not a panacea for all the ills to which the body politic is heir, and it won't cure political lumbago nor financial neuritis, but it will help in overcoming many of our afflictions if its underlying principles are intelligently solved, practically applied, and the patient is properly nursed in order to recover from the shock.

This cannot be done by a few individuals alone. It is going to take united co-operative effort, and I ask you with all possible sincerity, considering some things I have mentioned if, in the history of the state there ever was a time, for the good of all concerned; for the development and progress of the state; when those in official position had greater need of wise counsel and intelligent guidance; and further, isn't this the psychological moment for every man and every woman to prove their good citizenship by some helpful, constructive effort?

Almost concurrent with the first issue of government bonds and in ever-increasing numbers after each succeeding issue, there started from their hiding places various packs of human wolves whose purpose was to prey upon the public to the extent of securing these bonds at far less than their real value, or exchange them for stock and other so-called investments which, if not altogether worthless, were of a highly speculative character, had no market value, and were of such a nature as to not interest for an instant one single, hard-headed business man in this state.

Until this war, the American people, especially those of the west, were not to any great extent bond buyers or bond owners, and in consequence are not familiar

with this class of investment, and have no real knowledge of the value of government securities. That this is so is regrettable as recent experience has proven, but it is nevertheless an indisputable fact.

Men without conscience go about the country as predatory animals taking advantage of the ignorance of the people, especially the poor and inexperienced, and talk them out of their government bonds or war savings stamps. The usual method employed by the agent is to compare the splendid (?) returns from the stock he offers for sale with the low rate of interest which the government bonds carry, and to call particular attention to the fact that these bonds are selling for less than the purchaser paid for them. Reference is usually made to the government debt, its recent tremendous increase, and the probability of future issues, all of which are adroitly held up for the inspection and consideration of the bond owner.

In spite, however, of the various reasons given to prove the apparent folly of continuing to hold government bonds, the solicitor will then explain that his company will accept the bonds at par in payment of what he has to sell. This evidence of misrepresentation alone should caution one, but, seemingly in many cases, it does not and the exchange is made, too often to the detriment of the one who owned the bonds. The schemes are presented in many, many different phases, but the result is always the same. The government bonds are gone, and those who let them go have something, the value of which they begin to doubt as soon as the agent has departed.

These men don't bother me, nor do they come to you, and I will wager any wager that a stock-selling agent can't visit any of you and induce you to exchange your United States bonds for stock in the Carranza Cattle & Cacti Colonization Corporation or some prospective hole in the ground in Texas, but, as is always the case, the loss falls upon those who can least afford it, and who have made the greatest sacrifice to be able to buy these bonds.

The purchasing of 4 or 4¾ per cent., partially tax

free, government bonds never appealed to me, gentlemen, as the performance of a patriotic duty on behalf of the rich, or for that matter any of the rest of us who did so without particular inconvenience to ourselves.

Two per cent. of the people of America own 65 per cent. of the wealth, and it may be they purchased 65 per cent. of the total issues—I do not know, but the bonds they purchased did not require self-denial on their part—and in any event they are exempt from the probabilities of being fleeced out of their bonds, and are well qualified to protect themselves. For the poor, however, and those in but moderate circumstances—God bless them—it was necessary for the practice of self-denial and sacrifice, and they gave a wonderful example in steadfastness and ideal patriotism by so doing.

One of the most grievous disappointments which all war bond solicitors experienced was the underbuying of many of those in affluent circumstances, and, contrariwise, the splendid accomplishment of these very people who are now being tempted to part with, for some valueless thing, that certificate of character and evidence of duty performed, for such a war bond becomes when in the possession of those to whom I now refer.

The war is over and I have no desire to prolong it, but we all of us forget too easily those things which were such a source of joy and pride to us during the war fund campaigns which have so lately closed. There comes to me from time to time the substance and the shadow of these matters I now mention, and if my present official position means anything it means that, so far as my abilities permit, these people are entitled to protection, and this thing, with your assistance, must be stamped out. If you will help, as I know you will, so far as Idaho is concerned, we will make it a decidedly unhealthy place for these rascals, and, what is more, and this is no idle boasting, with your help still, we will make any United States War Bond, owned by a poor man, a sacred thing to touch, except for value.

The Exchange Question

The following resolution will be offered at the 1919 Convention of the American Bankers Association by Robert D. Kent, president of the Merchants Bank of Passaic, N. J.

Whereas, The organization of the check collection system of the Federal reserve banks has disturbed the advantageous collection arrangements of many banks, thus rendering it more troublesome and expensive to collect promissory notes and drafts; and

Whereas, There exists no comprehensive and satisfactory system of collecting from the outlying towns and cities of the country these instruments which amount to vast sums in the form of millions of items; and

Whereas, There exists a system or a number of systems of performing the opposite operation of distributing sums of money to the various towns and cities of the country through

what are known as money orders or travelers checks, which are also issued in great numbers and aggregate vast amounts, therefore be it

Resolved, That there be appointed by this Association a Committee of Five to give careful consideration to the matter in order to ascertain if it would not be practicable and desirable to form an organization under the auspices of the Association to conduct in combination the two classes or features of business alluded to, and in such a way as to provide from its profits an income to the Association. Be it further

Resolved, That this Committee of Five report to the Executive Council of the Association, and if the report is favorable to the proposal that the Executive Council be authorized to proceed, if it deems it advisable, to the organization of a corporation to carry out the purposes of the resolution, and that in any event, it report on the matter at the next annual convention.

Savings Banks and Public Service

By JOHN J. PULLEYN

President Emigrant Industrial Savings Bank of New York

THE savings banks of America have come through the trying period from 1914 to 1919 safe and sound and stronger in the estimation of the public at large. Severe and unusual tests have been applied during these years, and more than once we were anxious as to the final outcome. We have suffered losses in deposits. We have purchased liberally of the nation's bonds. We have been active distributors of war savings and thrift stamps, but through all our vicissitudes we have gained universal recognition as an indispensable factor to the progress of the country. Our scope of usefulness has been greatly broadened. Twenty millions of people have purchased government securities, a majority of this number being depositors of savings institutions, and now that the war has ended we must take account of stock and prove to ourselves that we can turn to the aid of commerce and industry with profit to ourselves and protection to our depositors; that our resources having been straightened through the return of millions of new money we can again enter the field of investment in the purchase of government, state and municipal bonds, railroad bonds, and last, but not least, we can help in the reconstruction of the nation by loaning money to the prospective home-seeker and by making other mortgage loans which during the past three years we have been forced to pass by.

The mutual savings bank is well qualified and equipped to care for this public demand without unnecessarily extending credit unions, or if it is found necessary to supply this public want, the mutual savings bank should furnish much material and aid in this direction.

Much of the time of managers of savings institutions in the past was devoted to the development of restrictions for savings bank investments, and thus the potentialities of service to the community were in a measure disregarded. The five billion dollars resources of the mutual savings banks, equal to about one-half of the total demand and time deposits of the 7,688 national banks, present an interest second to none in the nation. Nine million people own this tremendous sum of deposits.

In 1918 the average deposit account in the 625 mutual savings banks amounted to \$490.72. This is a surprising measure of possibilities for public service.

There is no contact in our social life so strong as the financial contact; to be effective confidence must be present, and where that is present there exists influence. Unfortunately, however, this tremendous weight of influence has been dormant. In many instances it is still dormant, and dormant in the face of the social reconstruction. Upon the boards of trustees of savings banks are the most representative men of each locality; there are employers of labor, capitalists, leaders of men, and thinkers, many of whom have not considered seriously the great possible advancement of their institution. To them the institution runs itself, is closely

supervised by the respective states, is under conservative management, pays a dividend satisfactory to depositors, and under the law there is no further responsibility for them. The public service rendered by this mutual institution simply in taking deposits and properly investing them, paying thereon a reasonable interest rate, is, of course, of incalculable value. There is no desire in the least to depreciate the high character of this service, but *this* is a mere banking function.

In my opinion the mutual savings bank is the greatest existing potential force from the standpoint of benefiting the financial interests of the masses of our population. The only progress that our institution can make is in the direction of social benefit, for it is not built upon profit to stockholders.

Many of the mutual savings banks have been in a state of abject lethargy, their business has been the routine business of the simple operation of the simplest banking function. Ordinarily if the president of a mutual savings bank dies of old age, the oldest member of the board of trustees is made the president. To them it is simply a position of honor in compensation for the nominal service rendered, generally over a long period of years. Many savings banks have been making progress on a hobby horse, the kind of progress that simply wears out the carpet, and makes no advancement.

The justification for the mutual savings institution as such is not only the deposit function which they perform admirably, but more in the utmost public service that it is qualified to render. Our institutions are unique in their capabilities. They are the only banking institutions in America that are owned by the people. Seventy-two per cent. of the population of the state of Massachusetts have savings accounts in 196 savings banks of that state, and 60 per cent. of the population of the six New England states have deposits in the savings banks of New England, while 35 per cent. of the people of the state of New York have savings accounts in 141 savings banks.

It is not the conservatism of the managers of savings banks that is to be commented upon, for that is commendable, but it is more the lack of ability to discriminate between conservatism in the investment of funds of depositors and the development of the institution to the point of adequately satisfying the financial wants of people of small means.

While I do not believe that there will be many more mutual savings banks organized, yet in my opinion the existing savings banks will develop branches in order to furnish adequate facilities to the public for the saving of money. The savings bank can be made the greatest force for the Americanization of our seventeen million or more foreign born, that there is in the country. A fundamental way of Americanizing the foreign born is through securing their financial interest and placing at their disposal a service department of information on financial affairs.

LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

Pending Bills in Sixty-Sixth Congress

A NUMBER of bills have been introduced and are pending in the sixty-sixth Congress affecting banks. Printed digests of these bills have been issued under the auspices of our Committee on Federal Legislation for the information and use of our Executive Council and Federal Legislative Council. A summary of the principal measures is given below for the information of members generally.

ENCOURAGEMENT OF FOREIGN TRADE

Bills to encourage the formation of corporations that can extend long-time credits to foreign purchasers of American goods have been introduced by Mr. Platt of New York, chairman of the House Banking and Currency Committee, and Mr. McLean of Connecticut, chairman of the Senate Banking and Currency Committee. The McLean bill (S. 2395), which was introduced July 8, amends Section 25 of the Federal Reserve Act which now provides for permission to national banks possessing capital and surplus of \$1,000,000, or more to establish branches in foreign countries or invest not exceeding 10 per cent. of capital and surplus in stock of banks or corporations organized under Federal or state laws and principally engaged in international or foreign banking. The provision added by the McLean bill is that until January 1, 1921, any national bank without regard to amount of its capital and surplus may file application with the Federal Reserve Board to invest not exceeding 5 per cent. of its paid-in capital and surplus in stock of corporations organized under Federal or state laws principally engaged in such phases of international or foreign operations as may be necessary to facilitate the export of merchandise from the United States to any foreign country. The total investments by any one national bank is limited to not exceeding 10 per cent. of its capital and surplus. This bill was reported favorably to the Senate on July 10 and on July 14 it passed the Senate and was referred to the Committee on Banking and Currency in the House.

The bill of Mr. Platt (H. R. 6806) is identical with the McLean bill except that it, in addition, amends paragraphs 2 and 3 of Section 25 relative to applications to the Federal Reserve Board for permission to invest and the furnishing of information to the Federal Reserve Board, so that such provisions will extend to national banks covered by the bill. The Platt bill was introduced on June 27 and was favorably reported on July 12. The House Committee, in reporting the bill, points to the fact that Europe needs food-stuffs, clothing, machinery, metals and other raw materials from America so that her industries can be rebuilt and recover from the devastation of war; and it is the general feeling that direct governmental loans should

no longer be made but that private corporations extend the necessary credit under Federal supervision. To enable small manufacturing and other interests to do this, there is necessity of co-operation and by allowing national banks to subscribe not to exceed 5 per cent. of capital and surplus to these corporations, they are not only given stability and made attractive to investors but are brought under full control and supervision of the Federal Reserve Board.

When the McLean bill, after passing the Senate, reached the House Committee, it was on July 19 reported to the House with an amendment substituting the language of the Platt bill which the committee said was in better form to accomplish the purpose, in which opinion the Federal Reserve Board concurred.

A further bill to facilitate the financing of foreign export trade was introduced by Senator Edge of New Jersey on July 15 (S. 2472). The Edge bill also amends Section 25 of the Federal Reserve Act so as to provide for the organization of corporations for the purpose of engaging principally in international or foreign banking or other financial operations, either directly or through the agency or ownership of local institutions in foreign countries, and to act as fiscal agents of the United States when required. Any number of natural persons not less than five can unite to form such a corporation. Such corporations would have power to purchase, sell, discount and negotiate notes, checks, drafts, bills of exchange, acceptances, including bankers' acceptances, to accept bills or drafts drawn upon them subject to limitations imposed by the Federal Reserve Board; to borrow and lend money on real or personal security; to receive deposits and generally to exercise such banking or financial powers as are usual in the territory in which they may transact business. These corporations may establish foreign branches, subject to approval of the Federal Reserve Board and may purchase and hold stock of like corporations, to the extent of a 10 per cent. investment in any one corporation of their own capital and surplus. Domestic business cannot be carried on except as incidental to foreign business. A majority of the shares of any such corporation must be held and owned by citizens of the United States or by Federal or state chartered corporations or by firms or corporations the controlling interest of which is owned by United States citizens. Trust powers so far as necessary to foreign business are also granted.

The Senate Committee on Banking and Currency on July 25 favorably reported the Edge bill to the Senate with a few amendments making the specific powers granted subject to rules and regulations prescribed by the Federal Reserve Board; also providing that notwithstanding Section 19 of the Federal Re-

serve Act, any member bank may act as agent for any corporation organized under Section 25 in applying for or receiving discounts from a Federal reserve bank under regulations prescribed by the Federal Reserve Board and the Board is authorized to permit Federal reserve banks to extend direct facilities to such corporations.

Further in aid of foreign trade, Senator Owen of Oklahoma on May 26 introduced Senate Joint Resolution 31 amending the War Finance Corporation Act by extending the period in which advances may be made to exporters thereunder, or renewals of such advances made, from five to ten years; also changing the condition for procuring advances so that they may be made wherever in the opinion of the Board necessary for the maintenance or promotion of our foreign trade.

Senator Owen has also introduced a bill (S. 2590; July 22, 1919) to establish a foreign finance corporation with capital of \$1,000,000,000, the general purpose of which is to provide means of acquiring and selling public and private foreign securities, extending credits against the same and assisting in the development of the foreign trade of the United States.

Senator Owen has also introduced the same bill that he introduced in the last Congress (S. 2582; July 22, 1919) for the creation of a Federal reserve foreign bank to be under the supervision of the Federal Reserve Board.

Other bills for the incorporation of foreign trade corporations have been introduced by Mr. Simms of Tennessee (H. R. 5424), and by Mr. Dyer of Missouri (H. R. 5704 and H. R. 7204).

BRANCHES OF NATIONAL BANKS IN CITIES

A bill introduced by Senator Calder of New York (S. 170) proposes to amend Section 25 of the Federal Reserve Act by permitting member banks located in cities of more than 100,000 inhabitants possessing capital and surplus of \$1,000,000, or more, to establish branches, not to exceed ten in number and under rules prescribed by the Federal Reserve Board, within the corporate limits of the city provided that no branch can be established in any state in which neither state banks nor trust companies may lawfully establish branches.

This bill was introduced May 20, 1919, and is identical with S. 3214 introduced by Senator Calder in the last Congress which was never reported. Similar legislation was incorporated in bills amending the Federal Reserve Act in the last Congress, but before such bills were passed, the branch bank provision was struck out.

On July 23 the Senate Committee favorably reported the Calder bill with an amendment making it applicable only to member banks located in cities of more than 500,000 inhabitants.

LOAN LIMIT OF NATIONAL BANKS

A bill has been introduced by Mr. Platt of New York (H. R. 7478) amending Section 5200 of the United States Revised Statutes fixing a limit of 10 per cent. of capital and surplus of loans to a single borrower with certain exceptions by adding a further

exception, namely, the discount of bills or notes secured by shipping documents, warehouse receipts, or other title documents covering readily marketable non-perishable staples including live stock, when the actual market value of the property securing the obligation is at least 110 per cent. of the loan secured and is covered by insurance. The amount of such loans to any one borrower is limited to 15 per cent. of capital and surplus, and the 15 per cent. exception does not apply for more than six months in any consecutive twelve months. The above bill was introduced on July 17 and a hearing was had by the House Committee on Banking and Currency on July 29, at which it was voted to favorably report the bill with amendments which also excluded from the 10 per cent. limit the discount of drafts and bills of exchange secured by shipping documents conveying or securing title to goods shipped; also demand obligations when secured by documents covering commodities in actual process of shipment; also bankers acceptances of the kinds described in Section 13 of the Federal Reserve Act.

Other bills on the subject of amending S. 5200 have been introduced by Mr. Robinson of Arkansas (S. 689), and by Mr. Stevenson of South Carolina (H. R. 6739).

RESTRICTION ON REDISCOUNTS

A bill has been introduced by Mr. Stevenson of South Carolina (H. R. 6740), to amend the Federal Reserve Act by removing the 10 per cent. restriction on rediscounts with the Federal Reserve Bank in case of loans made on security of warehouse receipts for staple agricultural products stored in warehouses or elevators operated under state or governmental control or license.

LIMIT OF INDEBTEDNESS OF NATIONAL BANK

Mr. Platt of New York has introduced a bill (H. R. 7352) to amend Section 5202 U. S. Revised Statutes, which limits the total indebtedness of a national bank to an amount not exceeding its capital with certain exceptions, by adding to the exceptions: "Liabilities created by the indorsement of accepted bills of exchange payable abroad actually owned by the indorsing bank and discounted at home or abroad." On July 29 the House Committee on Banking and Currency voted to favorably report this bill.

WAR WORK CONTRIBUTIONS BY NATIONAL BANKS

A bill introduced by Senator McLean to authorize national banks to contribute to the United War Work Campaign under similar conditions as authorized to contribute to the Red Cross was favorably reported to the Senate on July 10. A similar measure (H. J. Res. 87) introduced by Mr. Platt was favorably reported to the House on June 12.

COMPTROLLER OF THE CURRENCY

Bills have been introduced by Senator Calder of New York (S. 1370) and by Mr. McFadden of Pennsylvania (H. R. 4761) to abolish the office of the Comptroller of the Currency. A House Resolution (H. Res.

173) has also been introduced by Mr. McFadden for the appointment of a committee to inquire into the official conduct of the Comptroller of the Currency.

INTEREST AND USURY

A bill has been introduced by Mr. Blanton of Texas (H. R. 325) to amend the National Bank Act allowing a minimum charge of what would amount to \$2.50 if computed for a full term at the authorized rate on any single loan. Also providing that the penalty for usury shall be the same penalty as prescribed by the laws of the state in which the bank is located. The same bill was introduced by Mr. Blanton in the 65th Congress and never reported.

GUARANTY OR INSURANCE OF DEPOSITS

Bills by Senator Owen of Oklahoma (S. 800) and by Senator Williams of Mississippi (S. 757) have been introduced on this subject. They are the same bills which were introduced in both the 64th and 65th Congresses and never reported.

EXPORT OF SAVINGS

A bill has been introduced by Senator King of Utah (S. 30) to establish in the Treasury Department a bureau of export of savings to be given general supervision and regulation of the business of transmitting and forwarding out of the United States to foreign countries, sums of \$100 or less received from foreigners residing in the United States. The bill provides for licensing of concerns engaged in this business in compliance with certain conditions.

Senator King has also introduced a further bill (S. 2597), July 23, 1919, to prevent the artificial stimulation of the export of immigrant's savings through propaganda, foreign subsidies and the agencies of foreign governments.

FREE SHIPMENT OF CURRENCY

A bill has been introduced by Mr. Brand of Georgia (H. R. 7589) which would require the Secretary of the Treasury at the request of any bank to ship currency to and from such bank for the purpose of exchange, at the expense of the United States, under rules prescribed by the Secretary of the Treasury.

ABOLITION OF SUB-TREASURIES

A bill has been introduced by Mr. Hill of New York to abolish the sub-treasuries and in the main transfer the functions to the Federal Reserve Banks.

FEDERAL FARM LOAN ACT

Several amendments have been introduced to this act. One by Mr. Raker of California (H. R. 1135) amends Section 15 which limits agencies of Federal Land Banks to banking corporations chartered by the state by extending such agencies, as well, to banks chartered by the Federal Government.

Another amendment introduced by Mr. Platt of New York (H. R. 6861) strikes out the provision that salaries and expenses of the Farm Loan Board and

employees shall be paid by the United States and empowers the Federal Farm Loan Board to assess Federal Land Banks and Joint Stock Land Banks to defray such expenses. It is designed that the bill take effect at the beginning of the next fiscal year. An identical bill has been introduced by Senator Smoot of Utah (S. 2377).

Mr. Steagall of Alabama has also introduced a bill (H. R. 7501) which would amend Section 15 so that the Federal Farm Loan Board could, in its discretion, authorize Federal Land Banks to make loans on farm lands through agents approved by the Board under prescribed rules and regulations.

A further bill by Senator Smoot of Utah (S. 2426) repeals Section 16 of the Federal Farm Loan Act, which provides for the formation of Joint Stock Land Banks. The bill contains a provision covering any such banks incorporated before July 1, 1919, and continuing the act in force as to them, subject to certain limitations, until July 1, 1924.

Mr. McFadden of Pennsylvania has also introduced a bill (H. R. 7061) amending Section 21 of the Federal Farm Loan Act by striking out the provision for recital in bond that it is not taxable by national, state, municipal or local authority and amending Section 26 by striking out the provision making mortgages and farm loan bonds instrumentalities of government and exempt from taxation.

FEDERAL BUILDING LOAN ACT

Senator Calder of New York has introduced a bill (S. 2492) to be known as the Federal Building Loan Act under which banks can be incorporated for the purpose of aiding in financing the construction of homes. A prior bill was introduced on the same subject by Senator Calder (S. 1469) to be known as the Federal Home Loan Act. The bill was substantially the same except that in the later bill, instead of a provision for a Federal Home Loan Board, there is provision for a superintendent of Federal Building Loan Banks with substantially the same duties.

INCOME TAX LAW

A bill has been introduced by Mr. Sabath of Illinois (H. R. 2261) to increase personal exemption for single persons from \$1,000 to \$2,000, of a married person from \$2,000 to \$4,000, and of each dependent under 18 years of age \$200 to \$400.

Mr. McLaughlin of Nebraska has introduced an amendment (H. R. 6803) repealing the taxes on certain luxuries, admissions and dues, and excise taxes and increasing the items of surtax.

Senator Calder of New York has introduced a bill (S. 2574) to encourage bank deposits by non-resident foreign corporations and non-resident alien individuals. It amends certain sections of the Revenue Act so as to take out from the definition of gross income, interest on deposits in banks, banking associations or trust companies and removes the requirement of deduction at source of income payable to any non-resident alien individual, so far as interest on deposits in banks is concerned. A referendum vote of our Federal Legislative Council and Executive Council as to favoring

legislation of this character has just been taken and the result is in the affirmative.

OTHER BILLS

Bills have been introduced containing certain amendments to the Postal Savings Act; to safeguard against fraudulent issues of securities; relative to loss

of war savings and thrift stamps; agricultural credits; national co-operative banking associations; national budget system and other subjects, and these have been included in the printed digests issued under the auspices of the Committee on Federal Legislation. Further information on subjects of pending legislation can always be obtained by writing the General Counsel of the Association who acts as Secretary of the Committee.

Opinions of the General Counsel

FORGED INDORSEMENT OF POSTAL MONEY ORDER

Post office money orders are issued by the government in its character as sovereign and are not negotiable instruments and money paid upon forgery of the payee's indorsement is recoverable by the government notwithstanding delay in making claim of restitution through which the recipient is prejudiced.

From Minnesota—As members of the A. B. A. we will appreciate your opinion as to our liability as indorsers upon the U. S. Post Office Money Order described.

Dated Dec. 17, 1918, drawn on St. Paul postmaster, cashed by payee at store of one of our customers and deposited with us by the customer during December of 1918, cleared in the usual manner and paid by post office here in same month.

Post office now claims that payee's signature on money order is a forgery and while they exhibit no affidavit to that effect, claim that they have one and have charged the money order back to us through clearing house. We can obtain refund from our depositor but owing to the lapse of time he has no recourse and will lose the money. Postal authorities claim that this delay in making claim of forgery makes no difference since it is a postal money order, and that such claim can be made after any extended period of time without regard to the damage the delay may cause to any indorser. Can you tell us whether the courts have held in connection with money orders of post office that such delay is permissible?

Where the United States issues commercial paper it is governed by the same rules as apply to individuals and can lose its rights by laches the same as an individual. Thus in *National Exchange Bank v. United States*, 151 Fed. 402, where the United States brought suit to recover back money paid upon pension checks bearing forged indorsements, it was held:

1. The ordinary rule is that, to entitle one who through mistake has paid out money on a forged indorsement of a check or other commercial paper to recover the same back, notice of the forgery must be given to the party receiving such payment within a reasonable time after its discovery.

2. Pension checks, or warrants, issued by a pension agent of the United States on an assistant treasurer, are commercial paper, and the right of the United States to recover from one to whom such a check was paid on a forged indorsement of the name of the payee is governed by the ordinary rules applicable to such paper.

But it has been expressly held by the courts that postal money orders are not commercial or negotiable paper and are not governed by the same rules. A

brief review of the postal money order cases will be instructive, as well as have a bearing upon the question submitted.

In *United States v. Stockgrowers Nat. Bank* (C. C.), 30 Fed. 912, a postmaster at Lewiston, Idaho, with intent to defraud the government, and without receiving any money, issued post office orders on the postmaster at Pueblo in favor of the Stockgrowers Bank. He mailed the orders to the bank with a letter purporting to be written by one Wilson, and directed the bank to draw the money and hold it subject to Wilson's order. The bank, without knowledge of the fraud, obtained the money as directed, but in doing so acted as a principal without disclosing its agency in the matter. The Lewiston postmaster, under the name of Wilson, subsequently drew the greater part of the money from the bank, and suit was afterwards brought against it by the United States to recover the money so obtained on the orders. The court held that the bank was liable.

It said: "It is undoubtedly true, as settled by the case of *Cooke v. United States*, 91 U. S. 389 [23 L. Ed. 237], that when the government descends from its position as sovereign and deals in commercial paper, it subjects itself to the ordinary rules controlling commercial paper the same as any individual. But these post-office money orders are not commercial paper; they are orders drawn by one postmaster upon another, payable to a particular person named in the order itself, unknown save as to the particular parties to the transaction—the two postmasters and the party who obtains them—so that the protection which the rules applicable to negotiable paper would lay around many transactions do not avail the defendant in this case."

In *Bolognesi v. United States*, 189 Fed. 335, the United States brought an action against defendants to recover \$12,800, collected by them upon 128 money orders fraudulently issued by a clerk in charge of a substation in Brooklyn. The defendants offered evidence tending to show that they received the fraudulent money orders in good faith and paid full value for them. The court said that in the operation of the money order system the government exercises a governmental power for the public benefit; it does not engage in business for gain but stands in its position of sovereignty. Consequently, the principles which

govern commercial transactions between individuals have little application and the cases are not in point which hold that if the government comes down from its position of sovereignty and engages in commerce, it subjects itself to the same laws which govern individuals. Postal money orders, the court said, are not negotiable instruments subject to the defenses permitted by the law merchant to bona fide holders for value. They stand in marked contrast to obligations which the government might issue to obtain money for its own use. Moreover, the restrictions and limitations which the postal laws and regulations place upon money orders are inconsistent with the character of negotiable instruments. As money orders are not negotiable instruments, the court is not called upon to determine whether, in case they were such instruments, a bona fide holder would be protected against the want of authority to issue them. The case must be determined upon principles other than those of the law merchant and the defenses which the law would afford a bona fide holder for value of commercial paper do not come up for consideration. The court held that as the money orders in this case were fraudulently issued and defendants obtained the money upon them, the government is entitled to recover it back, the good faith of the defendants affording them no protection.

In *Moore v. Skyles*, 82 Pac. [Mont.] 799, defendant was the indorsee of a money order which he sent by an agent to the post office on which it was drawn to get it cashed. The agent sold the order to plaintiff, indorsing it with his own name. Revised Statutes U. S. Sec. 4037 provides that more than one indorsement of a money order shall render the same invalid and not payable. It was held that plaintiff obtained no title to the order.

In *Jaselli v. Riggs Nat. Bank*, 36 App. D. C. 159, the court held that postal orders are not negotiable paper. It was further held that Rev. Stat. Sec. 4037, which provides that "the payee of a money order may by his own written indorsement thereon direct it to be paid to any other person," etc., does not require that indorsement shall be by the hand of the payee, but the statute is satisfied if the payee directs another to indorse his name on the order.

In none of the above cases involving postal money orders is the question of delay or laches of the government in reclaiming money paid upon fraudulent orders, after discovery of the fraud, involved. In the *Stockgrowers Bank* and the *Bolognesi* cases, the orders were fraudulently issued and innocent holders who had received the money thereon were held liable to refund and *Moore v. Skyles* and *Jaselli v. Riggs* do not involve this question and have been merely cited as instructive on the general subject.

But it is clearly established by the cases that postal money orders are not negotiable instruments and that the government, in issuing and in paying them is not subject to the same rules as would govern the issue and payment of negotiable paper.

In the case submitted by you the government has paid a postal money order on a forged indorsement and six months later reclaims the money from the payee, or from the bank which has collected it as agent of the payee. Assuming this was a case where, after discovery of the forgery, notice thereof had not

been given within a reasonable time so that, in case of commercial paper, the payor would have been debarred from recovering, the same rule would not be applicable in the case of a postal money order.

In *Cooke v. United States*, 91 U. S. 389, the court states the doctrine that laches or negligence is not imputable to the government in its character of sovereign by those subject to its dominion, but it qualifies the doctrine so as to allow laches and negligence to operate upon situations involving commercial transactions saying, "if it (the government) becomes the holder of a bill of exchange, it must use the same diligence to charge drawers and indorsers that is required of individuals; and if it fails in this, its claim upon the parties is lost."

As it has been held that postal money orders are issued and paid by the government in its sovereign capacity and are not negotiable paper, it would seem to follow that in the case submitted the delay of six months in making claim of forgery on the payee's indorsement would not debar the government from recovering, even though the recipient of the money has been prejudiced by the delay.

HANDWRITING IN BODY OF NOTE

A negotiable promissory note must be in writing, but a note is not illegal because the body over the signature of the maker is in the handwriting of two different persons.

From Pennsylvania—We have refused to accept from some of our customers notes for discount which have been filled in with two handwritings; that is, part of a note was filled in by one person, and the other part by another person. It has been our understanding that there were court decisions in Pennsylvania which made notes illegal that were filled out in this way, but exception has been taken to our action by some attorneys of prominence who have asked us to quote to them a Pennsylvania law which would invalidate a note for these reasons. We do not mean, of course, that a note must be filled out by the same person who signs the note, but in the cases in question, the body of the notes have been filled out by persons other than the signers, and the handwritings of two persons, other than the signers, appear on the note. We will thank you to give us your opinion as to the legality in Pennsylvania of notes drawn in this way.

An instrument to be negotiable must be in writing but I know of no legal decision in which it has been held that a note is illegal or invalid because the handwriting, over the signature of the maker, is that of two different persons. It is quite frequent that a note is partly printed and partly in the handwriting of a third person, as was the case in *Zimmerman v. Rote*, 75 Pa. State 188, and while it is not so frequent that the body of a note is filled up in the handwriting of two persons, there is nothing illegal in such method of writing the note provided the signature which is affixed is genuine.

Indeed, the Negotiable Instruments Act contemplates the necessity, at times, for the handwriting of two persons in the body of the instrument in the provisions of Section 14 relating to filling blanks. Under this section "where the instrument is wanting in any material particular, the person in possession thereof has a *prima facie* authority to complete it by filling up the blanks therein." But "it must be filled up strictly

in accordance with the authority given and within a reasonable time," otherwise it cannot be enforced against any person who became a party prior to its completion unless, after completion, it is negotiated to a holder in due course. It is not infrequent that a note is partly filled up by the hand of one person before signature by the maker and after such signature the instrument is intrusted to another person with authority to fill in the name of a payee or to fill in a specified amount when ascertained prior to negotiation. Notes so filled up by the hands of two persons in pursuance of authority given by the maker would be valid and enforceable.

There is, therefore, no legal objection to a note because it is filled up in the handwriting of two persons prior to signature. If there is any valid objection to advancing money upon notes so filled up, it must be based on a ground other than that of illegality. It has been held that it is gross negligence to write a note partly in ink with a material condition in pencil. *Seibel v. Vaughan*, 69 Ill. 257; *Harvey v. Smith*, 55 Ill. 224. But this is a different proposition.

PAYMENT OF STOPPED CHECK TO HOLDER IN DUE COURSE

Where a bank inadvertently pays a stopped check to a holder in due course or to the payee justly entitled to it, decisions in Tennessee and Indiana support the view that, the depositor having suffered no loss, the bank can charge the amount to his account as equitable purchaser of the check upon proof of the payee's or holder's enforceable rights—A New York decision, however, holds that the bank cannot set off the amount simply by showing the payee was justly entitled to payment, but must further prove that the depositor ratified the unauthorized payment of his stopped check.

From Virginia—Will you be good enough to advise me relative to a question of law which has arisen in our bank so that we can be governed accordingly? Mr. A. draws a check payable to bearer and later stops payment on it at the drawee bank. In the meantime the check is passed on to a holder in due course who presents it to the bank which refuses payment on account of payment having been stopped. Has the drawer the right to stop payment on such a check? What recourse would the bank have had if they had paid the check under the conditions recited above? Would they stand in the shoes of the holder in due course?

A check being a mere order upon and authority to the bank to pay and not an assignment of the fund before acceptance, the drawer has the right to revoke the authority to pay by giving it notice to stop payment and thereafter payment by the bank being without authority, is at its peril. This rule applies to checks drawn payable to bearer equally as to those payable to order. Where the stopped check is in the hands of a holder in due course, the latter can, of course, enforce payment against the drawer for the full amount and has no rights against the bank.

In a case where the bank inadvertently pays a stopped check to a holder in due course who, in case payment had been refused, would have had enforceable rights against the drawer, it would seem on equitable principles that the bank should be entitled to succeed

to the enforceable rights of the holder against the drawer as an equitable purchaser of the check. We have, heretofore, taken this view basing this conclusion upon cases in Tennessee and Indiana.

In *Unaka National Bank v. Butler*, 83 S. W. [Tenn.] 655, a check on a Tennessee bank was indorsed in blank by the payee and lost. Within a week from its date it was accepted by a merchant from a stranger as payment for goods sold. The drawer, at request of the payee, notified the bank of the loss and instructed it not to pay the check. Notwithstanding the stop order, the bank made payment to the merchant. In an action by the original owner against the bank, the court held that as the merchant was a holder in due course, payment by the bank was authorized; that notice of loss and stop payment merely placed the burden on the bank to show the merchant received the check in due course of trade, for value and without notice; having done this, the title of the original owner was destroyed. The court said: "The theory upon which this suit is brought is that the bank having been notified of the loss of the check by the former rightful owner and the drawer and directed not to honor it, the subsequent payment was unauthorized and a wrongful interference with the property of the defendant in error (the merchant) for which it must answer. * * * The check, while payable to the payee or order, was indorsed by the payee in blank before it was lost and was purchased by Ward and Fryberg in due course of business, for value and without notice of any defect in the title of the holder from whom they received it. They acquired a perfect title and payment to them by the bank was authorized."

In *Bedford Bank v. Acoam*, 125 Ind. 584, a bank paid a note of its depositor, made payable at the bank, without express authority. This was before the passage of the Negotiable Instruments Act under which, "where the instrument is made payable at a bank it is equivalent to an order to the bank to pay the same for the account of the principal debtor thereon." The court said: "While we are not inclined to the view that a promissory note, negotiable and payable at a bank in this state, is, in all respects, the equivalent of a check drawn by the maker against a fund on deposit in the bank, so as to require the banker to pay the note on presentation out of funds applicable to that purpose, we can conceive of no valid reason why a note or bill thus drawn should not be held to authorize the banker to pay, and thereby become subrogated to all the rights of the holder to the same extent as if it had purchased the paper after maturity. One who has drawn a note or bill payable at a bank must have done so for some purpose, and he cannot be heard to say, after a banker has paid his just debt for which he had given a note, to which the maker claims no defense, that the payment was wholly voluntary and unauthorized. In such a case, the banker who has paid the note is entitled to hold it as the equitable owner or purchaser, and is entitled to set it off in a suit to recover a balance due the depositor on general account."

In the light of the above cases we have, heretofore, expressed the view that if a bank mistakenly and without authority should pay a stopped check, it would not necessarily be without redress as making a voluntary and unauthorized payment of its customer's check,

thereby extinguishing the obligation and all recourse thereon; but that whenever the bank could show, notwithstanding its unauthorized payment, that the check represents a just debt of the drawer, to which he has no defense, the bank will be entitled to hold it as equitable owner and purchaser and to set it off against the balance due the depositor on general account.

A somewhat different view has, however, been taken by the New York Court of Appeals, in a recent case. *American Defense Soc. Inc. v. Sherman National Bank*, 122 N. E. 695. In that case payment of certain checks was stopped, notwithstanding which the bank made payment to the payee to whom it was shown the drawer was indebted and that the checks had been drawn in payment of the sums due. There was judgment for the bank in this case by the Trial Court which was reversed by the Appellate Division, whose judgment against the bank was affirmed by the Court of Appeals. I quote from the opinion of the court the line of reasoning upon which its decision was reached. It said:

"It has been argued that even if the bank failed in its duty to its depositor and paid out money on the checks after payment thereof had been stopped, yet the depositor could not recover the amount of the payment upon these facts alone, but only the damage which it suffered, and the damage must be the depositor's loss. If, for instance, the depositor had received the benefit of the payment, it would have sustained no loss. As a bank by failing to honor a depositor's check, thus breaking its implied contract, is liable only for the damage sustained, so here, it is claimed, the plaintiff must prove actual damage.

"The evidence shows that the American Defense Society (drawer of the checks) was indebted to George Baxter (payee) for expenses incurred and disbursements made by him for its benefit, and that these three checks were drawn to his order in payment of the sums due. If the defendant had gone one step further and had proved that after George Baxter had cashed the checks the American Defense Society had credited itself upon its books with payment or had in any way recognized his receipt of the money from the bank as payment of its obligations to him, then in such case there would have been ratification of the wrongful act of the bank, and the plaintiff could not recover. *Fowler v. Bowery Savings Bank*, 113 N. Y. 450.

"Of course, the American Defense Society could not make a profit out of the bank's mistake and could not recover that which it lost. Acknowledging the payment by the bank to Baxter as a payment of the society's debt to him would in my judgment bar recovery against the bank. The evidence, however, in this case just falls short of this necessary element to afford the bank protection. While there is proof that the checks were drawn to pay Baxter all or part of the amount due him, there is no evidence to show that after the bank's mistake the depositor recognized or adopted the unauthorized payment in any way. In the absence of ratification the bank was liable to the depositor, as it could not justify paying out the depositor's money without authority by showing that the recipient was justly entitled to it."

According to the above case, the bank which pays a stopped check cannot justify the payment merely by

showing that the recipient was justly entitled to it or by proof that the drawer was indebted to the payee, and that the check was given in payment of the indebtedness. It would be incumbent on the bank to go still further in the matter of proof and show that the drawer had ratified the unauthorized payment, by crediting itself upon its books, in an account with its creditor, with the payment or in any other way recognizing or acknowledging that the receipt by the payee of the money from the bank was in payment of the drawer's debt to the payee. If the bank should make this proof, it would bar recovery by the depositor for the latter "could not make a profit out of the bank's mistake."

I think this decision of the Court of Appeals does not militate against the view that when a bank inadvertently pays a stopped check to a holder in due course, it is entitled, notwithstanding its mistake, to charge or set off the amount against the depositor's account by proving that the holder having the status of a holder in due course, would have had full enforceable rights against the drawer had the check not been paid by the bank. The New York case simply deals with the matter of proof and holds that where payment of a stopped check has been made to the payee, it is not sufficient merely to prove that he was justly entitled to it, but the bank must go further and prove ratification by the depositor by showing that he has recognized the payment as a cancellation of his indebtedness to the payee. If the depositor should not so recognize payment and choose himself to make payment to the payee of the indebtedness, then the check would not be chargeable, but it would seem in such case that the bank having paid its own money to the payee, would have a right of recovery thereof from him as for money paid under mistake of fact and without consideration.

However this may be, I think it fair to conclude from the authorities first above cited, that where a bank inadvertently pays a stopped check to a holder in due course who, if payment had not been made, could have recovered the amount from the drawer, that the bank would succeed to his rights as equitable purchaser and would be entitled to set off the amount against the balance due the depositor on general account.

NEGOTIABILITY OF ATTORNEY'S FEE NOTE

Stipulation promising to pay 10 per cent. in case holder shall place note in hands of an attorney for collection and costs and disbursements in case of suit does not destroy negotiability.

From Idaho—It has been brought to our attention that the enclosed note now in use by this bank is of doubtful negotiability on account of the statement in the body of the note: " * * * I promise to pay 10 per cent. of the indebtedness as attorney's fees for making such collection." Will you kindly advise us regarding this?

Before the passage of the Negotiable Instruments Act, the effect upon the negotiability of an instrument of a provision for payment of attorneys' fees or costs of collection, was a matter of conflict in the decisions. But that act provides that the sum payable is a sum certain within the meaning of the act although it is to be paid "with costs of collection or an attorney's fee,

in case payment shall not be made at maturity." *Ida. Rev. Codes, 1908, Section 3459.*

In the form of note you submit, the stipulation reads:

"In case the holder of this note shall place same in the hands of an attorney for collection, I promise to pay 10 per cent. of the indebtedness as attorneys' fees for making such collection and in case suit or action is instituted to collect this note, or any portion thereof, I promise and agree to pay in addition to the costs and disbursements provided by statute, such additional sum as the court may adjudge reasonable for attorneys' fees to be allowed in such suit or action."

In my opinion, this clause would not affect the negotiability of the note. The promise to pay 10 per cent. in case the holder shall place the note in the hands of an attorney for collection can only reasonably be construed to mean that in case of default at maturity the note shall be placed in the hands of an attorney; just as the succeeding clause with respect to suit or action to enforce the note could only be construed to mean "suit or action" brought when the cost of collection should accrue, namely, upon default at maturity. Thus construed, the clause in question would not affect the negotiability of the instrument. It has been held that the attorney's fee is due if the unpaid note is placed in the hands of an attorney for collection although no suit is brought. *Morrison v. Ornbaum, 75 Pac. [Mont.] 953.* It has also been held that a provision in a promissory note for attorneys' fees "if collected by attorney, or if suit is brought on this note," is a promise to pay attorneys' fees for collection only after dishonor and does not impair the negotiability of the note. *First National Bank of Shawano v. Miller, 120 N. W. [Wis.] 820.*

In the light of the foregoing, it is reasonable to conclude that the clause in the note submitted does not affect the negotiability.

LEGAL PROTEST FEES IN CONNECTICUT

Statement of fees allowed to notaries public in Connecticut as fixed by statute.

From New Jersey—Kindly advise us as members of your Association the legal protest fees for the state of Connecticut. The following charge was made on a check of \$15, returned to us by a Connecticut bank:

Noting protest.....	\$0.25
Entering	0.50
Recording	0.25
Affixing seal.....	0.25
Protest notice.....	1.25
Postage	0.10
	— \$2.60

We are very willing to pay the usual protest fees on return items, but certainly are opposed to the practice of these notary sharks. May we ask you to kindly tell us the Connecticut law, as we have never heard of such absurd charges as listed above, and in case they are not in accordance with the law, we intend to see if a stop cannot be put to such an outrage of a 20 per cent. charge on a \$15 item?

The fees allowed to notaries public in Connecticut, as fixed by statute, are as follows:

"For entering a protest of a bill or note, or noting without protest, fifty cents; * * * for noting a bill or note of protest, recording a protest, each notice to indorsers, makers, drawers or acceptors, affixing the

notarial seal, on each certificate, twenty-five cents." *Gen. Laws Conn. 1918, Chap. 119, Sec 2248.*

NEGOTIABILITY OF NOTE

Effect on negotiability of clauses in promissory note. (1) providing for greater rate of interest if unpaid at maturity; (2) giving holder option to hasten maturity upon default in payment of interest, and (3) waiving notice of extension.

From South Dakota—Will you kindly give your opinion as to the effect upon the negotiability of a note in this state by reason of provisions therein as follows: "Unpaid interest and principal shall bear 12 per cent. annual interest from due. The holders may elect to consider the whole note due and collectible at once if the interest is not paid at the time specified. The makers, sureties and indorsers severally waive demand, protest and notice of extension or non-payment."

(a) Unpaid Interest. In South Dakota the negotiability of a note, otherwise unobjectionable, is not affected by a provision for a specified additional rate of interest after maturity. (*Merrill v. Hurley, 6 S. Dak. 592, 62 N. W. 958* [dist. *Hegeler v. Comstock, 18 D. 138*], where provision was for interest at 7 per cent. per annum, but interest at rate of 12 per cent. per annum if not paid at maturity.)

(b) Option to Hasten Maturity. In South Dakota a recital in a note to the effect that such note may, at the option of the holder and by reason of the default of the maker, become due and payable at a date earlier than that fixed, does not destroy its character as a negotiable instrument. (*Merrill v. Hurley, 6 S. Dak. 592, 62 N. W. 958.*)

(c) Waiver of Notice of Extension. The Negotiable Instruments Law expressly provides that the negotiable character of an instrument, otherwise negotiable, is not affected by a provision which waives the benefit of any law intended for the advantage or protection of the obligor. Thus, a provision whereby the makers and indorsers waive protest, demand and notice of protest, and nonpayment, in case the instrument is not paid at maturity, does not affect the negotiability of the instrument. (*Witty v. Michigan Mut. L. Ins. Co., 123 Ind. 411; Rossville State Bank v. Hesel, 84 Kan. 315; Bank v. Baldwin, 100 Nebr. 25, 158 N. W. 371; Bank v. Wignall [Okla.], 157 Pac. 725; Bank v. Schall, 10 Pa. Co. Ct. 394; Nat. Bank of Commerce v. Kenney, 98 Tex. 293.*)

In a number of jurisdictions it is held that provisions in a note waiving all defenses on the ground of extensions of time do not affect negotiability. (*Navajo County Bank v. Dolson, 163 Cal. 485; Longmont Nat. Bank v. Loukonen, 53 Col. 489; Halsted State Bank v. Belstad [Iowa], 136 N. W. 204* (holding that the negotiable character of a note is not destroyed by reason of it containing a clause providing that a surety, if such there is on the note, will not claim a release from his collateral liability on the instrument if an extension of time shall be granted the makers without notice to him); *Davis v. McColl, 179 Mo. App. 198; Pomeroy First Nat. Bank v. Buttery, 17 N. Dak., 326, 116 N. W. 341; City Nat. Bank v. Kelly [Okla.], 151 Pac. 1172; Nat. Bank of Commerce v. Kenney, 98 Tex., 293, 83 S. W. 368* where the court said: "If

it is argued the effect of the stipulation is to give the right to the maker without the consent of the holder, or to the holder without the consent of the maker, to appoint another day of payment and thereby extend the time, it may be that it would render the note not negotiable. But we do not think it capable of that construction. It does not say that either the holder or the maker may extend the note. It merely makes a provision in case the time of payment may be extended. How extended? It seems to us the extension meant is that which takes place when the debtor and creditor make an agreement upon a valuable consideration for the payment of the debt on some day subsequent to that previously stipulated. The obvious purpose of the provision taken as a whole was merely to relieve the holder of the paper from the burdens made necessary by the rigid requirements of the mercantile law in order to secure the continued liability of the indorsers and sureties upon the paper. Therefore, what was meant by the stipulation as to the extension of time was simply that in case the holder and the maker should agree upon an extension the sureties and indorsers should not be discharged."; *Kirkwood v. Carroll*, 1 K. B. 531.)

The contrary, however, has been held in Idaho (South Omaha Union Stock Yards Nat. Bank *v.* Bolan, 14 Ida. 87, 93 Pac. 508), in Indiana (*Mitchell v. St. Mary*, 148 Ind. 111, 47 N. E. 224) and in Kansas (*City Nat. Bank v. Gunter*, 67 Kan. 227, 72 Pac. 842).

I find no South Dakota decisions on this precise point, but the form of note submitted contains a stipulation with respect to waiver of notice of extension similar to the one contained in *Nat. Bank of Com. v. Kinney*, 98 Tex. 293, quoted *supra* at length, and I think that the reasoning in that case would equally apply in the instant case, and that the negotiability of the note is not affected by the stipulation waiving notice of extension.

ACCOMMODATION INDORSEMENT BY MARRIED WOMAN IN CONNECTICUT

In Connecticut, prior to 1877, married women were under common law disability but, by statute passed that year, a married woman has power to make contracts with third persons as if unmarried and can be held liable as accommodation indorser upon her husband's note.

From Connecticut—Will you kindly advise us if a wife who indorses her husband's note simply as a matter of accommodation and without benefit to herself can avoid responsibility in case the husband fails to pay at maturity?

In Connecticut the personal disabilities attendant upon married women prior to 1877 prevented a wife from making a valid and enforceable contract to guarantee an indebtedness of her husband. *Wagner v. Mutual Life Ins. Co.*, 88 Conn. 536. Now, by statute, in Connecticut a married woman has the power to make contracts with third persons, and to convey her real and personal property as if unmarried. She also has the power to convey her real and personal estate directly to her husband, as if unmarried. Her property is liable to be taken for her debts, except when exempt

from execution. *Gen. St. Conn.*, 1918, Chap. 281, Sec. 5274.

Prior to the enactment of this section, a wife could not bind herself as surety for her husband. (*Freeman's Appeal*, 68 Conn. 533, where the court said: "These personal disabilities the common law imposed partly for the protection of the husband, and partly for that of the wife. * * * The common law was sufficient to protect her against herself, and prior to 1877 it precluded her from making any contract as surety for her husband. *Kilbourn v. Brown*, 56 Conn. 149. A statute of that year establishes a different rule for married women after its enactment, but does not enlarge the rights of those previously married. *General Statutes*, Sec. 2796.")

It follows that a wife who indorses her husband's note simply as a matter of accommodation and without benefit to herself may now be held liable thereon in Connecticut in case the husband fails to pay at maturity and she is duly charged as indorser. I find no Connecticut case directly involving the contract of an accommodation indorser, but the statute and decisions above cited make it clear that a married woman since 1877 can make a contract of suretyship or indorsement as if unmarried.

LOAN LIMIT IN ILLINOIS

Section 10 of the Illinois Banking Act fixes a loan limit to a single borrower of 15 per cent. of capital and surplus and such loan limit is exceeded by a bank whose capital and surplus is \$450,000 which holds three notes of a customer aggregating \$70,000 unless certain of the paper falls within the exceptions provided by the Act.

From Illinois—If a customer is maker on a \$40,000 note, secured by 500 shares of high grade stock, is maker on a \$15,000 note with surety, and is an indorser on a \$15,000 note, would you consider this paper an excessive loan according to Section 10 of the Banking Act?

Section 10 of the Illinois Banking Act as amended in 1917 places a loan limit to a single borrower, with certain exceptions, of 15 per cent. of the amount of paid-in capital and unimpaired surplus. Your bank has a capital and surplus of \$450,000 and your loan limit to a single borrower is \$67,500. The aggregate of the three notes on two of which your customer is maker and on the other of which he is indorser is \$70,000, and this would exceed the loan limit by \$2,500 unless one of these notes comes within the exceptions provided by Section 10.

These exceptions are as follows:

1. The discount of bills of exchange drawn in good faith against actually existing values shall not be considered as money borrowed. None of these notes obviously fall within this exception.

2. The discount of commercial or business paper actually owned by the person negotiating the same shall not be considered as money borrowed. If the note on which your customer is indorser falls within the definition of commercial or business paper, received by him in due course of business and indorsed over to the bank, then the loan limit would not apply to this note and the total of loans would be within the loan

limit. Your letter contains no statement of facts as to the character of this note from which it can be determined whether it is commercial or business paper actually owned by your customer. If your customer is accommodation indorser on the note then, of course, it would be included within the loan limit.

3. The purchase of or loaning money in exchange for evidences of indebtedness secured by mortgage or trust deed upon productive real estate, the value of which, exclusive of buildings, as ascertained by the oath of two disinterested appraisers, is double the amount of the principal debt and which mortgage or trust deed is ascertained by a guaranty policy of a title guaranty company approved by the auditor of public accounts, or by a registrar's certificate of title in any county having adopted the provisions of the Land Titles Act, or by the opinion of a reputable attorney at law to be a first lien upon the real estate therein described, shall not be considered as money borrowed. I do not understand that any of the notes referred to by you are evidences of debt of this description.

4. The purchase of, or loaning money in exchange for, evidences of indebtedness secured by written pledge covering live stock, the president, vice-president or cashier of the bank certifying that the value of the live stock is double the principal debt secured, shall not be considered as money borrowed. None of the notes described by you are thus secured by live stock.

Section 10 also excludes from the 15 per cent. loan limit liabilities of a borrower secured by collateral approved as sufficient security therefor by the auditor of public accounts and deposited with him, or which shall be secured by a good and sufficient bond conditioned to indemnify the bank from loss on account of failure to pay the loan at maturity filed with and approved by the auditor of public accounts. If in the case of the note secured by five hundred shares of high grade stock, the auditor of public accounts should approve of the security and same should be deposited with him, or if in the case of either of the notes on which your customer is maker you should file an approved bond of indemnity with the auditor of public accounts, these notes would be taken out of the loan limit.

Section 10 further provides that if any bank shall deposit with the auditor of accounts a good and sufficient bond, or approved security, other than assets of the bank, the auditor may issue a permit granting the bank permission, within one year from date, to carry without liability against the officers and directors on account of such loans being excessive, loans otherwise excessive under the provisions of the Act to an aggregate amount equal to the amount of the bond or of the value of the securities. Provision is made as to the details of the bond and for revocation of the permit whenever bond or security become impaired in value unless additional bond or securities are filed with the auditor. Herein is indicated a method by which a bank may obtain permission to make excessive loans.

Section 10 contains a further provision that the total liabilities of a single borrower under its provisions shall not exceed 25 per cent. of the deposits of the bank and at no time shall exceed the amount of the capital stock of the bank.

In the light of the above, I should say that the loan

limit in your case was exceeded by the sum of \$2,500, unless the note upon which your customer is indorser falls within the definition of commercial or business paper actually owned by him; or unless the provisions above stated as to collateral security or bond filed with the auditor of public accounts are availed of; or unless the bank is granted a permit to exceed the loan limit as provided by Section 10.

DIGEST OF LEGAL OPINIONS

In response to numerous requests by members of the American Bankers Association, announcement is made that a digest of the legal opinions of the General Counsel has been prepared and is ready for immediate delivery. The book will contain about 300 pages and is a synopsis or condensation of 1348 opinions, which have been published in the *JOURNAL-BULLETIN* during the period from July, 1908, to June, 1919, inclusive, or eleven years.

The members of the American Bankers Association have submitted for legal opinion and advice all sorts of questions dealing with practical banking problems which have actually confronted them in business. For this reason there are certain features of the book that are worthy of note.

First, the digest covers a wide and varied range of subjects that have already proved of vital and practical interest to members, and knowledge of which will enable one member to gain by the experience of others; second, it deals with those subjects and problems based upon the experiences of members which have been troubling them most; and third, it possesses a unique feature in that it contains many matters of inquiry, which have never reached a court and upon which there has been no litigation, and in these matters in the absence of precedent, advice and suggestions reasoned out upon legal principles have been given. The arrangement, classification and indexing should make it a ready reference book.

The price of the Digest to members only has been fixed at \$2.50 which it is estimated will cover the expense of publication. To non-members the price of \$5 will be charged.

Since the first publication of this announcement in the June issue of the *JOURNAL*, orders for the book have been flooding the Association's offices, showing a great demand for copies. Members are at liberty to write a letter asking the Association to enter their subscription, or they may use the order form which appears on the last advertising page of this issue.

In announcing the publication of our Digest of Legal Opinions, we are pleased further to announce the publication by the *Banking Law Journal* of New York of a digest of all the decisions published in that Journal from its foundation in 1889 to March, 1919, a period of thirty years. This will make a book of over 400 pages and will prove of much value to banks. It is to be differentiated from the Digest of Legal Opinions, in that it is a digest of court decisions, while the Digest of Opinions of the General Counsel covers many questions that have not as yet been passed upon by any court. There is no conflict, therefore, between the two publications, and we deem both of great value to the banking fraternity.

Library Limelight

Recent Publications

THE ECONOMIC FUNCTIONS OF A COUNTRY BANK. By S. Eugene Whiteside, vice-president of the First National Bank, Greencastle, Ind. Distributed by the Library. In this discussion the author considers a "country bank" as any general banking institution, whether of state, national or private origin, located in a town of a population not to exceed 10,000, which is primarily dependent on the surrounding agricultural districts for its existence. At least three-fourths of the banks of the United States would qualify as "country banks" under this definition. The economic functions of a country bank are discussed under four heads:

- I. General Banking or Financial Functions.
- II. Business Functions.
- III. Agricultural Functions.
- IV. Community Welfare Functions.

The banking functions are summarized as follows:

1. Providing a place for the safe deposit of money.
2. Making available various media of exchange.
3. Measuring and distributing credit.

"The above comprise the strictly banking functions of country banks, but of late years they have more and more come to provide under one roof facilities for practically all the possible financial operations of their customers." Among the business functions we find that the first is to see that the banking practices of the community are maintained in accordance with the highest possible ethical and efficiency standards. "By far the best plan yet devised for cultivating the spirit of co-operation between locally competing institutions is the clearing house association, which may be effectively formed in any town with three or more banks." "The second business function of a country bank is to increase the efficiency standards and develop co-operative methods among local merchants." "Aid in developing proper accounting methods is probably one of the most important services that a bank can render a merchant." "A vital service which a bank can render the future welfare of a community is to interest young men to stay in their home town and to help establish them in business." On the subject of agricultural functions the author believes that, "in the proper stimulation of agriculture is found a highly important function of the country bank, for it is nationally by far our greatest industry and the basis of our prosperity. Over one-half the population of the United States lives in rural districts and almost 1,000,000,000 acres of land are cultivated." Four different ways in which the banker may assist agriculture are considered:

1. Properly financing the established farmer.
2. Assisting the farmer to improve his accounting methods.
3. Encouraging better farming methods, better livestock and the use of more efficient farm machinery.
4. Discouraging tenancy.

The community welfare functions which concern the country bank include good roads, improvement of the public schools, public improvements of all kinds,

such as electric lights, sewerage, water works, paved streets, parks, playgrounds. Various methods of publicity are discussed. A function of the country bank which the author discusses at length is that of fighting wildcat investments and get-rich-quick schemes and the training of people in the proper investment of money. The aim of the treatise is to "suggest those functions that can be exercised most widely by country banks, that are the most vital to the average rural community and that have been proved by experience to be successful projects and not mere theories."

THE EVOLUTION OF THE MONEY MARKET, 1385-1915, AN HISTORICAL AND ANALYTICAL STUDY OF THE RISE AND DEVELOPMENT OF FINANCE AS A CENTRALISED, CO-ORDINATED FORCE. By Ellis T. Powell. London: The Financial News. 1916. Pp. 732. The survey begins with the rule of Richard II and ends in the reign of George V. For the period between 1385 and 1694—the date of the establishment of the Bank of England—the treatment of the subject is not more detailed than is necessary to exhibit the origins and nature of all the factors of the Money Market in their proper focus. After the date of the establishment of the Bank of England the treatise becomes rather more elaborate in its recital of fact and inference. The rest of the study is, in effect, a brief history of the first hundred years, 1815-1915, of the modern Money Market. There are numerous quotations woven into the text, with copious explanatory foot-notes. The author outlines the subject as follows: "The Money Market is generally said to comprise four factors: (1) the Bank of England, (2) the 'cheque-paying banks', distinguishing public banks from private mercantile houses, (3) the bill brokers and the mercantile discount houses and (4) the Stock Exchange. In the present survey, however, the joint-stock companies and certain specialist forms of joint-stock enterprise like insurance, and the trust, finance and investment companies have been treated as distinguishably separate factors of the Money Market." In dealing with the subject of bill brokers and discount houses the author states:

A study of the bills which are lodged by the London discount houses as security for short loans is a lesson in commercial geography. They are drawn from all parts of the world and are based upon every conceivable kind of produce. It is the lending on these bills which practically constitutes the operations of the Money Market. And over all these seething movements of the foreign exchanges (the consequence of the multitudinous transactions which are necessary to the adjustment of the world's vast trade) there is incessantly bent the unfaltering gaze of that faithful, but often unregarded sentinel, the Bank of England. Naturally, the unique solidity and responsibility of the great English accepting firms and banks is a potent factor of the process. There is no reason, on the face of things, why American private financial firms should not do a large acceptance business. But the fact is that they do not attempt it because the endeavor would bring their credit, excellent as it is, into disadvantageous contrast with that of the London houses—houses which, paradoxical as it seems to say so, have been largely the creation of strangers who have (especially since the Franco-German war of 1871) come within our gates from abroad.

From the discussion of the investment trust we select the following:

By this time, then, the rise of the trust and investment companies enables us to discern in activity the three classes of "credit shop" each selling the same commodity, but each specializing in a particular species of it, clearly differentiated from that sold by the other two. The bank sells short credit only. The finance company caters for a class of business which requires a much longer credit than a banker can give, consistently with his duty of maintaining his assets in liquid form. The investment trust company, again, enters a given transaction for a much longer period than a finance company, if, indeed, it does not purchase the investment for permanent holding. * * * Originally the investment trusts represented the standardised investor. They sought to aggregate the funds of people who were too nervous or too inexperienced to invest their own money. In that way they enabled this class of moneyed individual to secure financial benefits which had otherwise been out of his reach. The aggregation professed to take all the precautions, with regard to the distribution of the risks and the mixture of the types, which a prudent investor of the shrewdest stamp would have adopted for the protection of his own money. Its directors seldom changed investments once made. They awaited redemption and collected interest meanwhile. Nowadays, at the point in the evolution of the trust company which has so far been reached, this ideal still survives and new trust companies are still created. But while the trust company still functions, for the present, in its original form, it is becoming less a means of vicarious investment than a recognized and necessary factor of the modern Money Power, taking its share in the guidance of the policy of the great financial hierarchy which now controls the economic destinies of the world.

The book ends with a chapter entitled, "Summary and Conclusion." Various international plans and aspirations are here outlined among which the proposal for an international gold reserve. The author summarizes his conclusions as follows: "Credit and freedom have reached their zenith together, as if they were a kind of double star, each the satellite of the other. The worlds of leisure and learning are more and more dependent upon finance, which keeps in motion, and guides in operation, the forces upon the harvest of which leisure and learning depend. It disciplines that which is material, compelling it to subserve the intellectual and spiritual while these latter work out their own destiny."

INTERNATIONAL PRICE COMPARISONS. Published by the United States Department of Commerce in co-operation with the War Industries Board. Washington: Government Printing Office. 1919. Pp. 395. This bulletin forms part of the History of Prices During the War, planned by the War Industries Board. It aims to show as fully as permitted by the material available how the rise of prices from 1913 to 1918 in the United States compares with the rise in other countries. The collection of price quotations for these comparisons presented serious difficulties. Men familiar with American business in 1915-1918 know that many commodities disappeared from the market for months at a time. Interruption of supplies and interference with open-market dealings were much more serious, of course, in countries close to the scene of hostilities than in the United States. In France, particularly, ordinary commercial relations were thrown into confusion by invasion, by the scantiness of shipping, and by the necessity of drastic government control over many articles. It is impossible, therefore, to collect monthly quotations during the war for as many commodities as can be included in times of peace. In striving to overcome this difficulty so far as possible, generous assistance was obtained from the Consular

Service, all accessible sources of information in the country were ransacked, and in the end enough data were secured to bring out at least the chief differences between price fluctuations in the United States and in other countries, belligerent and neutral. A bibliography is included to show from what sources the data were drawn. The tables are arranged by countries, and under each country the commodities quoted are listed alphabetically. For each commodity there are given, first, the yearly, quarterly, and monthly quotations in foreign units and currency; second, the corresponding quotations for the nearest American equivalent of the foreign article for which data have been found; and third, relative prices in the foreign country and in the United States.

INTERNATIONAL RECONSTRUCTION.—THE ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE. Vol. 84. July, 1919. No. 173. Philadelphia: Pp. 223. Edited by Carl Kelsey. These papers will be found deserving of careful consideration by all who are seeking to obtain information on the great current problems. The subject matter is divided into four parts:

- Part I. The future of Turkey and Asia Minor.
- Part II. Readjustment of Middle Europe.
- Part III. The present and future of Russia.
- Part IV. The organization of peace. (A) Economic and political reconstruction. (B) The League of Nations.

The titles of a few of the papers will suggest the general scope of the collection: "The Turks and the Future of the Near East," by Morris Jastrow; "The Disposition of the Turkish Empire," by Talcott Williams; "An Experiment in Progressive Government—the Czecho-Slovak Republic," by Charles Pergler; "A Danubian Confederation of the Future," by V. R. Slavic; "Democracy and Bolshevism," by A. J. Sack; "The Soviet Republic," by Santeri Nuorteva; "The Intelligentsia and the People in the Russian Revolution," by Moissaye J. Olgin; "Wanted—a Foreign Trade Policy," by John Hays Hammond; "The Freedom of the Seas," by John H. Latané; "The Need of Social Reorganization in America," by Oswald Garrison Villard; "In Defense of the League of Nations Covenant," by Gilbert M. Hitchcock; "Wanted—a League of Nations Likely to Promote Peace," by George Wharton Pepper; "Peace and Democracy," by Samuel W. McCall.

Books Recommended

The books contained in the following list are recommended for bank libraries and individual reading. If such books cannot be obtained through local dealers they will be furnished by the Library of the American Bankers Association at the prices indicated, which include wrapping and transportation. Checks should accompany orders.

A B C OF THE FEDERAL RESERVE SYSTEM. By E. W. Kemmerer. Price, \$1.65.

CREDIT AND ITS USES. By W. A. Prendergast. Price, \$2.15.

COMMERCIAL GEOGRAPHY. By C. C. Adams. Price, \$1.65.

FOREIGN EXCHANGE EXPLAINED. By Franklin Escher. Price, \$1.40.

FINANCIAL HISTORY OF THE UNITED STATES. By D. R. Dewey. Price, \$2.70.

FUNDS AND THEIR USES. By F. A. Cleveland. Price, \$2.

MONEY AND BANKING. By J. T. Holdsworth. Price, \$2.65.

RURAL CREDITS. By Myron T. Herrick. Price, \$2.65.

PRINCIPLES OF BOND INVESTMENT. By Lawrence Chamberlain. Price, \$5.20.

PRINCIPLES OF ECONOMICS. By Henry S. Seager. Price, \$2.65.

BUSINESS OF THE HOUSEHOLD. By C. W. Taber. Price, \$2.20.

MODERN TRUST COMPANY; ITS FUNCTIONS AND ORGANIZATION. By F. B. Kirkbride and J. E. Sterrett. Price, \$2.70.

THEORY AND HISTORY OF BANKING. By C. F. Dunbar. Enlarged by Oliver M. W. Sprague. Price, \$1.65.

ORGANIZED BANKING. By E. E. Agger. Price, \$3.20.

PHYSICAL CULTURE. In the form of an illustrated poster the Library of the American Bankers Association provides a series of "Everyday Exercises for Everybody," designed not to make athletes, but simply to develop the fundamental functions of respiration, digestion and elimination. Price, 50 cents.

FEDERAL FARM LOAN SYSTEM. By Herbert Myrick. Price, \$1.15.

NEW YORK STOCK EXCHANGE. By H. S. Martin. Price, \$1.10.

BANK LAW AND TAXATION DIGEST. By Milton W. Harrison. Price, \$2.50.

The foregoing list will be gradually extended as circumstances may seem to warrant.

Pamphlets and Papers

Upon application to the Library any of the following pamphlets and papers will be sent without charge to members of the American Bankers Association.

PAMPHLETS

"Our Public Debt." By Harvey H. Fisk.

"The Menace of Paternalism." By Otto H. Kahn.

"Government Ownership of Railroads." By Otto H. Kahn.

"Foreign Investments in Their Relation to the Future of This Country." By Fred. I. Kent.

"Domestic Exchange, a Study of the Out-of-Town Check Question from Different Angles." By Robert D. Kent.

"Experiences of an Executor." By William McChesney Martin.

"Debt of the United States of Mexico and of the National Railways of Mexico as of 1919." by T. W. Osterheld.

"The Acceptance as the Basis of the American Discount Market." By John E. Rovensky.

"Acceptances in Our Domestic and International Commerce." By Paul M. Warburg.

"The Economic Functions of a Country Bank." By S. Eugene Whiteside.

"Dangers to Be Avoided in Trade Acceptance Practice." By David C. Wills.

"Victory and Other Liberty Loan Acts, with Excerpts from Other Acts of Congress Concerning the Public Debt." By Bankers Trust Company, New York.

"Canada, Economic Position and Plans for Development." By Guaranty Trust Company.

"How Business with Foreign Countries is Financed." By Guaranty Trust Company.

"Safe Keeping of Securities." By Guaranty Trust Company.

"Shipping's Share in Foreign Trade." By Guaranty Trust Company.

"Trading with the Far East." By Irving National Bank.

"The World's War Debt." By Mechanics and Metals National Bank.

"Administration of Estates and Trusts." By United States Mortgage & Trust Company.

"Review of the Economic and Industrial Development of the United States from 1790 to 1918." By Imbrie & Co.

"Joint Stock Land Bank Bonds, Instrumentalities of the United States Government." By Kiely and Horton, New York.

"Oil, the World's Greatest Asset from Its Inception to Date." Illustrated. By R. C. Megargel & Co., New York.

"Review of the Convention of the American Acceptance Council at Detroit, June 9, 1919."

"Addresses delivered at the Sixth National Foreign Trade Council Convention, Chicago, Ill., April 24-26, 1919." For detailed list see May JOURNAL.

"Federal Revenue and Income Tax Act."

"Federal Reserve Act."

"Federal Farm Loans."

"Fundamentals of a Cost System for Manufacturers. A System of Accounts for Retail Merchants."

"Short Method Analysis of Depositors' Accounts."

"Acceptances."

"Credit Statements."

"Credit Unions."

PAPERS

"Custody of Securities."

"Discount Houses and Bill Brokers."

"Interior Proving Methods."

"New Business Methods."

"Personal Solicitation of Accounts."

"Profit Sharing and Pension Funds."

"Savings Plans and Clubs in Industrial Corporations."

Answers to Correspondents

NUMBER OF BANKS IN THE UNITED STATES. (Inquiry from Mississippi.) The most recent data shows that there are 33,508 banks in the United States, composed of 7,849 national banks, 18,617 state banks and trust companies, 2,215 savings banks, and 4,827 private banks.

MORRIS PLAN BANKS. (Inquiry from North Dakota.) The first company to operate the Morris plan of industrial loans and investments was organized by Arthur J. Morris at Norfolk, Virginia, nine years ago. Its first loan was made on March 23, 1910. By March 23, last, the number of loans made by over one hundred Morris plan companies operating throughout the United States had reached, it is stated, 660,000 and amounted to nearly \$100,000,000. Over one-third of the entire amount was lent in the year 1918. The Morris Plan is an American adaptation of the European systems of industrial banking which has attained such success in Germany, France and Italy. In these countries the banks are mutual and co-operative, but the class of the borrowers is the same as the customers of the Morris plan banks in the United States. In Germany alone, there were, before the war, 17,000 of these workingmen's banks doing a total business of more than a billion dollars a year, while in France, in 1913, out of four billion of loans discounted by the Bank of France, over half were for sums less than \$20 each. To get a loan the borrower must fulfill only three requirements. First, he must have a real need of the money. Second, he must have a steady earning power and integrity. Third, he must have two friends with steady jobs who will go on record as believing in his character and ability to pay by endorsing his note. After the borrower's application has been investigated and it has been proved that the statements of himself and his two friends are truthful, the loan is allowed. He gives his note for \$100, due in fifty-two weeks from date, which is discounted at 6 per cent., plus a charge for investigation of \$1 for each \$50 or fraction thereof. He then subscribes to two installment certificates for \$50 each, which certificates he agrees to purchase at the rate of \$1 per week for fifty weeks. These certificates are then assigned to the bank and

become collateral to his note. At the end of fifty weeks these installment certificates have been fully paid for, and their value equals the amount of the loan. Two weeks later the note becomes due. He may then withdraw the \$100 paid on these certificates, pay his note and close the transaction. He is urged, however, to continue the second year as a saver, and is given the option of converting his installment certificates into full paid investment certificates bearing 5 per cent. interest, and borrowing on the investment certificates as collateral (without endorsers and without investigation fee) the necessary sum to pay his loan. If he decides to continue as a saver he is allowed interest on his previous weekly payments at the rate of 4 per cent. after the twenty-fifth payment.

WAMPUM. (Inquiry from Maine.) Wampum is a bead made from the clam, periwinkle, conch, and

other shells, used in former times by the Indians of North America as money. It was also adopted by the early Dutch, French, and British colonists for the same purpose. The question of currency or exchange was one of the most serious problems with which the colonists had to contend, and the scarcity of the European circulating medium rendered the adoption of wampum necessary in general trade. The Dutch were the first to employ it, and it went under the names "Seawent" and "Zewant," whilst by the French it was called "Porcelaine," by the Indians "Sewan," and Wampum was the British term. It was not a cheap article of fictitious value, for the shells from which it was made were found only on the seashore, and the difficulty and expense of their supply proportionately increased their demand, according to the distance of the Indians of the interior, who used them, from the coast.

Banks as Steamship Agents

By WILLIAM J. FRANK

Manager Foreign Department, First National Bank of Pittsburgh

A FEW years ago banking institutions acting as steamship agents were the exception—in fact, there were perhaps only three or four such agencies in the entire United States. Conditions, however, have changed during the past few years, so that at the present time quite a number of national and state banks now have what is known as a steamship or tourist agency, as a rule operating the same in connection with their foreign exchange department.

In former years it was the opinion of the representatives of the steamship companies that a banking institution would not prove as capable an agent for their company as an individual who would give practically all his time to the business, but it was only a question of a few short years before the banking institutions operating steamship departments were able to convince the steamship corporations that through their efforts they could produce more business than an individual agent, and the tendency today on the part of large steamship companies is to appoint banking institutions as their agents in localities where conditions warrant such an appointment, and especially if the choice lies between the bank and the individual.

Under the present abnormal conditions it may be somewhat difficult to obtain the agencies from the steamship companies on account of the reduced number of boats in the service and the policy of the companies to protect their old agents, primarily because the

past four years have been rather lean ones in the way of commissions from the sale of tickets on account of the restricted travel.

However, a steamship agency would be quite an addition to any institution having a savings department and handling foreign exchange, because it would permit them to handle a man's savings account, particularly the foreigner, and when he would make a withdrawal for the purpose of sending the money abroad the remittance could be handled through the foreign exchange department, and should the same client desire to take a trip to Europe the bank could arrange for his transportation. Without these facilities the average bank can only cater to the client for his savings account, and whenever the customer wishes to transact business as aforementioned, he must necessarily go elsewhere on account of the limited facilities of his bank.

It is, of course, not to be supposed that a sufficient amount of business could be created in small communities so that all banking institutions would have complete organized foreign exchange and steamship departments, and where the demand for such business is limited it would be advisable for those institutions to make connections with their city correspondents having such departments who would place such facilities at their disposal to the mutual benefit of both.

Forum for Members

Slow Loans and Liquidity

A. E. ADAMS, president First National Bank, Youngstown, Ohio.—“A law enabling banks to make slow loans without violating accepted principles of sound banking, which means, of course, a law enabling banks to take deposits on an indeterminate withdrawal notice plan like the one followed by building and loan companies; this, of course, in segregated departments. For more than fifteen years before the war, long term investment securities had been steadily falling in price while the rate on so-called commercial paper remained relatively constant. The organization of a Federal reserve system set in motion a new force calculated to depress the slow loan, and the war set in motion still another. Our credit moving machinery in so far as it is intended to take care of commercial needs and to handle so-called liquid paper, is of the best, but we have no credit institutions fitted to handle slow loans except the building and loan companies and the land banks, and they handle nothing but mortgages. A loan is liquid if the tangible property upon which it is based or against which it is drawn is liquid and not otherwise. As more than 85 per cent. of all the tangible property available as a basis for credit in this country is of a non-liquid character, it is clear that the need for slow loans must always greatly exceed the need for liquid loans, and it is to be remembered that it is just as essential to the progress of any given community that credit should be extended against permanent things as that it should be extended against commodities in process of production and distribution. Under the lead of the Federal reserve bank we are laying greater emphasis on liquidity and liquid loans but we must not forget that no amount of education on the subject of trade acceptances and other so-called liquid instruments will change the central fact that if we bankers are to avoid choking our respective communities to death, we must make a great many more slow loans than we can possibly make of the other kind. We might also remember that in quality the slow loan is just as good and in fact better than the liquid loan. It is bad from the banker's point of view merely because it is slow. The crying need of the day in the banking business is for credit machinery that will take care of this class of paper scientifically and safely. The city banker may take issue with this statement but every country banker in America knows that it is true, and that he could be much more useful to his own community if he could, without other risk than that which grows out of the quality of the loan itself, lend freely on high grade home collateral and mortgage. Neither demand deposits nor deposits payable on thirty or sixty day notice can safely be put into such loans in any very large way. So the answer is to provide for another class of deposits, deposits which, under the contract made with the depositor, can be withdrawn only when and as loans in the particular and segregated department in which the deposits are made are liquidated. Off hand, many bankers will say that no one will deposit money under such conditions, but the success of the building

and loan companies, notably in my own state, prove the contrary, and I myself, after an experience of more than a quarter of a century in the savings business, am firmly convinced of the contrary.”

Constructive Examinations

C. H. PEASE, president Raymondville State Bank, Raymondville, Texas.—“Such legislation as will enlarge the scope of examinations, lifting them out of the plane of mere audits but which will enable the examiner to act as an advisor of the bank. This will require the services of men of more experience in finance and business than mere bank clerks. Men who are capable of counselling with bank officers in a sympathetic and helpful way and who are competent to advise and direct should be appointed and paid a salary that will command their services. These should visit each bank at least once a year and have sufficient time to go thoroughly into the general situation of not only the bank but of the community, investigating the character and reputation and ability of the bank officers, study the needs of the bank, suggest changes in its office and business methods, and in general, advise and suggest ways to make the bank more efficient and safe. In other words, he is a bank expert who is constructive and not merely an auditor to check up errors in book-keeping. He could take time to go more thoroughly into the loans and his suggestions would be helpful and not obstructive. The bank officers would be treated as men anxious to become successful and not as culprits who have to be watched to keep them from violating the law.”

Stop a Bad Practice

G. GUNDERSON, cashier Security State Bank, Hitterday, Minn.—“We suggest and would like to see a law passed making it unlawful for any party to issue or draw a check on a bank without having sufficient funds to meet it. This law should be in force, as we find in several banks all over the country that there are parties who make it a practice to draw checks without funds to meet it, which makes a big expense to the banks and very unprofitable accounts. If this practice was eliminated, we would be willing to dispense with any charges. We believe that such a law would guard against forgery to a great extent.”

On the Job

H. V. WHIPPLE, president Merchants National Bank, New Haven, Connecticut.—“I thank you for your letter of the 10th, with enclosures regarding the Texas case of objectionable advertising, showing that you are right on the job, and protecting the interests of the American Bankers Association, as usual.”

Liberty Bonds as Investments

FRANK L. COOPER, cashier Citizens Bank and Trust Company, Everett, Wash.—“At the present price of Liberty bonds, we believe it would pay the banks of

the United States to spend considerable money advertising these bonds from a strictly investment basis. In these advertisements the benefit of the Liberty bonds could be pointed out by showing how all people with worthless securities were so anxious to get the Liberty bonds. The local papers will co-operate with the banks gladly in most cases in a matter like this, where patriotism is involved, and the education of the people is the end in view."

Developing Foreign Business

E. W. DECKER, president Northwestern National Bank of Minneapolis.—"As soon as possible the nations of the Old World will doubtless develop their own raw material instead of buying it from us; but anticipating the arrival of that time, it is essential that the United States should at once begin to develop foreign business in such countries as Central and South America, Africa, Russia and at any other point where natural resources may be developed by the assistance of foreign financing—not only so that we may sell them goods, but so that they can buy goods of European nations who now owe us money, in order that our debtors may pay us off without flooding our own market with their manufactured goods in competition with our own, to meet their obligations as they mature. In other words, the whole world's trade must be increased in volume and scope in order that the nations now heavily in debt as a result of the war may begin as soon as possible to liquidate their indebtedness. The fact that the fifteen leading nations of the world, during the last five years, have increased their unsecured currency forty billions of dollars, and during the same period have increased their government bonded indebtedness, also unsecured, one hundred and seventy billions of dollars, and at the same time have increased their bank deposits, still another form of unsecured credit, fifty billions of dollars, making the total in these three items of expansion in five years two hundred and sixty billions of dollars, which necessarily means cheap money and high prices of commodities, is sufficient evidence that there will be no immediate or violent fall in commodity prices. In other words, money is the cheapest thing in the world, and until we commence to deflate our currency and begin to pay our debts, I can see no prospect of very much lower prices of commodities or labor."

Bad Investments

D. A. KIRCHNER, president Miller County Exchange Bank, Olean, Mo.—"We bankers will have to learn how to get near to our customers, so that they will inquire and rely upon the inquiry, to guide them against fake securities. The big lesson the public has yet to learn, with alarmingly few exceptions, is that a stock certificate is not always as hopeful an investment as its embellishments might indicate. The most useful vehicle of information for the country at large is through the newspapers, for it is usually around the fireside that the papers are read and it is there that plans are often discussed for the investment of the family funds in bad stocks. Vendors of such stuff should be prosecuted harshly to impress the public of

the enormity of such a crime. There is a tremendous waste in our land every year through this medium."

Continue Lessons of Thrift

H. P. MILLER, auditor Scandia American Bank, Crookston, Minn.—"We think that the greatest service in regard to reconstruction would be to continue the lessons of thrift which the United States has taught to people in selling the bonds and thrift stamps, also in furthering any proposition which would give employment to returning soldiers so there would not be any worry on the part of any man who has given his time and service to the United States."

Concerning Acceptances

R. S. HECHT, president Hibernia Bank and Trust Company of New Orleans.—"The bank's acceptance secured by the proper warehouse receipt and the necessary insurance is an instrument strictly 'eligible' under the terms of the Federal Reserve Act, and bankers in other sections who happen to have surplus funds on hand are very glad of the opportunity to buy such paper. Drafts drawn against commodities stored in warehouses should have a maturity not in excess of a reasonable time required to reach ultimate destination in the process of production, manufacture and distribution, but the mere fact that it is sometimes necessary to renew paper represented by these commodities is not to be accepted as evidence that they have been purchased for speculative purposes. The first step in liquidation of credit created for crop raising purposes occurs at the point of origin and is accomplished by a movement of commodities to the centers of distribution. Warehouses in these centers naturally become filled with the products of the fields, which must be carried pending filling of future orders, the arrangement of shipping facilities, and other matters of detail in the ordinary course of marketing. Now so long as this practice of accepting on the basis of warehouse receipts is carried on with the usual bankers' prudence it is an entirely safe and sound business which should be encouraged because it presents the most practical solution for financing staples pending their ultimate shipment. It is very important, however, that the banker know a great deal about the warehouses in which these staples are stored, *i. e.*, he should know that they are independent of the borrower and that the borrower cannot by any subterfuge gain control over the goods in storage without returning the warehouse receipt."

Bonds Should Be Registered

C. O. HOLMES, president South Side Trust and Savings Bank, Gary, Ind.—"Although this bank has been one of those active in the promotion of so-called 'Blue Sky Legislation,' the facts are, of course, that this, after all, is really an attempt at 'Legislating Intelligence.' The best prevention for the sale of worthless or questionable securities is an active searching out, on behalf of the local public, by the state bank or trust company, of the utter worthlessness of most of these offerings, through channels that are already open to any bank, having this information at hand, and at every

opportunity affording it publicity, both through the press and through contact with the customers of the bank, so that intelligent precaution may be exercised, rather than the arbitrary. It is our impression that not enough emphasis was placed on the sale of registered bonds, as against the coupon or bearer bonds, and the only correction of the present difficulty is the application of the methods outlined above."

Thrift and Citizenship

GARDNER B. PERRY, vice-president of the National Commercial Bank of Albany, N. Y.—"We have been able to dispel many a mistaken idea, to break many a fallacy through the medium of the war, and this is true in the subject of thrift. We learned that savings would help win the war, and also we have discovered that a careful saver and sensible spender is not a miser, that he does not hoard for the love of possession, but for the love of what he can do with his savings. He knows that these savings mean security in his future, that they make him an optimist, and that they make him a more valuable and revered man in his community. A man who owns property, whether it be real estate or personal, becomes a better citizen. His view point has changed, and he looks at life through different colored glasses. A man who owns property guards it for the future, for his old age, for his children, and his ambition is to make it grow. He believes in evolution and not revolution. A man who has nothing and has not the incentive to save wishes to divide that nothing with everybody else, and generally believes in revolution—not evolution."

Banking and War Profits

W. C. MACFADDEN, Secretary of the North Dakota Bankers Association:—"The banking business is one industry that has made no effort whatever to profit by war conditions. Bankers throughout the country have contributed their time and money to an extent which enables their efforts to be classed as one of the deciding factors in winning the war. Profits have been sacrificed to loyalty and good citizenship by the bankers of the country to an extent which gives them a place in history that will be recognized more and more as time goes on. This loyalty and good citizenship has been shown by the bankers of the state in spite of very unjust attacks and criticisms, thoroughly undeserved. But in spite of conditions which it is quite generally considered have retarded the development of our state during this prosperous period, a very large percentage of the banks of North Dakota now find themselves in a position of increased usefulness to the communities in which they are located and under normal conditions prosperity would come to our state greater than we have ever known. The capital invested in the state banks of the state is now \$11,906,500.00 and in national banks \$6,000,000.00."

Was It Cause and Effect?

GEO. W. ROGERS, vice-president American Bank of Commerce & Trust Company, Little Rock, Ark.—"I had the pleasure of meeting Judge Paton, General Counsel of the American Bankers Association, on the Lake Michigan boat trip with the Wisconsin Bankers Association. The judge certainly did deliver a wonderful address, but for twenty-four hours following the completion of his address everybody on the boat was seasick."

Herbert Hoover

WILLIAM A. LAW, president First National Bank of Philadelphia.—"The resignation of Herbert C. Hoover as chairman of the board of directors of the Food Administration's grain corporation, marks his initial step toward complete retirement from relief activities. All the belligerent nations owe Mr. Hoover a debt of gratitude which they have not been slow to acknowledge for his extraordinary service to the people of the war-wrecked area has resulted in the saving of millions of lives. The world will never forget Mr. Hoover and he will always be remembered as one of the compelling personalities of the war period for the very modesty of the man and his devotion to duty have endeared him to millions of people who will never lay eyes upon him. The nation may well be proud of its Food Administrator whose downright honesty was so apparent as to make people willing to undergo, without complaining, whatever sacrifices he asked of them. He represents the finest type of American citizenship of the self-made order with superb organizing ability and a genius for getting things done. The name of Herbert C. Hoover will be something to conjure with in the days that are ahead."

Educating the Farmer

FROM NEW YORK—"As agriculture and the products of the ground are the foundation for national prosperity, I feel that all banks should assist in any way they can in advancing that particular industry and have felt that along the lines of a County Supervisor or Farm Supervisor, who could go from farm to farm educating our farmers in more of an up-to-date way of conducting their business and how to obtain the best results from the peculiar conditions prevailing in their section, is the one thing that might be of great advantage to our agricultural customers. This county is not a great farming center, although we do produce quite a little, not as much as we should, but feel that with some legislation taking care of the dog question, we might raise a great many sheep, as conditions, for such an industry from our hills and land that would not be suitable for cultivation could be used extensively for that."

Trust Company Section

Charges for Trust Services

On July 1 the Committee of Standardization of Trust Company Forms and Charges, sent the following letter to member companies:

To the Trust Company addressed:

At the last meeting of the Trust Company Section of the American Bankers Association, a committee was appointed for the purpose of making an investigation into trust company charges, and of suggesting a method by which these charges might be standardized throughout the various sections of the country.

In order to obtain the necessary information upon which to base this report, the Committee has prepared a questionnaire, a copy of which is enclosed herewith, and has mailed a copy to representative trust companies selected from every section of the United States.

The questionnaire contains thirteen printed sheets, setting forth in detail the services performed in connection with the various classes of trusts which are ordinarily administered by trust companies in this country. The questionnaire is designed to elicit not only complete information as to the charges imposed for the services which are set forth, but also the nature of the service which is rendered. It will be readily understood that in order to make any accurate analysis and comparison of the charges imposed by the various companies, that it will be necessary to know, in detail, the exact nature of the service for which such charges are imposed. Trust services rendered by you, but not listed in the questionnaire, should be described on a separate sheet, together with a statement of the charges therefor.

In view of the importance of this investigation to the trust companies of the country, it is earnestly hoped that every company to whom this inquiry is addressed, will give the questionnaire serious and prompt consideration, and will so frame the answers to the various questions as to fully disclose the nature of the service rendered, the basis of the charge, and how the charge is applied in actual practice. Each answer should be made as full and complete as possible. Additional information and data, as well as suggestions relative to the method of determining upon proper charges will be welcomed by the Committee.

The Committee regards it necessary, in order to prepare its report in time for the next meeting of the Trust Company Section, to have all the replies in hand by July 20. It is, therefore, requested that answers be mailed not later than July 15.

The questionnaire, properly filled out, together with any additional information or data, which can be furnished, should be returned to J. H. Coverley, Trust Officer, Title Insurance & Trust Company, Los Angeles, California. A self-addressed envelope is provided for the return.

All information received by the Committee will be confidential, but the reports and results of the study will be available to all trust companies.

Very truly yours,

COMMITTEE ON STANDARDIZATION OF TRUST COMPANY FORMS
AND CHARGES

J. A. House, Chairman;
S. M. Hann,
George D. Edwards,
J. H. Coverley,
R. L. Sheppard.

Accompanying the letter were separate blanks upon which the company addressed was asked to supply information in reference to the following services:

- Holding title to real estate, with the duties and responsibilities of management.
- Holding title to real estate, with no duty or responsibility other than to convey as directed.
- Holding title to real estate subdivisions, executing contracts of sale and deeds to purchasers, and collecting and distributing proceeds.

Holding title to real estate to secure debt under trust deed. Trustee of court estates (not including estates in which fees are fixed by law).

Investment of trust funds; holding real estate of living persons to manage, convert, reinvest and to collect and distribute the income.

Trustee under bond issue.

Agent for the registration of corporate stocks.

Agent for the transfer of corporate stocks.

Agencies: General and special (powers of attorney).

Agency: Collection and distribution of the principal and interest of funds and securities.

Holding title to collateral or other property to secure obligation, not including ordinary deeds of trust on real estate.

Miscellaneous: Note—Please show below all trust services performed, with charges, not covered by formal inquiry blank.

The compilation, which will be prepared by the committee, will make a report of interest and value to be presented to members at the St. Louis Convention.

Trust Company Forum

The first meeting of the Trust Company Forum, New York Chapter, American Institute of Banking, was held November 15, 1917, the announcement stating in part as follows:

The formation of a Trust Company Forum by New York Chapter, A. I. B., is the result of an urgent request upon the part of members of the chapter who are connected with trust companies.

The rapid growth of these companies, and the place they now occupy in the life and progress of the individual, corporation, city and nation, demands men of unquestioned character, thorough training, and a broad knowledge of financial subjects.

It is an advanced viewpoint that many New York Chapter men have desired and which it is planned to furnish through the new Trust Company Forum.

The Trust Company Section of the A. B. A. has given its hearty support to the inauguration of this forum, and will be active in its work.

The annual report of the forum committee for the season 1918-1919, presented through Chairman I. H. Meehan, assistant secretary, Farmers Loan & Trust Company, stated in part as follows:

Some time prior to our first meeting, men associated with the trust companies in and about the city, conceived the idea of holding meetings at which subjects of special interest to men in this field of the banking business could be discussed inasmuch as it was felt that this feature of chapter work had been overlooked by those charged with the responsibility of mapping out the educational courses. The matter was referred to President H. R. Kinsey, and he, quick to sense an opportunity for extending the influence of the chapter, after an informal conference, definitely decided that the trust company men should get together and pattern their organization on lines similar to the General Forum, which has been so conspicuously successful for several years past under the able leadership of Mr. R. A. Philpot. Our first year, as you who were then associated with us all know, was uphill work. Gradually our sphere of influence among trust company men was extended. Our informal dinners fostered a get-together spirit and we started to grow. Your chairman received numerous inquiries from out-of-town institutions and all during the past season we had, as guests, men from Paterson, Perth Amboy, Plainfield, New Rochelle, Mt. Vernon, and other neighboring towns. Our membership at the present time exceeds four hundred and if the experience of the past two years be taken as a guide, it will be no idle prediction to state that we may confidently look for a membership of six hundred

and fifty during the coming season. Adequate provision for this increased membership will be made during the summer.

A schedule of the subjects discussed during the past season included the following:

- Interests in Real Property.
- Making the Contracts.
- Closing Real Estate Titles and Mortgage Loans.
- The Valuation of Real Property.
- Symposium on Income Tax.
- Trust Accounting.
- Trust Investments.
- Stock Transfers.
- Wills.
- The Business of Getting New Business.

Plans for next year's course includes actual administration of an estate to be conducted by experts over a series of about six meetings. This laboratory work is expected to enlist the attention of at least the number predicted by Chairman Meehan in his report. Other subjects of an exclusively trust company nature will constitute the remainder of the course.

All institute chapters contemplating the formation of a trust company forum, will do well to consider the adoption of a program similar to that of New York Chapter for the season 1919-1920.

Nebraska Trust Companies Organize

A trust company committee of the Nebraska Bankers Association was formed at the meeting of the association held in Omaha on June 11-12.

This is the result of a meeting held in the office of the First Trust Company, Lincoln, Nebraska, on April 1, at which time the need and value of such an organization was outlined by the Secretary of the Trust Company Section, American Bankers Association.

A recent announcement to the trust companies in Nebraska refers to the program of the new committee as follows:

This will permit of candid exchange of opinions and experiences on our various problems, an exchange of literature, a consummation of closer co-operation, and finally it will enable us to present through the Bankers Association a united front in regard to legislative problems in which we will have occasion to be interested.

The officers of the committee are George W. Holmes, secretary, First Trust Company, Lincoln, Nebraska, chairman; T. J. Hanson, treasurer, Grand Island Loan & Trust Company, Grand Island, vice-chairman, and H. M. Bushnell, Jr., manager securities department United States Trust Company, Omaha, secretary.

Interesting Surveys

Special attention of trust companies is invited to the article entitled "The Home-Coming of Employees Who Served in the War," appearing elsewhere in this issue of the JOURNAL. An article bearing upon pension funds and welfare work being conducted by trust companies and banks throughout the country will appear in the JOURNAL for September.

A Six-Word Will

One of the briefest wills in existence was recently offered for probate in Brooklyn by counsel for the beneficiary named in the document. The will was drawn by a New York broker, who died in his office

on lower Broadway on July 3. The beneficiary had been employed as his housekeeper for more than ten years. Shortly after reaching his office on the day of his death, he complained of not feeling well. Picking up a copying of a daily market report, he wrote on the margin of the paper, "All I have belongs to Zulma." He signed his name and is said to have called two of his clerks to sign as witnesses. He died later. The value of the estate is estimated between \$10,000 and \$25,000.

Prevention of Litigation at the Source

"Experience has shown that the point at which unnecessary litigation can be the most easily invited and the most effectually prevented, is at the source; that is, before the facts upon which a dispute can arise become fixed. At that time the facts are in a formative state and respond to the molding hand. If one proposed state of facts or set of words is liable to lead to a dispute, another state of facts or set of words can be substituted.

"The world's great instrumentalities for preventing disputes concerning property are two in number. The office of each is much the same and relates to the ownership of property. The first is the creator of wealth and the instrument of trade. It is a mutual agreement between two or more persons and is known as a *contract*. The second relates to the transmission of property after death. It is made by one person, usually in secret, to take effect after death and is known as a *will*."

The plan of "Testing Wills Before Death" inaugurated through this section nearly two years ago is a very definite way of preventing unnecessary litigation concerning wills.

Service and Credit

"It is important beyond expression that in these days of progressive banking both bank service and bank credit have become accessible to all. Service if you want it; credit if you deserve it. Credit, upon which all banking is predicated, has been put squarely upon the attainable basis of character and worth. Favor doesn't count. Credit is now gladly extended by banks to individuals and concerns when their integrity and worth are proven, their financial history without blemish and their reputation clean. To advance your interests and mine—the interests of all, is the high standard of purpose to which modern bank service is committed."

"T. N. T."

Scope of Trust Company Service

"The trust company maintains a most complete service, designed to benefit the financial requirements or convenience of everyone at every corner of human affairs throughout the span of life from the cradle to the grave and even beyond. It begins with the baby's savings account and serves on through the formative years, young married life, business career and the years of retiring enjoyments. In emergency it can become husband to the widow, mother or father to the child, caretaker for the absent one, assistant to the busy one."

"T. N. T."

Savings Bank Section

Convention Program

The tentative program of the Savings Bank Section for the St. Louis convention is as follows:

Sunday evening, September 28—Meeting of the Executive Committee.

Monday morning and afternoon—Conference of savings bankers at which will be discussed questions of Amortization and the Absorption of Foreign Securities. This conference will be under the direction of R. R. Frazier, president of the Washington Mutual Savings Bank, Seattle, Wash.

Tuesday afternoon—General session of annual meeting. Problems of readjustment to be considered from three different angles by prominent speakers.

Wednesday afternoon—Business session of annual meeting. Subjects of Municipal Bonds, Acceptances, and Americanization to be discussed, after which there will be an informal discussion of several suggested topics.

War Savings

The material that the Savings Division of the Treasury Department is issuing in its thrift campaign for the sale of war savings stamps is most commendable and effective. The Section is in hearty accord with this splendid campaign. The government can reach people who are impossible to be reached by the savings banks. Every bank in the country should earnestly urge the practice of thrift and co-operate with the campaign being conducted by the Savings Division of the Treasury Department. It will be very much to the bank's advantage.

Overcrowding Government Credit

The tendency of the Congress in the recent introduction of Calder and Nolan bills which propose the establishment of a Federal Home Loan System is toward an unfortunate policy. Government credit has been utilized almost to the straining point. It should not be further strained, but a policy of retrenchment in the granting of further government credit should be put into operation. The establishment of a Federal Home Loan Bank System will mean further tax exemptions and the unnecessary issuance of government instrumentalities. The Savings Bank Section is watching carefully the progress of this legislation.

Discussion of Amortization

LEONARD C. ROBINSON, ex-president of the Springfield Federal Land Bank: "Amortization is the foundation of the federal farm loan system. But the benefits of the system are not alike in the different sections of the country. The amount of mortgage money available differed very widely in the East and in the West and South. The same is true of the interest rate. In these respects the system is of greater benefit to the farmers in the newer states, providing

them money that was heretofore unobtainable. In one feature, however, the benefits are evenly shared throughout the country, that is, amortization. This provides a scientific form of financing the farmer. It makes it possible for him to plan ahead and to pay as he earns. It makes for greater efficiency by relieving the farmer of anxiety about maturity and renewals. To the lender it means safety for his investment by reducing the principal and increasing the margin of his security. Amortization is the only lending that is economically sound. Its benefits to the lender and borrower on city property are no less than to the farm mortgagor, and while collections and reinvestments may prove somewhat inconvenient, it is the only method that will free the mortgage from the dangers of financial upheavals."

J. M. DINWIDDIE, president Cedar Rapids (Ia.) Savings Bank, voices the growing concern over the tax exemptions and government management of the federal farm loan system in the following way: "This government of ours has been very busy trying to get into every line of business, especially banking, as witness its activities in postal savings. This might work havoc among the savings banks if depositors were to get uneasy and rush their money into the government treasury—an old argument but worth its weight in gold, just the same. And when the government undertakes to make loans to the farmer, regardless of territory or whether he needs this aid of the government; when it arbitrarily cuts down rates, issues debenture bonds—a thing which individuals and corporations have found to be unwise—and then tells the buyer that he will have to pay no taxes on them, such competition will eventually drive us into a different line of business, if nothing else. And when the government offers these bonds in small denominations to our depositors, assuring them that there are no taxes to be paid and that they will net the full income, the competition becomes one that deeply interests us all. If the government would only go further and say that the holder of any mortgage note should not pay taxes there might be some chance, but without that there is no chance."

CHAS. A. SIMPSON, treasurer Rutland (Vt.) Savings Bank, says: "We allow payments of \$50 or more at any time, stopping interest on the amount paid the date it is paid. A certain class of mortgages, when the borrower is buying and paying for a home, if taken on the amortization plan, we believe would be a very good thing. But a good many loans made for the use of funds in business we would prefer to have taken in the regular way. Many are made on five, seven and ten years' time, and a great many of them are optional for payment in multiples of \$100 on any interest due date. Some of the companies require annual payments the first two or three years, allowing the balance to run the full length of time."

F. S. BOUTWELL, treasurer Andover (Mass.) Savings Bank, says: "Under former management mortgages were allowed to run indefinitely. We are now requiring practically every mortgagor to reduce systematically. At the end of two years a reduction is

asked. There are some exceptions to this where the margin is large and we know all conditions. We believe in amortization of mortgage loans."

ALEX. P. W. KINAN, president Union Dime Savings Bank, New York, N. Y., says: "I am in favor of amortization of mortgages, and would say that I do not believe that any cast-iron rule should be established as to the percentage of reduction. It seems to me that while the principal is a good one, each mortgage must stand on its own bottom. But I do believe that a system requiring the mortgage to be annually reduced 2 per cent. of the value of the improvement on the property would be a very good proposition for both the borrower and the lender."

H. M. BICKFORD, Mechanics Savings Bank, Manchester, N. H., says: "We believe amortization of loans on certain classes of property is desirable, but would not consider a hard and fast rule of that kind on all loans, as we consider our satisfied borrowers one of our best advertising mediums."

H. B. BOARDMAN, president Schenectady Trust Company, Schenectady, N. Y., says: "We think amortization of mortgage loans is a good principle, but believe that it would take a considerable amount of education to bring the mortgagor to appreciate it. It is our observation that a great deal of property is held for investment; and that the mortgagor generally feels that should he desire to sell it, he can do so more easily by carrying as large a mortgage as possible upon it. For the home owner we believe it advisable especially, as he will after a time find his home free and clear. This is somewhat along the plan of the building and loan association. Of course, where a mortgage is taken and carefully appraised, there would not appear to be the necessity for amortization, provided the property is reviewed from time to time."

I. SIBBERNSEN, farm loan broker, Omaha, Neb.: "I have carefully read your Bulletin No. 4 pertaining

to amortization. The statements of the different bankers about amortization are absolutely sound as far as regards amortization of city loans. Particularly are they sound regarding dwelling and apartment buildings where depreciation is usually greater than the enhancing in value of the real estate, and where the home represents the savings of the owner or his family, or also where the property is bought as an investment and mortgaged for part of the purchase price. But where the security is a farm in the central west, the amortization plan is wrong. I have negotiated about 6,000 farm loans and always found that where part of the principal was payable in one, two and three years, the loan was invariably disturbed before it became due for the purpose of either paying part of the principal, temporarily borrowed from the local bank, or of increasing the mortgage in proportion to the increased value in the property. A farm not only represents the home of the borrower; it is also his business. The careful young farmer who starts out in business needs all the money he can borrow; and the more money he can borrow for the purpose of buying livestock or farm implements, the more successful he becomes, and the sooner he is able to pay the principal. However, it takes him five to six years to get a reasonable start. I have repeatedly tried to make amortization loans, but they have been to the detriment of the borrower as well as to my business. The fact is, I hardly recall a single loan payable in one, two or three years whose instalments were met promptly or were not borrowed elsewhere; when they were borrowed elsewhere or carried by me, the loan was reorganized either by me or someone else just as soon as the enhanced value of the security justified it. You see, the land has, and no doubt will continue to advance in value, and the farm loan gets better and better each year, instead of poorer as is the case with the average loan upon city property."

An Interesting Item

No one ever calls Jerome Thralls, secretary-treasurer, The Discount Corporation of New York, a prophet, but while he was manager of the Kansas City Clearing House Association, and on September 12, 1914, when war clouds hung heavy over the European countries, he wrote a statement over his own signature to the banks of the Southwest, which was both interesting and prophetic. It is given in full as follows:

The relations of the warring nations of Europe with the other peoples of the universe are such that the effects of the present great conflict between those nations will permeate every line of business throughout the world. It will have a somewhat revolutionary influence on the religious, political and economic life of all countries regardless of their remoteness.

Some neutral countries will feel the effects more keenly than others but all will bear a proportional part of the loss, either directly or indirectly, and this loss will be spread over centuries to come.

The United States will likely feel the effects less than any nation and the territory surrounding Kansas City, including Federal Reserve District No. 10, being a section that produces a greater proportion of foodstuffs and other necessities of

life than does any other equal area of this country, occupies without doubt the most fortunate position in a financial and business way of any section of America.

War is always waste, yet the immediate effect of the present war is high prices for the products of District No. 10 and the assurance of a high degree of prosperity for this territory during the coming year.

What of the ultimate effect? Wouldn't this be a fine time for bankers to spread the thought that "since war is waste there shall be no more great wars?" Public sentiment arouses national sentiment and national sentiment will arouse international sentiment which, in turn, may force the devising of ways and means of settling differences between nations, thereby eliminating the necessity of wars.

The livestock and grain receipts and, likewise, the bank clearings of Kansas City, are breaking all previous records. Our banks are taking care of all legitimate demands of this community and are in a strong, healthy condition, as is evidenced by the statement on the opposite page.

The general financial situation is showing an improved tone and the business of the West and Great Southwest should proceed in the usual way. Our efforts should be for better banking, better farming, better roads and highways, and improved methods of grading and marketing products.

Close and friendly co-operation of the bankers, farmers and business men of District No. 10 will bring these results.

National Bank Section

An Acceptable Acceptance

Richmond, Va., August 1, 1919.
(City of Drawer)

No. _____

On Sept. 29 - Oct. 2, 1919
(Date of Maturity)

Pay to the order of the National Bank Section A.B.A.

Your personal attendance on the meetings of the Section in the Planters Hotel, St. Louis, Mo.

The obligation of the acceptor hereof arises out of the membership he holds in the American Bankers Association. The drawee may accept this bill, payable at all meetings of the National Bank Section in St. Louis during the annual convention of the American Bankers Association.

TO YOURSELF
(Name of Drawee)

United States of America.
(Address of Drawee)

Oliver J. Sands

(Signature of Drawer)
President National Bank Section
American Bankers Association.

BANKERS ACCEPTANCE

ACCEPTED

Payable at the Meetings of the
NATIONAL BANK SECTION
Signature of Acceptor:

Service Office at Washington

The Executive Council of the American Bankers Association at the Spring Meeting, recently held at White Sulphur Springs, authorized the National Bank Section to establish a service office at Washington. In accordance with such authority modest quarters have been secured in the Southern Building, corner of Fifteenth and H Streets, N. W., and Secretary Fred



Southern Building

W. Hyde has been instructed to divide his time between the New York and Washington offices in such manner as the Executive Committee of the National Bank Section may from time to time determine. The Southern Building, shown in the accompanying illustration, is only two blocks from the United States Treasury. The fact is distinctly understood that the service office thus established has nothing to do with matters pertaining to legislation. Secretary Hyde spent a part of his time during the month of July in Washington and his experience, in the judgment of the National Bank Section, is that the new departure will be of inestimable benefit to national banks throughout the United States and such other institutions as may avail themselves of the facilities thus afforded.

A representative of the State Bank Section recently reported that to the best of his knowledge and belief "absolute harmony now exists among the various Sections of the Association, and the friendly relations between the State Bank and National Bank Sections are particularly gratifying. State bankers look with

fraternal interest upon the service office recently established by the National Bank Section at Washington and there seems to be some disposition to follow suit."

Commenting upon the new service office, the *Washington Star* says:

"It is confidently believed by the officers and executive committee of the National Bank Section that the Washington branch office will be of distinct benefit, utility and convenience to the national bankers.

"The administrative, legislative and departmental functions of Federal government are performed at the capital; this is the seat of the United States Treasury and the Federal Reserve Board.

"From Washington emanate measures affecting national banking institutions, and the section authorities are firm in the belief that important and individual service can be performed by its Washington branch office which will fully justify the favorable action of the Executive Council of the Association, and that at the St. Louis convention the Association will confirm the policy of the council and make the Washington branch office permanent.

"Not alone by correspondence and the execution of commissions entrusted to the office will the new undertaking fulfill its mission; it is the hope of the officers and Executive Committee that every national banker who comes to Washington on business or pleasure will make the section office his headquarters while in the city, have his mail directed in care of the office and avail himself of all its facilities.

"Washington members of the Federal banking system cordially welcome the establishment of the National Bank Section office and are lending their aid in the arrangement of details of the work to be carried on and in opening avenues for the usefulness of the new endeavor.

"It is distinctly understood that the new office is

not to seek in the slightest degree to influence legislation; it is a service office, to answer inquiries, to obtain and furnish information, to be the rallying point for the national bankers of the country.

"The officers of the National Bank Section this year are Oliver J. Sands, president, Richmond, Va.; W. W. Head, vice-president, Omaha, Neb., and H. H. McKee, chairman executive committee, Washington, D. C."

National Bank Section Symbol



This symbol of the National Bank Section was formally adopted by the Executive Committee at the White Sulphur Springs meeting May 20, 1919. It is distinctly "National" in thought and design.

Unprecedented Growth of National Banks

In the July bulletin issued by the Comptroller of the Currency it is stated that during the fiscal year ending June 30, 1919, there has been not only an unprecedented growth in the resources of the existing national banks but applications for charters for new national banks and for authority to increase the capital of existing banks have been received in large numbers; 189 new charters were granted; and 230 applications for new charters have been approved and authority to increase their capital stock was granted to 224 national banks. The aggregate amount of increased capital arising from new charters actually granted and from authority to increase their capital was \$43,544,100. New national bank charters granted and approved applications to increase the capital of existing banks have come from forty states. During the same period only four national banks reduced their capital, the total reduction being \$210,000. Fifty-six national banks (exclusive of those consolidating with other national banks) went into voluntary liquidation, the aggregate capital of those liquidating being \$13,160,000. At the close of business June 30, 1919, there were under investigation and awaiting action in the Comptroller's

office, 214 applications for charters for new national banks, with a proposed capital of \$14,107,000, and 220 applications for authority to increase their capital in the sum of \$23,678,600; and in addition there were thirty-two applications for banks desiring to increase their capital, the amount of increase not having yet been determined by their directors. During the year, the Comptroller refused thirteen applications for charters for new national banks. There have been only two small national bank failures since January 1, 1918.

Exchange on Canadian Bills

The following correspondence between the office of the National Bank Section and the Federal Reserve Board is self-explanatory:

LETTER FROM NATIONAL BANK SECTION:

A member of the Federal Reserve System who lives in Minnesota, not far from the Canadian border, asks this office for explanation of the loss in handling Canadian items, bills and currency. He says if he sends Canadian notes or silver to his correspondent bank, he does not get par credit and his Canadian bills forwarded to either his correspondent bank or to the Federal Reserve bank are charged with exchange. He asks "Why?" Will you please furnish to this office authoritative answer to our correspondent's question?

REPLY OF FEDERAL RESERVE BOARD

In reply to your letter of the 25th instant I would say that the discount on Canadian bills is doubtless due to the fact that owing to an adverse trade balance American funds are at a premium in Canada and conversely Canadian exchange is at a discount in this country.

National Bank Organization

Philadelphia continues to justify its reputation for conservatism. In the past year not one application for charter for a national bank has originated in that city, although the country as a whole made applications to the number of 230. It is years since a new national bank has been organized in the City of Brotherly Love. Absorption rather than expansion has prevailed. One reason given for this condition is that the field is believed to be adequately covered, and that available financiers for new institutions are lacking; the present banks enroll in their directorates practically all the men of wealth and progress in that community. As requirements for additional capital appear the banks increase their resources, and the discount privileges through the Federal reserve system are made of avail. This policy obtains not only in Philadelphia but elsewhere in the country, particularly in important centers.

State Bank Section

Country Bank Advertising

There is quite a demand among country banks for some sort of syndicate advertising service. The efficient advertising work done by the Trust Company Section has attracted considerable attention, and the sentiment is growing that such service ought to be broadened so as to include commercial banks. Several agencies are able and willing to formulate plans for advertising institutions that can pay for individual service, but the average country bank cannot obtain the acme of psychological and typographical art except through co-operation. In a recent address before the New York State Bankers Association Edwin Bird Wilson said:

"What are the practical aims that a country banker should have in mind when he advertises his institution?"

"1. Building good will among the people of his community.

"2. Building confidence in the bank's methods and standing.

"3. Building reputation for fair dealing.

"4. Building foundations for future business.

"5. Building to make present business larger and more profitable."

Service at Washington

State bankers look with friendly interest upon the Service Office established by the National Bank Section of the American Bankers Association at Washington. To perform similar service for state chartered institutions the Conference Committee, organized at the recent meeting at White Sulphur Springs, has authorized the Secretary of the State Bank Section to visit the capital city occasionally between now and the time of the St. Louis Convention of the American Bankers Association in September. This arrangement is temporary and informal and is not intended to commit the Conference Committee to any particular policy or person. In this connection it is understood that E. G. McWilliam, assistant to the president of the United States Council of State Banking Associations, will continue to spend as much time in Washington as may be deemed necessary.

Sound Finance

FROM FLORIDA—"State banks can render the greatest public service during the reconstruction period by maintaining a cash reserve in excess of 20 per cent. and by charging off as much doubtful paper as practical and by the regulation of their loaning powers. The state banks can assist in preventing the sale of worthless securities by giving unfavorable reports when information is requested of them and in general making it their business to keep posted on the various investments being floated in their respective counties."

Stand for Conservatism

FROM TEXAS—"I feel that the state banks should make statements on the same day as national banks do

in order that the financial strength of the whole country can be ascertained at any period, and, in fact, those in Texas are given at the same time as the national banks, although this is not the law but has been followed by the various commissioners. One of the most important things for individual members to look after, I think, is to preach against inflation by the state banks, that it is the duty of the State Bank Section to see that the laws governing state banks in the states should be just and equitable and should tend toward safe and conservative banking."

Uniform Calls

FROM OREGON—"It seems to me most desirable that the calls issued by State Bank Supervisors shall coincide with the dates of the calls of the Comptroller of the Currency, at least as to the five calls required by the national banking law. Such is the case in this state and the plan works admirably. It seems to me that the banks in states where this is not the practice could have a change made by expressing themselves in favor of the proposition, but, of course, it is up to them to take the initiative. In case this condition can not be brought about, either of the other plans suggested would be desirable. Each has its advantages and disadvantages, but by all means the most desirable would be the plan of having all states make their calls coincide with the call of the Comptroller of the Currency."

Hard Boiled Eggs

FROM MISSOURI—"I believe every banker will admit he has customers he is afraid of and it is that bunch of 'hard-boiled eggs' that keeps many a banker from getting his just dues. Bankers are to blame that they are continually imposed upon. While this thing they call 'service' is in many instances a camouflage, yet services rendered gratis should be controlled largely by access to the files of the account analysis department. Surely it was a step forward when the last A. B. A. convention went on record favoring an advance fee for collections attempted and for credit information, and it is regrettable that this feature received so little publicity. It is a child of the State Bank Section and it should be only inspiration for further study into the matter of saving time and profits."

Go West

FROM SOUTH DAKOTA—"South Dakota has a wealth of undeveloped farm lands, that are well drained, well grassed, with the finest soil, and it is lying here waiting for the farmer to come along and make use of it. A good farmer can get rich in South Dakota in ten years and start with nothing but a good record. It has occurred to me that South Dakota has been somewhat overlooked, and that instead of spending money to drain swamps, and clear land, why not use some of our good farm land that needs nothing but the plow and a good man to work it. We have a splendid climate, the best of soil, we can raise corn,

alfalfa, oats, in fact every kind of feed. We have the best livestock country on earth, and yet there is still land that can be had as low as \$20.00 per acre in Central South Dakota. We have a great many farmers that have made fortunes in this territory in the last few years, and our record of Liberty loans and War Savings Stamps shows what we have in South Dakota. So I believe that we should use the good land, not only in South Dakota but in other states, before arranging to spend more money in clearing up land when better land can be bought already in shape. We have a big country out here, and very few of the Eastern states realize it until they get to looking us over."

Help the Beginners

FROM OHIO—"I do not think banks should make charges on unprofitable deposits. Many banks have tried this and are satisfied with it, but it is to be observed that these banks are neither more useful nor more profitable in the long run than the others which pursue the more liberal policy. We assume that it is an indisputable fact that the more service a bank can render, the more profitable it will eventually be, and it certainly is not rendering the maximum service when it adopts regulations calculated to discourage beginners in banking."

The Exchange Question

FROM MINNESOTA—"The only thing of real interest to me is the question of exchange. This town is on the par list and it seems to me that the Federal Reserve Banks should by right give such banks that are willing to sign up the par agreement the right to charge ten cents per hundred on the total amount which is an improvement over the old system of charging ten cents or more on each check received. The other bank in this town used to net \$1,000.00 a year from exchange and being the oldest bank with a big line of deposits and its president interested in a good many other banks throughout the state had such a strong pull that we had a hard time getting corresponding connections, and in order to get at least a few checks to handle we were obliged to put this town on the par list."

Systematic Development

FROM INDIANA—"It seems to the writer that the State Bank Section or any other section of the American Bankers Association, whose membership is equally concerned with manufacture, and transportation, as well as agriculture, should outline a program with respect to agriculture, on the theory that that is considering but one phase of the readjustment and resumption now upon us. I would urge a standing commission with sections on agriculture, transportation, manufacture, etc., which would at once have dignity because of the organization, which ought to be able to have brains and command expert counsel and leadership, because of resources, which would be organized rather permanently, with a personnel that changed very slowly, to make recommendations with respect to all

these factors, in our national life, at given intervals, perhaps semi-annually. Recommendations concerning agriculture, increased productions, etc., with no more attention to distribution and commerce, growing out of this increased production, is obviously an illy balanced purpose. We would do well to have some such counselor as Carl Vrooman, and others that might be named, before we became stamped by either sentimental or class urgings."

A Creditor Nation

FROM INDIANA—"We believe that state banks and trust companies can render the greatest possible service during this time of readjustment, by striving to maintain the same loyal, enthusiastic and persistent application to their task that characterized them during the war. Especially should they be alert to help maintain and enlarge the new class of investors, not only for the securities they have hitherto handled, but as rapidly as possible, become acquainted with the securities of various kinds, that they may be able to acquire from over-seas, and in that way to make us effectively the creditor nation that we have become by reason of our national advances to the other countries."

Support the F. R. S.

FROM KANSAS—"State banks can be of service in the period lying before us very much in the same way in which they have been of immense service in the periods through which we have passed, that is a continued program of good banking based on sound economic principles. It would not do for bankers to adopt loose policies pouring out money and financing new enterprises, or even loan the permanent capital to others for financing enterprises. Good banking in the reconstruction period is just the same as good banking in the pre-war period. I am firmly of the belief that for the ultimate good of all the banks and all the people of the United States, and for the ultimate strength of all the financial and industrial institutions of the country, state banks could do no better thing than lend their encouragement and, so far as possible, their support and membership, to the Federal reserve systems."

Low Prices

FROM MONTANA—"We can render the greatest public service to our customers during the period of reconstruction by cautioning them that prices are bound to go down and that they must so arrange their business as to provide for this contingency. We must insist on their being conservative in the loans which they negotiate against livestock and other articles purchased."

Constructive Loans

FROM SOUTH DAKOTA—"We believe the state banks can render the best possible service during reconstruction by loaning their money only for purposes of securing greater yields of crop and stock and for needful improvements instead of for luxuries."

Clearing House Section

Quarterly Statements of Country Clearing Houses

SECOND QUARTER—ENDING JUNE 30, 1919

(See page 623 of May JOURNAL for Statement for First Quarter, 1919)

Clearing Houses	Number of Checks Handled	Volume of Checks	Number of Banks Using the Country Clearing Department	Number of Towns Upon which Checks Are Handled	Number of Banks Upon which Checks Are Handled	Number of Letters Sent Out Daily (Average)	(a) Operating Cost per Check (b) Operating Cost per \$1,000
Atlanta	1,217,762	\$80,402,009.75	6	1,500	2,000	1,900	(a) .0120 (b) .18
Detroit	516,934	34,084,457.72	9	550	600	525	(a) .012 (b) .191
Kansas City	531,447	22,957,683.72	15	1,645	3,145	620	(a) .0086 (b) .20
Louisville	No report						
Nashville	515,636	28,158,809.79	5	560	920	450	(a) .01 (b) .15
Oklahoma City	No report						
Richmond, Va.	1,082,304	70,751,500.00	5	863	1,500	770	(a) .00829 (b) .127
St. Louis, Mo.	1,079,113	47,383,368.47	15	2,194	3,511	1,500	(a) .00887 (b) .202
Total	4,943,196	\$283,737,829.45	55	7,312	11,676	5,765	

Clearings and Total Bank Transactions

FOR SECOND QUARTER, 1919 (APRIL, MAY AND JUNE)

(See page 623 of May JOURNAL for figures for First Quarter, 1919)

Clearing House Association	Clearings	Total Bank Transactions	Clearing House Association	Clearings	Total Bank Transactions
Atlanta, Ga.	\$709,639,035	\$890,371,223	Oklahoma City, Okla.	\$129,642,021	\$323,413,484
Cedar Rapids, Iowa	31,881,242	252,333,610	Providence, R. I.	134,673,900	476,263,700
Cincinnati, Ohio	730,818,844	2,127,364,927	Richmond, Va.	647,499,190	1,200,222,500
Des Moines, Iowa	133,709,702	688,630,773	Sacramento, Cal.	50,398,886	214,245,063
Detroit, Mich.	939,124,394	2,047,443,000	San Francisco, Cal.	1,607,518,126	3,150,831,207
Ft. Wayne, Ind.	19,645,636	166,752,356	St. Joseph, Mo.	213,191,617	1,293,099,084
Grand Rapids, Mich.	69,705,931	257,320,566	Scranton, Pa.	53,416,456	175,948,324
Hartford, Conn.	113,753,548	346,339,418	Seattle, Wash.	474,836,697	876,239,849
Houston, Texas	214,001,665	912,889,972	Spokane, Wash.	118,666,156	343,138,312
Indianapolis, Ind.	178,925,000	652,079,000	Springfield, Mass.	50,285,683	199,216,669
Joplin, Mo.	18,611,000	43,479,000	Stockton, Cal.	24,813,620	57,588,707
Kansas City, Mo.	2,470,939,584	3,440,519,809	Tacoma, Wash.		
Los Angeles, Cal.	524,759,000	1,424,789,000	Trenton, N. J.	35,213,774	122,142,052
Louisville, Ky.			Tulsa, Okla.	115,715,858	405,990,272
Memphis, Tenn.	230,852,987	658,545,291	Vicksburg, Miss.	5,300,479	22,968,809
Minneapolis, Minn.	493,859,679	2,764,602,861			
New Orleans, La.	724,671,209	1,253,954,451			
Oakland, Cal.	110,534,880	206,606,067			
				\$11,376,605,799	\$26,995,329,356

Liberal Reciprocity

FROM KANSAS—"It is our opinion that a policy of liberal reciprocity should prevail as between members of the Association with reference to activities which might be calculated to benefit certain communities, realizing that where the good of the country at large is secured, a certain amount of profit accrues to all; and, whereas, certain portions of certain states may have swamps that should be eliminated, other localities have arid lands which could be profitably irrigated. We, however, do not come under either category.

Worthless Securities

FROM IOWA—"Let the bankers in each state form a committee having representative bankers of the state who will investigate through a sub-committee all securities offered for sale in the state and prescribe a form by which they will, in a measure, sanction the sale of securities that have a reasonable showing of being a fair and decent proposition and then put their ban upon all worthless and questionable forms of securities. This chewing the rag about wild-cat stocks doesn't get anywhere. It doesn't reach all of the securities."

State Secretaries Section

Form of Income Tax Returns

At its last convention the Missouri Bankers Association adopted resolutions, requesting the United States Treasury Department to prepare and submit to the banks in the country a simplified form of income tax returns, applying specifically to the banking business. In response to the foregoing the following reply was received by Secretary Keyser from Commissioner Roper:

"You are informed that a revision of the present forms is contemplated before January 1, 1920. At the time of revision, due consideration will be given to all suggestions made by associations and others. In this connection your attention is called to the note on Page 2, Schedule A of Form 1120, which is as follows:

"Railroad corporations, banks, insurance companies, and other corporations required to submit statements of income and expenses to any national, state, municipal, or other public officer may submit instead of Schedule A a statement of income and expenses in the form in which submitted to such officer. In such cases the taxable net income will be reconciled by means of Schedule B with the net profit shown by the income and expense statement submitted, and should be entered as Item 7, Schedule 1, Page 1."

Live Stock and Grain

The Wisconsin Bankers Association recently voted favorably on a plan which contemplates securing the services of an expert in farm management and agricultural affairs who shall organize a central office for dissemination of information and assistance to those who desire to purchase and sell pure bred live stock and grains. The Association will exercise general supervision through its Agricultural Committee. All requests for service must be handled through member banks. While it is expected that a 5 per cent. commission on all sales will amply cover expenses, efforts will be made to provide a \$10,000 guaranty fund for a two-year period. Full details will be worked out when a manager is secured.

Tax Exemption of Farm Loan Bonds

The Bankers Association of Kansas and Iowa have both gone on record by adoption of resolutions favoring repeal of the tax exemption features of the bonds issued by the Farm Loan Board and by Joint Stock Land Banks. Throughout Iowa there has been a special amount of discussion on the subject, sentiment appearing to favor the repeal of the tax-free clause. Bankers of these two states have urged their representatives in Congress to bring about the repeal.

In this connection the constitutionality of the Federal farm loan act was attacked in a test suit filed in the United States District Court of Kansas City, July 21, by counsel for Charles E. Smith, director and

bondholder of the Kansas City Title and Trust Co., which is made defendant in the suit.

Both the Federal land bank act and the joint land bank act are unconstitutional, the petition alleges, because of the exemption from taxation of mortgages executed to the land banks and farm loan bonds. The petition states that the land banks have not acted as public depositaries or financial agents of the government, and therefore are not entitled to have their bonds and mortgages exempted from taxation.

The suit, the petition says, is the result of a decision of the title and trust concern to invest in farm loan bonds, which the plaintiff seeks to restrain the company from purchasing.

Standard Certificate of Deposit

The Wisconsin Bankers Association recently approved and recommended for adoption, by its member banks, a standard form of Certificate of Deposit, as shown below, as well as bank drafts, cashiers' checks, notes and customers' checks, all to be 3¼ inches by 8½ inches in size, and pocket checks to be not less than 2½ inches by 6 inches.

BLANK BANK

Blankville, Wisc.19.... No.....
.....has deposited in this bank
..... DOLLARS
payable to the order of.....
in current funds on the return of this Certificate properly indorsed, three months after demand, wit hinterest at 3 per cent. per annum if left six months. No Interest after twelve months from date.

CERTIFICATE OF DEPOSIT
NOT SUBJECT TO CHECK.

.....
Cashier.

Daylight Hold-Ups

The frequency of the daylight hold-up suggests the desirability of every precaution being taken. This style of bank robbery is becoming more and more common and it is quite likely that for several years, if preventive measures are not taken, there will be an epidemic of such crimes. Secretary Richards of Minnesota has suggested a simple and effective plan for the protection of the small bank through arranging with two or three merchants, whose places of business may be suitably located, to co-operate in a civic protective plan. The bank and the stores are to be connected with an inexpensive electric alarm system; the bank to furnish a suitable gun for each of the stores; these guns to be loaded with buckshot and to be in readiness always for instant use in case of a hold-up and to be used for no other purpose. In the event that the bank is held up, the alarm can be given and the merchants at a safe distance can cover anyone leaving the bank.

State Conventions

District of Columbia

The first annual convention of the District of Columbia Bankers Association was held at Deer Park, Md., June 25 and 26, and was attended by between 100 and 200 bankers and distinguished guests.

President M. D. Rosenberg in his address said: "Washington as the capital of the nation is in a process of transition from the dignified capital city to that of a busy metropolis where the population has increased many fold and the financial interests have been multiplied."

A. C. Ernst, of New York, made an address on "The Value of Audits." Greetings from the American Bankers Association were delivered by George E. Allen. F. G. Addison, Jr., of Washington, spoke on "The Selection and Training of Employees." "Activities of the American Institute of Banking" was the subject of an address by E. J. McQuade. Waldo Newcomer, of Baltimore, spoke on "Business Ethics Among Bankers." Claude Bilbert, of New York, spoke on "Chief Factors in a Bank's Success." "The Hand on the Bank's Pulse" was the subject of an address by Wm. E. Cadwallader, of Washington. A symposium was conducted by Joshua Evans, Jr., of Washington, assisted by twenty junior bank officers.

"Loan Department Records" was treated by a committee headed by H. D. Boyer. A. S. Gatley was head of a committee which discussed "Handling of Collateral, Securities and Liberty Bonds Left for Safekeeping." R. P. Andrews, of Washington, spoke on "How Banks Can Promote Commercial Enterprise." "Unprofitable Accounts, Bad Checks and Over-due Paper" was the subject of an address by B. A. Bowles.

The Association approved a resolution urging relief for the utility corporations of the District; and a resolution in favor of closing the banks all day Saturday, July 5th. Furthermore, it approved the continued sale of thrift stamps and Treasurer's Certificates, and indorsed the American Institute of Banking; also a resolution asking that robberies and hold-ups be made a felony. A resolution for the extension of suffrage to the District of Columbia residents was adopted with a shout.

Members of the American Bankers Association elected M. D. Rosenberg, Vice-President for the District; W. T. Galliher, member of the Nominating Committee, with George O. Wilson as alternate; John B. Lerner, Vice-President of the Trust Company Section; V. R. Harrell, Vice-President of the Savings Bank Section; W. W. Sapid, Vice-President of the State Bank Section, and Harry V. Haynes, Vice-President of the National Bank Section.

On the evening of the 25th there was a dinner with vaudeville entertainment, followed by an informal dance. The first annual convention of the D. of C. B. A. was so manifestly a success there is no doubt that a convention will be held every year in the future.

California

The twenty-fifth annual convention of the California Bankers Association was held at Santa Catalina Island, June 5, 6, 7, and in point of interest and attendance surpassed all previous meetings.

The business program started on Thursday, June 5, with the Trust Company Section meeting the first half of the day. The general sessions started Thursday afternoon and continued throughout Friday. The program of the Trust Company Section was as follows: Annual address of the Chairman by L. H. Roseberry, trust attorney Security Trust and Savings Bank, Los Angeles. This was followed by addresses as follows: "The Standardization of Trust Company Forms," by C. J. Hall, vice-president Union Trust & Savings Bank, Pasadena; "The Relation between Trust Companies and the California Bar," by R. M. Sims, trust officer Mercantile Trust Company of San Francisco; "Competition for Trust Business between National Banks and State Trust Companies," by A. L. Lathrop, trust officer Union Bank & Trust Company, Los Angeles; "Selling Trust Company Service," by Leroy A. Mershon, Secretary Trust Company Section, American Bankers Association, New York. The conspicuous work done by Mr. Roseberry during the life of the Section caused his unanimous re-election as Chairman.

Following the address of President W. D. Longyear on Thursday afternoon came the reports of the different committees and groups, made by the chairmen; Report of Treasurer by F. O. Cook; Report of Secretary by Frederick H. Colburn. The subjects presented at the meetings held on Friday were as follows: "Capital and Labor," by Dr. Tully C. Knoles, president of the College of the Pacific, San Jose; "The Government War Savings Plan for 1919," by John T. McBean, assistant state director for California (South) War Savings Organization, Los Angeles; "California's Highways as an Investment," by David R. Faries, general counsel Automobile Club of Southern California, Los Angeles; "The Federal Land Bank—Its Origin, Purposes and Progress," by W. H. Joyce, president of the Federal Land Bank of Berkeley, Berkeley; "Branch Banking," by W. R. Williams, cashier Bank of Italy, San Francisco; "Insuring and Standardizing Land Values," by John Ginty, assessor City and County of San Francisco, San Francisco; "Financing the War," by Hon. John U. Calkins, Governor Federal Reserve Bank, Twelfth District, San Francisco; "Foreign Trade," by Hon. Charles F. Stern, State Superintendent of Banks, San Francisco. At the close of the sessions on Friday an "Army and Navy" dinner was held at the Saint Catherine Hotel at which time representatives of the army and navy delivered addresses. Dr. John Willis Baer of Pasadena acted as toast-master. On Saturday the day was devoted to tuna fishing; a human fishing contest; tours in glass-bottomed boat; exhibition of flying fish, as well as other water and land sports.

Iowa

The thirty-third annual convention of the Iowa Bankers Association was held at Fort Dodge, June 24-25. The program was of unusual interest and the meetings attended by the largest number of delegates in the history of the association. The address of welcome was given by C. D. Case, cashier First Trust & Savings Bank, Fort Dodge. This was responded to by J. O. Trumbauer, vice-president of the association. President M. H. Calderwood presided over the sessions. The treasurer's report was presented by O. F. Fryer of Fairfield and the secretary's report by Frank Warner of Des Moines, while committee reports were submitted by the various chairmen.

Addresses were delivered by Hon. W. S. Kenyon, U. S. Senator from Iowa; Miss Minnie Bronson, member of the American Committee for Work in Devastated France; Hon. Robert C. Cousins, former Member of Congress from Iowa; Hon. George E. Roberts of the National City Bank, New York; Hon. W. P. G. Harding, Governor of the Federal Reserve Board, and Hon. Frank O. Lowden, Governor of Illinois.

The inter-convention of Iowa members of the American Bankers Association was presided over by L. A. Andrew, vice-president of the American Bankers' Association for Iowa, and the Association was represented by Leroy A. Mershon, secretary of the Trust Company Section, who spoke on "Connecting the Bank with the Community." Ex-presidents and ex-councilmen's dinners were two meetings long to be remembered by those in attendance.

North Dakota

The seventeenth annual convention of the North Dakota Bankers Association was held July 10 and 11 at Detroit, Minn., in the Detroit lake pavilion, and was attended by more than three hundred bankers and members of their families. Reports of officers and committees were made and the delegates listened to C. Ward Crampton on "Why Bankers Do Not Live Longer"; Walter C. Leach on "Fire Insurance Under Present Conditions, and Forms of Insurance"; Wesley C. McDowell spoke on "The Federal Reserve Bank"; Colonel Frank White gave personal reminiscences of the Great War.

At the meeting of members of the American Bankers Association Frank R. Scott of Fargo was chosen Vice-President for North Dakota; Edwin Beissbarth was elected to the Executive Council; H. P. Beckwith of Fargo, member of the Nominating Committee. Election of Section State Vice-Presidents was as follows; National, E. J. Weiser of Fargo; State, J. J. Earley of Valley City; Savings, B. V. Moore of Fargo; Trust, T. Melvin Lee of Valley City.

Officers elected to serve the North Dakota Bankers Association were as follows: President, J. J. Earley of

Valley City; vice-president, H. P. Beckwith of Fargo; treasurer, Thomas Hayward of Beach; secretary, W. C. McFadden of Fargo. Valley City was selected for the convention in 1920.

In the report of the Committee on Resolutions occurred the following: "The reconstruction period which now faces the nations of the world present more serious problems than those that confronted us during the war. In endeavoring to solve these problems, as bankers we should not overlook the difficult questions which present themselves to our citizens in every walk of life, and particularly is this true of our laboring population. At this critical period we wish to commend a sane and sincere spirit of wise co-operation as the only solution of our difficulties. We urge that the government return to their homes as speedily as possible the laboring men who were gathered for war work in the manufacturing centers of the nation and who are now needed on our farms."

The entertainment features were the annual ball, a game of baseball in which the bankers defeated the Detroit team, Indian dances and water sports.

Utah

With a thoroughly representative attendance, which in point of numbers exceeded expectations, the Utah Bankers Association held its eleventh annual convention at Salt Lake City on June 10-11.

One feature which added to the interest and value of the meetings was the "battery of question" which faced every speaker at the close of his address.

President Thomas N. Taylor of Provo presided over the meetings. Mayor Ferry of Salt Lake City delivered the address of welcome and Warren L. Wattis, vice-president of the First National Bank of Ogden responded.

The program in brief follows: Annual Address of the President, by Thomas N. Taylor; annual report of secretary-treasurer, by J. E. Shepard; committee reports by the various chairmen; address, "The Advantages of Membership of State Banks in the Federal Reserve System," by Edward Elliott, director Federal Reserve Bank, San Francisco; address, "Eligibility of Notes for Re-Discount with the Federal Reserve Bank," by Charles W. Stewart, manager Salt Lake Branch Federal Reserve Bank; address, "The Relation of the Banker to the Community," by M. H. Sowles, vice-president McCornick & Company, bankers; address, "The Canning and Allied Industries," by James A. Anderson, president Morgan Canning Company; address, "The Value of Banking Laws Bound with Loose Leaf Binder," by N. T. Porter, bank commissioner; address, "The Mining Industry of Utah," by John M. Hayes, treasurer Utah Copper Company; address, "The Widening of the Horizon," by Russell Lowry, vice-president American National Bank, San Francisco.

Pointing the Way to the Dairy Farmer

By E. B. HARSHAW

Cashier Grove City National Bank, Grove City, Pa.

I CAME to the community in which I now live when a boy, thirty-five years ago. The town was only a village of 500 persons, and the first twenty years there were spent in the general merchandising business.

Naturally we were anxious to build up our business and took great pride in the town's growth; and like my co-workers, we felt that there was nothing too good for Grove City, and through our energies our town did grow, securing a number of successful factories, good schools and a splendid college.

The town supports a good live commercial club, and a fine community spirit was developed, although bounded by the borough limits.

Previous to four years ago our community was anything but a dairying community. We were simply an ordinary Western Pennsylvania group with little or no affiliations between the town and the country, and much jealousy and antagonism existed. We had about reached our growth under the existing conditions and it was a problem how to expand.

It was during the year 1915 that I got the first view of what the banker could do toward agricultural development. The sons of the once prosperous farmers were coming to town in large numbers to engage in the many new manufacturing industries, the old folks were left on the farm without strength or help to cultivate the soil properly, the one-time productive fields were grown up with weeds and briars, and the older farmers' bank accounts were diminishing with the soil fertility.

I then realized that while we were growing in the town and had a splendid organization of which we were proud, we had really overlooked the foundation, and instead of encouraging the land owner to use his money in his own business, we were taking it to the towns and using it in strictly town affairs when every dollar of it should have been used by the farmer himself to his greater profit.

It was then that I began to look for an opportunity to assist in the agricultural improvement of the Grove City community and, as is usually the case when we seek diligently, the chance came.

Our commercial club, of which I was president at the time, learned that the government was looking for a place to locate a creamery, and while it necessitated the raising of \$35,000 in money for a new and untried industry for us, we succeeded in getting it and since have tripled its capacity.

The creamery started in May, 1915, with seventeen patrons, which number has increased to 600, and more than \$30,000 per month is paid out to our farmers for dairy products. We found that the first thing required was the assurance of a good market for the product.

The excellent prices paid by the creamery created a new interest in farming. The patrons soon saw that the cow bred for special dairy purposes was the highest producer and most profitable, so they began to eliminate the scrub cow and mixed breeds.

Some interest developed in registered dairy cattle, and not having had experience in the selection and purchase of highly developed animals, and in many cases not having the ready money to pay the high prices demanded for such stock, the farmers were at a loss to know how to proceed.

The farmers found it impractical to go alone to some distant point and purchase and ship to Grove City one or two pure-breeds.

It was at this time that our bank found its opportunity to be of practical assistance. We had always worked in close co-operation with the county agent. Our community was most fortunate in having a capable and experienced field man, and to him is largely due our success, and while it was handled exclusively along the line of pure-bred cattle it can as well be worked out along any other line.

However, in whatever line undertaken, it should be with the idea of nothing but the best. In all of our work we have ever held out "The Habit of the Best," and will support no movement in the dairy line except in pure-bred stock.

But to get back to our work; the development of the creamery naturally aroused some interest in pure-breeds. To all who were or could be interested we mailed a letter inviting them to meet the county agent, creamery field man and a representative of the bank in the commercial club rooms to consider the matter of pure-bred animals for the community.

There was a good attendance at the meeting and much interest was shown, but when the farmer was used to paying from \$50 to \$75 for his dairy cow and no one thought of a pure-bred bull, it was some problem to get him to pay from \$200 to \$300 for "just a cow," as he called it, even if pure-bred.

At the meeting we asked each one present interested in obtaining pure-bred cattle to write his name on a sheet of paper and to name his choice of breed.

The bank then announced that a carload of each of the breeds desired would be purchased in some dairy cattle center, brought into the community and distributed among the farmers at cost.

The bank first purchased a carload of Holsteins. These cattle were selected by a government dairy expert and purchased outright by the bank and brought to Grove City to be distributed. No one was obliged to take any of these cattle, and the bank took the responsibility until the cattle were in the hands of the farmers who purchased them on distribution day.

When this first carload of pure-breeds reached Grove City they were put in an old livery barn in town and a competent man hired to feed and care for them for a few days while they were on exhibition. A date for distribution of these cattle was set and all the farmers in the community were notified. A sales list was printed with a short description and pedigree of each animal. The cattle were distributed by drawing lots, as a cow was led into the distribution ring any one desiring to draw for a chance to purchase her at cost

wrote his name and address on a small card and placed it in a box, after which the cards were shuffled and a drawing was made by a child, and the first card drawn out bore the name of the lucky purchaser.

From five to fifteen farmers drew lots for each cow. Some men drew for every cow in the entire lot and then failed to get a chance to purchase a coveted pure-bred.

Many were disappointed because they failed to get a cow, so another meeting was called of all the disappointed ones to consider the purchase of another carload. These men decided they would rather give a brief description of the kind of cow desired, state the maximum price they would pay and obligate themselves to take the cow selected for them upon her arrival in Grove City. Within two weeks after this first distribution another carload was brought in under this plan, and to date nine carloads have been distributed by the bank, including Holsteins, Jerseys and Guernseys. In every case the bank agreed to loan the purchaser any money he might need for the purchase on satisfactory terms.

Following the importation of pure-bred females the owners at once saw the necessity of even better sires, but with the small individual herds at the start no individual dairyman felt he could afford to own for himself as fine a bull as he wanted to head his herd. Here, again, the field agent came forward with his suggestion of a co-operative bull association. We now have two successfully operated bull associations.

The Grove City Holstein-Friesian Bull Association was the first one founded, with four well-bred sires placed in four different blocks. At the end of each two-year periods these animals are changed so that they follow each other around the circuit.

The Jersey breeders formed a similar organization known as the Grove City Jersey Bull Association, starting with four blocks, and have already authorized its enlargement by the addition of five more blocks.

The animals in both of these associations are among the best bred animals in the state. All the financial support needed has been advanced by the bank.

As soon as the farmers of the community became interested in better stock their children caught the fever and an opening was made for a boys' and girls' calf club, and two years ago we organized the Grove City National Boys' and Girls' Pure-bred Dairy Cattle Club with fifty-three members, boys and girls under twenty-one.

The bank financed the boys and girls by taking their notes for one year with interest, indorsed by parent or guardian, and the members of the club were required to take full responsibility of paying for them. The animals were registered in the names of the boys and girls and it was definitely understood that these pure-breds should remain the property of the members of the club permanently. All but two of the calves are in the hands of the original owners and as yet not a single pure-bred female animal has been sold out of the community, every breeder keeping the offspring to enlarge his herd and we are still shipping in many from outside.

We required each boy and girl to make regular reports of progress with their calves and hold an annual field day to which the boys and girls bring their ani-

mals for exhibition. The bank offers prizes for the most development.

The original pure breds purchased two years ago by the members of this club are now at the age of production and the prizes given in the future by the bank will be for the highest and most economical production. Their parents allow the members the profit from their cows after feeding expenses are paid.

The second field day was held last September and to it were invited the calf owners with their parents and friends, together with all of the creamery patrons. It was attended by 1,200 farmers, who brought their dinners with them, and over 100 pure-bred animals were exhibited.

The field day has been taken over by an organization of the farmers themselves who are making it an annual affair and will enlarge on the original plan.

The Livestock Sanitary Board of our state, co-operating with the Bureau of Animal Industry of the Federal Department of Agriculture, has a movement started for the eradication of tuberculosis. Less than a year ago we succeeded in having them take the matter up in our community with the result that we now have over 200 herds being tested and have organized the Grove City Federal and State Accredited Dairy Cattle Show and Sales Association. No one can become a member of this organization unless he is the owner of an accredited herd or has application for the test and we already have seventy-five members who have paid their dues and subscribed to the by-laws. In the by-laws, which every member must sign, he agrees not to misrepresent in any way any animal which he offers for sale, and to stand back of all of his statements. We are doing this with the idea of starting on a solid foundation and making a reputation for our community.

This is the association which has taken over the field day, and their plan is to enlarge the cattle exhibition and offer better prizes. Under the leadership of this organization, which is composed of the owners of the three breeds, Holstein, Jersey and Guernsey, we will have next month in the Grove City Commercial Club rooms a day set apart for the promotion of the interest in each breed, which will be addressed by the leading dairymen of the United States, and on the closing day will be a meeting devoted entirely to the Grove City National Boys' and Girls' Purebred Dairy Cattle Club, and the affairs of the Grove City Federal and State Accredited Dairy Cattle Show and Sales Association.

This association is attracting the attention of the county agents in the adjoining counties, and there is already a movement on foot approved by the several county agents to extend the membership of this association throughout the counties of Mercer, Venango, Lawrence and Butler, with Grove City as the center.

A cow testing association has been in successful operation in our community for about two years and has been of wonderful help to our farmers in improving their herds.

The plan of distributing pure-bred cattle through the bank was a new and untried venture at the time our bank started the movement, and I am confident in saying that it has been an unqualified success. Our farmers have a new interest in agriculture.

Title Changes Among Bank Officers

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

CALIFORNIA

Lancaster—Earle L. Roberts elected president Antelope Valley Bank, succeeding Jay E. Randall.

Riverside—William A. Johnson elected president National Bank of Riverside, succeeding Mayor William L. Peters, resigned.

COLORADO

La Junta—R. Phillips, formerly cashier, elected president First National Bank, succeeding R. W. Patterson, resigned; H. B. Richardson, formerly assistant cashier, now cashier.

CONNECTICUT

Greenwich—Harral S. Tenney appointed president Greenwich Trust Company, succeeding Edmund C. Converse.

Portland—John H. Sage elected president First National Bank, succeeding F. Gildersleeve, deceased; George F. Cramer appointed cashier.

DISTRICT OF COLUMBIA

Washington—William R. Baum, formerly assistant cashier and paying teller, elected cashier, succeeding John Baltz, deceased.

GEORGIA

Atlanta—Henry B. Kennedy elected vice-president Fulton National Bank; R. G. Clay appointed cashier.

Rome—John M. Berry appointed second vice-president Exchange National Bank of Rome.

Savannah—Joseph R. Weeks appointed cashier National Bank of Savannah, succeeding Richard R. Withington.

West Point—Harvey Fleming, formerly cashier, elected vice-president First National Bank; Willis Johnson, now cashier.

IDAHO

Rigby—Z. Ballantyne appointed cashier Anderson Brothers Bank, succeeding James H. Steele, resigned.

ILLINOIS

Chicago—H. H. Hitchcock resigned as vice-president First National Bank.

Chicago—Robert J. McKay elected vice-president Fort Dearborn National Bank.

Chicago—Henry A. Haugan, formerly vice-president, appointed president State Bank of Chicago, succeeding Leroy A. Goddard, who becomes chairman of board.

Chicago—Garland S. Stahl, formerly vice-president, elected president Washington Park National Bank, succeeding H. W. Mahan, deceased; H. J. Kavanaugh appointed vice-president; A. E. Olsen elected vice-president and cashier.

INDIANA

Evansville—James C. Johnson resigned as vice-president Citizens National Bank.

IOWA

Sioux City—W. C. Hilmer elected secretary Bennett Loan & Trust Co.

Burlington—Charles F. Brook, formerly vice-president, elected president Iowa State Savings Bank, succeeding Louis Blaul, resigned; W. F. Gilman now vice-president.

Des Moines—George L. Rowe elected cashier Mechanics Savings Bank, succeeding H. F. Schoen, resigned.

KANSAS

Larned—H. M. Reed elected president First State Bank succeeding John E. Wagner.

KENTUCKY

Louisville—John C. Cardwell elected president Citizens Union Fourth Street Bank.

Owensboro—Robert D. Head, formerly assistant cashier, elected cashier, succeeding Marvin May, resigned.

MAINE

Rockland—F. W. Fuller elected president Rockland Savings Bank, succeeding E. A. Burpee, deceased.

MARYLAND

Hancock—Maxwell Richards elected president Hancock Bank; Edward A. Little appointed cashier, succeeding John Stigers, resigned.

MASSACHUSETTS

Boston—William Willet, formerly assistant cashier, elected cashier Federal Reserve Bank, succeeding Chester C. Bullen, resigned.

Boston—George W. Hyde and Edwin R. Rooney, formerly assistant cashiers, and Daniel A. de Menocal elected vice-presidents First National Bank of Boston.

Boston—Russell B. Spear appointed vice-president Fourth-Atlantic National Bank.

Boston—Frank A. Newell, formerly assistant cashier, elected vice-president National Shawmut Bank of Boston.

Clinton—Charles B. Chickering elected cashier First National Bank, succeeding William Hamilton, resigned.

Gardner—Frank W. Fenno, formerly treasurer, appointed president Gardner Trust Company, succeeding John A. Dunn, deceased; Arthur H. Nourse, now treasurer.

Millbury—E. F. Rice appointed president Millbury National Bank, succeeding H. W. Aiken, resigned.

Westfield—C. H. Abbe and T. J. Cooley elected vice-presidents Woronoco Savings Bank.

MICHIGAN

Detroit—George B. Judson elected vice-president Bank of Detroit, succeeding I. G. McCreery, resigned.

Highland Park—George H. Van Buren, formerly cashier, elected vice-president Highland Park State Bank; Frank E. Quisenberry, formerly assistant cashier, now cashier.

Mount Pleasant—Floyd Mitchell, formerly vice-president, elected president Isabella County State Bank, succeeding John S. Weidman, deceased; Elton J. Van Leuven, formerly cashier, appointed vice-president; John S. Weidman, Jr., elected vice-president, succeeding Fred L. Keeler, deceased; John W. Benford, formerly assistant cashier, now cashier.

Pontiac—A. F. Newberry, formerly cashier, elected vice-president American Savings Bank; N. W. Peterson now cashier.

MINNESOTA

Rush City—E. J. Boyle, formerly vice-president First National Bank elected president First National Bank, succeeding S. C. Johnson, deceased; Curtis M. Johnson now vice-president.

St. Paul—M. R. Knaufft, formerly cashier, elected vice-president National Bank of Commerce; Andrew J. Newgren now cashier.

Twin Valley—George F. Peterson elected cashier First National Bank, succeeding G. E. Peterson, retired.

Wheaton—Alfred Rustad elected president National Bank of Wheaton, succeeding Edward Rustad, resigned.

MISSOURI

Desloge—E. J. Benton elected cashier Bank of Desloge, succeeding A. P. Mackley, resigned.

Hamilton—S. L. Wonsetler resigned as president Hamilton Trust Company.

Montrose—D. G. Brillhart appointed cashier Farmers & Merchants Bank.

Paris—A. E. Early, formerly cashier, elected president Paris National Bank, succeeding E. K. Stone, resigned; L. E. Deaver, formerly assistant cashier, now cashier.

Rosebud—J. R. Middleton elected cashier Rosebud State Bank, succeeding W. J. Wallin, resigned.

St. Louis—J. J. Frey elected vice-president Central National Bank of St. Louis.

St. Louis—Oliver F. Richards appointed vice-president Mercantile Trust Company.

St. Louis—G. N. Hitchcock, J. Mudd and A. W. Thias elected vice-presidents National Bank of Commerce.

MONTANA

Carter—Sam Wilkinson elected cashier First National Bank, succeeding T. J. Hetland.

Ekalaka—W. J. Johnson elected president First National Bank of Ekalaka; J. W. Brant appointed cashier.

Whitehall—P. B. Bartley, formerly vice-president, elected president Whitehall State Bank, succeeding G. M. Johnson, resigned.

NEBRASKA

Norfolk—J. B. Gibson elected president Nebraska State Bank, succeeding M. Havens, retired.

Oakland—J. W. Holmquist elected president First National Bank; A. L. Cull elected vice-president; H. E. Storm appointed cashier.

Polk—F. A. Lundberg, formerly assistant cashier, elected cashier Farmers State Bank, succeeding C. C. McCune, resigned, to become vice-president First National Bank of Haxtum, Colorado.

NEW YORK

Buffalo—Howard Bissell, formerly cashier, elected vice-president Peoples Bank of Buffalo; C. G. Feil, heretofore first assistant cashier, now cashier.

New York—Henry Meckauer and Charles A. Horne elected vice-presidents The Bank of United States.

New York—James Alexander McCrea elected vice-president Bankers Trust Company.

New York—Edwin B. Day resigned as vice-president Battery Park National Bank.

New York—H. A. Mathews, formerly assistant cashier, elected vice-president Irving National Bank.

New York—Roger H. Williams elected vice-president National Bank of Commerce.

New York—Henry L. Servess elected vice-president and secretary United States Mortgage & Trust Company; Chauncey H. Murphey appointed vice-president and treasurer. Schenectady—N. I. Schermerhorn elected vice-president Citizens Trust Company, succeeding Charles F. Veeder, deceased.

NORTH CAROLINA

Hamlet—T. M. Rose, formerly vice-president, elected president Bank of Hamlet, succeeding P. S. Cooper; David Easterling appointed vice-president and cashier.

Raleigh—R. G. Allen, formerly cashier, elected president City Bank, succeeding John T. West, resigned; H. H. Massey now cashier.

Raleigh—Charles Root elected vice-president Raleigh Savings Bank & Trust Company; W. Reid Martin appointed cashier.

NORTH DAKOTA

Arnegard—G. O. Haugen, formerly cashier, elected vice-president Citizens State Bank; W. E. Robb now cashier.

Merricourt—G. Gebhardt elected president First State Bank, succeeding F. S. Graham; J. F. Maly appointed vice-president, succeeding Edward Schulenberg; W. E. Tibbles elected cashier, succeeding Henry E. Buttweiler.

Mohall—J. C. Peters, formerly cashier, appointed president Mohall State Bank; W. W. Bergmann, formerly assistant cashier, now cashier.

Sharon—A. O. Christensen elected cashier, succeeding E. H. Johnson, resigned.

Van Hook—A. Nystrom resigned as cashier Scandinavian-American State Bank.

OHIO

Cleveland—Fred W. Staffeld elected vice-president State Banking and Trust Company.

Sycamore—Meric Vance elected president First National Bank of Sycamore; John D. Curlis appointed cashier.

OKLAHOMA

Idabel—Waldo Watkins elected vice-president First National Bank, succeeding W. A. Goforth, resigned.

McAlester—Sam L. Morley elected president American National Bank, succeeding H. C. Perry.

Oklahoma City—George L. Browning, formerly vice-president, elected president Liberty National Bank, succeeding L. T. Sammons, resigned.

Sand Springs—C. W. Benedict, formerly vice-president, elected president Guaranty State Bank, succeeding E. M. Yates.

Tecumseh—F. V. Askew elected president, succeeding F. M. Phillips; F. E. Huett appointed cashier, succeeding C. S. Hampton.

Tulsa—Jake Easton elected vice-president Exchange National Bank of Tulsa.

OREGON

Portland—Edward H. Geary elected vice-president Security Savings and Trust Company.

Tillamook—Walter Williams elected vice-president Tillamook County Bank, succeeding H. T. Batts.

PENNSYLVANIA

Beaver Falls—J. B. Swick, formerly vice-president, elected president State Bank of Beaver Falls, succeeding H. C. Wert, resigned.

Sayre—John A. Morley elected president National Bank of Sayre.

Turtle Creek—A. M. Thompson elected vice-president First National Bank, succeeding A. L. Trevasakis; F. M. Morrow, formerly assistant cashier, elected cashier, succeeding George D. Lindsay, deceased.

RHODE ISLAND

Providence—Herbert J. Wells resigned as president Rhode Island Hospital Trust Company.

SOUTH CAROLINA

Rock Hill—S. R. Spencer, formerly cashier, elected vice-president National Union Bank; George A. Beach now cashier.

SOUTH DAKOTA

Humboldt—C. V. Sankot elected president Farmers Bank of Humboldt; H. H. Wheeler appointed cashier.

TENNESSEE

Bristol—James W. Lynn, formerly vice-president and cashier, elected first vice-president First National Bank; William F. Smith, formerly assistant cashier, now cashier.

Fayetteville—E. O. Green elected president Farmers National Bank, succeeding D. C. Sherrel, resigned.

TEXAS

Longview—C. W. Foster elected president First National Bank, succeeding T. C. Morgan, resigned.

VERMONT

Barre—H. J. M. Jones elected vice-president Quarry Savings Bank & Trust Company, succeeding A. P. Abbott, resigned.

WASHINGTON

Harrington—W. E. Shrader, formerly assistant cashier, elected cashier Harrington State Bank, succeeding H. O. Jones, resigned.

Seattle—C. H. Howell, formerly cashier, elected vice-president Seaboard National Bank; John L. Proctor now cashier.

Spokane—S. A. Kimbrough elected cashier The Exchange National Bank, succeeding C. E. McBroom.

WEST VIRGINIA

Monongah—John D. Anthony elected cashier First National Bank, succeeding Lee N. Satterfield, resigned.

WISCONSIN

Columbus—August Reddemann elected cashier Farmers & Merchants Union Bank.

Milwaukee—John C. Karel, formerly vice-president, elected president, succeeding W. B. Rubin, resigned; Joseph Crowley now vice-president.

West Bend—Arthur Franckenberg, formerly vice-president, elected president Bank of West Bend, succeeding E. Franckenberg, deceased; John Horlamus now vice-president.

WYOMING

Cheyenne—John W. Hay elected president American National Bank of Cheyenne; W. E. Fair appointed cashier.
Pine Bluff—James Dolan elected president Farmers State Bank; Mrs. John Wilkinson appointed vice-president.

ALASKA

Seward—Gaston Hardy formerly vice-president, elected president Harriman National Bank; Erich Lucas appointed vice-president and cashier.

Registration at the Association Offices

REPORTED FROM JUNE 26 TO JULY 26, 1919

Asaoka, Maoji, secretary Fujimato Bill Broker Bank, Ltd., Osaka, Japan.
Biddulph, Howard, treasurer Bloomfield Savings Institution, Bloomfield, N. J.
Bishop, A. G., president First National Bank, Flint, Mich.
Blair, Frank W., president Union Trust Company, Detroit, Mich.
Boesel, Julius, president First National Bank, New Bremen, O.
Burdall, Ellwood, president First National Bank, Port Chester, N. Y.
Chapman, Richard E., Hyde Park Trust Co., Hyde Park, Mass.
Clement, John B., vice-president and treasurer Central Trust Co., Camden, N. J.
Cochrane, N. K., P. O. Inspector, Elyria, Ohio.
Crowell, Merle, New York, N. Y.
Dickson, F. H., representative Chemical National Bank of New York, Memphis, Tenn.
Dunlap, O. E., president Citizens National Bank, Waxahachie, Texas.

England, William W., Wheeling, W. Va.
Faurot, Joseph A., Inspector of Police, New York, N. Y.
Griffin, W. W., cashier National Bank of New Bern, New Bern, N. C.
Herrick, Myron T., president Society for Savings, Cleveland, Ohio.
Hinckley, Norbert B., assistant manager Bond Department, Commercial Trust & Savings Bank, New Orleans, La.
Mellen, W. E., manager J. F. Hayden & Co., Montreal, Canada.
Morris, Robert A., president Indiana Bankers Association, Fairmount, Ind.
Riley, H. E., Elizabeth, N. J.
Robinson, Edward L., vice-president Citizens National Bank, Baltimore, Md.
Rose, Walter S., secretary Union Savings Bank, Patchogue, N. Y.
Wolfe, Clinton L., Inspector of Police, New York, N. Y.

Mortuary Record of Association Members

REPORT FROM JUNE 26 TO JULY 25, 1919

Berry, S. G., cashier Ashley Bank, Ashley, Ill.
Borland, John, president Lapeer County Bank, Imlay City, Mich.
Camper, H. H., cashier West Berkeley Bank, Berkeley, Cal.
Chamberlain, W. F., vice-president Hannibal Trust Company, Hannibal, Mo.
Cole, F. E., cashier Farmers National Bank, Granville, N. Y.
Condit, T. K., cashier First National Bank, Beardstown, Ill.
Eaton, Jordon S., president Eaton State Bank, Owaneco, Ill.
Eggleston, Charles H., president State Bank of Foxlake, Foxlake, Wis.
Fitch, Earl A., cashier Merchants National Bank, Galena, Ill.
Gale, Charles W., vice-president Thames National Bank, Norwich, Conn.
Given, Thomas Hartley, president Farmers Deposit National Bank, Pittsburgh, Pa.
Givens, Amos J., Dr., president Fidelity Title & Trust Co., Stamford, Conn.
Helmer, Fred H., vice-president Peoples National Bank, Jackson, Mich.
Hume, E. W., president Security Bank of Ottawa, Kan.
Knaack, G. E., vice-president Iowa Savings Bank, Hartley, Iowa.

Knox, Thomas J., president Brown National Bank, Jackson, Minn.
McKleroy, William H., vice-president Anniston National Bank, Anniston, Ala.
McKnight, George M., vice-president Bank of Sweetwater, Tenn.
Mellen, John W., president Farmers & Merchants Bank, Geneva, N. Y.
Northrop, Otis Smith, president Colonial Trust Company, Waterbury, Conn.
Orton, Philo A., president First National Bank, Darlington, Wis.
Parker, Emma M., assistant cashier First National Bank, Monmouth, Oreg.
Ragsdale, J. W., president Farmers & Mechanics Bank, Florence, S. C.
Sawyer, Walter P., president National Exchange Bank, Waukesha, Wis.
Tod, David, vice-president Commercial National Bank, Youngstown, Ohio.
Whiting, James H., vice-president Citizens Commercial & Savings Bank, Flint, Mich.

Membership Changes

REPORTED FROM JUNE 26 TO JULY 25, 1919

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

California.....	Alhambra.....	Alhambra Savings Bank changed to Alhambra Savings and Commercial Bank.	Missouri.....	Kansas City.....	Midwest National Bank changed to Midwest National Bank & Trust Co.
Connecticut.....	Hartford.....	Connecticut Trust & Safe Deposit Company consolidated with Hartford Trust Company as Hartford-Connecticut Trust Company.	New Jersey.....	Lakewood.....	First National Bank absorbed by Lakewood Trust Company.
	Stamford.....	Stamford National Bank merged with First National Bank as First-Stamford National Bank.	New York.....	Adams.....	Citizens National Bank converted to Citizens Trust Company.
Illinois.....	Bellflower.....	Gooch Bros. & Co. changed to Bellflower State Bank.	Ohio.....	Akron.....	Summit County Bank merged with The State Bank as State Savings and Trust Co.
	Cicero.....	Kirchman State Bank changed to Western State Bank.	Oklahoma.....	Miami.....	American Exchange Bank consolidated with Miami State Bank.
	Evanston.....	State Bank of Evanston changed to State Bank & Trust Company.	South Dakota.....	Alcester.....	Alcester National Bank succeeded by State Bank of Alcester.
	Red Bud.....	Red Bud Bank changed to First State Bank.	Tennessee.....	Woodbury.....	First National Bank changed to First State Bank.
Indiana.....	New Carlisle.....	Interlaken Bank, Rolling Prairie, Indiana absorbed by Farmers State Bank.	Texas.....	Chandler.....	First State Bank succeeded by Citizens Guaranty State Bank.
	Vincennes.....	Second National Bank merged with American National Bank.		Garland.....	Citizens National Bank changed to First National Bank.
Iowa.....	Davenport.....	Farmers & Mechanics Savings Bank merged with American Commercial & Savings Bank.		Dallas.....	First State Bank consolidated with Security National Bank.
	Des Moines.....	Iowa Trust & Mortgage Company changed to Iowa Investment & Mortgage Co.	Virginia.....	Portsmouth.....	Bank of Portsmouth succeeded by American National Bank.
				Pulaski.....	Peoples Bank changed to Peoples National Bank.

New and Regained Members from June 26 to July 25, 1919, Inclusive

Alabama

The Choctak Bank, Butler 61-263.
First National Bank, Reform 61-471.
Bank of York, York 61-391.

Arizona

The Arizona Central Bank, Cooley 91-130.
Gadsden State Bank, Gadsden 91-124.

Arkansas

Bank of Biggers, Biggers 81-297.
Bank of Gravette, Gravette 81-269.
The Peoples Bank, Waldo 81-266.

California

Los Angeles Trust & Savings Bank, Avalon (Catalina Island) Branch, Avalon 90-896.
Bank of Guerneville, Guerneville 90-603.
Home Savings Bank of Los Angeles, Boyle Heights Branch 16-60.
Home Savings Bank of Los Angeles, Vernon Avenue Branch 16-60.
Home Savings Bank of Los Angeles, Vermont Avenue Branch 16-60.
Home Savings Bank of Los Angeles, Moneta Avenue Branch 16-60.
Home Savings Bank of Los Angeles, Central Avenue Branch 16-60.
Home Savings Bank of Los Angeles, Westlake Park Branch 16-60.

Colorado

The Berthoud National Bank, Berthoud 82-155.
Metropolitan State Bank, Denver 23-84.
Farmers State Bank, Fort Morgan, 82-338.
First Bank of Iliff, Iliff 82-259.
Snyder State Bank, Snyder 82-364.

Delaware

The Peoples Bank, Harrington 62-44.

Florida

Oldsmar State Bank, Oldsmar 63-323.
Peoples Exchange Bank, Wauchula 63-314.

Georgia

Bank of Newborn, Newborn 64-670 (re-gained).
First National Bank, Reynolds 64-492.
Bank of Toccoa, Toccoa 64-751.

Illinois

First National Bank, Beason 70-1855.
The First National Bank, Staunton 70-401.
Tampico State Bank, Tampico 70-930.
Citizens National Bank, Toluca 70-1962.
Henry Denhart & Co., Washington 70-714.
Zeigler State Bank, Zeigler 70-1944.

Indiana

First State Bank, Fremont 71-972.
Farmers & Merchants State Bank, Geneva 71-588.
White County Loan Trust & Savings Company, Monticello 71-467.
New Washington State Bank, New Washington 71-865.
Citizens Bank, Palmyra 71-875.
First National Bank, Plainfield 71-550.
Second National Bank, Richmond 71-78.
Farmers State Bank, Sheldon 71-909.

Iowa

Bank of Farnhamville, Farnhamville 72-1322.
Farmers State Bank, Logan 72-488.
Low Moor Savings Bank, Low Moor 72-1913.
New Market Savings Bank, New Market 72-823.
Farmers Savings Bank, Plymouth 72-1967.

Kansas

Alta Vista State Bank, Alta Vista 88-578.
Frontenac State Bank, Frontenac 83-835.
Citizens State Bank, Horton 83-151.
First National Bank, Le Roy 83-915.
Home State Bank, Medicine Lodge 83-1290.
Mont Ida State Bank, Mont Ida 83-1106.
Farmers National Bank, St. Marys 83-1287.
Valeda State Bank, Valeda 83-1173.
Trego County State Bank, Wakeeney 83-411.

Kentucky

Earlinton Bank, Earlinton 73-152.
Security Bank, Louisville 21-18.

Louisiana

Citizens Progressive Bank, Columbia 84-336.
Bank of Delhi, Delhi 84-170.

Louisiana—Continued

Interstate Trust & Banking Co., Algiers Branch, New Orleans 14-10.
Interstate Trust & Banking Co., St. Claude Branch, New Orleans 14-10.

Maryland

Farmers & Merchants National Bank, Bel Air 65-115.

Massachusetts

Peoples National Bank, Southbridge 53-352.

Michigan

Athens State Bank, Athens 74-552.
Hopkins State Savings Bank, Hopkins 74-687.
The Commercial Bank, Stambaugh 74-845.

Minnesota

State Bank, Akely 75-631.
First State Bank, Arlington 75-432.
Farmers State Bank, Comfrey 75-609.
Farmers & Merchants State Bank, Elgin 75-1187.
Lansing State Bank, Lansing 75-1267.
Citizens State Bank, Litchfield 75-1374.
Farmers State Bank, Morristown 75-1015.
East Side State Bank, St. Paul 22-81.
Metropolitan Bank, St. Paul 22-76.
State Bank of Walters, Walters 75-976.
Citizens National Bank, Worthington 75-185.

Mississippi

State Savings Bank & Trust Co., Jackson 85-39.
Bank of Webb, Webb 85-409.

Missouri

Peoples Bank of Berger, Berger 80-1302.
Bogard State Bank, Bogard 80-1488.
Bank of Bonnots Mill, Bonnots Mill 80-900.
Farmers & Merchants Bank, Craig 80-651.
Bank of Cross Timbers, Cross Timbers 80-943.
New East Prairie Bank, East Prairie 80-425.
The Farmers Bank, Fairfax 80-626.
Jefferson Trust Co., Hillsboro 80-1295.
Southeast State Bank, Kansas City 18-65.
Home Bank, Knox City 80-773.
Farmers State Bank, Liberal 80-1373.

Missouri—Continued

Bank of Marionville, Marionville 80-449.
 Nettleton Bank, Nettleton 80-1129.
 Farmers Bank of Polo, Polo 80-697.
 Butler County Bank, Poplar Bluff 80-125.
 Bank of St. Clair, St. Clair 80-1209.
 Trimble State Bank, Trimble 80-1309.
 Bank of Worth, Worth 80-1271 (re-gained).

Montana

First National Bank, Ekalaka 93-487.
 Security State Bank, Whitefish 93-480.

Nebraska

Security State Bank, Ansley 76-1011.
 Arthur State Bank, Arthur 76-1004.
 Farmers State Bank, Elkhorn 76-1013.
 Northwestern State Bank, Hay Springs 76-494.
 First Trust Co., Omaha 27-55.
 Nebraska State Bank, Ord 76-942.
 Liberty State Bank, Sidney 76-1193.
 Nebraska State Bank, Sidney 76-1086.
 The Citizens Bank, Stuart 76-455.

New Jersey

City National Bank of Perth Amboy, Perth Amboy 55-168.

New Mexico

International State Bank, Raton 95-24.

New York

Banking House of O. G. & D. C. Wheeler, Interlaken 50-767.
 Liberty National Bank, Jamestown 50-131.
 Morris Plan Co., Bronx Branch, New York, N. Y.
 Morris Plan Co., Union Sq. Branch, New York, N. Y.
 Morris Plan Co., Brooklyn Branch, Brooklyn, N. Y.
 Title Guaranty & Trust Co., Jamaica, New York, N. Y. 1-106.
 Tuxedo National Bank, Tuxedo Park 50-998.

North Carolina

Bank of West Asheville, Asheville 66-569.
 Bank of Pender, Burgaw 66-321.
 Page Trust Co., Hamlet 66-580.
 First National Bank, Henderson 66-142.
 First National Bank, Kings Mountain 66-201.
 Bank of Leicester, Leicester 66-614.
 Citizens Bank & Trust Co., Rosemary 66-644.
 First National Bank, Spring Hope 66-648.
 Bank of Tryon, Tryon 66-457.

North Dakota

Farmers & Merchants Bank, Kindred 77-1009.

Ohio

Monitor Bank, Big Prairie 56-1214.
 First National Bank, Chagrin Falls 56-1283.
 Peoples Trust & Savings Bank, East Youngstown 56-1285.
 Montpelier National Bank, Montpelier 56-564.
 North Canton Bank, North Canton 56-1068.
 Farmers Bank, Ohio City 56-1088.

Oklahoma

American State Bank, Beggs 86-1112.
 Byron State Bank, Byron 86-698.
 Fairfax National Bank, Fairfax 86-446.
 Stock Exchange Bank, Fargo 86-744.
 Faxon State Bank, Faxon 86-745.
 First National Bank, Grandfield 86-436.
 Tillman County Bank, Grandfield 86-438.
 Security State Bank, Guthrie 86-39.
 Guaranty State Bank, Madill 86-291.
 Citizens State Bank, Manchester 86-819.
 First National Bank, Oilton 86-1075.
 Farmers Bank, Orlando 86-847 (regained).
 Payne County Bank, Perkins 86-521.
 First State Bank, Terral 86-895.
 Security State Bank, Tulsa 86-1113.
 Title Guaranty & Trust Co., Tulsa 86-13.
 First State Bank, Vian 86-451.
 West Tulsa State Bank, West Tulsa 86-1050.

Oregon

Drain State Bank, Drain 96-164.
 Citizens State Bank, Myrtle Creek 96-207.
 Inland Empire Bank, Pendleton 96-289.
 Farmers Security Bank, Yoncalla 96-275.

Pennsylvania

Altoona Trust Co., Altoona 60-119.
 Bangor Trust Co., Bangor 60-709.
 Jess P. Miller, Banker, Beallsville 60-1078.
 National Bank, Brookville 60-845.
 Dickson City National Bank, Dickson City 60-1133.
 Farmers' Bank of Egypt, Egypt 60-1506.
 First National Bank, Elysburg 60-1465.
 Emaus National Bank, Emaus 60-1146.
 Farmers & Merchants Trust Co., Greenville 60-665.
 Homestead Savings Bank & Trust Co., Homestead 60-304.
 Citizens National Bank, Indiana 60-686.
 Johnstown State Deposit Bank, Johnstown.
 Moxham Deposit Bank, Johnstown.
 First National Bank, Mildred 60-1250.
 First National Bank, Millville 60-1256.
 Safe Deposit & Trust Co. of Lawrence County, New Castle 60-194.
 Barclay Moore & Co., Philadelphia.
 Butcher, Sherrerd & Hansell, Philadelphia.
 Biddle & Henry, Philadelphia.
 Elkins, Morris & Co., Philadelphia.
 Excelsior Trust & Saving Fund Co., Philadelphia.
 William F. Fearon & Co., Philadelphia.
 The C. H. Geist Co., Philadelphia.
 Guaranty Trust & Safe Dep. Co., So. Penn Square Branch, Philadelphia 3-64.
 Guaranty Trust & Safe Dep. Co., So. 52nd St. Branch, Philadelphia, 3-64.
 Harper & Turner, Philadelphia.
 Haupt & Co., Philadelphia.
 S. B. Lewis & Co., Philadelphia.
 Paul & Co., Philadelphia.
 Sheraden Bank, Pittsburgh 8-98.
 National Bank of Pottstown, Pottstown 60-348.
 First National Bank, Smithfield 60-1340.
 National Bank, Spring City 60-1349.
 First National Bank, Sykesville 60-1364.
 Farmers National Bank, Thompsettown 60-1368.
 Peoples Bank of Unity, Unity Station, Pa.

Pennsylvania—Continued

Weissport National Bank, Weissport 60-1418.
 National Bank of Wyalusing, Wyalusing 60-1048.
 First National Bank, York Springs 60-1404.

South Carolina

Farmers National Bank, St. George 67-248.

South Dakota

State Bank of Andover, Andover 78-300.
 Stockmans Bank, Hot Springs 78-71.
 Marvin State Bank, Marvin 78-577.
 Live Stock Exchange Bank, Newell 78-453.
 Security Savings Bank, Sioux Falls 78-6.
 Security National Bank, Sisseton 78-759.

Tennessee

Bank of Buffalo Valley, Buffalo Valley 87-523.
 Farmers National Bank, Fayetteville 87-122.
 City National Bank, Martin 87-163.

Texas

First National Bank, Booker 88-1866.
 Caldwell National Bank, Caldwell 88-565.
 Cisco Banking Co., Cisco, 88-379.
 First National Bank, Cleveland 88-1492.
 Desdemona Bank, Desdemona 88-1822.
 First State Bank, Ireland 88-1448.
 Security State Bank & Trust Co., Lubbock, 88-1772.
 First State Bank, Milano 88-1455.
 Guaranty State Bank & Trust Co., Ralls 88-1457.
 Ammansville State Bank, Weimar 88-1682.

Utah

First National Bank, Monticello 97-124.

Virginia

Rockbridge National Bank, Lexington 68-181.
 Tidewater Bank & Trust Co., Norfolk 68-52.
 Pulaski National Bank, Pulaski 68-158.
 Phoenix Bank of Nansemond, Suffolk 68-123.
 First National Bank, Waverly 68-530.

Washington

State Bank of Charleston, Charleston 98-372.
 Chelan State Bank, Chelan.
 First State Bank, Yacolt 98-331.

West Virginia

First National Bank, Anawalt 69-334.
 First National Bank, Sistersville 69-132.

Wisconsin

Farmers State Bank, Beaver Dam 79-152.
 First National Bank, Blanchardville 79-961.
 Farmers Savings Bank, Palmyra 79-734.
 Farmers State Bank, Poy Sippi 79-872.

Wyoming

Farmers State Bank, Powell 99-156.

Membership

August 1, 1919

19,904

