JOURNAL

OF THE

AMERICAN BANKERS ASSOCIATION

UNIVERSITY OF
MINNESOTA
LIBRARY

Index to Volume XIII

JULY, 1920—JUNE, 1921

G. E. BOWERMAN . . . . . . Publisher
JAMES E. CLARK . . . . Editor

OFFICE OF PUBLICATION
5 Nassau Street, New York

UNIVERSITY OF
MINNESOTA
LIBRARY

Vol. Thirteen, No. 1 July, 1920

JOURNAL

OF THE

AMERICAN BANKERS ASSOCIATION

New Capital a Problem of Security Distribution

By Gilbert B. Bogart

Second Vice-President Realty Associates Investment Corporation, New York; Formerly Assistant Director of Sales, Government Loan Organization, Second Federal Reserve District

THE United States is not, after all, an unappreciative nation. Erroneous judgments and prejudices may exist for years, but they are finally overcome by an intelligent public self-interest, which informs itself so clearly, in the long run, as to be undeniably right in the course of time.

It is generally recognized that the national banks, state banks, trust companies and savings banks are the very foundation of business development and prosperity in this country. Every business man is well founded in the knowledge that to conserve the integrity and the sound position of the banks of the country is a primary duty and a personal responsibility to him—immediately following his duty to conserve and upbuild his own business, and even interwoven with this first duty and made a part of it.

A protection of the banks is acknowledged to be a first fundamental of business judgment. A protection of business must increasingly come to be considered a first principle of banking judgment.

The banks of the country have done their full part in the past in upbuilding and protecting business. The day has come, however, when present banking practice is no longer adequate to the demands and the needs of business. Since the war the needs of our entire business fabric have changed. The industrial position of the country has changed. The service which the banks have always given to business, great though it has been, is not adequate to the needs of industry today. The industrial fabric in this country needs and must have an added service on the part of the banks, and the interest of the banks themselves is directly concerned in supplying this service. If the banks do not supply this need the welfare of their own present customers and communities is not being advanced.

That bankers of the modern school are keenly alive to this situation is evident from recent utterances. Walter Kasten of Milwaukee, in a recent issue of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, says:

"We bankers of America have for years taken the attitude that business must come to us. It is only recently that we have deigned to advertise or to solicit business. The banker must become a salesman for his commodity, just as is the manufacturer of hardware.

"Our best authorities tell us that in order to keep going we must have approximately fifteen billion dollars of new productive capital created each year for an indefinite period to come. What does this mean? We know clearly that with the heavy progressive income taxes we cannot expect a sufficient increment of capital from our wealthier citizens to produce the desired end. It must come from the great mass of our people, and it is high time that something be done for them regardless of this present pressing need for more capital. The bank is more than merely a seller and buyer of moneys and credits. It is the crossroads of the entire economic system. It must take an interest in the great mass of people who individually have small accounts but collectively vastly important.

"Not only must the banker in the future keep a continual propaganda alive among the people of his district to the need for savings, the advantage of using checking accounts and maintaining bank balances, *but he must go farther and provide a means for the small saver to invest his gleanings in some sound security that will give him a higher yield than the 3 per cent. of the savings bank, and at the same time provide the incentive to accumulate more in the savings account.* This solution, it seems to me, is the logical next step for our financial institutions."

There is an extreme shortage of investment money in this country, as shown by the high interest rates which money commands. Large industrial concerns are paying as much as 8½ to 9½ per cent. Continuance of these abnormal levels is going to handicap seriously the industries of America in competition with other nations whose interest rates are more favorable. Foreign competition for American funds cannot be taken too seriously. The countries that must buy raw materials here will pay rates which we now consider exorbitant. Already the foreign demand is competing in our domestic markets for the supply that even now is unequal to our own demands. The recent Belgian loan, for example, was floated at a cost believed to be approximately 10 per cent.

Before the war the markets of the world were open to us for financing. We are estimated to have had approximately 300,000 habitual investors; that is to say, leading economic writers and bankers have accepted the figure of 300,000 investors as the American market which, year after year, furnished most of the funds for absorbing investment securities originating here. This number of investors embraces savings banks, insurance companies and other institutions which handle large sums of money available for the purchase of certain preferred types of securities.

It is generally conceded that capital for investment comes from three separate sources: (1) institutions such as savings banks and life insurance companies; (2) individual investors of large means, and (3) the aggregate of small investors of limited means whose total forms a very considerable sum indeed. When the war broke the normal supply of investment money raised in this country each year was considerably less than $2,000,000,000, as will appear from the following tabulation showing the amount of new securities issued from 1909 to 1913, inclusive:

1909	$1,681,620,680
1910	1,518,272,579
1911	1,739,487,720
1912	2,253,587,300
1913	1,645,735,800
Total	$8,838,704,079

On this small reservoir of investment money was thrown the burden of repurchasing and absorbing the millions of dollars of American securities returned to us from foreign markets and the burden of assisting in the flotation of foreign loans. With the entrance of the United States into the war and the financing problems which suddenly arose for solution, it became necessary to seek investment funds in a circle very much wider than the original investing public of 300,000. The amount of Liberty Loan bonds issued from June, 1917, to June, 1919, was $21,000,000,000, or at the rate of over $10,000,000,000 a year. This was more than five times the normal demand for investment funds in pre-war years and a sum too staggering for even the entire nation to absorb properly in the limited period required. How to secure the absorption of this amount of securities, so far above the normal saturation point of the American investment market, was the problem of the Liberty Loans. The foundation of the solution of that problem was laid by the American Bankers Association in its work on the first Liberty Loan, when it created a new machine embracing the 29,000 banks in the country through which this abnormal excess of investment money could be drawn. The 29,000 banks simply formed the means of tapping the vast reservoir of hitherto unused funds, the savings of the American people. The problem was solved because it was attacked by the American Bankers Association as a problem of *distribution.*

Lessons in Bond Selling

A good deal of talk has been heard about the lessons in bond selling that were learned as a result of the war. Unfortunately those lessons seem to have been forgotten completely. Among them is the demonstration of what can be done in the way of distributing securities, *even beyond the point of normal absorption,* on the part of those who are able to buy outright bonds of small denomination. In 1918 there were secured in the Second Federal Reserve District 4,025,000 weekly payment subscriptions for $50 and $100 bonds, amounting to $307,337,900. In the five loans there were delivered in the Second Federal Reserve District $50 bonds to the number of 7,637,958, and $100 bonds to the number of 3,177,945, or a total of 10,815,803 pieces distributed among an estimated population of 13,000,000 in the district. The amount of bonds delivered in $50 and $100 denominations was $694,000,000.

One of the results of this forcing out of Liberty Bond issues appears in the present market for these securities. A central factor in this problem has been well expressed by Professor O. M. W. Sprague, in a recent utterance on Liberty Loan prices. Professor Sprague says that the problem is *"the issue of absolutely safe securities yielding a low return to an amount vastly in excess of the savings currently available for investments of that character."* In other words, the chief problem today is one of supersaturation. Yet we must finance ourselves or suffer the consequences, for Europe's needs are even more pressing than our own and foreign markets for American securities are no longer open to us. Thus, through conditions arising out of the war, the funds available for investment to aid industry, on the part of our habitual investors, have been seriously depleted in the face of a condition which demands from American investors more than three times the volume of investment money that they have ever provided in any previous year. Present demand, in fact, has greatly increased over the pre-war demand, as shown by the fact that in the first four months of this year over $1,288,000,000 of new securities were issued and this almost entirely to supply our domestic demand, without any provision for the long-time credits which we must extend to foreign countries if we are to take advantage of the much-talked-of opportunities for developing foreign trade.

What is the remedy? The trouble is not that we have not enough money, but because we are equipped to reach and offer investments to only a small part of the people. Even after our experiences in floating Liberty Loans we have not learned the value of developing and tapping the vast reservoirs of wealth represented by the savings of the masses. The remedy is so simple that it would seem to be almost self-solving, providing every banker in the United States would understand the gravity of the need, the soundness of the solution and the great additional prosperity which would accrue to his institution, his customers and his community.

During the Liberty Loans the banks were forced by the emergency of war to sell bonds to the people of their communities. Perhaps the job was not done in the very best way, but foreign observers consider it astounding that it should have been done at all. Still, in the majority of cases the banks did organize their communities to sell and to buy Liberty bonds—and they did it to an extent many times as great as would be necessary should they now apply themselves to organizing the same communities for the industrial salvation of the United States.

The bankers of the United States have proved their ability to sell, with little effort, from six to eight billion dollars' worth of investment securities each year. During the war they were actuated by patriotic motives; from now on they must continue and enlarge this work, actuated by intelligent self-interest, if they are to thrive and if the business of this country is to thrive.

The prosperity of the United States is basically dependent on two things—steady employment at a sufficient wage margin to its millions of workers, and an industrial efficiency reflected in a full quota of output, making possible the production of goods at stable and moderate prices in this country, and at a price which will enable the surplus above domestic consumption to compete with the goods of other countries in the markets of the world. But in order to bring about this condition each banker must undertake the responsibility of doing his best to help provide the funds which industry must have, and reduce, toward the customary level of 6 per cent., the price which industry must pay for long-term investment funds.

Not only are the number and the purchasing ability of the habitual investors of this country inadequate to its present industrial needs, but the present investment machinery of the country is also inadequate—and painfully so.

The Syndicate Method

The raising of capital for industrial development has been for years entirely dependent on our system of forming syndicates of investment banking houses in our financial centers, including some of the larger banks that have bond departments. The number of houses participating in these syndicates depends on the size of the issue, but whether the number of participants be large or small, the result is that the efforts of all are centered on selling the securities to that one-third of one per cent. of our population who are recognized investors, one competing with the other to sell the same security, on the same terms, to the same group and in many instances to the same investor. In one known instance thirty-five bond salesmen representing as many different houses all tried to sell the same security to one investor.

The duplication of effort is tremendous, for a vast majority of investment houses concentrate their sales efforts on the larger investor on the principle that the larger the sale the greater the profit; but they overlook that broad field, the other 99⅔ per cent. of our people, those to whom we had to turn to finance the war.

Imagine the great efficiency of an organization of bankers working, not alone for private gain, but for public good, and embracing perhaps 10,000 banks out of the 30,000 banks of the United States. Imagine even 5,000 banks, each located in a thriving section, each making a profit from the sale of sound securities and having at its disposal, to sell, securities the sale of which provides money to the industries which meet the pay-rolls of the United States, on whose prosperity the prosperity of every citizen depends. A bank can make money through the sale of bonds. This is an established fact and is best illustrated by the tendency developed during the past ten years of large banks to install bond departments in practically all of the large cities of the country.

The trouble with these bond departments in the past has been that their selling effort has been narrow in scope and that they competed directly with the investment bankers and have not supplemented their work. If the large banks in the central cities can maintain their large and costly bond departments at a profit, is it not logical to assume that a small bank in a small center can develop a department which will provide an investment service to the people of its community? The chief duty of the officials of the small banks, however, is to undertake the creating, the development and the crystallization of public opinion in their communities, to the effect that the citizen who does not save money and invest his savings—if not his entire savings, at least a suitable proportion of them—in the investment securities of the industries on which his prosperity depends, is a bad citizen and is not doing his full share in the civic life of the town.

Many bankers have the erroneous idea that if they sold securities it would deplete their own deposits. The experience of the banks that have bond departments, however, has proved that this is not true, for what really happens is that they first secure for themselves a profit on investment business that was going through other channels; second, that they divert to safe securities what was going into unwise investments, and third and most important, they create new capital through increased savings.

To put the remedy in concrete and detailed form, this is how the solution of the problem may be crystallized:

1. A bank in every community should have its machinery for the distribution of securities.

2. The American people, by education, must be brought to a point where they will not invest a dollar without first going to the banker for advice. There is a vast sum thrown away annually in worthless securities sold by glib promoters to men and women who, if they could be properly reached and educated, would be glad to pour this accumulated wealth into the channels of legitimate industry. The problem is not alone to create new capital through new savings, but to save from waste the hundreds of millions that are "invested" each year in worthless securities. This can be done in only one way. All the thrift propaganda, blue-sky laws and resolutions passed by bankers' associations in their endeavor to stop the sale of worthless securities will not protect the small American investor against the wildcat promoter. We may theorize all we like, but theorizing will not accomplish anything. We must do something

practical, and that means having the local banker offer to the small investor the opportunity of investing his surplus savings in safe securities.

3. The bank must act as a retail distributing agency for securities, and by retail distribution is meant the sale not alone of $1,000 and $500, but of $100 bonds. This, in turn, means sales through partial payments and the creation of a public demand for the systematic purchase of securities. It also means the creation of *new* savings, and therefore the creation of new capital for investment. It is possible for the banker to go right into the factories of his customers and convince the employee whose job depends upon capital that it is to his own best interest to furnish part of that capital by investing some of it in industry.

The banks of the United States are confronted with a great opportunity and a great obligation. The country needs more investment capital and in the future it will have to depend more than ever on the reservoir of wealth created by the small savings of the great body of American people. To the task of creating and using this reservoir the banks must bend every effort, for their own good and for the salvation of American business.

New A. B. A. Travelers' Cheque Service

THE Bankers Trust Company, agent for the Travelers' Cheques of the American Bankers Association, has opened an office at 3 and 5 Place Vendome in Paris, to provide the best possible service for travelers in Europe holding A. B. A. Cheques. Fred I. Kent, vice-president of the Bankers Trust Company, who has been in Paris during the last ten months arranging for the opening of this new office, has just returned and has announced several new services for users of A. B. A. Cheques. One of the most important of these is a new "A. B. A. Cheque" for use in Europe which will make it possible for the traveler to obtain the best rates of exchange that the market allows.

As members of the American Bankers Association know, it became necessary after the armistice, because of the rapid fluctuations in exchange rates, to withdraw temporarily from travelers' cheques for use abroad the fixed equivalents at which such cheques would be accepted in various European countries. Since that time, therefore, A. B. A. Travelers' Cheques have been paid at the current rates of exchange on the day of presentation.

Due to the great fluctuations of the European exchanges it has been impossible, obviously, to make travelers' cheques give as satisfactory service in hotels and shops as was formerly true, when such cheques are payable only in dollars. Hotels and shops in many places have no means of determining just what equivalents they can safely pay in foreign moneys, though all over Europe they are thoroughly aware of the undoubted goodness of the A. B. A. Cheque.

To meet this situation, so far as American Bankers Association Travelers' Cheques are concerned, the Bankers Trust Company has inaugurated a special European service for England, France, Belgium, Switzerland and Italy, and will extend it to other countries should it be found to be in the interests of travelers to do so.

Under this new service bankers selling American Bankers Association Travelers' Cheques will handle them exactly as heretofore and make the sales of the same cheques on the same basis. When the holder of "A. B. A. Cheques" arrives in Europe he may exchange any part or all of them in accordance with his needs for other American Bankers Association Travelers' Cheques signed by the Bankers Trust Company, which are stamped with the equivalent in sterling, francs or lire, based upon the exchange rate of the day the cheques are exchanged.

For example, if the traveler on reaching England estimates that he may spend about $1,000 in cheques while in that country he may, at the London Joint City and Midland Bank, Ltd., or Lloyds' Bank, Ltd., make an exchange of $1,000 of his cheques for other "A. B. A. Cheques" good in England for pounds, in denominations of £2, £4 and £8, as he may wish. He will obtain the exchange in pounds at the rate of the day. In France, at the Bankers Trust Company's office in Paris, he may exchange any portion of his American "A. B. A. Cheques" for other "A. B. A. Cheques" in francs in denominations of fr. 125, fr. 250, fr. 500 and fr. 1,250, as he may wish. And should he have any sterling cheques left over from England he may exchange them for franc cheques on the basis of the exchange value of the day for sterling in Paris.

Should the traveler go direct from London to Brussels, he can obtain an exchange for his cheques for cheques stamped in Belgium francs at the exchange rate of the day from the Credit Anversois of Antwerp or Brussels. And in Switzerland he may exchange his cheques either at the Credit Suisse, or the Swiss Bank Corporation, Zurich, or in Italy for lire cheques at points to be advised later.

If a traveler intends to go direct to certain places in Europe which will make it inconvenient for him to stop at any European offices for the exchange of cheques, he may make such exchanges before leaving America at the Bankers Trust Company's office at 16 Wall Street or at 42d Street and Fifth Avenue, New York, which would carry a supply of cheques in the foreign moneys of all denominations being issued. He may also redeem at the Bankers Trust Company in New York any cheques in foreign moneys at the exchange rate of the day of presentation for the particular currency in which they are stamped.

The Merchant Marine Act, 1920

THE Merchant Marine Act, 1920, signed by the President June 5, is one of the most important results of the Second Session of the Sixty-sixth Congress. It provides for the sale of government-owned merchant ships, places on the statute books a new ship mortgage law, and among other things, enlarges the United States Shipping Board (referred to many times in the act as the board) to seven members and defines the board's powers.

Copies of the new act will be sent on request to members of the American Bankers Association by William F. Collins, Secretary of the Association's Committee on Commerce and Marine, 5 Nassau Street, New York City, who also will furnish, if desired, a summary of those provisions of the law considered to be of special interest to bankers.

The act, as stated in the preamble, is "for the promotion and maintenance of the American Merchant Marine, to repeal certain emergency legislation, and provide for the disposition, regulation and use of property acquired thereunder, and for other purposes." The act declares:

"That it is necessary for the national defense and for the proper growth of its foreign and domestic commerce that the United States shall have a merchant marine of the best equipped and most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency, ultimately to be owned and operated privately by citizens of the United States; and it is hereby declared to be the policy of the United States to do whatever may be necessary to develop and encourage the maintenance of such a merchant marine, and, in so far as may not be inconsistent with the express provisions of this act, the United States Shipping Board shall, in the disposition of vessels and shipping property as hereinafter provided, in the making of rules and regulations, and in the administration of the shipping laws, keep always in view this purpose and object as the primary end to be attained."

The act directs that the Shipping Board sell its vessels, as soon as practical, "consistent with good business methods and the objects and purposes to be attained by this act, at public or private competitive sale after appraisement and due advertisement, to persons who are citizens of the United States. Such sale shall be made at such prices and on such terms and conditions as the board may prescribe, but the completion of the payment of the purchase price and interest shall not be deferred more than fifteen years after the making of the contract of sale. The board in fixing or accepting the sale price of such vessels shall take into consideration the prevailing domestic and foreign market price of, the available supply of, and the demand for vessels, existing freight rates and prospects of their maintenance, the cost of constructing vessels of similar types under prevailing conditions, as well as the cost of the construction or purchase price of the vessels to be sold, and any other facts or conditions that would influence a prudent, solvent business man in the sale of similar vessels or property which he is not forced to sell."

If after diligent effort, the board is unable to sell to United States citizens, it may sell to aliens such vessels as it shall, after careful investigation, deem unnecessary to the promotion and maintenance of an efficient American merchant marine, but this shall be only on a recorded vote, with reasons therefor also recorded, of five of the seven members of the board, and payment of the purchase price and interest, which shall not be less than 5½ per centum per annum, shall not be deferred more than ten years after the making of the contract of sale.

The act provides that shipping ownership on the part of United States citizens shall consist, in foreign trade, of a controlling interest and, in coastwise trade, of 75 per centum interest. There are the following provisions relative to tax exemptions:

"That the owner of a vessel documented under the laws of the United States and operated in foreign trade shall, for each of the ten taxable years while so operated, beginning with the first taxable year ending after the enactment of this act, be allowed as a deduction for the purpose of ascertaining his net income subject to the war-profits and excess-profits taxes imposed by Title III of the Revenue Act of 1918, an amount equivalent to the net earnings of such vessel during such taxable year, determined in accordance with rules and regulations to be made by the board; Provided, That such owner shall not be entitled to such deduction unless during such taxable year he invested, or set aside under rules and regulations to be made by the board in a trust fund for investment, in the building in shipyards in the United States of new vessels of a type and kind approved by the board, an amount, to be determined by the Secretary of the Treasury and certified by him to the board, equivalent to the war-profits and excess-profits taxes that would have been payable by such owner on account of the net earnings of such vessels, but for the deduction allowed under the provisions of this section: Provided further, that at least two-thirds of the cost of any vessel constructed under this paragraph shall be paid for out of the ordinary funds or capital of the person having such vessel constructed.

"That during the period of ten years from the enactment of this act any person, a citizen of the United States, who may sell a vessel documented under the laws of the United States and built prior to January 1, 1914, shall be exempt from all income taxes that would be payable upon any of the proceeds of such sale under Title I, Title II and Title III of the Revenue Act of 1918 if the entire proceeds thereof shall be invested in the building of new ships in American shipyards, such ships to be documented under the laws of the United States and to be of a type approved by the board."

The ship mortgage law provisions of the act have for their objects to standardize ship mortgages; to have records of such mortgages easily available; to provide for regularized procedure in connection with any dealings relative to such mortgages and to establish the status of such mortgages as preferred liens against, in effect, all maritime liens resulting from losses or damages which are not insurable. Technical provisions in this section of the act may require elucidation, and the Shipping Board is studying the matter.

The Shipping Board is charged to take steps leading to the establishment of new steamship lines, such action being for the promotion, development, expansion and maintenance of the foreign and coastwise trade of the United States, and, to this end, to sell or charter ships to United States citizens. Provision is made for insuring ships sold by the board under the deferred payment plan. In this connection the act states:

"Nothing contained in the 'antitrust laws' as designated in Section 1 of the act entitled 'An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes,' approved October 15, 1914, shall be construed as declaring illegal an association entered into by marine insurance companies for the following purposes: To transact a marine insurance and reinsurance business in the United States and in foreign countries and to reinsure or otherwise apportion among its membership the risks undertaken by such association or any of the component members."

The Shipping Board may set aside a sum not exceeding $25,000,000 as a construction loan fund for vessels, and is given power to make rules and regulations affecting shipping in the foreign trade not in conflict with law in order to adjust or meet general or special conditions unfavorable to such shipping and provision is made for coordinating the work of government agencies relating to shipping.

Common carriers by water are forbidden to make deferred rebates or to use "fighting ships," the term "fighting ship" meaning a vessel used in a particular trade by a carrier or group of carriers for the purpose of excluding, preventing or reducing competition by driving another carrier out of said trade.

Unfair or unjustly discriminatory contracts with shippers are forbidden. Common carriers by water also are forbidden to retaliate against any shipper by refusing, or threatening to refuse, space accommodations when such are available, or to resort to other discriminating or unfair methods, because such shipper has patronized any other carrier or has filed a complaint charging unfair treatment, or for any other reason.

There are provisions against any common carrier by water being a party to any combination, agreement, or understanding, express or implied, that involves, in respect to transportation of passengers or property between foreign ports, deferred rebates or any other unfair practice as designated in the act and that excludes from admission, upon equal terms with all other parties thereto, a common carrier by water, which is a citizen of the United States and which has applied for such admission.

The act states: "That in the judgment of Congress, articles or provisions in treaties or conventions to which the United States is a party, which restrict the right of the United States to impose discriminating customs, duties or imports entering the United States in foreign vessels and in vessels of the United States, and which also restrict the right of the United States to impose discriminatory tonnage dues on foreign vessels and on vessels of the United States entering the United States should be terminated, and the President is hereby authorized and directed within ninety days after this act becomes law, to give notice to the several governments, respectively, parties to such treaties or conventions, that so much thereof as imposes any such restriction on the United States will terminate on the expiration of such periods as may be required for the giving of such notice by the provisions of such treaties or conventions."

Suggestions for Relieving the Federal Reserve Banks of the Burden of Government Financing

By OLIVER J. SANDS

President American National Bank, Richmond, Va.

THE Federal reserve banks were organized for the benefit of commerce. Their entire capital was paid in and is owned by the commercial banks of this country. The gold reserves represent money deposited by the bank members.

The war came on and it was necessary for the government to utilize the facilities of the reserve banks to finance its loans. Therefore the government has taken over practically half the resources of the Federal reserve banks, and deprived the member banks of the facilities which they provided for themselves when they became members of the system.

It is the duty of the government to relieve the Federal reserve banks, so far as possible, from this burden, so that legitimate commerce may have at its disposal the entire resources of the Federal reserve banks. This can only be done properly, first, through some funding operation, which will make government bonds attractive to the investor and relieve the Federal reserve banks of the burden of carrying them; secondly, by reducing the reserve requirements upon Federal reserve notes now outstanding secured by member bank notes, which are secured in turn by Liberty bonds, to such a low point as not to seriously hamper the reserve bank in its natural and proper functioning.

The plan of depreciating the market value of bonds by raising interest rates, calling loans secured by them, and otherwise penalizing our patriotic banks and citizens, is entirely unworthy of our government and the Federal reserve system. There are other and better ways to accomplish the desired end.

Internal Organization of Trust Companies

By Erle M. Leaf
Trust Counsel, Title, Insurance & Trust Company, Los Angeles, Calif.

(Note: The following subject matter, with accompanying charts, was submitted in the form of a report by a special committee of the Trust Company Section, California Bankers Association, at Lake Tahoe, Calif., June 11. Mr. Leaf acted as chairman of this committee. Although many differences of opinion are held through the country as to the proper form of a trust company and trust department organization, this contribution will be welcomed because of the new and valuable features set forth.)

THE Committee and Subcommittee on Internal Organization of Trust Companies of the Trust Company Section of the California Bankers Association submit herewith their report, which is accompanied by two combined organization and functional charts. The purpose of this report is to explain the forms of organization which have been charted and to discuss some of the organization problems which confront trust companies at the present.

A clear understanding of the problems which the committee has attempted to solve, and with which this report will deal, must necessarily be based upon an analysis and statement of these problems.

Trust companies everywhere are endeavoring to solve the problems caused by the exceptional growth of trust business during the past few years, and by the increase in the number of kinds of service demanded by the public. Practically all of the trust companies find themselves without the proper organization necessary to take advantage of the opportunities offered. Difficulties attending the administration of property have multiplied in recent years, and complicated revenue laws have imposed heavy burdens, which must be met. Restrictive and complicated laws of many kinds have added materially to the difficulties which attend the transaction of business. Many trust companies have ventured into new fields of activity, and are administering every known kind of property and property rights. The cost of transacting business has increased greatly, owing to the necessity for salary increases and the towering cost of supplies.

The trust executive must, therefore, develop an organization which will function smoothly and efficiently; which will render a prompt, courteous and satisfactory service to the public, and will be able to cope with any situation which may arise; which is capable of administering any kind of property and property rights, and which will operate with the utmost economy. These trust services must be performed with reasonable profits to the trust company, else it cannot maintain an efficient service, and thus discharge satisfactorily its duty to its beneficiaries and the public.

Engulfed, as he usually is, in a sea of detail matters, it has been very difficult for the average trust officer to develop an efficient and smooth-working machine. In too many cases, instead of building up a well-balanced organization, the trust officer has shouldered the burden of the detail work of the department, and has created a "one man" company, to the detriment of himself, as well as the company and its patrons.

In the larger organizations there has been a tendency to subdivide the functions to an extent that eliminates the personal contact with the trustor and beneficiaries. They are passed from one department, or division, or clerk, to another, for this, that or the other thing, and find there is no one responsible officer of the company who is entirely familiar with their affairs and with whom they can establish a personal relationship and may always consult.

The problems which confront the newer and smaller trust companies are different from those with which the larger companies have to deal, and any plan of organization, to be of practical benefit, must, in a very large measure, fit the varying needs of all the companies, whether large or small. The aim of the committee, in its study of these matters, has been to develop a plan which will meet the requirements of the average company, and which can readily be expanded in the case of the larger companies, or can be "telescoped" in the case of the smaller companies.

In planning an ideal organization the fundamental considerations are:

First: To clearly analyze and logically segregate and group the various activities and functions, in a manner which has been proven practical by actual experience. The more important ends to be attained by scientific grouping are the performance of each function in the most direct and efficient manner; the prevention of overlapping and duplication of functions and responsibility; the prevention of "slippage" or the failure to properly assign and attend to administrative details. Such a segregation is necessary in order to prevent waste of time and energy; maintain close supervision and proper administration of the many kinds of property in the various trusts; and to properly fulfil the object of every trust and to consummate the purposes thereof.

Second: To clearly indicate the regular and uninterrupted flow of responsibility and authority throughout the organization from the stockholders and directors down through each executive, division, department head and employee, so that the executive may have a broad view and complete control of the entire organization, and the various assistants and clerks may have a clear and definite understanding of their relative positions in the organization. Thus each person will be enabled to work efficiently and in coordination with the others, and responsibility for errors, omissions or inefficiency may be readily fixed.

Third: To standardize the activities of each division, bureau or individual, and to systematize the methods which govern the conduct of these activities.

Fourth: To so classify and group the various functions that, insofar as the patron is concerned, one division, bureau or individual will be responsible for the supervision of the essential phases of each patron's affairs, thereby establishing and maintaining that personal relationship with the patron which is constantly in danger of being lost in large organizations.

Fifth: To create an organization under which all work is so organized and systematized that the functioning of the organization is not dependent upon the presence of any individual, and which will continue to function efficiently regardless of the coming or going of any of the members of the organization.

Sixth: To so systematize the work that routine duties will be automatically delegated to minor employees, and the executives will be relieved from burdensome detail and be free to devote their time to more important questions of policy, management, new business and negotiation of important transactions. The assignment of duties should be made with a view to enabling employees to accumulate experience and develop into executives and specialists.

Without attempting to enter into a technical discussion of the various types of organization plans and charts, it might be stated that after some study the line and staff type of organization was adopted by the committee. This type has the advantage of directly fixing responsibility and authority, and permits of a considerable degree of flexibility through the service of the various staffs and bureaus, composed of experts in their various professions, whose duty it is to furnish their specialized knowledge and skill to the various line officers and divisions, and in some instances to the public as well.

On the two charts submitted with this report, the solid lines indicate the flow of responsbility and authority, and the dotted lines indicate the flow of advice or service. On each chart the circle to the left, centered to the president and vice-president, may be termed the executive circle, with lines of advice connecting the heads of the legal staff and the auditing staff with the president. The circle to the right may be termed the administrative circle and is centered about the administrative vice-presidents, with lines of advice connecting department heads with legal and auditing staffs, and with the vice-presidents also on the executive advice circle. In event the company has only one vice-president in the organization, he would center this circle. The line of authority moves from the directors to the center of executive circle, and from the center of the executive circle outward to the staff officers and to the center of the administrative circle, whence it proceeds to the right, and may be readily followed on the charts. The advice lines pass from the administrative circle to the operating line, connecting all of the division heads with the bureau heads and other staff officers, the bureau heads being staff officers so far as the operation of their respective bureaus is concerned.

The first step in working out the organization plan was to subdivide the various classes of trusts upon some logical and practical basis. It was agreed that the proper method of classification of trusts was with regard to the dominant feature or the ultimate purpose of the trust, rather than by the character of its assets. Thus, for the purpose of this report and to meet the needs of the average trust company, all trusts are classified in the chart as follows:

COURT.
CORPORATE.
REAL ESTATE.
SECURITIES.

This classification is an arbitrary one and in the larger companies a still further subdivision of these divisions is possible.

The various trusts which fall under these divisions are indicated in detail on the chart. In classifying according to the ultimate purpose or dominant feature rather than the character of the assets, we must, at the same time, however, have in mind the grouping for purposes of administration of those classes where the administrative functions are similar; for example, court trusts, owing to the requirements of the California Bank Act, are required to be kept separate from private trusts, and naturally fall into a separate division.

All other trusts may be termed private trusts, and may be segregated into such divisions as the nature and volume of business warrant. Of the private trusts, corporate trusts form a division requiring special knowledge and administration. The holding of property as security for debt under deed of trust and similar instruments present many of the same characteristics as corporate trusts, and it seems advisable, where the business does not warrant a separate division, to group these with corporate trusts.

Trusts covering the investment of money or the holding and selling of securities, and the reinvestment of the proceeds, logically fall into another division. Trusts involving the administration of real property comprise a division. Included in this class of trusts are the so-called subdivision trusts, which, if the volume of business warrants it, might form a separate division.

In some instances there are trusts which require one form of administration for a certain period and another form of administration for another period. This kind of trust often contains assets of mixed character, and as it would be manifestly undesirable to change the trust from one division to another as its purposes changed, or to have part of the trust administered by one division and part by another according to the character of the assets, it is thought best to arbitrarily classify this kind of trust immediately upon its acceptance, according to its ultimate purpose.

The theory of this segregation is that each trust, as it is accepted, is assigned to the division to which it belongs. The officer in charge of that division thereupon becomes responsible for all matters in connection with the acceptance of the trust, the proper administration thereof and the fulfilment of the desires and purposes of the trustor. The division head maintains a sufficient supervision over the administration of the trust to be familiar, at all times, with its general phases. He assumes the same administrative responsibility for the trusts under his jurisdiction as though the property belonging to each of such trusts were his own personal property. He supplies the point of personal contact between the patron and the company, which is of the utmost value.

The division head deals with the persons interested in the trusts in his division, and if any trustor or beneficiary should require information with respect to his trust, this officer furnishes it. Thus the patron transacts all his business through one officer, who becomes familiar with the patron's affairs, and in whom the latter has confidence.

It is not to be expected, of course, that the division heads in a busy institution will find it possible or desirable to personally supervise all the details in connection with the administration of trusts under their charge. Such detailed information, however, may be procured from assistants or clerks whenever required. Furthermore, the system of general service bureaus, which is explained hereafter, serves to relieve the executives of many of the details of administration.

After determining upon the segregation and division of trusts as outlined above, an analysis was made of the detailed functions which each of these divisions would be called upon to perform. It was found that there was still a considerable duplication and overlapping of functions and that there were many services, general in character—for example, publicity, personnel, tax and others—which would be required by the trust department as well as the banking department, and in some instances by the public. Furthermore, that there were certain functions which could not be properly taken care of by the various divisions themselves. For example, it is at once apparent that at various times each of the divisions will be called upon to administer trusts in which real property constitutes all or a portion of the trust assets. Each division might therefore be called upon to sell real property, make leases, collect rents, make repairs, pay taxes and otherwise administer such property.

The making of income tax reports and the payment of income taxes, as well as county and municipal taxes and local assessments, would also be required in each division. Likewise each of these divisions would at times be called upon to administer trusts owning securities of various kinds. This would require the collection of principal and interest, sale of securities, collection of dividends and other administrative details involved in the handling of such property. To permit each of the divisions to attend to such detail and routine matters would involve a duplication of work and would result in a less efficient and orderly administration of the property. By organizing these various services separately under bureau heads or chiefs, rather than requiring each department to perform such part of each service as might incidentally fall to it, a higher degree of centralization is rendered possible and the employment of experts in each particular line is justified.

These functions, therefore, together with other functions and activities, general in character, have been organized into bureaus as a service department, and are designated on the chart as follows:

Publicity and New Business

The advertising for the entire organization has been placed in charge of the Publicity Bureau, as have the various information desks, mailing lists and similar matters.

Personnel and Standards

This bureau should have charge of the standardization of employment, salaries and positions, and should keep the efficiency record of each employee. It should prepare and correct the office manual, which should be sufficiently detailed and clear to enable new employees, after they have studied it, to take up the work of any position without a great deal of individual instruction.

Accounting Bureau

This bureau is headed by the chief accountant or general bookkeeper and has full charge of all the general and institutional accounting, indices and files, together with supervision and authority over accounting methods.

Real Estate Bureau

Administers property, makes sales, leases; collects rentals, places insurance, makes repairs, and in general attends to all administrative details.

Secretarial and Tax Service Bureau

Furnishes expert service and assistance relative to Federal and state and local taxes of every kind, including inheritance taxes, both to the public and the departments of the company. Payment of all taxes should be made through this bureau.

Financial Bureau

This bureau will have charge of appraisals of property offered as security for loans; will collect information and statistics on securities for use of the company and its patrons; will attend to collection of principal and interest of loans; and perform other similar functions as outlined on the charts.

General Service Bureau

In charge of elevators, janitor service, telephones, watchmen and similar service.

In smaller companies many of these bureaus will not be needed, while the larger companies will find use for all of them. It is anticipated that all of the bureaus will be under the administrative authority of one officer, who may be the secretary or treasurer of the company or other proper executive. The plan is flexible, inasmuch as all of the bureau functions may, in smaller companies, be performed by one or two individuals, whereas in the larger companies each bureau may be placed in charge of an expert who will have a corps of assistants under him.

It is not intended that the bureaus should relieve the heads of the various trust divisions of responsibility for the administration of their trusts. Each division head remains absolutely responsible for the proper administration of all

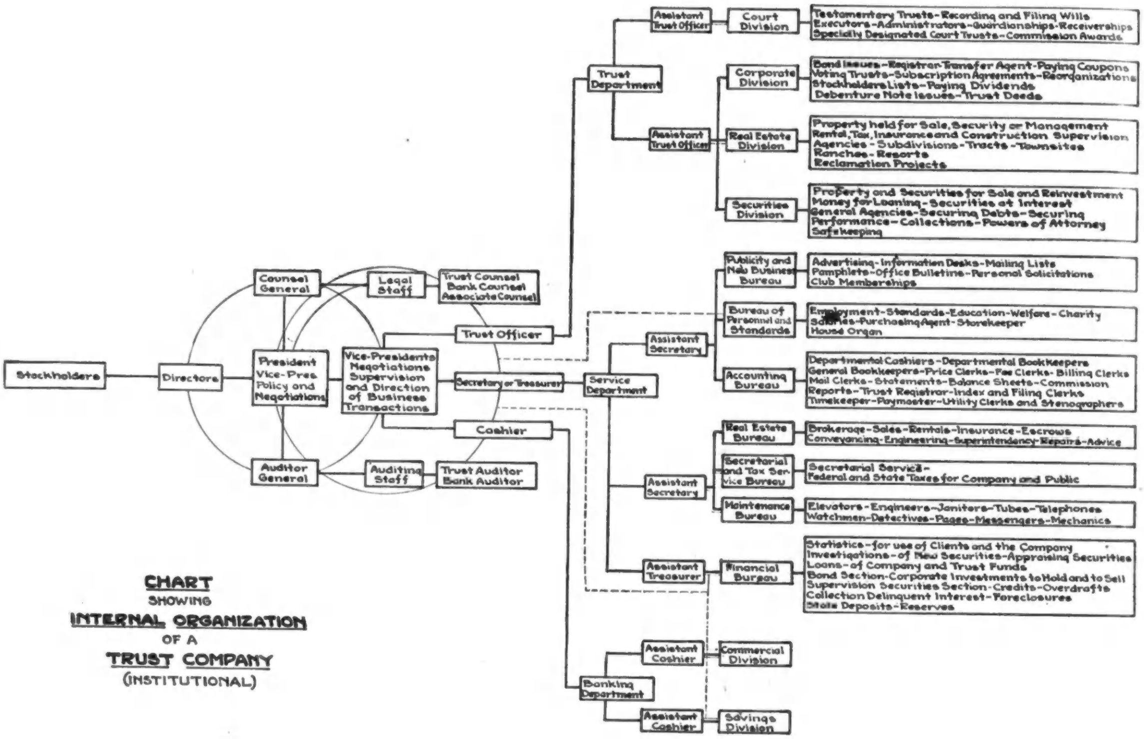


Chart No. 1. Heavy black lines indicate flow of responsibility and authority; circles and light, broken lines indicate flow of advice or service.

trusts under his charge. However, this does not imply or require that either he or his assistants should personally attend to detailed matters of administration. Each division is expected to call upon the various bureaus for the expert assistance which they are prepared to render, and to delegate to these bureaus the performance of the detailed functions which the bureaus are organized to perform. The division head, therefore, maintains general supervision of his trusts, but delegates to the bureaus the detail work in connection with such administration. All questions of policy with respect to administration of trust property are decided by the division heads or their superiors, the bureaus being merely the ministerial agency through which the policy is executed.

Concrete examples may serve to illustrate the manner in which this plan will operate in practice. A division head has real property in one of his trusts. He considers the purposes of the trust and familiarizes himself with the instructions of the trustor as set forth in the trust instrument. He thereupon decides that the property should be leased, and instructs the real estate bureau to negotiate a lease, setting forth, in general, the terms and conditions which he thinks will meet the requirements of the trust. The real estate bureau thereafter finds a tenant, negotiates the lease, collects the rentals, and makes the necessary reports to the division head. If a sale of the property is desired, the real estate bureau is instructed to sell and thereupon proceeds to list the property with brokers, and takes whatever steps are necessary in order to effect a sale, reporting the result to the division head.

In case the assets of a trust include bonds, mortgages or other securities, the division head delivers these to the financial bureau with instructions to collect interest and principal when due and in general to perform the many detailed routine duties required in connection with the proper care of securities. If the fulfilment of the terms of the trust should require it, the division head may instruct the financial bureau to sell all or a portion of the securities. Similarly, the division head delegates to the tax bureau the making of income and inheritance and other tax returns, and the payment of these taxes.

Under this system the actual administration of property is done by specialists. The broad phases of the administration of the trust and its assets are determined upon by administrative officers, who by reason of being freed from burdensome detail are better able to pass upon the more important administrative questions. The division heads are sufficiently in touch with the administration of the trust assets in order to be able to maintain an intelligent supervision over them and to be able to furnish information to beneficiaries. In case detailed information is called for, the division head can readily procure this by reference to the proper bureau. The bureaus are responsible to the divi-

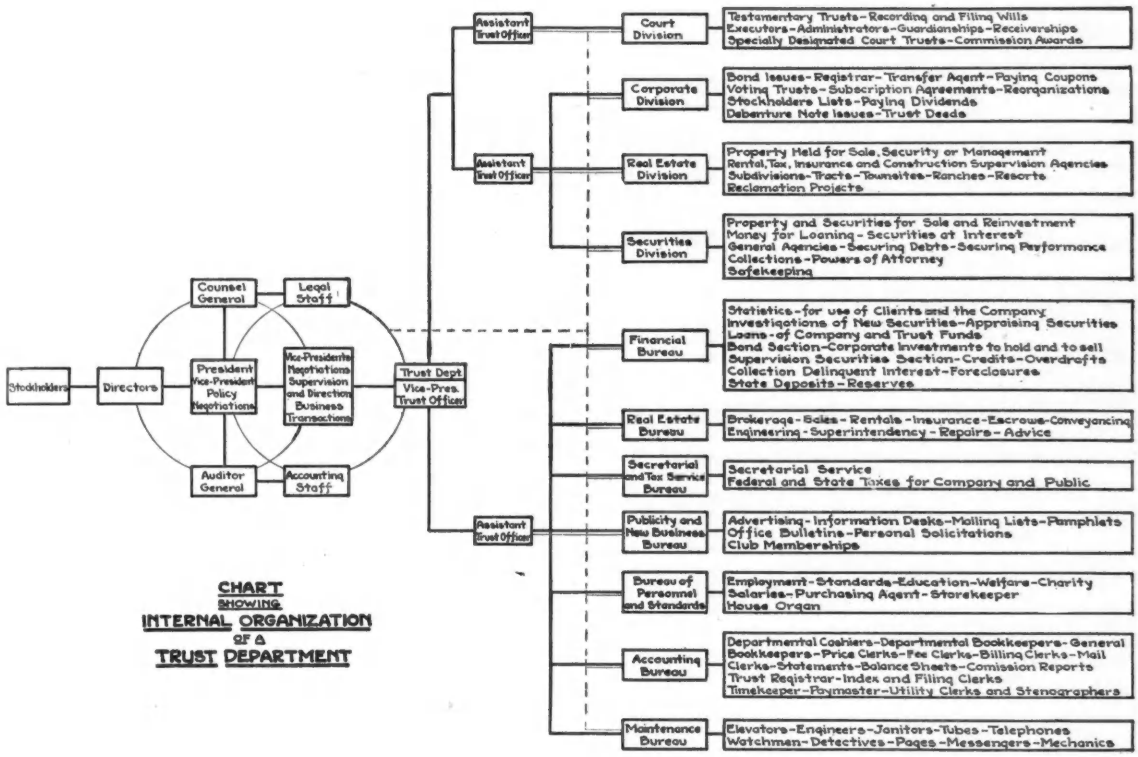


Chart No. 2. Heavy black lines indicate flow of responsibility and authority; circles and light, broken lines indicate flow of advice or service.

sion heads for carrying out the latter's instructions. The division heads are responsible to the patrons of the company and to its executive officers. Thus a direct line of responsibility is established and any "slippage" is either avoided or else responsibility for it is immediately fixed.

The committee was unable to reach a unanimous agreement as to whether the chart should be confined strictly to the trust department or whether it should include, in bare outline, a banking department, for the purpose of showing a homogeneous and complete financial institution, to indicate where the various functions tie in, and to show the coordination of the various bureaus which might serve the institution. It was the belief of a portion of the committee that the chart should be confined strictly to those functions which were performed by the trust department of the bank, and that all functions in which the trust department was in any way interested or involved should be under the direct control and authority of the executive head of this department.

Other members of the committee inclined to the belief that many of the functions performed by the bureaus were required by the banking department as well as the trust department, and wherever it was possible to centralize the functions performed by these bureaus, in a bureau organization, which serves all the departments of the institution, as well as the public, that the interests of efficiency and economy would be subserved. It was pointed out that unless this plan were adopted there would be a considerable duplication of functions within the institution. For example, the trust department would maintain a bureau for the custody and administration of its securities and the loaning of its funds. The bank would do likewise. It was argued that the two bureaus could be combined with better results, one bureau serving both departments. If a publicity bureau were maintained there would be needless duplication of functions in this direction. Similarly it was argued that all matters arising in either the trust or banking department relating to the administration of real property could be handled in a centralized bureau.

The advocates of this plan believe that the whole tendency of modern organization is toward specialization and centralization of authority, and that there is no reason why a financial institution should not be able to develop a highly specialized and centralized organization such as have been developed by commercial and industrial institutions; that one highly paid expert will do more and better work than two less efficient and less skilled persons, whose aggregate salaries might equal or exceed the salary paid to the expert. Most trust companies have yet to learn the desirability and necessity for a highly centralized organization comprised largely of experts, and it is the belief of some of the committee members that when this lesson is learned the type of organization outlined in the first chart will be used rather than the decentralized and diffused type outlined in the second chart.

The argument against the first chart was that the trust officer would lose the close control and supervision over administrative details which is necessary to the successful and satisfactory administration of the trusts. Offsetting this position was the feeling that the centralized plan would eliminate needless duplication, increase the efficiency of the institution as a whole, result in economy and promote standardization of practice.

In order to test the sentiment of the California trust companies as to which form of organization was preferred, an inquiry was sent to all the trust companies in the state asking their opinions in the matter. The replies disclosed that opinion was equally divided, and for that reason the committee has prepared the two charts submitted.

The first is the institutional chart and shows three main departments, namely, trust, banking and general service. The general service department is divided into the various bureaus mentioned above, which are under the direct line of authority of the bureau head or chief of the service department, and are not under the line of authority of the head of either the banking or the trust departments. The head of the service department is responsible to the proper executive officers of the institution for properly complying with all instructions given to the various bureaus by either the banking or trust departments.

The second chart is confined entirely to a delineation of the organization of the trust department with the various general services segregated into bureaus. Unlike the first chart, however, the bureaus are under the line of authority of the trust officer or head of the trust department and would be used only by the trust department or the public. Under this plan the banking department might have a similar and, to a certain extent, a duplicating bureau organization of its own.

Under either chart, however, the various general services are separately organized and the specialized skill or knowledge of the bureaus is available to the public, and in the case of the first chart, to the entire institution, thus obviating the necessity of the various trust and banking divisions performing the special services which are rendered by the bureaus.

The plan to be adopted by any particular institution will depend partly upon the volume and nature of business transacted by the institution and partly upon the personal equation. In some institutions the trust officer will feel that he must exercise direct authority and control over the bureau functions; in others the bureau organizations may be strong enough to maintain, in an efficient and economical manner, a separate organization.

By some the accompanying charts may not be considered strictly scientific, inasmuch as they are combined organization and functional charts. It might, in some instances, be advisable for a particular institution to have separate charts, one indicating the functions or activities to be performed, the other indicating the individuals who perform them, together with their titles. It might also be advisable for a particular institution to prepare charts showing in considerable detail the functions to be performed by, or the organization of, each division, bureau or similar unit. However, for the purpose of this report, and inasmuch as the charts will be used by trust companies differing widely in volume and character of business, it is believed that the combined charts are more comprehensive and will be of more practical value than separate functional or organization charts.

While these charts set forth many trust divisions and bureaus, the impression should not be gained that the charts are too complicated or elaborate to be of value or practical use to smaller companies. Although there is a complete segregation and classification of trusts and trust functions, this does not of necessity require that each subdivision or bureau be placed in charge of a different individual. For a company having a small volume of business it would not be necessary to change the chart in any particular. There would, however, be a "telescoping" of functions, in that several trust divisions or bureaus might be assigned to one individual. This "telescoping" process might continue to a point where the trust department would consist of one man only and his assistant. In such a company the one man and assistant would perform all of the functions outlined upon the chart, or as many of them as his business demanded. However, the chart would be of use to him, insofar as it sets forth a clear and logical division of trusts and trust functions. As the business increased he might group various functions or various trust divisions and assign them to individuals. As the business further expanded the process of classification would continue until, with a large volume of business, an organization would be developed in which each bureau and trust division would be in charge of an officer and would be manned by the necessary assistants.

No changes in the principle of the chart would be necessary in the case of very large trust companies, although such companies would probably find it desirable to still further subdivide the trust divisions and to place an officer in charge of each division. It is probable that no further classification of bureau functions would be required and that the only requirement would be the addition of the necessary assistants to perform the work of each of the bureaus.

The future growth and development of the trust business, and of the companies themselves, depends upon their rendering a highly efficient and valuable service to the public at a reasonable profit. To do so requires a finely balanced organization, composed largely of experts, whose activities are properly correlated and coordinated by means of a scientific and practical organization plan. The question of organization, therefore, is one of the most vital problems with which the trust companies are concerned. The successful solution of this problem will enable trust companies to maintain and improve their present high standard of service, to expand their facilities to meet the demands of the future, and enable them to render their full contribution toward the future development and expansion of the business and industry of the country.

The Institute Convention

First Session—Tuesday Morning

THE eighteenth annual convention of the American Institute of Banking was held in Huntington Hall, Boston, Mass., June 15, 16 and 17, 1920. Gardner B. Perry, President of the Institute, called the convention to order. The delegates arose and joined together in singing "My Country, 'Tis of Thee." The program of the first session was as follows:

Invocation—Right Rev. William Lawrence, Bishop of Massachusetts.

Greetings—Hon. Channing H. Cox, Lieutenant-Governor of the State of Massachusetts; Thomas P. Beal, president of the Boston Clearing House Association; Thomas W. Murray, treasurer of the City of Boston; George H. Higgins, president of Boston Chapter.

Response to Greetings—Stewart D. Beckley, Vice-President of the American Institute of Banking.

Greetings from American Bankers Association—The following message from Guy E. Bowerman, General Secretary of the American Bankers Association, was received with great enthusiasm:

"I regret more than I am able to express that previous engagements prevent my being with you today because one pleasure I have anticipated is that of extending my acquaintance among the members of the American Institute of Banking.

"It is my desire to familiarize myself with your work and to absorb to some extent that wonderful spirit of progress which to me is the most delightful characteristic of the Institute and which means so much in things accomplished.

"I am with you heart and soul in this work and am going to travel with you, and if I cannot keep up with the procession, I will trail along behind, but I will be there in whatever capacity it is my privilege to serve.

"Your declaration of principle declares your purpose to be the 'education of bankers in banking, and to raise the standard of character and efficiency among bank employees.' That you have done this is evidenced by the large number of Standard certificates of graduation which have been awarded, and I believe the time is not far distant when this certificate will be required of all those who seek the more responsible positions in the banking business because its possession bears testimony to the fact that its possessor has had the ambition and perseverance to acquire a knowledge of the theory and practice of banking, political economy and commercial and banking law.

"I haven't any suggestions to make and would not do so if I had. I do not want to talk at you—I want to talk with you—and simply desire to be considered one of the brotherhood.

"My very best wishes to the largest bunch of live wires on earth."

Regrets and Best Wishes—The following telegrams were received from Institute veterans:

Rudolf S. Hecht—"Please extend my heartiest greetings to the convention, together with my best wishes for the most successful meeting the Institute has ever held. I am more disappointed than I can possibly express that for the first time in many years I am denied the privilege of attending the annual meeting of the Institute, but I am sure that you know that I am with you in spirit and that I am just as deeply interested in the splendid work of your organization as I ever have been. The opportunities before the Institute are today greater than ever, and I am sure that the splendid fellows who are in the convention hall this morning will take advantage of these opportunities for the good of our country, and for their individual advancement as well."

John S. Curran—"Regret I will not be able to attend Executive Council meeting at Boston. Arrival of baby daughter at my house precludes all possible chance my going East at this time. Accept my heartiest congratulations for a year replete with wonderful achievements under your able guidance."

Thomas H. West—"Please convey to the officers and delegates my sincere best wishes and regret, especially to Boston Chapter because of my inability to attend the convention, a pleasure which I had long anticipated. Is it not significant, however, that it is because of my Institute activity rather than inactivity that I am prevented from attending? I am frank to say that I attribute my banking education and inspirations to the Institute which has made it possible for me to organize a bank of my own. I would especially urge the younger men there assembled to get squarely behind their local chapter and its work and their future is unlimited. Portland, the Garden of the West, awaits you in 1922."

J. H. McDowell—"Regret exceedingly impossible to be with you this year. Just elected cashier of new bank. Cannot get away. Best wishes for great convention."

Adolph F. Johnson—"I wish to extend to you and through you to the delegates of the American Institute of Banking my sincere wishes for a most successful and inspiring session. I congratulate you upon the remarkable growth of the Institute during your incumbency of the office of president, and rejoice with you over the successes obtained. My best wishes to all. I regret I cannot be with you."

Joel R. Parrish—"Congratulations and best wishes for your convention. Regret that we cannot be there. Time of year makes it impossible. Kindly thank the boys who help in the membership work. The result is our report. You have the figures."

"Hitting the Mark"—Annual address by the President of the Institute, Gardner B. Perry, vice-president of the National Commercial Bank & Trust Company of Albany, N. Y.

"Ideas and Ideals"—Address by Hon. Melvin M. Johnson, a prominent member of the Massachusetts Bar.

Report of the Secretary—Richard W. Hill, secretary of the Institute, read his annual report, which showed that since the last Institute convention at New Orleans, when the membership of the Institute was reported as 24,427, there has been an increase of 7,876 members, making a total membership at the present time of 32,303. New chapters organized at Norfolk, Va., Watertown, N. Y., Cedar Rapids, Iowa. Houston, Texas, and in the state of Illinois brings the total number of Institute chapters up to eighty-five. Since the New Orleans convention there have been 165 Standard certificates issued, the total number of graduates of the Standard courses now being 3,267. In addition, 1,138 Elementary certificates of graduation have been issued since the New Orleans convention, the total number of Elementary certificate holders now being 1,232.

Report of Publicity Committee—By Clarence R. Chaney, chairman, assistant cashier of the Northwestern National Bank of Minneapolis, Minn.

Committee on Credentials—The president appointed as the Committee on Credentials: A. C. Burchett, chairman, Bank of Commerce & Trust Co., Memphis, Tenn.; A. J. Clapp, Peninsula Bank, Detroit, Mich.; George Schraffenberger, Brighton Bank & Trust Co., Cincinnati, Ohio; Thomas F. Regan, City Bank & Trust Co., New Orleans, La.; A. J. Gock, Bank of Italy, San

Francisco, Calif.; W. H. Potts, Commerce Trust Co., Kansas City, Mo.; Miss Isabella Trowbridge, New York State National Bank, Albany, N. Y.

Committee on Resolutions—The president appointed as the Committee on Resolutions: Grover C. Clark, chairman, Utica Trust & Deposit Co., Utica, N. Y.; William H. Correll, American Exchange Bank, Milwaukee, Wis.; Adeline E. Leiser, Williamsburg Savings Bank, Brooklyn, N. Y.; Christian Petersen, U. S. National Bank, Portland, Ore.; Frances Cassel, Dexter Horton National Bank, Seattle, Wash.; James F. Hart, Iowa National Bank, Des Moines, Iowa; C. C. Edmundson, Peoples Bank, Jacksonville, Fla.

Second Session—Tuesday Afternoon

The second session was devoted entirely to a departmental conference symposium under the direction of Fred W. Ellsworth, vice-president of the Hibernia Bank & Trust Co., New Orleans, La. The opening address was made by Mr. Ellsworth, after which the following subjects were presented: "Savings Department," George F. Kane, assistant treasurer of the Security Trust Co., Hartford, Conn.; "Trust Department," William H. Stackel, trust officer of the Security Trust Co., Rochester, N. Y.; "Advertising Department," Fred W. Gehle, advertising manager of the Mechanics & Metals National Bank, New York, N. Y.; "New Business Department," James B. Birmingham, assistant cashier of the National City Bank of New York, N. Y.; "Foreign Exchange Department," James Paul Warburg of the Foreign Department, First National Bank, Boston, Mass. At the close of each subject discussion was invited and a large number of delegates took that opportunity to ask questions of the various speakers on the respective subjects presented.

Third Session—Wednesday Morning

The third session was entirely devoted to the debate between Los Angeles Chapter and Philadelphia Chapter. The question at issue was: "Resolved, That the adoption of a scheme of industrial democracy, in which the worker has a voice and vote in the management of industry, is the best solution of the problem of industrial unrest." William G. F. Price of the National City Bank of New York and member of the Committee on Public Speaking and Debate, presided. The debaters were: George R. Klingdon of the First National Bank of Los Angeles; Miss Josephine M. Parker of the Guaranty Trust & Savings Bank of Los Angeles; J. E. Woolwine of the United States National Bank of Los Angeles; Miss Eva M. Swalley of the Security Trust and Savings Bank of Los Angeles, alternate, for Los Angeles Chapter, and Paul B. Detwiler of the Philadelphia National Bank of Philadelphia; Howard E. Deily of the Tradesmen's National Bank of Philadelphia; William W. Allen, Jr., of the Philadelphia National Bank of Philadelphia; William F. Ritter of the Central Trust and Savings Company of Philadelphia, alternate, for Philadelphia Chapter. The judges were L. C. Goodhue of the firm of Goodwin, Procter, Field & Hoar; Henry S. Grew, president of the National Union Bank of Boston, and Prof. Samuel Williston of Harvard University. Decision was unanimous for Philadelphia Chapter.

Presidents' Conference—The conference of chapter presidents was conducted under the direction of the chairman of the National Committee on Chapter Presidents' Conference, P. R. Williams of the Commercial National Bank of Los Angeles, Cal. The conference discussed at length the report of the Committee on Forms, together with the report of the Committee on the Chapter Presidents' Manual. Each of the forms presented by the Forms Committee was discussed by the conference, Ralph W. Bugbee, of the Mississippi Valley Trust Company of St. Louis, chairman of the Committee on Forms, leading the discussion. The Chapter Presidents' Manual was presented by R. D. Spaulding of the Merchants Loan and Trust Company of Chicago, chairman of the committee, and the conference discussed the provisions of the Manual at length. The entire day was devoted to chapter presidents' problems. The following topics were presented: "How the Forum Should be Conducted," by J. H. Brennen of the Atlantic National Bank of New York; "Successful Publicity," by A. C. Burchett of the Bank of Commerce and Trust Company of Memphis; "To What Extent Should the Institute Participate in Public Affairs?" by E. V. Krick of the Savings Union Bank and Trust Company of San Francisco; "Suggestions from the Educational Committee of the American Bankers Association," by George E. Allen, educational director of the Institute; "Making Chapter Meetings a Success," by Allyn R. Munger of the Hartford-Aetna National Bank of Hartford, Conn.; "Post Graduate Work," by Carl W. Fenninger of the Provident Life and Trust Company of Philadelphia; "Greater Recognition by Banks of Institute Graduates," by W. H. Wilkes of the National Bank of Commerce of St. Louis; "Chapter Finance," by Perceval Sayward of the Boston Safe Deposit and Trust Company of Boston; "Cooperation of Bank Officials," by G. Lynn Marriott of the Citizens Trust Company of Utica; "The Importance of Public Speaking and Debate," by Wm. R. Ward of the Oakland Bank of Savings of Oakland, Calif.

Fourth Session—Wednesday Afternoon

Vice-President Stewart D. Beckley presided at the fourth session of the convention on Wednesday afternoon. The entire session was devoted to a symposium on "Bank Credit," under the direction of Freas Brown Snyder, president of W. C. Hamilton & Sons of Philadelphia and formerly vice-president of the First National Bank of Philadelphia. Mr. Snyder defined the term "credit" and divided the subject into five major parts: (1) bank credit, (2) public credit, (3) funded credit, (4) commercial credit and (5) retail credit. He showed the relationship of the first part to the others. He then analyzed the functions of the credit department, explaining the various sources of credit information, and closed his address with a most interesting dissertation on the subject of statement analysis. A lively and profitable discussion followed in which a number of delegates took part.

Fifth Session—Thursday Morning

Invocation—The invocation was delivered by Rabbi Samuel J. Abrams of the Temple Ohabei Shalom of Boston.

The entire fifth session was devoted to a symposium on the Federal reserve system under the direction of L. F. Sailer, deputy governor of the Federal Reserve Bank of New York.

Greetings—Address by Charles A. Morss, governor of the Federal Reserve Bank of Boston.

Federal Reserve System—Addresses: "Discounts and Advances," by Frank J. Zurlinden, assistant to the governor of the Federal Reserve Bank of Cleveland; "Open Market Purchases," by E. R. Kenzel, deputy governor of the Federal Reserve Bank of New York; "Deposit and Transit System," by O. M. Attebery, deputy governor of the Federal Reserve Bank of St. Louis; "Note Issues," by Ray M. Gidney, manager of the Buffalo Branch of the Federal Reserve Bank of New York; "Fiscal Operations," by L. F. Sailer, deputy governor of the Federal Reserve Bank of New York; "Operating Functions of the Federal Reserve Board," by R. G. Emerson, assistant secretary of the Federal Reserve Board, Washington, D. C. An interesting discussion followed the addresses.

Sixth Session—Thursday Afternoon

Committee Reports—The following committee chairmen presented reports, which were received and filed: C. Leland Getz, National City Bank of New York, chairman of the Program Committee; Stewart D. Beckley, City National Bank of Dallas, chairman of the Public Affairs Committee; Walter B. Kramer, First National Bank of Scranton, chairman of the Correspondence Schools Committee; P. R. Williams, Commercial National Bank of Los Angeles, chairman of the Chapter Presidents Conference Committee.

President Hawes — President Perry read the following message of greeting from Richard S. Hawes, President of the American Bankers Association:

"Best wishes for a successful, instructive and constructive convention. Of all the sections in our Association, I believe that personally I am more proud of yours and take greater pleasure in its accomplishments. A message of thrift, production and industry should come from your gathering. Cooperation with parent Association is evidenced at all times and constructive criticism invited from your administration. With best personal wishes."

Alumni Committee—A message to the convention from John H. Puelicher, president of the Marshall & Ilsley Bank of Milwaukee and chairman of the Institute Alumni Committee, was read by President Perry, as follows:

"Greetings to you, young men and young women of America! Greetings, good will, affection and high hopes!

"You are the present torch-bearers of progress in financial education. The torch lighted at Cleveland is guiding thousands of our fraternity to a better knowledge of banking and to a greater and more fundamental Americanism. You, now in convention assembled, have the responsibility of holding the torch high.

"Think high and mighty thoughts if you would achieve great and noble deeds. The world needs intelligent and sane leaders, and we, who have preceded you, look to you with hope and prayer in our hearts, to continue high the work passed on to you.

"Teach the necessity of work. Teach the nobility of work. Teach the happiness of work. Teach the worth of unselfish work. Teach the fame that rests on work. Teach of the beauty of service for the world's greatest servant, He who served most, is Master.

"Again, yours are our affections, our hopes and our prayers."

"Conversation"—By George E. Allen, educational director of the American Institute of Banking. President Perry, in presenting Mr. Allen, said: "I now take one of the greatest pleasures of my life. I want to present a man beloved by every man and woman in the Institute—32,303 strong—Uncle George Allen." (The official stenographer's minutes at this point read: "Tumultuous applause and cheers, shrieks and general demonstration lasting several minutes.")

Mr. Allen stated that the intention of the Program Committee, in placing his name on the program, was to have him answer questions that would supply omissions or correct wrong impressions, but owing to the excellent work done by the Program Committee he had been unable to discover any omissions made or wrong impressions created. In response to a question from one of the delegates, Mr. Allen explained the relationship between the American Institute of Banking and the American Bankers Association, which was referred to in the telegram received from President Hawes of the American Bankers Association, saying:

"The American Bankers Association is well satisfied with the Institute. Everybody believes, as Mr. Hawes does, that the Association has reached the point where they are going to ask more of us than they have heretofore. They appointed an Educational Committee, for example, about a year ago, whose first thought was to get books pertaining more or less to banking —I mean, accepted principles of banking, and not bankers' theories and hopes—into the public schools. They found on investigation that the public schools already had so many subjects that it would be very difficult to introduce any new subjects, but after consultation with publishers they found it would be comparatively easy to revise text-books on arithmetic and text-books on economics in a way that would more fully and fairly present the question of banking, and they are doing that. They also discovered that that process would not be very speedy. They wanted quicker action, and so they asked the Institute to prepare a line of pamphlets on such subjects as money, credits and exchange that might be used by banks to supply to their customers, and might be used by bankers who would get or make opportunity to address public schools and other bodies. They have also asked the Institute to furnish some, if not all, of its thousand or more skilled orators to do this work.

"The American Bankers Association is also going to enlarge its work in Americanization and thrift. They have appointed a strong committee of the national organization, and it has been personally, although not yet officially, intimated to us that we will be expected to assist in that work. We will also probably have some connection with the Public Relations Committee. As our convention is held at this time and their convention will not be held until October, and their policies are not yet fully developed, we are in the position of the hunter who is obliged to shoot so as to hit the mark if it is a deer, and miss if it is a cow. But your elective officers have sufficient diplomacy to meet that situation in the appointment of committees, so that we will be ready with well-equipped machinery to do what they ask of us, and perhaps do a little more in a manner which will serve their interests and at the same time not lose our own identity."

Several other questions, political or personal in character, were put to Mr. Allen by various delegates and his answers thereto were not only satisfactory to his questioners, but also to the convention.

"Conventions"—Address by Jesse F. Wood, vice-president of the National State & City Bank of Richmond.

"Americanization"—Address by Hon. Thomas J. Dowd, judge of the Municipal Court of Boston.

"Transportation" — Report of Carl H. Chaffee, assistant cashier of the First National Bank of Philadelphia and chairman of the Transportation Committee.

Institute Resolutions—The Committee on Resolutions submitted the following report, which was enthusiastically adopted by the convention:

Institute Resolutions

The world is facing courageously the period of reconstruction and readjustment. In our economic, political and financial life we are confronted by great and grave problems. Radicalism is rampant. Labor is restless. Prices are increasing. Production is slothful. Thrift is waning. Money rates are high. The call today is to strong men—men of courage and conviction—men of broad vision, keen intellect and sound judgment.

Education of the individual offers a solution of these problems and education is the basic principle of our Institute. Increasing its scope each year, the value and efficiency of our educational program is manifested by the augmented number of certificate holders and by the promotion of Institute graduates to executive positions of trust and responsibility.

As bank officers and employees, and as members of the American Institute of Banking, we can do much toward the solution of these perplexing problems, and we know that all delegates to this convention will return to their homes and financial institutions deeply impressed with the magnitude of these problems and determined that individually and collectively each will do his or her part in their solution.

We pledge our services to the continued promulgation of thrift, and we heartily indorse all movements having this objective.

We reaffirm our confidence and faith in our educational director and our Board of Regents.

To our officers and committees we are grateful for the conscientious performance of their duties.

We sincerely indorse all of the recommendations made by our president in his annual report and commend them to each chapter.

We sincerely appreciate the efforts of the several speakers who have given so generously of their time and ability for our further advancement.

We thank the people and bankers of Boston for their cordial reception and manifold courtesies, and especially to the ladies of this great city are we indebted for their unbounded enthusiasm in this convention and for their painstaking efforts for our comfort and entertainment.

To Boston Chapter, its officers and committees, we are deeply indebted and we congratulate them on their successful arrangements.

We are truly grateful to the chapters at Chicago, Detroit, Pittsburgh, Philadelphia and New York for their hospitality and entertainment so cordially extended to the delegates en route to and from this convention.

Looking forward into the future with confidence in our American men and women to solve these problems, and believing that thereby the continued prosperity and safety of our country is assured, we present these as the sentiments of the delegates of the American Institute of Banking assembled in eighteenth annual convention at Boston, Mass., June 15, 16, 17, 1920.

William H. Correll, Milwaukee, Wis.
Christian Petersen, Portland, Ore.
Adeline E. Leiser, New York, N. Y.
Frances Cassel, Seattle, Wash.
James F. Hart, Des Moines, Iowa.
C. C. Edmundson, Jacksonville, Fla.
Grover C. Clark, Utica, N. Y., *Chairman.*
Committee on Resolutions.

Delegates in Attendance—The Committee on Credentials submitted a report, which was adopted by the convention, showing that delegates were in attendance from the following chapters: Akron, Albany, Asheville, Atlanta, Baltimore, Birmingham, Boston, Bridgeport, Buffalo, Chattanooga, Chicago, Cincinnati, Cleveland, Columbia, Dallas, Danville, Dayton, Denver, Des Moines, Detroit, Duluth, El Paso, Harrisburg, Hartford, Indianapolis, Jacksonville, Joplin, Kansas City, Lancaster, Little Rock, Los Angeles, Louisville, Lynchburg, Memphis, Milwaukee, Minneapolis, Nashville, New Haven, New Orleans, New York, Norfolk, Oakland, Omaha, Philadelphia, Pittsburgh, Portland, Providence, Richmond, Rochester, Sacramento, San Francisco, Scranton, Seattle, Sioux City, Spokane, St. Louis, St. Paul, Syracuse, Tacoma, Toledo, Utica, Washington, Wheeling, York Co., Oklahoma State, Texas State and Wisconsin State. The number of delegates in attendance was 1,028, representing a voting strength of 1,203.

New Institute Officers—The following-named officers were duly elected:

President—Stewart D. Beckley, City National Bank, Dallas, Texas.

Vice-President—Robert B. Locke, Federal Reserve Bank, Detroit, Mich.

Members Executive Council—William H. Wilkes, National Bank of Commerce, St. Louis, Mo.; Donald A. Mullen, Colonial Trust Company, Pittsburgh, Pa.; John A. Graham, Jenkins, Whedbee & Poe, Baltimore, Md.; Henry C. Jackson, Industrial Trust Company, Providence, R. I.

Convention City—The invitation presented in behalf of Minneapolis Chapter to hold the Institute convention in Minneapolis in 1921 was unanimously accepted.

Choosing Materials for the Exterior of a Bank Building

By Alfred C. Bossom

CLOTHES make the man; at least they give a very good first impression of his point of view, character and disposition. The individual with a hat over his ear and a large cigar projecting from the corner of his mouth and wearing a near-diamond and a loud colored checked suit does not inspire a feeling of confidence. How true is this of a bank building! For it is the effect of security produced by the bank building which creates a favorable impression without of necessity letting the observer know that he has been so affected.

In every age, since the time of the ancient Greeks, monumental buildings have been constructed, and there are as many possibilities of new types today as there ever have been. They are endless, and yet how often have we seen the same old type of building worked, and overworked, until we are actually appalled at the lack of ingenuity displayed.

The form the exterior of a bank should take depends, of course, upon its location, the type of business the bank carries on, the magnitude of the institution and the prevailing characteristics of the immediate community. The construction of wooden buildings is left out of consideration in this article, for the reason that it is not considered desirable for any bank to be in a building constructed of wood. Eliminating wood, the available materials for the exterior generally divide themselves into the following headings approximately as to cost:

Granites
Marbles
Limestones
Sandstones
Artificial or concrete stones
Concrete and stuccos
Terra-cottas
Copper and iron
Bricks
Tiles

From this collection combinations providing the utmost variety can be made, but durability and freedom from upkeep expense should be taken into consideration when making the selection.

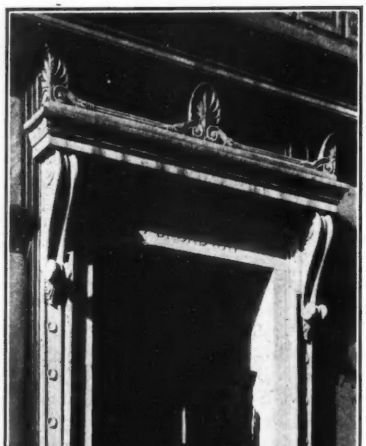
The king of building materials unquestionably is granite. Ranging from the Pink Milfords through the various other Maine granites until we get to the rather coarser grained S. C. granites, the gamut is run from the light, cheerful, pink color to the rather dull, somber, deeper gray, but practically any of these will stand the weather with less deterioration, if properly quarried and set, than any other building material. Certain of these stain, nevertheless, due to the presence of iron in their make-up; but an examination of the quarry readily reveals this, and with proper care taken in the selection such risk can be eliminated.

The marbles go from the hard Tennessees to the softer and more readily worked Vermonts, covering in the process the various grades of Georgia marble, the Texas San Sabas, the Colorado Ualselt. When one of these materials, such as Tennessees marble, is selected, as was the case in the banking house for J. P. Morgan & Company at the corner of Broad and Wall Streets, New York, it approaches very closely to the hardness and permanence of a granite, and the cost is about the same. But when the softer marbles, or the coarser grained ones are employed for exterior use it is imperative that great care be exercised that they are not in positions where they readily stain, or where dirt can settle upon them and cause discoloration, or where there are sufficient chemicals in the atmosphere to cause surface disintegration, which in time will eat right down into the body of the material.

The limestone, the buff or the gray, if quarried and set on their natural bed, will form a most satisfactory building material, provided they are not in locations where there is too much dirt in the atmosphere, for although this will not penetrate very much into the skin of the material, it produces an unpleasant, somber tone which cannot be readily removed except by sandblasting. Blasting, once it has been undertaken, causes the material to discolor in the future with greater rapidity than formerly, due to having had the surface crust removed, which crust developed upon the stone when it was quarried. Certain of the darker or gray varieties have a tendency to bleach to an unpleasant degree, and this again can easily be ascertained if buildings constructed some years ago are inspected. Limestone, which is, perhaps, the cheapest of the more dignified building materials, will stand a great range in temperature, and if designed with suitable drips in the various mouldings and ledges to throw off rain, etc., will not stain unduly. To get the best results the nature of the material should be carefully considered before determining the type of limestone to be employed and the form it will take.

Sandstone, as a rule, has a much more laminated atomic form than its companion, limestone, just referred to, and if it once starts to disintegrate it eats into the stone in a short time. The famous brownstone fronts of New York testify to this. Buildings that apparently were perfect but a few years ago are now covered with pitholes that make the buildings appear as though they were suffering from some unpleasant disease. There are, in certain sections of the country, good, hard, reliable sandstones, which can be used with perfect freedom, but under no circumstances should this material be employed without having it cut and set by men who are personally acquainted with the form of the stone itself, for it must be set on its correct bed, or else trouble will unquestionably ensue.

Of the artificial concrete stones, a number of these have been placed on the market of late and certain of them have been used long enough to justify their use with impunity. Originally much trouble was experienced with these artificial stones by the weather driving right through them, by soft spots appearing in the surface, which rapidly disintegrated under the action of frost, but now there are products being turned out by concerns using hard aggregate marble and the finest grades of cement with certain secret processes for waterproofing, etc. The result is a stone that is harder than limestone, or the average marble; in fact, almost equal to granite in density, and is waterproof, creating a building of which no banker need be ashamed. This material to be treated satisfactorily should not be handled as a concrete, but as blocks of stone cast by man instead of being made by the processes of nature, and then worked and carved exactly as the natural stone would be. This makes it essential that the general mixture of this stone be uniform throughout, otherwise when so treated crazing or surface-cracking will undoubtedly result with the consequence that before long the frosts and snows of our American winters will drive into it, leaving cavities and cracking off small pieces, to the detriment of the appearance of the building.



Doorway of artificial stone, showing the clean cutting that can be carried out in this material as readily as in marble or granite. New York City.

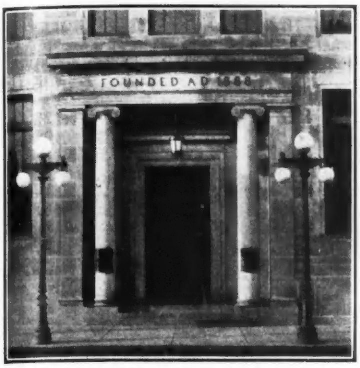
Concrete as a straight construction material can be used, although it has been employed very seldom for banks. Rough warehouses, viaducts, etc., have been built of this material left in its natural finish, but it has not the refinement such as most communities would feel essential to a banking house. It is practically impossible to prevent this material having surface cracks, and if it is going to be treated as it logically should be and so as to gain the great advantage of its cheapness it must be left straight from the casting; and this, no matter how carefully handled, produces a small crust of nearly neat cement, which forms an outer shell. This may scale off, and although it in no way impairs the structural strength of the material, it does make its appearance undesirable for a monumental building. When combined with various blocks of terra-cotta, or colored tiles, and if rendered with a stucco coating, interesting effects can be obtained at probably the smallest expense of any of the reliable building materials, but it has been so much used for factory purposes that the general public has not yet been educated to the point of feeling that it is fit and proper for more dignified structures. If it be treated very carefully and special finishes put on the exterior, the price runs up to such a degree that it is no cheaper than some of the other materials which it is intended to replace.

Terra-cotta is an absolutely reliable material if properly designed, baked and set. In the past much unsatisfactory under-burnt and badly designed terra-cotta has been used, often creating impressions in various communities that this material is something to be avoided. Great educational campaigns have been undertaken by the various terra-cotta manufacturers and it is

Combination of copper cornice, terra-cotta crowning detail with iron infilling standing upon a brick shaft. This combination of materials working out in perfect harmony and creating a building of most distinctive character. Richmond, Va. Alfred C. Bossom, Architect.

safe to say that there is no building material that is being watched more conscientiously today by its makers with the desire to improve it than terra-cotta. In cases where expense is the great consideration, but where durability is essential, and the appearance of the greatest stability is required, upper sections of a building can be made of terra-cotta which will so exactly match either granite, marble or limestone that it will be impossible from the ground to detect the difference. But a note of warning should be sounded, for while the natural and man-made materials may make a perfect match at the time of their erection, exposure to the elements after a few years may cause them to weather in entirely different directions, one bleaching, perhaps, and the other darkening. For this reason, in spite of the good quality of these elements individually, they may not make a desirable combination unless they are designed with this contingency in mind. Combined with brick, or with limestone, terra-cotta has been used probably more than almost any other material in this country in the last few years, and there is no doubt but that its present use is as nothing compared to the point to which it is ultimately going to be carried.

With steel frames, or steel bones, for our building, the logical form is to clothe these with a concrete which not only protects, but also adds strength to the steel frame,

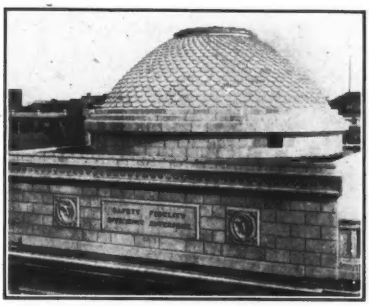


Limestone doorway with bronze doors showing the richness that can be added to the simple dignity of the stonework by this one touch of metallic refinement. Bound Brook, N. J.

and this in turn should be ornamented by light impervious and permanent material which can be set in the concrete as it is being installed. Terra-cotta fills this need to the ideal extent, and when the general public has been educated to the point of being content to see a building as it actually is, that is, a steel frame properly covered and enriched with color if necessary, it will have instituted a type of architecture in America which will perhaps be the most logical the world has ever seen. That day is a little distant yet, but it is coming, and coming rapidly, for the terra-cotta manufacturers are doing all they can to aid the architects in producing what they require, and the architects of this country lead the world in enterprise.

Brick, the one great building material that has been used throughout the world since the time of the ancient Egyptians, occupies a place of which none can deprive it. From the fine, high-grade, rain-washed, or pressed bricks down to the rough salmon, or Hudson River brick, it is the most convenient material that a man can handle when building a wall. By a process of modification it is made exactly the size where the average man can pick it up and place it in a position with the least possible effort. If of a reasonably good quality, it is as permanent as any material that can be had. It does not have the dignity of the materials that are set in larger units, but aside from the fact that it will get dirty, and, perhaps, hold the dirt more readily than any other material, it is safe to expect that in fifty years it will be in as good a structural condition as the day it was laid. When cost is the essential object, it can be used to produce a building of very considerable dignity that will fulfil its requirements, and if a certain amount of trimming or embellishment be added, of stone, granite, marble, terra-cotta or artificial stone, it can be used to form the great proportion of the façade without detriment to the appearance of the building.

The use of metals, copper, cast iron, bronze, Toncan metal, sheet lead, sheet iron, etc., whether galvanized or otherwise fulfil a certain function, but in practically every case except that of the bronze or cast irons, they are used as a substitute for a more expensive



Terra-cotta dome combined with granite building. The terra-cotta introduced on account of the lightness, but cannot be distinguished when viewed from the ground. Lynchburg, Va. Alfred C. Bossom, Architect.

material. In many cases this is unavoidable, but it is a substitution which should be made only after the deepest consideration, for the old iron cornice that we have seen rusted through gives a most dejected and bedraggled appearance to a building.

Handsome bronze doors, fine bronze or cast-iron panels, or very dignified, large, overhanging copper cornices, are proper applications of the materials in their structural uses, but where a piece of sheet iron is bent around a form and made to imitate stone, the perpetrator knows that he is imposing a fake upon the public. Much as the banker would resent such a statement of opinion against any of his business dealings, he has in the past often been mislead into doing this, when his better judgment should have warned him against it. This, fortunately, is a condition that is passing. A love of good materials used in their right spirit is rapidly growing in this country, and undoubtedly in a few years will place us in the front rank of art lovers, at least where building is concerned.

An important detail of the exterior of a structure is the glass, which frequently is given too little consideration. The size of openings in relation to the general wall space, the proportion of the width to the height of such openings and the evenness of the glass that glazes these openings can create either an unpleasant or pleasant impression without regard to how the remainder of the building is treated. It is not possible to get perfectly even panes of glass in large sizes unless they are made of plate. But in the smaller sizes it is possible to use a good American double-thick glass, and although it is by no means as good as plate glass, it represents such a saving that often it justifies an owner accepting it if the lights of the glass are in the right proportion and of decided smallness.

No effort has been made in the foregoing to enlarge upon the different types of design, the classic forms, the Gothic forms, l'art nouveau, etc., as this will depend to a large extent upon the material or, conversely, the use of material will largely depend on the architectural style, for the fundamentals back of this represent the types of architecture, or the size of the pieces of materials employed. For instance,

An example of black and white marble front. Durham, N. C.

the classic types are constructed with large pieces of stone, great columns, often monoliths in form, large pieces of marble, great pieces of artificial stone. The Gothic art was based on the use of much smaller materials, small pieces that could be handled by man power without the use of machinery to hoist it in the great majority of cases. This, therefore, lent itself to the use of a much rougher and smaller kind of fabric than its classic brother. The "art nouveau," that came from Central Europe, is slowly passing, except in a few cases, although during its time here it did excite a lively imagination in the minds of those who had been brought up in the old, conservative classic and Gothic schools. In many cases it was a contortion of forms and lent itself to the use of piers with small materials, such as brick or concrete, which could be poured and set like a jelly in a mold.

Your Building Problems

(Under this heading Mr. Alfred C. Bossom will answer each month the numerous questions on member banks' building problems which may be forwarded to him. This service is free to member banks.)

Light for the Tellers

FROM Utah—We have under consideration the possible enlargement of our banking room. As the bank is arranged now, the tellers' cages front on a lobby extending from H—— Avenue entrance along the east side, to what is shown on the blue print as "Work Space" and the work space and the cloak room are now partitioned off into a directors' room. Our light is from the east and north fronts, the west and south elevations being solid wall. After the sketch was made, we were led to consider a reversal of this plan, putting the cages along the west side, facing the proposed new center lobby and putting the officers' quarters on the east side, with possibly a customer's booth or private room on the east side in the position occupied now by the south two tellers' cages, or a part of this space; and then we would reverse the vaults, using the large vault for a money vault and the smaller vault for safety deposit boxes. Under this plan we would leave the directors' room where it is and use the space shown on the print as "Directors' Room" for storage and work space. The pencil line shows our present west wall and the proposition is to extend into the adjoining room, putting the first cage up to the front window and providing for about six cages. If this plan is carried out, we would bring the officers' space up to the east face of the posts and the cages up to the west face of the posts on the other side.

Answer.—I do not feel it would be advantageous to put the officers on the east side of your room. You would be taking light away from your working force, which is now very well arranged, that is, with the light behind the tellers shining on the face of the customer.

I think your general arrangement as outlined in the blue print is satisfactory, for the directors' room is not frequently used and can better occupy a dark space than your working force. Your coin vault is amply large enough and your safety deposit vault being larger can allow for more expansion as it is now than it could be if you reversed them.

The general distribution of your space as outlined on the blue print is good. There would be much greater crowds in front of your tellers than there would be in front of your officers' space and exchange teller, and the columns that are indicated will be very badly in the way if you have cages at that point, whereas they are not in the way in the location as shown on the blue print. My recommendation is that you maintain the plans substantially as they are laid out, but, of course, improving them in the small details as anyone conversant with banks naturally would. For instance, in the four tellers' cages you have a counter on the side opposite the column, whereas if you turn the counter to the other side back of the column you would get much more efficiency out of this cage.

"Raising" a Tenant

From Connecticut—We have recently purchased an old-fashioned three-story brick building. We have had our architect draw plans for placing a new building on this property, but we are tied up with a lease for the second floor of this old building for a period of three years. This lease we cannot buy, nor will the tenants move. Our architect tells us that he can bolster up this building and put our banking quarters underneath without disturbing the tenants above.

What we would like to know is, do you think it advisable to put our banking quarters underneath this present building, building the walls large enough and heavy enough to take care of the new building at the expiration of this lease, or do you think it advisable to wait for three years, taking a chance on building material coming down.

Answer.—As your architect states, it can be done, but I personally would strongly advise against such a move. The amount of money that would have to be expended, to which would have to be added the entire cost of the new building when you dismantle the upper part, and also the inconvenience you would then be put to in order to proceed with the construction work, in my judgment would make this a very undesirable procedure. I feel that you would be better off if you could build up some temporary structure in the rear of your existing lot, or rent a certain amount of adjoining space, for I do feel that, without further information on general lines, the proposition is really not practical, and it is too much of a "stunt" to justify the bank's undertaking it.

A Platform for America

WE hold that:— As America was made, so it must be maintained and matured through every practical and possible effort, to encourage Individual Initiative, Aspiration and Ambition.

1. As an immediate corollary—we are opposed to government ownership or political possession of industry, but hold that all large, concentrated wealth, business and labor must come under public supervision.

2. We favor every reasonable, equitable and equal opportunity the community, state or nation can offer toward Home ownership in Town and Country, for a land of majority rule must be a land of majority home-ownership—and Homes make Patriots.

3. Every man and woman must be impartially aided and safeguarded so far as may be, by state and employer, in the factors making for citizenship and efficiency, including health, education, character, ambition, equipment, environment and reward.

4. As of the very Life and Essence of republican government; the dignity of its democratic ideals and the maintenance of its public service on the highest and most impartial and impersonal plane—governmental, state or municipal employees cannot be permitted to strike or to federate with any organization involved in industrial, agricultural or group problems.

5. We have no room for organizations of any kind or character not all-American in their spirit and purpose, and that do not hold as their basic principle and larger vision the welfare and service of all the people rather than the selfish aggrandizement of one business, class, group or fraternity at the expense or disadvantage of all the rest.

6. We are unalterably for the fundamental American doctrine of Equality of Opportunity, which finds one of its first and concrete applications in the American OPEN SHOP, for—every American—yea, every being in God's image, is entitled to work where and when he pleases, under the laws and protection of any government worthy the name.

7. As all our human problems of life, death, private, public and property rights—civil and criminal—are determined by codes and courts—created and obeyed by us as a free people—just so we believe the cycle must be completed and that industrial problems must come within the complete jurisdiction of courts and codes, similarly provided. This, to the extent at least that all strikes be declared unlawful, when attempted by concerted group action in connection with vital public service or supply of food, fuel, transportation, light, heat, power and those necessities that affect the life, health and safety of the whole people.

8. We urge compulsory training of all our young men for citizenship and service, together with all the Americanizing, democratizing, sanitizing, setting up and other highly beneficial effects that may come from such association.

9. We would particularly enlist every effort in our public school system to supply the needs of better and more useful citizenship; teaching the simple economics of Life, Production and Self-Government, through competent, properly paid teachers, giving cultural and vocational guidance without making mechanics, bookkeepers or other group or class divisions.

—Declaration by the Illinois Rotary Club.

Luncheon to Major Hyde

Major Fred. W. Hyde, retiring secretary of the National Bank Section, was the guest at a luncheon given in his honor at the Bankers Club, New York, June 30, by the executive staff in the general offices of the American Bankers Association. General Secretary Bowerman presided and Major Hyde was forced to hear the truth about himself told by every one of the diners. It was the unanimous opinion that the office staff had lost a valued friend and faithful worker and that he was entitled to the best wishes of all those who had come in contact with him, for his future success. Major Hyde responded in his usual graceful manner. He will rest for two months on his farm near Jamestown, N. Y., before going back into business harness.

New Chairman Banking Committee

Edmund Platt of Poughkeepsie, N. Y., who has served as chairman of the House Committee on Banking and Currency and who was recently appointed a member of the Federal Reserve Board, is a newspaper man, editor of the Poughkeepsie *Eagle-News*. He served in the Sixty-third, Sixty-fourth, Sixty-fifth and Sixty-sixth Congresses. The new chairman of the Banking and Currency Committee is Louis T. McFadden of the Fourteenth District of Pennsylvania, whose home is at Canton and who has served in the Sixty-fourth, Sixty-fifth and Sixty-sixth Congresses. He was ranking member of the committee and on Chairman Platt's resignation was elected to the chairmanship. Mr. McFadden has been prominent in financial legislation and has introduced a number of important bills. He is president of the First National Bank of Canton, Pa.

Is Bank Advertising Backward?

By Henry Lee Staples

President, Staples & Staples, Inc.

THE vice-president of a big financial institution divorced himself from loans, collateral and dividends, donned old clothes, and, with ten congenial companions, loafed and played for ten unshaven days on the deck of a little schooner that buffeted its way through the blue waters of the Chesapeake.

Aboard was the vice-president of an advertising agency that had always shunned bank advertising. Their policy was in no way different from that of the larger agencies, for the reason that bank advertising (with few exceptions) is purely local and the commission (when paid on local business) is not sufficient compensation for the time of their expensive men; or, where service fees are paid, they are not usually adequate to attract agents of larger ability.

But the good-natured banker baited and bantered the enthusiastic little disciple of printers' ink, remarking, "I have a newly organized trust department at my bank. I'd like illustrated copy. You can illustrate ads for food products, but how can you illustrate our services as trustee and executor? If I can get the right copy, I'll run it in every newspaper in the state."

So he of advertising faith said, "If you'll spend $10,000 and appropriate $2,000 for drawings and cuts, I'll show you that human interest can be injected without losing that confounded dignity that you bankers are so eternally afraid you'll spill,"

After an interval of eight weeks, the said agent spread before said banker a series of advertisements that showed the danger of bequeathing money without also bequeathing management—the value of freeing the family of financial cares—the danger of the individual executor. The illustrations had something of the quality of old steel engravings, having been executed by an etcher of national reputation.

The banker was delighted. "Why haven't we ever had anything like this before? This is what I call advertising!"

For weeks after the ads appeared letters poured in from other banks all over the country asking where he secured such copy. Yes, bankers know good advertising, but little good copy has been produced for them.

For my own information I made a digest of bank advertising throughout the country, and the conclusion was borne upon me willy-nilly that it is woefully backward—probably not any worse than the average local copy written by untrained men or by the proprietor of the store—but far inferior to the work of the department stores and trailing several "years and a half behind" the splendid national advertising being done today by manufacturers in every line.

In most cases the copy is bromidic, and all ads look very much alike—as though each copied the other. If the bank's name were covered up, you couldn't tell which bank was paying for the space. The text teems with words starting with the letter "S," as though the writers were trying to get alliteration of the $. After reading hundreds of them, may I suggest that we get down the catalog of overworked words and insert in it the words "security," "service," "safest," "satisfaction," along with the old inmates such as "quality," "delicious," "distinctive" and "achievement."

Illustrations are seldom used, but where employed, are usually of the cheap character turned out by small commercial engraving houses and could better have been omitted. I search for the work of those whose brush and pen fan my desires for facial soap, automobiles, tires or salad oil. But, alas, their talents have not yet been applied to make bank advertising more interesting and the savings idea more persuasive.

It is true that one trust company in Boston is doing advertising that in character of illustrations and text need yield first place to none. Other Boston banks are certainly not backward.

The ads of a few New York banks have every evidence of skillful as well as thoughtful preparation. A financial "Gibraltar" of Pittsburgh waged a campaign for its commercial department which must excite anyone's admiration, not only because of its appearance, but because of a bigger thing—the idea back of the copy. (I learned that they hired one of the best copy men in America, and paid a worth-while fee for worth-while advertising.)

In fact, to my way of thinking, the most progressive banking thought (as expressed in copy) has emanated from the Smoky City. In addition to good copy, Home Service Departments are being inaugurated there to show folks how to save—family budgets are being actively advocated—and many far-seeing plans are being hatched out in that city. Cleveland, too, seems fortunate in the progressiveness of her financial men. A trust company in Richmond has done some remarkably good advertising.

But, taking the country as a whole, most of the copy appears to have been hurriedly written to fill so many inches of space, and illustrations—where employed—are far below those demanded by other kinds of business.

Banks whose service and interest rates are identical are striving to show the public how they are different. A difference undoubtedly exists in the relations between different banks and their customers, but 'tis hopeless to try to tell of confidential service in a public medium and so the copy lapses into generalities with the inevitable "security — satisfaction — service," which, as far as I can find out, convey no more meaning to my more erudite neighbors than they do to me.

I do not wish to indulge in destructive criticism, but to look at the banker's advertising problem with an honest desire to see if the copy cannot be bettered.

The average bank in the large cities has three principal sources of revenue:

1st: Commercial or checking accounts.

2d: Accounts of correspondent banks.

3d: Savings accounts.

In annual profits they usually rank in importance in the order named. I shall not attempt to discuss here the methods used to get the first two classes of business, but confine myself largely to savings.

Most banks realize that advertising works the greatest good when applied to the savings department. The majority of readers of the newspapers or street car cards are potential savings account customers and practically all savings accounts are profitable, whereas only a few are prospects for worth-while commercial accounts because of present satisfactory relations. Personal calls and keeping in touch with new industries serve to secure the larger checking accounts.

The problem, however, is to devise a kind of advertising for savings which will really produce new accounts—and make old customers save more—to bring through the banks the billions of dollars which are now out of circulation.

Can it be done? The public is protesting against the increased cost of living and the overall movement is getting under way, but savings are still unpopular with the public. There is good reason for it. Three or four per cent. looks so futile.

If the banks are to compete with automobiles, clothes, land ventures, and the luxuries advertised on every hand, saving must be made attractive. Salesmanship—not dignity—will get the savings idea across. The need today is for a new kind of bank advertising.

520 PAY DAYS

What Had I Done With $20,800

"I WAS a mechanic and a good one. I had been averaging $40 a week for the past ten years. I stopped to count it up. Yes, I had known 520 pay days at the plant. I had drawn all told $20,800.

"It was hard work, yet I liked it. But $20,800 was a lot of money, and I had nothing left but my week's pay. Where had my money gone? Funny, wasn't it, to have nothing to show for ten years of real he-man labor.

"It dawned upon me that I had thrown much of it away. I had let people take from me easily what had cost me real sweat-producing work. I had literally toiled ten years simply for board and keep."

Have you ever stopped to think what you are getting for your money?

Of course, you do not want to save just to see dollars pile up. No one but a miser loves money for money's sake. But you do want money for the comfort and advantages that money brings.

Perhaps you want a home. A savings account would enable you to make the first payment and give a mortgage for the balance.

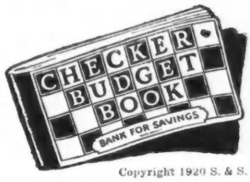
Perhaps you have ambitions for a business of your own. A few thousand dollars may enable you to gratify that wish.

Perhaps you want better education for your children than you had—more advantages. A few dollars a week would mean thousands by the time the little ones are grown.

Hard to save? Of course it is if you have no definite plan. But a budget makes saving easy—fascinating. You see if you can run the house on so much a week, anything left over is profit. If amusements run too heavy one week, the book shows it and you make it up during the weeks that follow.

Five minutes a day spent on keeping the family finances is enabling many to save $5 to $10 a week.

The Checker Book is not an expense book. It shows how to save—how to make the home accumulate money just as accountants make a business build up a surplus. It can be kept on either a weekly or monthly basis. These books are given free to our depositors and how to make a budget is cheerfully explained.



Copyright 1920 S. & S.

The Bank's Three Problems

In the past it was probably necessary to teach the people that banks were safe. But today, with the exception of the foreign-born and the illiterates, the public is sold on the idea of safety. There have been no big bank failures to shatter public confidence. One bank seems as good as another.

But people do not want to deny themselves. Thrift is handed out like a bitter dose. Folks resent being "preached at," and so they turn a deaf ear to sermonettes. You cannot talk to possible customers for the savings department in the same way that you talk to "would-be" customers of the trust or commercial departments.

The right kind of savings advertising must do three things:

1st: Make saving attractive enough to compete with spending.

2d: Show people how to save.

3d: Bring them to a particular bank.

The bank's problem is not so different from that of the I. C. S.

The Scranton institution had to sell study, which, like saving, is distasteful to pleasure-loving America. Did they show their text-books or how easy it was to learn by mail? If they had, their selling cost would have taken a rise like a seismograph during an earthquake.

Instead, they showed the *rewards* —the man who won the $100 a week job, etc., because he studied. They tested their advertisements. There was no guess work. This was the kind of copy that paid.

Banks have the same thing to sell. In their case it is success through savings instead of success through study. The cue to the right kind of copy is contained in the not so foolish definition in the Foolish Dictionary, viz.:

> "Economy is denying ourselves the necessities of today so that we can have the luxuries of tomorrow."

Stories of the man who forged ahead—who bought out a business—built a home—because of the savings habit—certainly these ideas are as applicable to a bank as to a school. The idea, as I see it, is to sell success—the rewards of the future—not to preach self-denial—to sell the agreeable thing rather than the disagreeable—to arouse ambition—the desire to save. How many bank ads have you seen that measure up to the salesmanship displayed by the I. C. S.?

May I suggest that those who write bank ads go some night to the movies. Look over the sea of faces. Note the kinds of people your advertising chums with—mechanics with calloused hands and soft-shirted clerks. These are the people you must interest—your potential customers.

If your bank ads were converted into a movie, would the scenario interest them? Would flashing upon the screen a big 3 per cent. on savings—"Security and Service"—hold their attention—fire their ambition to save? Most of the audience would leave.

But flash on the story of a poor couple in debt, striving to get ahead, their sorrows, joys and disappointments, and the final triumph, and the audience sits spellbound, goes home inspired. Yes, advertising can be—should be—staged—possess a powerful appeal to the saving instinct—be literally inspiring, heart-gripping drama in one act ads. That is the kind of copy that sells.

How can people be taught to save after the desire is created? Usher in a new feature—"The Home Service Department," which a few progressive banks are installing. This department is often in charge of a woman who helps women to plan their expenses. Banks are realizing the truth of the old adage that a woman can throw away more from her apron than a man can gather with horse and team. Confidential talks are invited. Help is given in arranging a family budget that enables the customer to set aside something each week. Thus, the desire to save is created and the means provided for making that desire a reality.

The third step? Well, you needn't worry about that. If you get the public up the first two they'll fall up the third right into the record of new accounts.

As a nation, advertising is being used to teach us to love sports—the great outdoors—to eat out of cans—to have music in the home—to motor—to cook with electricity. National advertising is giving tremendous impetus to these movements. Yet saving, a vital national habit, has always been without this big concerted action except during the Liberty Loan drives.

Possibly it will be a long time before the individual bank's efforts will be plussed by national advertising of thrift (done cooperatively by the American Bankers Association). But the efforts of the banks in every town and hamlet could work wonders if the savings idea were "sugar coated"—told to the public, not in dignified banking terms, not in the admonishing tones of the school teacher, but as Dave Griffith or O. Henry would get the moral across.

> "Or walk with kings, nor lose the common touch."

Reserve City Bankers

AT the eighth annual convention of the Association of Reserve City Bankers, held in Cleveland, May 26, Fred W. Ellsworth, vice-president Hibernia Bank and Trust Company, New Orleans, was elected president. Charles H. Marfield, cashier Seaboard National Bank, New York, was elected vice-president, and George R. Rodgers, vice-president Manufacturers and Traders National Bank of Buffalo, was elected secretary-treasurer. The following were elected to the board of directors: Chas. W. Dupuis, president Citizens National Bank, Cincinnati; Harry J. Haas, vice-president First National Bank, Philadelphia; John R. Washburn, vice-president Continental and Commercial National Bank, Chicago, and C. E. Farnsworth, cashier First National Bank, Cleveland.

The association voted to hold its ninth annual convention in 1921 in Buffalo.

The board of directors at a meeting following the adjournment of the convention unanimously voted to hold the midwinter meeting of the board in Memphis as the guest of Robert S. Polk, vice-president Union and Planters Bank and Trust Company, who is a member of the board. At this meeting plans will be perfected covering the program and other details in connection with the annual convention.

The association has a limited membership of 400 and enjoys the distinction of being the only bankers' organization possessing a substantial waiting list.

Convention Calendar

Date	Association	Place
July 7-8	Minnesota	Duluth
July 14-15	N. Dakota	Valley City
July 15-16	Ohio	Cedar Point
August 6-7	Montana	Lewistown
September 2	Delaware	Rehoboth
September 7-8	Kentucky	Louisville
Sept. 14-15	Colorado	Denver
Sept. 14-15-16	Farm Mortgage Bankers	Kansas City, Mo.
Sept. 15-16	West Virginia	Charleston
October 4-5-6	Investment Bankers	Boston
October 6-7-8	Indiana	Indianapolis
October 18-22	A.B.A.,	Washington, D.C.
Nov. 12-13	Arizona	Douglas

Manufacturing and Banking

By George N. Peek

Chairman Terms Committee, National Implement and Vehicle Association.

THE business of manufacture is not the business of banking, and it cannot carry on the latter function save at great loss of money and efficiency. The entire sweep and trend of modern commerce is to divorce the business of banking from the business of manufacture.

There was a time when our money market was highly concentrated, when the national credit was inflexible, and the documents of credit—rural negotiable paper—were regarded with frank suspicion. In those days it would have been folly to advocate a complete abandonment by implement manufacturers of the inefficient practice of financing local dealers by the general granting of long terms. Local banks were timid or impotent, cash was scarce in agricultural districts, farmers' negotiables were not favored, and eastern banks so far dominated the financial situation that they found little attraction or necessity in assuming the normal function of banking in financing local dealers and farmers.

Revolutionary changes have occurred. The day has passed when a diagnosis of national financial conditions can be made in the shadow of Wall Street. Aided by the establishment of the Federal reserve system, but moving by their own momentum fast in advance of this aid, what New York used to call "the provinces" have achieved their financial independence. Every city of any importance is now able to absorb a large share of its own investment securities. Dallas, Kansas City, Houston, New Orleans and San Francisco bankers laugh at the suggestion that a 22 per cent rate for call loans in New York will make it difficult for their own local merchants to get the accommodation they require. There is money in every community, and the normal and natural purpose of that money should be to finance local needs.

Another change that is rapidly taking place is the increasing dignity of agricultural paper. Its preferential treatment at the hands of the Federal reserve system, the mobility and confidence it has secured by reason of the searching and comprehensive operation of federal war finance, has in no small measure educated city as well as country banks, and farmers and citizens generally, no less than banks.

Considering $100 invested only in material for manufacture, I think it fair to assume the following periods before the money comes back into the manufacturing business:

From purchase of raw material to shipment out to branch house as a finished product	4 months
From shipment to branch house to arrival at dealer's store	3 months
From arrival at dealer's store to return of purchase price	5 months
	12 months

Assuming any net profit—say 10 per cent—it is obvious that in the period of twelve months the $100 of manufacturing capital we are considering, earns one profit of $10. In other words, under existing terms conditions, manufacturing capital in the implement business now makes one turnover per annum, and some of my associates average this figure at one turnover in fourteen months.

Examining, for instance, a similar example in the automobile business, we find that $100, so administered, turns four times in twelve months, and so instead of earning only $10, it earns $46.00.

Now, it is obvious that the circumstances of the automobile business are not applicable to the implement business, but it seems to be within the realm of possibility that on *some* implements at least it would be possible on direct shipments to dealers, receiving cash on delivery, to secure at least two turnovers of capital within the same period now yielding but one. With two turnovers, the return on $100 of manufacturing capital would be $21, as against $10 on one turnover.

Exactly the same principles govern the retail sale of implements, with the exception that there is a much greater possibility of increasing turnover than exists in manufacturing alone. Dealers showing a turnover of five times, or a 61 per cent profit on invested capital, as against 10 per cent on a single turnover, are not rare.

Between the promise of 11 per cent increased profit in manufacturing operations and 51 per cent in retailing, there is not the slightest doubt in the world that the transition of the implement business from a credit to a cash basis offers, at one single stroke, a far greater opportunity for improvement in prices, service and goods, than any other expedient within our control.

If all implement companies were to announce tomorrow that after January 1st, 1921, implements would be sold only for cash, what would result? In my opinion, something like this:

(a) Only dealers whose capital is sufficient or whose establishments warrant the extension of credit by local banks would survive. The tendency would therefore be toward larger dealers better equipped to serve the separate communities.

(b) The extension of open accounts in the retailing of implements would be greatly curtailed, thus automatically remitting consumers to the local banks, placing the dealers' business on a high turnover basis, which would lift the retail implement business immediately into the most profitable class of merchandising, reducing the cost of retail distribution and the cost of implements proportionately.

(c) The resulting doubling of manufacturing turnover would double the profit on capital engaged in manufacturing implements, and reduce the cost of implements proportionately.

(d) Indirectly, the desire of the retailer to increase turnover would result in a closer integration between stocking and selling of implements, and, also, in a far more economical scheduling of factory production with seasonal needs, further increasing manufacturing turnover, and increasing the profits and reducing the cost of implements.

(e) Every local community would be enormously bettered, as follows:

1. Local funds would remain to benefit local enterprises, instead of being sent into the money market of the large cities.

2. The profit derived from the financing operation would remain at home, instead of being abstracted by the larger cities.

3. The local bank would be strengthened by 1 and 2 above.

4. The local dealer would become a real merchant, rendering real service, and the increased profit of the retail implements business (achieved *without* increasing prices) would attract a more progressive type of dealer.

5. The farmer would be the greatest gainer of all, first, because he would be served by a real implement establishment locally, and, second, because the cost of implements would be very materially reduced.

For these reasons, the manufacturers, in instituting these reforms, will appeal to the material interest in, and derive their principal support from dealers, farmers, and an enlightened public opinion. The enormous savings promised to dealer and manufacturer cannot be wholly appropriated by either; they must be divided with the farmer, if not by desire, then inevitably by the working of the powerful economic law of competition.

Such a heroic measure as a sudden transition by agreement to a cash basis is not to be indulged. The campaign must be one of education and patient building. Improvement along this line has already been significant. There are now some few signs of retrogression, but the progress of the times tends automatically to divorce the business of manufacture and merchandising from the business of banking, and to assign each to its proper sphere.

Financial Advertisers Meet

THE Financial Advertisers' Association held its annual convention in Indianapolis, June 6 to 10, as a department of and in conjunction with the Associated Advertising Clubs of the World. In the absence of President Fred W. Ellsworth of the Hibernia Bank & Trust Company, New Orleans, Vice-President Lloyd H. Mattson of the Corn Exchange National Bank, Omaha, presided.

The reports of the year showed splendid progress and an ever-increasing interest in higher standards of advertising. The treasurer reported that the association was within seventeen of its membership limit, which is 500.

A "Brass Tack" program, arranged by F. D. Conner of the Illinois Trust & Savings Bank, Chicago, was pronounced by the 300 delegates present the best in the history of the association, and this program covered every phase of advertising as applied to banking, such as newspapers, direct-by-mail, street cars, trade papers and outdoor advertising. Prominent speakers delivered addresses on "Why a Bank Should Advertise," "How the Banker May Help in Developing Agriculture," "The Financial Advertisers' Interest in the United States Department of Agriculture," "The Investment Bankers' Opportunity," "The Central File," and especial attention was given in the program to "How Financial Advertising Can Advance the Truth-in-Advertising Movement."

A big feature of the program was conducted in the nature of a contest in which twelve especially chosen speakers made five-minute talks on "My One Best Bet," and a beautiful silver cup, offered by President Ellsworth, was won in this contest by Allen Herrick of the Guaranty Trust & Savings Bank, Los Angeles, Calif.

There were thirty-eight participating banks in the competitive exhibit, which occupied 360 feet of space, and which showed marvelous progress when viewed in comparison with the first exhibit of the first convention of the association in Philadelphia four years ago. The prizes were awarded:

I. For the Best General Exhibit:

1. Guaranty Trust Company, New York.
2. Old Colony Trust Company, Boston, Mass.
3. United States Mortgage & Trust Company, New York.

II. For the Best Campaign:

1. Old Colony Trust Company, Boston (Magazine and Newspaper Campaign).
2. Bank of Italy, San Francisco (Newspaper Campaign).
3. Continental & Commercial National Bank, Chicago (Newspaper Campaign).

III. For the Best Individual Piece:

1. Irving National Bank, New York. "Matching the Growth of American Business" (Adv.).
2. National City Company, New York. "Men and Bonds" (Booklet).
3. Old Colony Trust Company, Boston. "The Natural Power House of New England" (Adv.).

The following officers were elected: President, Lloyd H. Mattson, Corn Exchange National Bank, Omaha, Neb.; first vice-president, F. Dwight Conner, Illinois Trust & Savings Bank, Chicago, Ill.; second vice-president, W. W. Douglas, Bank of Italy, San Francisco, Calif.; third vice-president, E. H. Kittredge, Old Colony Trust Company, Boston, Mass.; secretary, H. M. Morgan, St. Louis Union Trust Co., St. Louis, Mo.; treasurer, C. A. Gode, Merchants Loan & Trust Co., Chicago, Ill.

The next convention will be held in Atlanta, Ga.

Of interest to all bankers is the announcement that the Financial Advertisers' Association has arranged to send the complete exhibit just as it was at Indianapolis to Washington, D. C., for the benefit of delegates to the convention of the American Bankers Association in October. This exhibit will be under the auspices of the Public Relations Committee of the A. B. A., which has arranged a special afternoon session on bank advertising.

Legal Department

Thomas B. Paton,
General Counsel

National Bank Guardianships Legalized in Connecticut

THE Supreme Court of Errors of Connecticut has handed down a decision (April, 1920) in Hamilton *v.* State of Connecticut, upholding the right of national banks to exercise the functions of guardian under Section 11(k) of the Federal Reserve Act, notwithstanding restrictive state legislation. The court in its opinion quotes from the decision of the Supreme Court of the United States in First Nat. Bank of Bay City *v.* Union Trust Co., in which it says: "Even although a business be of such a character that it is not inherently considered susceptible of being included by Congress in the powers conferred on national banks, that rule would cease to apply if by state law state banking corporations, trust companies, or others which by reason of their business are rivals or quasi-rivals of national banks are permitted to carry on such business. This must be, since the state may not by legislation create a condition as to a particular business which would bring about actual or potential competition with the business of national banks and at the same time deny the power of Congress to meet such created condition by legislation appropriate to avoid the injury which otherwise would be suffered by the national agency."

The Supreme Court of Errors of Connecticut goes on to say: "There is nothing ambiguous or of doubtful meaning in this. It squarely bases the soundness of such legislation upon the broad right of Congress to protect this 'national agency'—the banks—from a possibly unfair and injurious advantage secured by competing state corporations through the discriminating favor of state laws. The right of the state to withhold from a national bank within its borders the enjoyment of any powers conferred by Congress which are co-extensive with those given to state corporations exercising the same or similar functions in their chartered activities is expressly denied. It can make no essential difference then whether this state discrimination takes the form of an express statutory prohibition or is to be implied from the mere absence of permissive legislation; the test to be applied is the same in both cases. If state banks or trust companies are accorded powers in the conduct of their business that may appropriately be exercised in connection with the primary purposes of that business, neither state legislation forbidding the exercise of such powers by a national bank nor the absence of legislation expressly sanctioning its exercise of them can affect the right of Congress to confer the same powers upon national banks in the same territory or impair the banks' right to exercise them when so bestowed. It is unnecessary, therefore, to comb the general and special statutes of the state for positive or implied expressions of state policy upon the subject. Both the act of Congress, in its present amended form, and the forerunning judicial expression of its entire constitutionality in the case quoted from, rest the test first and last in the state's treatment of its own subject corporations. Since by the express provision of 3955 of the General Statutes a state bank or trust company 'may act as guardian, conservator, trustee, receiver, executor, or administrator of the estate of any person (but not of the person of any ward),' there can be no question of the right of a national bank in this state, when expressly clothed with that authority under the act of Congress, to exercise any of these enumerated powers. Upon the agreed statement of facts, therefore, the applicant, Katherine Hamilton, was entitled as a matter of right under our decisions to the appointment of the guardian of her choice, the Manufacturers National Bank (Adams's Appeal, 38 Conn., 304; White *v.* Strong, 75 Conn., 308, 311), and the superior court is so advised."

Limitation of Liability on Stop-Payment Orders

THE Supreme Court of Massachusetts in Tremont Trust Co. *v.* Burack on April 1, 1920, handed down a decision which is important for attention in that it upholds the validity of an agreement relieving a bank from liability because of payment, through inadvertence or accident, of a check upon which payment has been stopped.

Under the law a depositor has the right to stop payment of his check before it has been accepted or paid, and if the bank pays the check after receiving his notice not to pay it does so at its peril and will be liable for any resultant damage to its depositor. A check is a mere order on and authority to the bank to make payment which the drawer has the right to revoke, if he chooses, before the authority has been exercised by acceptance or payment.

But in the multitude of daily payments it is bound to happen that occasionally a depositor's stop order will be overlooked and payment made by the bank, and in such cases bankers quite generally feel that, having used ordinary care, they should not be held liable as insurers of nonpayment. Accordingly, notices or agreements limiting liability upon stop payment orders are quite frequently inserted by banks in the passbooks of depositors or upon cards which are signed by the depositor and filed with the bank or are evidenced in some other form.

There has been a dearth of legal decision upon the binding effect of such agreements, only one case so far as we know, Elder *v.* Franklin Nat. Bank, 55 N. Y. Supp. 576, being on record, previous to the present decision in the Tremont Trust Company case, and the agreement in the Franklin National Bank case was held to afford no protection to the bank.

It will be of interest to briefly compare the two decisions. In Elder *v.* Franklin Nat. Bank an agreement printed in the passbook of a depositor was as follows, with the exception of the italicized words:

"It is further agreed that the bank shall not be responsible for the execution of an order to stop payment of a check previously drawn; that the bank will endeavor to execute such orders, but that no liability shall be created by failure so to do *where the bank has exercised ordinary care in that regard*, and that no rule, usage or custom shall be construed to create such liability."

The court held that the agreement was to be construed as if it contained the words which are italicized; that the fair import of the agreement was that the bank should not be liable if in good faith it paid a stopped check, unless it failed properly to fulfil its agreement to endeavor to comply with the depositor's directions, *i. e.*, to exercise ordinary care in that regard; and the record in the case disclosing evidence enough to support the finding that the bank had been negligent—had not exercised ordinary care—it was not protected by the agreement but remained liable to its depositor.

The court said:

"It will be observed that such agreement does not declare unconditionally that for the failure to observe the stop order the bank shall not be liable, but it invites the assent of its depositors by agreeing that it will endeavor to execute such orders. This is a most important qualification and was doubtless inserted as an assurance to them that the bank would still exercise some care in the matter. Indeed, it can scarcely be credited that any bank could obtain depositors of any account under an agreement that under no circumstances should it be responsible for a failure to observe their directions with respect to the stoppage of checks. * * * The courts are not prone to construe instruments in such a way as to support a waiver of liability for negligence."

In the Tremont Trust Co. case the depositor signed a card upon which the following agreement was printed:

"The Tremont Trust Company, Boston, Mass., will please stop payment of the above described check. The undersigned agrees to hold the Tremont Trust Company harmless for said amount and for all expenses and costs incurred by it on account of refusing payment of said check and further agrees not to hold the Tremont Trust Company liable on account of payment contrary to this request if same occur through inadvertence or accident.
Drawer

L. H. BURACK.

(Written on other side of card)

"The Tremont Trust Company receives this request with the understanding and upon the express condition that it will use the best methods known to it to prevent oversight and accident, but that it shall not be in any way liable for its act should said check be paid by it in the course of its business."

The court said: "In the case at bar the jury found upon issues submitted to it that the plaintiff was 'negligent in failing to stop payment after receiving the order to stop.' Upon the record two decisive questions are presented: (1) Do the terms of the agreement include negligence? and (2) Is it illegal for a bank to contract against the negligence of its employees in failing to stop the payment of a check after receiving an order to stop its payment? The word inadvertence in the printed agreement embraces the effect of inattention, the result of carelessness, oversight, mistake, or fault of negligence and the condition or character of being inadvertent, inattentive or heedless. The word 'accident' is used in the sense of a happening of an event without the concurrence of the will of the person by whose agency it was caused. It is manifest the quoted words were intended to exonerate the bank from the kind of negligence shown by the record, and we are unable to see anything illegal, or anything opposed to public policy, in a stipulation or agreement which relieves a bank so circumstanced from the results of the mere inattention, carelessness, oversightedness or mistakes of its employees."

Comparing the agreements in the two cases, both contain an agreement by the depositor that the bank will not be held responsible, or will be held harmless, because of payment of a stopped check—in the Tremont Trust Co. case, if the check is paid "through inadvertence or accident"—and also an agreement by the banks on their part that they will endeavor to comply with stop orders, the Franklin National Bank agreeing to "endeavor to execute such orders" and the Tremont Trust Co. to "use the best methods known to it to prevent oversight and accident."

The essential points of both agreements are therefore similar and the divergent decisions are based on a different viewpoint as to stipulations against negligence. The New York court is disinclined to support an agreement by any person stipulating against the result of his own negligence and therefore reads into the bank's agreement an implied contract to use reasonable care which, under the facts, it holds to have been broken because of negligence of the bank. The Massachusetts court, on the other hand, fails to see anything illegal or against public policy in a stipulation which will relieve the bank from the results of negligence of its employees and therefore holds that the agreement is valid and protects the bank.

Ten-Hour Work-Day Law of Illinois

IN the JOURNAL for May, 1920 (page 625), opinion was published to the effect that the statute of Illinois which provides that no female shall be employed more than ten hours in one day in certain vocations, among others "in any public institution incorporated or unincorporated in this state," is probably applicable to banks, which some courts have held to be "public institutions."

We are in receipt of a communication from Mr. M. A. Graettinger, Secretary of the Illinois Bankers Association, calling attention to an opinion rendered on July 22, 1913, by the then Attorney General of the State of Illinois, Mr. P. J. Lucey, in which he stated that state and private banks are not within the meaning of the expression "public institutions" as used in the first section of the said act.

According to this opinion, therefore, state and private banks in Illinois are not subject to the Ten-Hour Work-Day Law.

Opinions of the General Counsel

PAYMENT OF CHECK TO STRANGER

Where the payee who presents a check directly for payment at the counter of the drawee is a stranger, the bank is entitled, before paying the check, to require him to identify himself to its satisfaction, and refusal to pay without such identification is not a dishonor which would justify protest or make the bank liable to its customer for damages for injuring his credit.

From Indiana—A presents check of B payable to order of A and demands payment. A is a stranger to bank. Bank refuses to pay without identification which A does not or will not furnish. Is bank entitled to withhold payment until A procures satisfactory identification or can A have a notary protest the check and would the bank be liable in such case to its customer B whose account is good?

The drawee bank is entitled to have satisfactory identification before it is under obligation to pay a check; refusal to pay because the payee is unknown to the bank is not a dishonor which would justify protest and the bank would not be liable to the customer in damages because of such refusal.

In Citizens National Bank of Evansville *v.* Reynolds, 126 N. E. (Ind.) 234, the court said:

"Where a check is presented for payment by a person who is unknown to the bank, it becomes the imperative duty of the bank to require him properly to identify himself as the payee named in the check. For its own protection the bank may go further. It may refuse payment until the stranger brings in a person whom the bank knows to be financially responsible and who is willing to become an indorser."

Whether all courts would go to the extent of holding that the bank can refuse payment until the stranger can get another person to assume the obligation of indorser on the check might possibly be questioned, as it might be beyond the power of the payee to procure such indorsement, but at all events the bank is entitled to require the payee to satisfactorily identify himself before making payment.

PAYMENT AND PROTEST OF CHECK ON HOLIDAY

Under a law passed in North Carolina in 1919 banks may keep open and do business on legal holidays, if they choose to do so, and payment and protest on legal holidays of checks on banks which keep open on such days are legal.

From North Carolina—We sometimes do not close the local banks for a legal holiday and our clearing house association wish to know if a check can be legally protested for nonpayment, and if a check can be legally paid on a legal holiday when our banks remain open for business or would it be safer for us to close on all legal holidays?

The following law was passed by the legislature of North Carolina in 1919 (Ch. 253, laws 1919):

Section 1. Nothing in any law of this state shall in any manner whatsoever affect the validity of, or render void or voidable, the payment, certification, or acceptance of a check or other negotiable instrument or any other transaction by a bank in this state, because done or performed on any Saturday between twelve o'clock noon and midnight, provided such payment, certification, acceptance, or other transaction would be valid if done or performed before twelve o'clock noon on such Saturday: Provided further, that nothing herein shall be construed to compel any bank in this state, which by law or custom is entitled to close at twelve o'clock noon on any Saturday, to keep open for the transaction of business or to perform any of the acts or transactions aforesaid on any Saturday after such hour, except at its own option.

Sec. 2. Nothing in any law of this state shall in any manner whatsoever affect the validity of, or render void or voidable, the payment, certification, or acceptance of a check or other negotiable instrument or any other transaction by a bank in this state, because done or performed on any legal holiday: Provided, such payment, certification, acceptance, or other transaction would be valid if done or performed on any business day other than a legal holiday: Provided further, that nothing herein shall be construed to compel any bank in this state, which by law or custom is entitled to close on legal holidays, to keep open for the transaction of business or to perform any of the acts or transactions aforesaid, on any legal holiday, except at its own option.

Sec. 3. All laws and clauses of laws in conflict with this act are hereby repealed.

Section 2 of this act, it is seen, legalizes the payment of a check on a holiday, as well as its acceptance or certification, provided the bank elects to keep open for business. It also legalizes "any other transaction by a bank in this state done or performed on a legal holiday." While protest of a check on a holiday is not expressly legalized and is not strictly speaking a transaction by a bank, but by a notary, I think there could be no question but that it comes within the spirit and intent of the law.

The purpose of the law is to enable banks, if they choose, to keep open and transact business on a legal holiday the same as on any other business day; and if they keep open it is made lawful for them to pay checks and transact any other banking business. The payment of checks on holidays being authorized, this necessarily implies the legality of making presentment for payment to any bank which chooses to keep open on a holiday and of causing protest to be made in the event that the bank refuses to pay; because the Negotiable Instruments Act requires that where an instrument is protested, the protest must be made on the day of dishonor. The refusal to pay a check on a legal holiday being a transaction by a bank authorized by the statute, and the law requiring protest on the day of dishonor, it necessarily follows that where a check is refused payment by a bank open for business on a legal holiday, protest of the check on the holiday is not only legal, but necessary if it is to be protested at all.

ALTERATION OF MARGINAL FIGURES ON CHECK

Where a check is written in words for $730 and the marginal figures are first inserted $330 and then changed by the drawer to $730, by writing the figure "7" over the first figure "3," the check is valid for the amount written in the body and the purchaser can enforce payment from the drawer, if refused by the bank—even where the change in figures is made by the holder, the alteration is immaterial as the words control the figures and denote the sum payable and the check is protestable upon refusal of payment, although the bank is justified in delaying payment a brief period to make inquiry of the drawer.

From Louisiana—I am enclosing herewith a check which was accepted by this bank from one of its depositors and sent through in our day's clearings to the other bank here on whom it was drawn, who refused payment for the reason stated on the back, "Figures altered" (amount written in body of check "Seven hundred thirty, 99/100. The figures are "$330.99" with a "7" written over the first "3"). Would appreciate your opinion as to the exact position in which we as holders of the check in due course stand.

The writer has been under the impression that the figures on a check were in reality nothing more than a memorandum, the amount of the check being controlled by the written amount in the body of the check, which in this instance shows no change at all, the only change being that, in making out the figures, the drawer first made figures $330.99, and then made a "7" over the first "3."

Would also ask opinion as to whether we would, from a legal standpoint, have been justified in protesting the check. In other words, could we have collected the fees from maker, should we have protested same?

Where the drawer of a check writes it in words for $730.99 but inserts the figures $330.99 and then changes the first figure "3" to "7," the check is a valid check for $730.99, and having been refused payment, the holder has enforceable rights against the drawer.

Section 17 of the Negotiable Instruments Act provides that "where the sum payable is expressed in words and also in figures and there is a discrepancy between the two, the sum denoted by the words is the sum payable; but if the words are ambiguous or uncertain, reference may be had to the figures to fix the amount."

In the case stated by you, the discrepancy was corrected by the drawer by changing the figures and, of course, this did not affect the validity of the check. But even had the change in figures been made by the holder without the knowledge of the drawer, this has been held not to be a material alteration and not to affect the validity of the instrument.

In People *v.* Lewinger, 96 N. E. (Ill.) 837, a check was written in the body for $2,500 but the marginal figures were for $25. The holder changed these figures to $2,500 and negotiated the check for that amount. It appeared that the maker of the check made it for a larger sum than he intended. The person making the alteration was convicted of forgery. The Supreme Court of Illinois reversed the conviction. It said:

"The question in this case is whether such a change is a material alteration of a check, so as to change its character and legal effect, and make it a check for a different amount than the sum payable as originally drawn. The first paragraph of Section 17 of the Negotiable Instrument Act (Laws of 1907, page 406) fixes the law of this state on that subject, and is as follows: 'Where the sum payable is expressed in words and also in figures and there is a discrepancy between the two, the sum denoted by the words is the sum payable; but if the words are ambiguous or uncertain, reference may be had to the figures to fix the amount.' In this check the sum payable was expressed in words and was 'Twenty-five hundred dollars,' and the words were neither ambiguous nor uncertain, so that the sum payable was $2,500. The alteration of the figures, therefore, did not change the legal effect of the instrument. That was the law as established before the passage of the Negotiable Instrument Act. * * * The figures in the margin of an instrument are not strictly a part of the contract. They cannot be reverted to, to impeach the amount named in the body of the paper, and are never resorted to for any purpose, unless there is uncertainty in regard to the amount written in the body of the instrument. * * * The most that can be said here is that, if there had been no change in the figures, the party who took the check might have noticed the discrepancy and been led to make inquiry what the intention of the maker was; but the fact is that the maker of the check merely made a genuine check for a larger sum than was intended. The judgment is reversed."

In Bryant *v.* Georgia Fertilizer & Oil Co., 79 S. E. (Ga.) 236, the written amount in the body of a promissory note was $110, but the figures showed a change from $110 to $116. The maker pleaded the note was avoided but the court said: "The change of the figures in the upper left-hand corner of the note from $110 to $116, whether made by the plaintiff or by some one for his benefit, was immaterial and wholly ineffective for this purpose, since it is well settled that the writing fully set out in the body of the note would control as to the amount due on the note, irrespective of the figures contained at the top or beginning of the note. Written words control where they are in conflict with mere figures. Clearly the alteration was wholly immaterial, and did not affect the validity of the instrument, which the defendant admitted to have been executed by him."

If the change in the check had been in the date and had been made by a holder without the consent of the drawer, this would have been a material alteration which would have avoided the instrument (see Elias *v.* Whitney, 98 N. Y. Supp. 667), but a change in the marginal figures is not material.

A further question submitted is whether the check was protestable for refusal of the drawee to pay. I think so. It was a valid order upon the bank for the sum written in the body. At the same time, the original discrepancy between the words and figures and reconcilement by alteration of the figures, apparent from the face of the check, would have justified the bank in postponing payment for a brief period until it had had opportunity to make inquiry of the drawer. This would have been a reasonable precaution to safeguard his interests, for the bank would not know but that he had intended his check for $330.99, filling in the figures for the correct amount, but inadvertently wrote in the body $730.99, and that some fraudulent holder might have changed the figures to correspond with the amount. The bank would, therefore, I think, have been justified in briefly delaying payment to make inquiry of the drawer; but was not justified in absolutely refusing payment and returning the check for the reason "figures altered" and for such refusal the check was protestable.

BANK AS WARRANTOR OF BILL OF LADING

A bank which purchases from the drawer and collects from the drawee a draft, with bill of lading attached, is not responsible for the quantity, quality or condition of the goods covered by the bill of lading.

From Alabama—We would like to secure your opinion as to the liability that a bank takes in sending for collection a draft with bill of lading attached.

For example: Suppose we accept a draft from Mr. A with a bill of lading attached, specifying a shipment of 500 bags standard granulated sugar. We receive a telegram from the B National Bank of Kansas City, advising us that they guarantee payment on presentation, draft on Smith and Jones for $15,000, bill of lading attached covering 500 bags of standard granulated sugar. We accept the draft from our customer and send the same to the B National Bank of Kansas City, who remits us promptly on receipt of the item. Goods in question arrive in Kansas City—they are found to be off grade or possibly not sugar at all.

In your opinion, what would our liability be in a case of this kind? Would we be held liable for a class of merchandise as the bill of lading was shown to cover? Your opinion on this matter will be greatly appreciated.

A bank which receives payment of a draft for the purchase price of goods, to which is attached a bill of lading representing the goods, is not responsible to the payor of the draft for the quality, quantity or condition of the goods. This has been so decided in Alabama in Cosmos Cotton Co. *v.* First Nat. Bank, 54 So. 621, in which it was held that a bank which cashed a draft with bill of lading for cotton attached and forwarded same for collection did not become liable to the drawee, upon payment, for a breach of the contract of sale between drawer and drawee growing out of a shortage in the weight of the cotton and deterioration in the quality. The court said that the bank, by purchasing the draft, did not undertake to carry out the contract of sale, nor did the assignment of the bill of lading put the bank in the shoes of the seller and entail upon it the duty of standing sponsor for his warranties and obligations, connected with or growing out of the sale of the cotton. The doctrine that the purchasing bank which collects payment of the draft warrants to the drawee the goods covered by the bill of lading was once held in four states, Texas, North Carolina, Mississippi and your own state of Alabama, but the supreme courts of all these states, except Mississippi, have since repudiated this doctrine and, as in the Cosmos Cotton Company case cited, held that no warrantor liability exists. In a number of other states, the courts have held that there is no responsibility of the bank which purchases and collects the draft for the quantity, quality or condition of the goods and this is the rule provided by the Uniform Bills of Lading Act in all the states in which that law has been passed.

ALTERATION OF DATE OF CERTIFIED CHECK

Where a check payable to bearer is certified for the holder and the date is subsequently altered without the consent of the bank, refusal of payment by the bank is justified, for such alteration is material and avoids the check except as to a holder in due course who can enforce payment according to its original tenor—But where the alteration as in this case is apparent on the face of the check, there can be no subsequent holder in due course thereof who can enforce payment—The bank having, in addition, been enjoined from paying the check, its proper attitude is to await a court order or judgment in a suit between the rival claimants to the deposit represented by the check, determining who is entitled to the fund.

From Iowa—We have run across a rather peculiar transaction in regard to which we would like some information. A client gave a check for $1,000, payable to bearer. The check was presented at the bank for certification, by bearer. The check was dated in January, 1919, apparently, when certified. In the meantime after the check had been certified the party giving the check called the bank over wire and requested that we stop payment on the check. The check was presented through the clearings and the date '19 designating the year had a line through it and '20 placed above it. The officer certifying the check did not recall that the check was post-dated, in fact, he is quite sure that it was not post-dated. The officer of the bank, to whom the check was referred, returned the check, as it was quite evident that the check had been altered and wished to call the attention of the holders to this fact. The party giving the check later called at the bank and insisted that we refuse to pay the check, stating that they would not pay $1,000 for fifteen gallons of water—the check had apparently been given for whiskey. The bank was enjoined from paying the check. We would like to know just what the bank's attitude should be in this matter.

Ordinarily a check certified for the holder must be paid; the drawer is discharged by the certification and the check becomes a direct obligation of the bank to the holder. Even the fact that the check, before certification, has been procured from the drawer by the holder's fraud, does not justify the bank in acceding to the request of the drawer to stop payment, as the bank cannot interpose an equity of the drawer in defense of its obligation to the holder; it is the same as if the money had been drawn out and redeposited. Accordingly if the bank refuses to pay its check, after it has certified same for the holder, because of fraud practiced upon the drawer, the courts will enforce payment at the suit of the holder. See decisions to this effect cited in opinion published in JOURNAL A. B. A. Vol. 5, p. 749, May, 1913.

But the present case is out of the ordinary. After certification of the check for the holder its date was altered from January, 1919, to January, 1920; furthermore, the bank has been enjoined from paying the check.

Section 125 of the Negotiable Instruments Act provides that "any alteration which changes the date * * * is a material alteration"; and Section 124 provides that "where a negotiable instrument is materially altered without the assent of all parties liable thereon, it is avoided except as against a party who has himself made, authorized or assented to the alteration and subsequent indorsers. But when an instrument has been materially altered and is in the hands of a holder in due course not a party to the alteration, he may enforce payment thereof according to its original tenor."

Section 52 of the Negotiable Instruments Act defines a holder in due course as "a holder who has taken the instrument under the following conditions: (1) that it is complete and regular on its face * * *." In Elias *v.* Whitney, 98 N. Y. Supp. 667, the check in suit had been altered in date before it reached plaintiff. There was no evidence showing that the defendant authorized or assented to the alteration, but the plaintiff claimed he was a holder in due course, not a party to the alteration, and that under Section 124 he could enforce payment of the check according to its original tenor. But the court held that under the Negotiable Instruments Act a holder in due course must be "a holder who has taken an instrument that is complete and regular on its face. The instrument was not complete and regular on its face at the time plaintiff took it. A mere inspection of the instrument showed its defect; therefore plaintiff had notice of an infirmity in the instrument at the time he took it" and was not a holder in due course. A verdict for the plaintiff was accordingly set aside.

Applying the law to the check in question, after the check was certified, the date was altered and this avoided the instrument as an obligation of the bank. There could be no subsequent holder in due course of this altered check, because it was not complete and regular upon its face, but the alteration was apparent. Therefore, irrespective of the injunction which prohibits the bank from paying the check, the bank is under no obligation to pay. The position of your bank, therefore, is clear. It should not pay the check and should await a court order or judgment in a suit between the rival claimants to the deposit represented by the check, determining who is entitled to the fund. So far as the customer is concerned, this check was paid by certification, and so far as the holder is concerned it is avoided by alteration; but, nevertheless, I think a court of equity, upon proof that the check was obtained from the drawer by fraud, would hold that the deposit equitably belonged to the drawer and would not permit the bank to retain it as its own, even though it has paid the check so far as the drawer is concerned.

Recent Decisions

This Page Will Contain Recent Decisions of Interest to Bankers, Especially Selected and Prepared in Concrete Form

By THOMAS B. PATON, Jr., Assistant General Counsel.

"Bad Faith" in Acquiring Title to Liberty Bonds

The plaintiff is a hardworking woman, conducting a news-stand. Her son, Julius, aged 15 years, is a confirmed thief, who stole from his mother four United States Liberty Bonds of $100 each. At the time of the disposal of the bonds he was less than five feet tall, was very immature in appearance, and bore upon his face the stamp of a degenerate, while at the same time he was endowed with natural alertness of mind. This unfortunate youth sold the bonds to the defendants who are stockbrokers. The plaintiff sued to recover their value. The court *held* the defendants liable, saying that willful disregard of known facts showing want of title, or willful evasion of knowledge of the facts, in purchasing negotiable bonds, amounts to bad faith under section 95 of the Negotiable Instruments Law. Spiegelberg, J., said: "One of the young girls employed in the Liberty Bond Department asked him to fill out the card. It is very significant, to show the lack of intelligence on the part of the young woman, that, when Julius omitted to fill out one of the lines in the card, she, after inquiring of Julius, inserted that he was in business for himself. It is difficult to understand, after seeing this poor, wretched individual, how anybody with any degree of intelligence or possessed of ordinary caution would have believed that he was the owner of the securities and conducting a newspaper stand on his own account * * *. I do not hesitate in arriving at the conclusion that the action of the defendants in buying the bonds amounted to bad faith, within the authorities." Morris *v.* Muir *et al.*, 181 N. Y. S. 913. Municipal Court of the City of New York. April 30, 1920.

Duty of Care in Preparing Check

A check in the sum of $12.40 was fraudulently raised by the payee to read $112.40, and was paid by the bank on which it was drawn. The depositor seeks to recover the balance on the raised check. The court *held* for defendant bank, saying: "It is believed that the defendant is entitled to show, as a defense, as between it and the depositor, that it has done all that due care and foresight would suggest, and that the real and proximate cause of the loss, in making payment of a fraudulently altered check, was solely caused by the negligence of the drawer in so preparing the check that it can be easily altered without exciting the suspicion of a prudent and cautious man." First National Bank of Newsom *v.* J. C. Walling & Son, 218 S. W. Rep. (Tex.) 1080. February 19, 1920. Rehearing denied March 4, 1920.

Transfer of Post-Dated Check

A check dated March 7, 1916, was received by Spaulding from a firm named Wheeler Bros., as a result of a business transaction. The check was issued on March 6, 1916, but there was an understanding between Spaulding and Wheeler Bros. that the same was not to be presented until the following day. The check was cashed by the American National Bank on March 7, 1916. Wheeler Bros., believing that they had been defrauded, gave notice to the Mission Bank, on which it was drawn, to stop payment thereon. In an action by the American National Bank as plaintiff to recover the amount of the check, Wheeler Bros., as defendants, claimed that the plaintiff cashed the check on March 6, 1916, and was not an indorsee of the check in due course of banking business. The court *held* that Wheeler Bros., as makers, were directly liable to the plaintiff, regardless of the stop-payment order given by them, saying: "A post-dated check may be transferred before the day it bears date with like effect as if transferred on the day of its date." American National Bank *v.* Wheeler *et al.*, 187 Pac. (Cal.) 128. December 18, 1919. Hearing denied by Supreme Court February 16, 1920.

Refusal to Pay Check Improperly Indorsed

A check indorsed to the Integrity Trust Company, which had changed its name from Integrity Title Insurance, Trust and Safe Deposit Company, was refused by the bank on which it was drawn because of improper indorsement, although the drawer had sufficient funds on deposit to meet the check, and the bank closed its doors before payment. In delivering it to the trust company, the payee indorsed it as follows: "Pay to the order of the Integrity Title Insurance and Trust Co." On the same day it was delivered to the company it was deposited for collection bearing the indorsement: "Pay to the order of bank, banker or trust company. All prior indorsements guaranteed. July 14, 1919. Integrity Trust Company, Philadelphia." Upon presentation of the check on July 15, 1919, payment was refused because of discrepancy and a correct indorsement was demanded. On July 17, 1919, two days later, it was again presented, bearing the indorsement: "Pay to the order of any bank, etc., Integrity Trust Company, Herman Wischman, Treas.," and payment was again refused. The next day the drawee bank closed its doors, the check remaining unpaid. In a suit by the trust company to recover the amount of the check, the drawer filed an affidavit of defense, setting up that the payee was grossly negligent in failing to collect the check on the business day succeeding that on which the check was given, and that, if it had been presented properly indorsed, in accordance with the usual banking customs, it would have been paid. The court *held* that this affidavit was sufficient. Integrity Trust Co. *v.* Lehigh Ave. Business Men's Building & Loan Ass'n., 110 Atl. (Pa.) 93. February 17, 1920.

Bank's Right of Set-Off Without Notice of Depositor

The material facts show that payment of the plaintiff's checks was refused because of the application of his deposit to the amount of a due note made by him and owing to the defendant bank. The plaintiff claims that he was negligently and wrongfully suffered to draw against his deposit a number of checks which the defendant bank dishonored to his injury, and that the defendant made such off-set without notice to the plaintiff. The court *held* that a bank may look to deposits in its hands for the repayment of any indebtedness to it by a depositor, and may apply the debtor's deposit on his debt to the bank as it becomes due, since as the deposit creates a debt against the bank, the right to set-off applies, and the bank may so apply the deposits without notice. In his opinion Justice Kapper of the Supreme Court said: "In no case in this state to which my attention has been called has it been decided that the right of set-off by a bank can only be exercised after notice. The well understood and generally accepted relations existing between banker and depositor neither as a matter of law nor custom call upon the bank to notify the depositor that his account has reached or is about to reach such a state as to require replenishing before he attempts to further draw against it." Delano *v.* Equitable Trust Co. of New York, 110 Misc. Rep (N. Y.) 704. March, 1920.

National Bank May Be Appointed Guardian of Estate of Minor

Since by the express provisions of Gen. St. (Conn.), 1918, Sec. 3955, a state bank or trust company "may act as guardian, conservator, trustee, receiver, executor or administrator of the estate of any person (but not of the person of any ward)" there can be no question of the right of a national bank in this state in view of U. S. Comp. St. Ann. Supp., 1919, Sec. 9794, to exercise any of these enumerated powers. Hamilton *et al. v.* State, 110 Atl. (Conn.), 54. May 7, 1920.

Shareholders Not Entitled to Deduction from Taxable Value of Shares Amount of Stock Invested in Public Building Bonds

Under the provisions of Sec. 7318, Rev. Laws, 1910 (Okla.), as amended by Chap. 107, Art. 1, Sec. 4, Sess. Laws, 1915, banks should be assessed and taxed on the value of their shares of stock. The question presented to the court was: "Were the shares of stock taxable at their actual value to the stockholders, and did the stockholders have a right to deduct from the value of said shares the amount of the capital stock invested in public building bonds?" The court *held* that "A tax on the shares of stock is not a tax on the property of the corporation, and therefore shareholders are not entitled to have a deduction from the value of the shares of the amount of capital stock of the company which is invested in public building bonds and guaranty fund warrants." Brown, County Treas., *v.* Hennessey State Bank, 189 Pac. Rep. (Okla.), 355. April 13, 1920.

False Certification of Check Constitutes Forgery

The defendant, charged with the forging of a certification of a check, claimed that Sec. 470 of the Penal Code of California, does not expressly designate the certification of a check as being the subject of forgery. Opinion of the court: "A check is a 'bill of exchange' under Sec. 3254 of the Civil Code. A certification of a check by the authorized officers of the particular bank upon which it is drawn constitutes an 'acceptance' thereof on the part of the bank which binds it to pay the amount called for by the check upon presentation for payment. The forging of an acceptance of a bill of exchange is expressly made a crime under Sec. 470, Penal Code. It follows that * * * the information sufficiently accuses the defendant of the statutory crime of forgery." People *v.* Somsky, 189 Pac. Rep. (Cal.), 456. February 28, 1920.

William J. Burns International Detective Agency, Inc.

A detective named Robert Burns, operating the "Burns Detective Bureau" in the city of Boston, *held* not entitled to injunction to restrain the "William J. Burns National Detective Agency, Inc.," from using the name "Burns Detective Bureau," "Burns Detective Agency," or "Burns Agency," despite defendant's action in securing a telephone listing with words "Burns Detective Agency" preceding the name "William J."—Burns *v.* William J. Burns International Detective Agency, Inc., 127 N. E. (Mass.), 334. May 20, 1920.

The Words "Trust Company" as Part of the Title of a National Bank

IN the June issue (page 715) we referred to the decision of the Federal court in Missouri holding that an eligible national bank had power to use the words "trust company" as part of its corporate name and erroneously cited the case in which the decision was rendered as "First National Bank and Trust Company of Kansas City *vs.* Enright, Bank Commissioner." The real title of the case is "Fidelity Nat. Bank and Trust Company *vs.* Enright, Bank Commissioner." In this connection the following letter is self-explanatory:

I note on page 715 of the Journal, June issue that you refer to this bank as the "First" National Bank and Trust Company of Kansas City. I shall appreciate it if you will correct this. I think it is due both the First National Bank of this city and this bank. The Fidelity National Bank and Trust Company is the bank that had the suit against the bank commissioner of Missouri. This bank is a consolidation of the Fidelity Trust Company and the National City Bank of Kansas City. It was, I believe, the first bank in the United States to incorporate the words "National" bank and "Trust" company in its name.

(Signed) Henry C. Flower,
Chairman,
Fidelity National Bank and Trust Company, Kansas City, Mo.

Changes Among Bank Officers

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

ARKANSAS

Marianna—Elton Branson elected assistant cashier Lee County National Bank.

St. Charles—George W. McCann elected cashier Bank of St. Charles, succeeding L. G. Thomasson.

CALIFORNIA

Gustine—James C. Austin elected cashier Bank of Gustine to succeed Bruce Greig.

Los Angeles—J. A. Graves, formerly vice-president Farmers & Merchants National Bank, elected president to succeed Isaias W. Hellman, deceased.

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

Newport Beach—E. H. Finigan elected cashier First National Bank.

San Francisco—Robert Yates and E. Avenali elected vice-presidents The First National Bank of San Francisco.

San Francisco—John S. Drum, formerly president Savings Union Bank & Trust Company, now president Mercantile Trust Company.

CONNECTICUT

Hartford—James N. H. Campbell, vice-president Colonial National Bank, elected to additional office of cashier to succeed Myron A. Andrews, resigned.

DISTRICT OF COLUMBIA

Washington—Joshua Evans, Jr., formerly cashier Riggs National Bank, elected vice-president; Robert V. Fleming, formerly assistant cashier, elected cashier.

ILLINOIS

Augusta—Sterling P. Lemmon, formerly cashier First Trust & Savings Bank, elected president.

Chicago—H. H. Heins, G. H. Dunscomb, J. B. Forgan, Jr., J. P. McManus, A. N. Cordell and H. A. Anderson, formerly assistant cashiers First National Bank, now vice-presidents.

Elmwood—Charles E. Clinch elected cashier Farmers State Bank; O. L. Parr, assistant cashier.

Highland—Earl E. Malan elected assistant cashier First National Bank to succeed Albert H. Schott, resigned.

Springfield—Joseph H. Holbrook elected director and vice-president Springfield Marine Bank.

IOWA

Albia—J. A. Canning, formerly cashier Peoples National Bank, elected president; Frank S. Nelson elected cashier; E. W. Baxter assistant cashier.

Larrabee—Merl A. Dick elected cashier and director Farmers State Bank to succeed I. Jacobsen.

Leon—E. G. Monroe elected president Exchange National Bank to succeed A. L. Ackerley; Carl Monroe elected cashier.

Oskaloosa—Irene D. Roberts elected assistant cashier Oskaloosa Savings Bank.

KANSAS

Ness City—A. S. Foulks elected president Citizens National Bank; Lorin T. Peters vice-president.

LOUISIANA

Marksville—L. P. Roy elected president The Union Bank to succeed L. J. Coco, deceased.

New Orleans—P. H. Saunders resigned as president Canal-Commercial National Bank, W. R. Irby succeeding.

New Orleans—P. H. Saunders resigned as president Canal-Commercial Trust & Savings Bank.

MARYLAND

Baltimore—Leonard J. Lubbenhusen appointed assistant cashier Calvert Bank.

Baltimore—Edward J. Lucke elected vice-president Citizens National Bank; Charles K. Hann and Harry E. Ford assistant cashiers.

MASSACHUSETTS

Beverly—Arthur K. Story elected treasurer and Rodney C. Larsom assistant treasurer Beverly Savings Bank.

Malden—Harry W. Fenn elected cashier First National Bank to succeed E. P. Kimball, resigned.

Malden—Paul B. Brown elected treasurer Malden Trust Company; Harold E. MacInnis assistant treasurer.

Peabody—James F. Ingraham elected vice-president Warren National Bank.

MICHIGAN

Eaton Rapids—Glenn Spears elected cashier Michigan State Bank.

Grand Rapids—Arthur M. Godwin, formerly assistant cashier, elected third vice-president Grand Rapids Savings Bank.

MINNESOTA

Ada—O. C. Ogard elected cashier First State Bank; G. H. Spaeth assistant cashier.

Marshall—T. E. Nash elected vice-president Marshall State Bank to succeed J. M. Shrader, resigned; H. S. Simons elected cashier to succeed S. J. Forbes, resigned.

Minneapolis—A. F. Horstkorta elected assistant cashier Metropolitan National Bank.

New London—E. F. Fink elected president State Bank of New London to succeed Peter Broberg, resigned.

Pequot—A. A. Pickler elected cashier First State Bank.

MONTANA

Conrad—J. F. Kumpf elected vice-president Farmers State Bank.

Forsyth—Walter A. Denison elected cashier and director American National Bank.

NEBRASKA

Omaha—W. L. Pier elected vice-president Stock Yards National Bank.

Ruskin—J. C. Dillon elected cashier State Bank of Ruskin.

NEW JERSEY

Closter—George J. Taylor, formerly acting cashier, elected cashier The Closter National Bank.

East Orange—David A. Inglis, formerly secretary Savings Investment & Trust Company, elected vice-president and secretary; George G. Milne, Jr., formerly treasurer, now vice-president and trust officer; George L. McCloud, treasurer; James W. Watson, assistant treasurer; Horace J. Murray, assistant secretary.

Hoboken—William W. Young, formerly cashier First National Bank, elected vice-president and cashier.

NEW YORK

Albany — Frederick Townsend elected president Albany Savings Bank to succeed Marcus T. Hun, deceased.

Albany—Parker Corning elected first vice-president New York State National Bank to succeed Frederick Townsend, resigned.

Buffalo—Anthony J. Walkowiak elected vice-president Broadway National Bank; Henry A. Thrun, formerly assistant cashier, elected cashier; John A. Stachowiak assistant cashier.

Ithaca—William A. Boyd elected vice-president First National Bank.

New York—Theodore G. Smith, formerly president International Trust Company, Denver, Colo., elected vice-president Central Union Trust Company.

New York—William S. Wallace and Robert Roy, Jr., appointed assistant cashiers Chatham & Phenix National Bank.

New York — F. R. Acheson Shortis appointed vice-president Guaranty Trust Company of New York.

New York—Gen. Walter C. Stokes elected president The Manhattan Savings Institution to succeed Constant M. Bird, deceased.

New York—Andrew Mills, Jr., resigned as cashier National City Bank.

New York—Edward L. Lichtman elected assistant cashier Public National Bank.

Syracuse—Albert B. Merrill, formerly assistant secretary First Trust & Deposit Company, elected treasurer to succeed William A. Boyd, resigned; Eugene A. Tholens, formerly assistant treasurer, now assistant secretary; Roy W. Bell assistant secretary.

Yonkers — William Warburton Scrugham elected president First National Bank; Robert H. Neville vice-president.

NORTH DAKOTA

Cando—Frank Shanley elected cashier First National Bank.

Dickinson—H. E. Skauge elected cashier Dakota National Bank.

Grafton—A. G. Tverberg elected cashier Scandinavian-American Bank to succeed T. J. Hagen.

Kintyre—J. M. Erbele elected cashier Security State Bank of Kintyre.

Strasburg—W. C. Rowerdink elected cashier German State Bank.

OHIO

Columbus — Neath O. Jones elected secretary and treasurer State Savings Bank & Trust Company to succeed A. W. Mackenzie, resigned.

Denver—C. F. Baker elected president Exchange National Bank.

Toledo—Marion M. Miller, formerly vice-president Home Savings Bank, elected president to succeed Herbert Baker, deceased; Rufus H. Baker elected vice-president.

OKLAHOMA

Coalgate—R. R. Whitlock elected cashier Citizens State Bank.

OREGON

Tillamook—B. L. Beals, Jr., elected cashier Tillamook County Bank; C. B. Stanley appointed assistant cashier.

PENNSYLVANIA

Philadelphia—John J. MacDonald, formerly vice-president Beneficial Savings Fund Society elected president; William V. McGrath, Jr., now vice-president.

Philadelphia — Judge Dimner Beeber, formerly president Commonwealth Title Insurance & Trust Company, elected chairman of board; Malcolm Lloyd, Jr., elected president; Charles K. Zug vice-president and trust officer; Andrew T. Kay vice-president and title officer; Francis E. Brewster vice-president.

SOUTH DAKOTA

Athol—R. H. Davis elected president Athol State Bank to succeed C. A. Harmon, resigned.

Brookings—George W. Cobel elected president The First National Bank.

Tulare—Wilbur Snell resigned as cashier Citizens State Bank.

Wilmot—C. M. Jensen elected president First State Bank.

TENNESSEE

Chattanooga—J. B. F. Lowry, formerly cashier Hamilton National Bank, elected active vice-president; S. A. Strauss, formerly assistant cashier, now cashier; E. B. Shadden, W. E. Harrell and D. B. Harris elected assistant cashiers.

Madisonville—J. F. Llewellyn elected cashier Bank of Madisonville to succeed W. H. McCroskey, resigned.

TEXAS

Dallas—A. L. Slaughter elected vice-president and cashier Central State Bank.

Dallas—F. F. Florence elected active vice-president Guaranty Bank & Trust Company.

UTAH

Layton—E. P. Ellison elected president First National Bank to succeed James Pingree, resigned.

Ogden—E. P. Ellison, formerly vice-president, elected president The Pingree National Bank to succeed James Pingree, resigned; Ezra Richardson now vice-president.

VERMONT

Rutland—Charles M. Smith elected president The Marble Savings Bank to succeed John N. Woodfin, deceased.

VIRGINIA

Richmond—R. Latimer Gordon resigned as president Planters National Bank.

WISCONSIN

Ashland—Carl A. Rudquist elected vice-president Ashland National Bank to succeed Ben S. Smith, resigned; Oscar Toepel elected cashier, Theodore Nohl assistant cashier.

On Promoting Thrift

A recent statement from the New York State Superintendent of Banks, by way of comment upon the fact that the savings and loan associations in that state had increased their resources during the past year by $11,000,000 and now have total resources of slightly over $100,000,000, said:

"It is probable that in proportion to their size these mutual corporations are of greater service in promoting thrift among our working people than any other type of financial institution."

Savings bankers can well afford to give some thought to the comment.

Trust Company Section

Four Trust Company Sections Meet

VALUABLE and enthusiastic meetings were held in June by four Trust Company Sections of the state bankers associations of California, Washington, Pennsylvania and New York.

In his annual address as chairman of the Trust Company Section of the California Bankers Association, L. H. Roseberry, vice-president of the Security Trust & Savings Bank, Los Angeles, said in part:

"The future promises to be uncertain in many things, and especially in business stability and advancement. It would be dangerous, if not presuming, to prophesy what the next year or years may bring forth. It is definitely certain, however, that a time of business readjustment and credit deflation is near us. New trust business may not be so plentiful as it has been in the past. Greater care and caution will be required of us in the administration of our present affairs. Yet it is safe to say that we will be as little disturbed as any other class of financial institutions. In the nature of things, a trust is little affected by transitory political or business changes. Unless these take on the character of political revolutions or socialistic experiments, our business will not seriously change. On the contrary, such eras of uncertainty and evolution cause material accretions to certain classes of trust business. In times of storm many people seek the security and protection of a trust company, whose solid organization and expert service is well suited to care for property interests in just such emergencies. In the coming days it will be a good time to develop executorships and 'living' trusts. With radical ideas rampant, and experiments in socialism world wide, it would seem a most auspicious time not only for the aged, the retired, the weak and the inexperienced to come to trust companies for guidance and protection in their financial affairs, but for the captains of industry, business men, and others having property interests, to segregate and safeguard at least a part of their capital in a 'living' trust with some good corporate trustee. Discretion and caution should counsel this as a wise, if not a necessary business act."

At the Washington bankers' convention, the Trust Company Section was presided over by W. J. Kommers, president Union Trust Company of Spokane. Mr. Kommers called special attention to the progress made, particularly in the eastern end of the state, where trust companies have made steady growth in the volume of trust business. "There is evident," said Mr. Kommers, "throughout the state a better recognition by the public of trust company powers and fiduciary functions. This growth may be attributed in a large measure to the resumption by trust companies, and banks doing a trust business, of a new and energetic campaign of advertising inaugurated about a year ago." Mr. Kommers urged, as did Mr. Roseberry in California, that all trust companies throughout the country enter whole-heartedly into the National Publicity Campaign being promoted by the Trust Company Section of the American Bankers Association. William Hatch Davis, Esq., of Spokane, the attorney for the Trust Company Section of the Washington Bankers Association, addressed the meeting and emphasized the importance of continuing publicity work in order to extend the trust field. He dwelt particularly upon the desirability of cultivating a better feeling among the trust companies of the state and the members of the bar.

The New York Trust Company Section was presided over by the president, Percy W. Shepard, assistant secretary of the Fulton Trust Company of New York. Mr. Shepard called attention in his address to the work covered by the Section during the past year. This consisted chiefly of legislation, in connection with which there had been considerable activity. He also urged that all trust companies who had not already subscribed to the National Publicity Campaign do so at once.

Randall J. LeBoeuf, counsel Albany Trust Company, Albany, addressed the meeting on the subject, "National Bank and Trust Company, a Misnomer."

The program of the Pennsylvania Trust Company Section was composed in addition to the annual address of the chairman, A. C. Robinson, of four addresses delivered by Hon. John S. Fisher, Commissioner of Banking; Lynn H. Dinkins, president of the Trust Company Section, American Bankers Association; George D. Edwards, chairman of the Commission to Codify and Revise the Banking Laws of Pennsylvania, and John G. Reading of Williamsport, who spoke upon "The Price of Money and Its Relation to the Supply of Funds for Local Investment."

Chairman Robinson, who is president of the Peoples Savings & Trust Company, Pittsburgh, in his annual address, touched upon the present economic situation as follows:

"This is no time for doubt and pessimism, but a sober consideration of our problems and of their solution is specially the province of the banker. Every business man has his own peculiar difficulties, as well as those general to the entire country. With an inadequate system of transportation, requiring first of all a restoration of its credit, with over-swollen loans and inflated currency, with a load of crushing, unscientific and, in many cases, vindictive taxation, with prices elevated to a level which signals only danger, with an alarmingly inadequate supply of labor on the farms and labor generally refusing honest and fair effort when increased production and better movement of traffic are the only solution for our present economic conditions, the man of business has to face difficulties beyond all previous experience. But if these are the trials of the business man, how much more serious are those of the banker who must share in the troubles of all of his customers and advise and direct. The banker is not only the clearing house for money, but for trouble. How well the Pennsylvania banker is doing his work and carrying this responsibility is shown not only by the success of his institution, but by the position he holds in his community. To not only conduct a safe and profitable business, as is his right and duty, but to facilitate the movements of all trade and commerce, to safeguard the resources of the nation and of the individual, to act with energy, prudence and far vision not only for himself, but more for others, to encourage, to advise, to restrain, to guide as may be necessary, means that the true banker has devoted himself not to self, but to service for others. The state and the nation are fortunate that bankers as a class are of this type of manhood.

"It is a time for serious thought and conference on things large and small. It is a time for not only preaching, but for enforcing the old simple laws of economy, energy, thrift and self-control; it is a time for forgetting political differences and for electing men who will legislate for us and who will run our government, from the borough or township up to the Capitol and White House in Washington, on the same sound principles as those on which we run our own banks. We must stand firm against all sorts of quack remedies for diseases, real and imaginary, we must stop dallying with and condoning lawlessness, parlor Bolshevism, and the forces which disintegrate the foundations of society, we must insist on a return to the old standards of morality and decency in all things."

Special attention is called to the article appearing elsewhere in this issue of the JOURNAL upon the "Internal Organization of a Trust Company" by Earle M. Leaf.

Trust Officers Organize

The Missouri Trust Officers Association was formed on Monday, May 17, at Kansas City, Mo., the day preceding the annual convention of the Missouri Bankers Association. Twenty institutions were represented and it was decided to hold annual meetings on the day preceding the state bankers convention. The following officers were elected: President, Thomas C. Hennings, vice-president Mercantile Trust Co., St. Louis; vice-presidents, Lester W. Hall, vice-president Fidelity National Bank and Trust Co., Kansas City; William Houk, president Conqueror Trust Company, Joplin; secretary and treasurer, W. F. Enright, Empire Trust Company, St. Joseph.

New Officers

Newly elected officers of the Trust Company Section of the California Bankers Association are: J. C. Hughes, chairman, trust officer Savings Union Bank & Trust Company, San Francisco; G. T. Douglass, secretary-treasurer, cashier and trust officer Berkeley Bank of Savings & Trust Co., Berkeley.

New officers of the Trust Company Section, New York State Bankers Association, are: President, Francis H. Sisson, vice-president Guaranty Trust Co., New York; vice-president, Willard E. McHarg, assistant secretary Metropolitan Trust Company, New York; secretary, Charles J. Lamb, treasurer Utica Trust & Deposit Co., Utica.

Officers of the Trust Company Section, Washington Bankers Association, are: President, W. J. Kommers, president Union Trust Company, Spokane; vice-president, Worrall Wilson, president Seattle Title Trust Company, Seattle; secretary-treasurer, F. A. Rice, vice-president Tacoma Savings Bank & Trust Company, Tacoma.

An honorary degree of Master of Arts has been conferred by Dartmouth College upon Lucius Teter, president of the Chicago Trust Company, Chicago, and former president of the Savings Bank Section of the American Bankers Association, in recognition of "services as a student of social relations in a great city."

"The Easy Road to Will Making" and "Personal Information Concerning My Estate" are two of the newest pieces of printed matter used in securing trust business. They were prepared and are being used by the Fidelity Trust Company, Buffalo, N. Y.

"The Easy Road to Will Making" is a form similar to "The First Step," to be used in assisting one's attorney in drawing a will. The "Personal Information" booklet contains a series of blanks for confidential information "for executor's use only."

Mortuary Record of Association Members

REPORTED FROM MAY 26 TO JUNE 25, 1920

Anstice, Josiah, vice-president Rochester Savings Bank, Rochester, N. Y.

Baum, E. H., cashier Farmers Savings Bank, Garrison, Iowa.

Bigelow, Charles F., president National Bank of Newport, Newport, Vt.

Blue, S. D., president Merchants & Farmers Bank, Frankfort, Ohio.

Braun, Walter F., vice-president Continental & Commercial Trust & Savings Bank, Chicago, Ill.

Coffey, John, vice-president State Savings Bank, Manistique, Mich.

Eddy, Charles A., director First National Bank, Bay City, Mich.

Fleury, George Arthur, director Peoples Trust Company, Brooklyn, N. Y.

Gay, William H., president Peoples Savings Bank, Grand Rapids, Mich.

Heminway, Merritt, president Watertown Trust Company, Watertown, Conn.

Kelsey, Henry C., vice-president Mechanics National Bank, Trenton, N. J.

Kendall, G. W., chairman of board National Bank of Stamford, Stamford, N. Y.

Kingsbury, Forest M., vice-president Lamasco Bank, Evansville, Ind.

Langworthy, B. S., vice-president Montana National Bank, Billings, Mont.

McGuire, John F., president Midland State Bank, Midland, S. D.

McMurray, L. A., president Hamilton County State Bank, Webster City, Iowa.

Millard, Ezra, cashier Omaha National Bank, Omaha, Neb.

Newbold, Arthur Emlen, member J. P. Morgan & Company, New York, N. Y.; Drexel & Company, Philadelphia, Pa.; director Philadelphia Savings Fund Society, Philadelphia, Pa.; director Commercial Trust Company, Philadelphia, Pa.

Smith, Col. Dudley, director First National Bank, Normal, Ill.

Stedman, Charles James, vice-president First National Bank, Cincinnati, Ohio.

Stegner, George E., cashier North American Bank, Minneapolis, Minn.

Ward, Marcus L., director Howard Savings Institution, Newark, N. J.

Williams, Frank H., president First State Bank, Allegan, Mich.

Savings Bank Section

Aims of "Thrift"

WE must "change the terms by which we talk thrift," said George E. Brock, president of the Home Savings Bank of Boston, addressing the Vermont State Bankers Association. "We have overworked that 'rainy day' argument," he continued. "For instance, talk to a husky young man about a rainy day. He is young and vigorous, and always expects to be—he is not looking for a rainy day. We will not get far with him with that argument, but connect his savings with his pay envelope, teach him that his savings will create a job, and the more he saves the more steady will be his job, and we may cause him to think. Let our slogan therefore be, *'Save Your Money to Create Your Job; and Save More Money to Perpetuate Your Job.'* * * *

"A home budget system which starts with the question 'How much of my earnings ought I to save?' and from that point distributes the remainder over the necessities of life, has in it much of the science of wise spending. We bankers who have been brought up to keep other people's cash right to a penny are apt to get careless with our own, but I believe the time will come, in these days when we are expected to give to the government the most intimate details of our personal resources and liabilities, when a systematic budget will be of great assistance to us in making up our returns. It will add to our thrift and will assist us in being conservative in the use of our income."

Periodical Saving

In the effort to meet the frequent suggestion for a plan which would result in periodical savings deposits, the Sacramento Bank devised a "monthly dispatch plan" involving the depositor's signature to the following:

"I request that you enter my name under your monthly dispatch card plan. Until I notify you to the contrary, I agree to deposit each month the amount indicated below by an 'X', for which you may send me monthly statements."

The bank reports a much larger direct inquiry than resulted from the above effort, to its offer of a set of thirteen (3x5-inch) budget cards (one for each month and one for the year) intended to show the allowed and the actual expenditures under each of several group headings.

Mortgage Amortization

Notice has been sent to borrowers of the Savings Bank of Ansonia, Conn., advising that new loans include provision for payment of 2½ per cent. or more of the principal every six months with the interest, for the twofold benefit of reducing the loan gradually and saving interest to the borrower, and to supply more funds to help other people build.

Previous borrowers, paying on demand note secured by first mortgage, are therefore requested to make like payments for the same reasons. The circular makes the further suggestion that each borrower prepare for the payments by making monthly deposits in a savings account.

Subsidized Housing in England

Because of the various ill-advised but persistent efforts to stimulate housing construction in America by tax exemption or other subsidy at the risk and expense of taxpayers, special attention should be given to the following item from a foreign authority:

"Many investors are puzzled to know why the business of providing houses, which used at one time to be managed with more or less success by private enterprise, now has to be subsidized out of local rates with assistance from the state. If he asks questions about the problem he is likely to hear that this is because private enterprise has been driven out of the house-building field by municipal and state interference and taxation, now emphasized by the high cost of material and of labor. If he hears this he is likely to wonder whether by subscribing funds to pay for a scheme under official organization he is really going to help to get the building trade back to a position in which it can once more be conducted by private enterprise. He is likely to be left cold when appealed to for his money on the ground that it is a case of building houses or bolshevism, because not many people believe very seriously in the danger of bolshevism in this country."—*The Economist,* London, May 8, 1920, page 955.

The above editorial was prompted by the disappointing results of England's latest (and widely heralded in America) effort to stimulate house construction under bureaucratic subsidy and control!

Funds for Building

Efforts in Massachusetts, New York and elsewhere to force lending institutions to place larger loans for construction work only serve to indicate the general ignorance on one difficulty which confronts not only savings banks but also building associations. While the number of savers has increased according to best reports, the lenders are faced, to use the words of *Finance and Industry,* May 15, with "the tendency of individuals and firms which formerly were large depositors to use their money for the purchase of securities available at more attractive earning rates." Referring especially to the building associations, the same authority continues:

"The turnover of funds at the disposal of such associations has been very materially slowed up by delay in building operations, largely through lack of labor and material, and by the tendency of banks to curtail real estate loans. Many borrowers from loan associations formerly went to the banks when their buildings were completed, negotiated mortgage loans, and paid off their construction borrowings. Thus the money was available after a few months for reinvestment by the loan associations."

Clearing House Section

Clearing House Movement Spreading

THE banks of Okmulgee, Okla., and Hutchinson, Kan., have, since our last report, organized clearing house associations in their respective cities and are loud in their praise of the satisfactory conditions now existing. Many more cities have the matter under consideration and there is no doubt that in the near future other names will be added to the list.

This office will be glad at all times to assist in the organization of clearing house associations whenever called upon, giving special assistance relative to constitutions, rules and by-laws to suit the requirements of the community interested.

Once bankers are convinced of the benefits to be derived from cooperation through a clearing house every town of importance in the country where four or more banks are doing business will eventually have their association, and it is the intention of the Clearing House Section to use its efforts in this direction.

Universal Numerical System

The use of the Numerical System is saving money, time and labor. It can be used to advantage in bookkeeping, transit, clearing house and other departments of any bank or trust company.

Insist on having your numbers printed on your checks and drafts and incorporated in your indorsing stamp and you will then be cooperating with your neighbors and assist in keeping this system efficient. The Key to the Numerical System contains a full explanation of the plan and two lists of the banks and trust companies of America—one list gives the banks alphabetically arranged with reference to states, towns, etc., together with number assigned to each; the other gives them in numerical order, so if you have the name of any bank you can readily ascertain its number, or if you have its number you can readily ascertain its name.

Credit Men Endorse Acceptances

The National Association of Credit Men has again expressed its approval of the trade acceptance as a desirable credit instrument by unanimously adopting the resolutions presented by the Banking and Currency Committee of the association at its annual convention in Atlantic City. The full statement of the committee, as well as the resolutions, are given herewith:

"So far as your committee could discover, the trade acceptance has been used during the past year by an increasingly large number of credit departments. This increase is by no means phenomenal or more than a healthy increase for a very desirable method. Unfortunately, the trade acceptance has been roundly abused in some directions, and your committee emphasizes its disapproval and strong condemnation of such tendencies. The trade acceptance must run concurrently with the terms of the shipment, and only as it represents a commercial transaction and is received within the period for which the invoice is to run according to sales terms is the instrument strictly a trade acceptance and entitled to the rediscount privileges accorded it by the Federal Reserve Board. A credit instrument in the form of a trade acceptance tendered and accepted after the maturity of an invoice is not an acceptance contemplated by the act, and it is a misnomer and a serious mistake to designate such an instrument by this name. Credit grantors should be extremely particular as to this and never accept a credit instrument in the form of a trade acceptance for a past due account.

"In some directions the claim is made that trade acceptances inflate credits, but we challenge this statement and reaffirm the conclusions of former committees—that the trade acceptance will make credits liquid and never by any means encourage the inflation which is so possible and which so frequently occurs with our accommodation and single-name paper. The trade acceptance should be used more widely in credit granting. Its abilities to liquefy credits and to stabilize them are beyond dispute in the judgment of your committee. There is plenty of testimony from users of the trade acceptance as to its powers in these directions, and particularly as to its value in the conversion of indifferent and slow debtors to prompt payers and frequently discounters.

"As a collection instrument nothing better was ever devised than the trade acceptance, and it is the sincere belief of your committee that the association can continue to loan its best efforts to a wider appreciation of the virtue and powers of this instrument and indicate how valuable it would prove were we conducting a larger share of our credit transactions with a written acknowledgment of the obligation rather than a merely informal record of the account.

"*Resolved,* By the National Association of Credit Men in convention assembled, that its position of approval of the trade acceptance as a desirable credit instrument giving flexibility and stability to commercial credits is hereby reaffirmed, and that the best efforts of the association should continue to be devoted to a wider understanding of the practical benefits that may be derived from the use of the trade acceptance as a written acknowledgment of commercial credit obligations.

"*Resolved,* By the National Association of Credit Men in convention assembled, that the abuses of the trade acceptance are heartily condemned and the credit grantors of the nation are earnestly requested to rebuke such abuses and urged neither to ask nor to receive the trade acceptance except as it is tendered in the proper form, as provided for in the regulations of the Federal Reserve Board, and particularly urged never to use nor accept this form of instrument for the settlement of an overdue invoice or account."

National Bank Section

State Tax on Bank Shares

A LETTER from an officer of a national bank in New York State to the Washington office of the National Bank Section recites as follows:

"I wonder if you will help me out about a question that has been bothering me? It is about the state tax on bank shares. There has been a great deal said and written about the unfairness of the different methods by which states tax the shares of banks, but I have not found anything covering my point.

"In making out the tax books for the tax department, showing the stockholders' names and addresses with the amount of stock owned, etc., a space is provided for the amount of the capital, surplus and undivided profits. In the figure for undivided profits there must be included the amount reserved for taxes, interest and the RESERVE FOR UNEARNED DISCOUNTS. Do you think it right to include this amount in with the undivided profits figure and title? From the accounting view I don't think it right.

"When we take a note for $1,000 for 60 days, with interest, and debit loans and discounts, an asset account, with $1,010, and credit the liability account, unearned discount, with $10, does this mean according to the state tax laws that the $10 is undivided profits when the real earning is but 17 cents each day? This amount, 17 cents, is taken from the unearned discount account and credited to the interest-earned account. As the amount of interest which we have collected in advance amounts to about $10,000 you will see that it means an additional $100 added to our tax bill.

"The Federal Government does not ask us to pay an income tax on this amount, why should the state? As you know, the Comptroller of the Currency requested that we keep our books in this manner. Your views on this matter will be appreciated."

The importance of the foregoing letter warranted its submission to the Comptroller of the Currency, Hon. John Skelton Williams, who writes the Washington office of this Section, under date of June 3, as follows:

"Your correspondent desires to be advised whether the amount reserved for taxes, interest and unearned discounts should be included in undivided profits in making return to the State Tax Department.

"Section 5219, U. S. R. S., is the measure of the power of the states to tax national banks. Under this section the shares of a national banking association may be taxed by the state as a part of the personalty of the owner and each state may tax them in its own manner except that the taxation shall not be at a greater rate than is imposed on other 'moneyed capital' owned by the citizens of the state and that the shares of non-residents shall only be taxed in the city or town where the bank is located.

"Under the laws of the several states different methods are provided for determining the value of the shares for the purpose of taxation. The method most generally adopted perhaps is to fix the value by aggregating the capital, surplus and undivided profits of the bank. The capital and surplus are fixed amounts received and earned by the bank and if not impaired should be reported in full as constituent elements of the stock value. The item of undivided profits is variable and only such portion thereof as is actually earned and adds to the present value of the stock should be subject to taxation. In other words, only the net value of the item after deducting all offsets and charges for which it is liable, such as accruing taxes, unearned interest, etc., should be added to capital and surplus in determining the value of the stock.

"In the case of unearned interest, when a loan is made and the discount reserved, assets appear on the books of the bank aggregating the face amount of the note discounted plus the amount of the discount reserved, but the note is not worth its face amount and will not be until its maturity and the discount is earned.

"It is therefore the opinion of this office that a national bank in making reports to the proper officials for the purpose of fixing the value of its shares for state and municipal taxation should give the true amount of its undivided profits as carried on its books, and the proper deductions for all charges against this item, so as to show the actual amount which the net profits not yet divided may add to the true book value of the stock."

National Banks and Mutilated Currency

An ambition entertained for a number of years by the officers of the National Bank Section, to more fully serve member banks, has passed from the sphere of contemplation to that of reality. The nature of the relations of national banks with the Treasury Department and other Federal departments, and the desirability of a continuous contact reflecting as accurately and as earnestly as humanly possible the requirements and wishes of the banks, fostered in the minds of the officers the hope that the members would some day have the opportunity to treat with the departments directly through a representative of the Section. With the establishment of the office in Washington there developed a multitude of activities in which the secretary found occasion to serve member banks, but there still remained unachieved the aspiration to be designated the representative of national banks to witness the destruction of their mutilated currency and to examine their bonds deposited with the Treasury Department.

There was general belief that member banks would welcome the opportunity to entrust this particular work to the duly chosen representatives of their own organization from whom they could expect and demand a deeper interest in the success of the work than is usually engendered by the ordinary contractual relation. However, adoption of the plan was not permitted to be predicated upon any uncertainty. Instead, each member was inquired of specifically. The great majority of responses unqualifiedly endorsed the project, while a few sought further information, and still a few more declined to accept the proffered service. Most of these latter, though, are cared for by the more important correspondent banks in the larger cities.

A number of details necessarily requiring considerable time have had to be worked out, and after the Comptroller of the Currency formally recognized the efforts of the Section to thus increase its facilities for serving its members and gave it access to the department, the Executive Council of the A. B. A. took up the report of a special committee appointed by President Hawes to consider the plan, and at its regular spring meeting authorized the Section to inaugurate the service. This it has found genuine pleasure in doing. The month of June witnessed the actual launching of the project and the additional field of usefulness thus opened up is an expansive one and tends to the general end of offering to member banks the most comprehensive service possible in every respect. A distinct feature of this new departure is the moderate charge—a rate considerably lower than is usually quoted for the same work—and the encouragement received from national banks inspires the belief that demand for the service will increase until it embraces a majority of the banks in the Federal system. It is the desire of the officers of the Section that the membership at large be advised of this new service established for their use, and those who are not in a position to subscribe for it at this time because of contracts with other agents, have the assurance that the Section will deem it a duty and a pleasure to serve them whenever they find it possible to accept.

In addition to this special service, the Section continues to tender its offices to member banks in the adjustment of any matters they may have pending in Washington.

Overdue Call Loans

In the course of his regular visit to a bank a national bank examiner informed the officials of that institution that call loans on which interest due at the close of the last period is not paid are classed as overdue. The bank inquired of the National Bank Section's Washington office the authority for the examiner's statement and expressed the opinion that such cases are covered by that sentence in Section 5204 of the National Bank Act which provides that: "All debts due to any association, on which interest is past due and unpaid for a period of six months, unless the same are well secured and in process of collection, shall be considered bad debts within the meaning of this section."

From information obtained we were able to reply: "In the office of the Comptroller of the Currency it was learned that instructions as related by the examiner who visited your bank have been issued. * * * Examiners are instructed to list as overdue paper call loans upon which interest is not paid at the regular interest period, whether that be every three months or every six months. Section 5204, which you cite, of the National Bank Act is held by the Comptroller simply as a definition of bad debts and as not covering the case of call loans upon which interest is not regularly paid; this Section merely classes overdue paper as bad debts when the interest is not paid for a period of six months after due."

Circulating Notes

National bankers in various parts of the country are writing to the Washington office of this Section, asking that hotel reservations be made during the American Bankers Association's annual convention, October 18-22. The secretaries gladly would comply with these requests except for the fact that the Association has placed the matter of hotel reservations during the convention in charge of Washington bankers. Joshua Evans, Jr., vice president of the Riggs National Bank, is Chairman of the Committee on Hotels, and to him applications for quarters should be addressed. Already a large number of bankers have assured themselves of hotel accommodations through the good services of Chairman Evans.

At each state bankers association convention the national bank members are called together and they elect a vice president to represent their state in the National Bank Section. The elections held up to and including May 15, and of which reports have been made to the Section's Washington office, are as follows:

Alabama—M. A. Vincentelli, Vice President, Capital National Bank, Montgomery.

Arkansas—W. T. Parish, Cashier, First National Bank, Newport.

Florida—J. S. Reese, President, Citizens and Peoples National Bank, Pensacola.

New Hampshire—Ira F. Harris, Cashier, Indian Head National Bank, Nashua.

Tennessee—D. W. Shofner, President, First National Bank, Mt. Pleasant.

Vermont—D. W. Davis, President, National Bank of Derby Line, Derby Line.

Major Fred. W. Hyde terminated his service as secretary of the National Bank Section June 30 and is succeeded by Edgar E. Mountjoy, who, since December 1, 1919, has served as assistant secretary. The Washington office remains at 406-7 Mills Building and the secretary is ready and eager to perform duties for bankers, whether in their relations with the United States Treasury or in the execution of commissions in connection with the houses of Congress or government departments. It is hoped that all delegates to the A. B. A. convention in October will call at the office and avail themselves of the facilities and information there provided.

The Federal Reserve Board will have a home of its own in Washington. Since organization it has been quartered in the Treasury building. The Board needs larger accommodations and the Treasury needs the space now occupied by the Board. Representative Platt of New York in June introduced a bill giving the Board power to levy assessments upon the twelve Federal reserve banks "sufficient to provide itself with suitable and permanent offices in the city of Washington" and limiting the total assessment to $1,000,000. The bill was favorably reported by the House Committee on Banking and Currency. Little doubt is felt of the eventual enactment of the measure.

State Bank Section

Washington Convention

THE annual meeting of the State Bank Section of the American Bankers Association, to be held at Washington in October, promises to be of exceptional interest. At the meeting in St. Louis last year a special session was devoted to the subject of "Model State Banking Laws." The principal address was made by Hon. George I. Skinner, then Superintendent of Banks of the State of New York, which was followed by general discussion in which prominent bank superintendents and state bankers participated. The success of this meeting was so satisfactory that a similar session will be held at the Washington convention. It is expected that the president of the National Association of Supervisors of State Banks will deliver an address, and other speakers will doubtless be prepared to make valuable suggestions. The subject of "Farm Mortgage Finance" has been recommended for consideration, and opportunity will be given to thrash out the exchange question. At the meeting in St. Louis last year the members of the State Bank Section went on record as opposed to the arbitrary methods used by the Federal reserve system in enforcing their par collection plan, but the members of the State Bank Section did not go on record for or against the Federal reserve collection plan itself. In this connection attention is called to the platform of the State Bank Section adopted at the time of its organization, which reads as follows:

1. The Six Nations were wise Indians. History tells us what happened at one of their first war councils. A young buck proposed that the Six Nations should go to war separately. The most venerable chief said not a word. He simply took six sizable sticks and struck them in a bunch against his knee. Not a stick broke. Whereupon he struck the six sticks against his knee separately and broke them easily. Subsequently the Six Nations fought as one and fought famously. The Six Nations were wise.

2. The State Bank Section of the American Bankers Association is organized for the purpose of cooperating in the consideration of all matters of interest to state banks. The membership of the State Bank Section is confined to state banks and such trust companies and savings banks as are engaged in commercial banking, but the State Bank Section is ever ready and willing to cooperate with national banks in promoting better banking methods and better banking laws.

3. There may be differences of opinion about methods and laws of banking, but there can be no difference of opinion about the self-evident fact that the crystallized thought and concerted action of the men who manage the 20,000 state-chartered banking institutions of America ought to be a potent influence in banking and public welfare.

4. The State Bank Section—its character, its policies, its success—is what its members make it, for the membership of the State Bank Section is democratic in the superlative degree. In other words, the State Bank Section is run on Vox Populi principles—regardless of the size, age, ancestry or location of any particular man or institution—and everybody's Vox is welcome.

The legislative work of the American Bankers Association is in charge of a Committee on Federal Legislation and a Committee on State Legislation. Methods of procedure in matters of Federal legislation and state legislation are practically identical, and the following extract from the constitution of the American Bankers Association (Art. V, Sec. 16), pertaining to Federal legislation, describes the manner in which all legislative questions are constitutionally considered:

(b) The Committee on Federal Legislation shall have in charge the consideration of national statutes affecting the powers, privileges and duties of the members of the Association, except as hereinafter provided, and may for such purposes as occasion may arise recommend to the Executive Council and the General Convention drafts of proposed statutes for their approval and upon such dual approval shall urge the enactment by Congress of such approved drafts. The Committee on Federal Legislation shall receive in charge all resolutions adopted by the General Convention declaring in favor of, or in opposition to, national legislation upon any subject, and shall by petition, memorial or other proper action further the purposes declared for in such resolution; and in case of legislative emergency arising between sessions of the General Convention, whereby serious and harmful results to the welfare generally of the Association membership might result from delay, the committee shall perform services as to resolutions of similar character adopted by the Executive Council at its sessions, or in case of emergency in the interim between sessions of the Executive Council shall perform similar services upon resolution adopted by members of the Executive Council upon referendum vote as hereinafter provided. The Committee on Federal Legislation shall take notice of any Congressional action affecting the interests of the membership of the Association and when deemed necessary report the same to the Executive Council. The committee shall perform such other duties as may be imposed upon it by the Council or by the General Convention and shall make a full report of its proceedings to the Executive Council and a general report to the General Convention.

(bb) The Federal Legislative Council shall be an auxiliary of the Committee on Federal Legislation and shall act under direction of the latter. It shall assist said committee in the consideration of all matters of national legislation which come within the province of said committee, and also in the taking of action in favor of, or in opposition to, national legislation on any subject as directed by the Committee on Federal Legislation. In cases of legislative emergency arising between sessions of the General Convention or of the Executive Council, wherein it becomes necessary, in the judgment of the chairman of the Committee on Federal Legislation, to immediately determine the policy of the Association in favor of, or in opposition to, national legislation upon any subject, or where any committee created by the Association or the Executive Council or any Section of the Association officially communicates such necessity to said chairman, it shall become the duty of said chairman to submit any such question of policy in form of a resolution to the members of the Executive Council in such manner as he may deem best for referendum vote and the policy of the Association shall be thereby determined by a majority of all such members who vote thereon within a reasonable time, subject, however, to change by the Executive Council or by the General Convention.

(cc) Subjects of national legislation of special interest to any Section may be presented to the Committee on Federal Legislation as hereinbefore provided; or such subjects may be urged independently by the Federal Legislative Committee of any Section, in which case any expense incurred by the Section shall be charged to the appropriation of the Section; and where a subject of special interest is thus independently urged by any Section, no action in such case shall be taken by the Federal Legislative Committee of the Association except under the instructions of the Association in convention assembled.

New Banks Organized

ALABAMA

Anniston—The Commercial National Bank. Capital, $300,000. President, C. R. Bell; cashier, John F. Williams.

Townley—Bank of Townley. Capital, $25,000. President, A. M. Grimsley; cashier, G. R. Allison.

ARIZONA

Willcox—Riggs Bank. Capital, $25,000. President, William Riggs; cashier, E. B. McAleb.

ARKANSAS

Hartford—The First National Bank (Conversion of The Bank of Hartford). Capital, $32,500. President, E. B. Jones; cashier, Carey Holbrook.

CALIFORNIA

Centerville — First National Bank (Conversion of The Bank of Centerville). Capital, $100,000. President, John G. Mattos, Jr.; cashier, F. T. Dusterberry.

El Monte—State Bank. Capital, $25,000.

Hayward — The Farmers and Merchants National Bank (Conversion of The Farmers and Merchants Bank). Capital, $100,000. President, J. H. Strobridge; cashier, John A. Park.

Lompoc—The Farmers and Merchants National Bank (Conversion of The Farmers and Merchants Savings Bank). Capital, $25,000. President, James Sloan; cashier, W. C. Bissinger.

COLORADO

Denver — Bankers Trust Company. Capital, $1,000,000. President, Alexis C. Foster.

McClave—McClave State Bank. Capital, $15,000. President, Daniel Carl; cashier, C. D. Oliver.

Pueblo — Southern Colorado Bank. Capital, $75,000. President, A. McGovern, Jr.; cashier, R. L. Phillips.

FLORIDA

Punta Gorda—Fidelity Trust Company. Capital, $50,000.

IDAHO

Lewiston — The American National Bank. Capital, $100,000. President, A. L. Lyons; cashier, O. M. Mackey.

Nampa—First Trust & Savings Bank. Capital, $50,000.

ILLINOIS

Chesterfield—Chesterfield State Bank. Capital, $25,000. President, James T. Rigsbey; cashier, F. W. Cundall.

Okawville, Washington County — The First National Bank. Capital, $50,000. President, John F. Frank; cashier, William E. Friend.

Ottawa—Merchants & Farmers Trust & Savings Bank. Captial, $150,000. President, Al. F. Schoch; cashier, Otis M. Bach.

Preemption — Farmers State Bank. Capital, $25,000. President, Henry McCaw; cashier, Chester G. Samuelson.

Springfield — Jefferson's State Bank. Capital, $100,000. President, James W. Jefferson; cashier, Roy Z. McKown.

Washburn — Peoples State Bank. Capital, $50,000. President, Wm. G. West; cashier, Clyde M. West.

INDIANA

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

Gary—Mid City State Bank. Capital, $25,000.

Grass Creek — Citizens State Bank. Capital, $12,000.

Mackey—Mackey State Bank. Capital, $25,000.

Owensville—First State Bank. Capital, $50,000.

Owensville—Old State Bank. Capital, $30,000.

IOWA

Bedford—Citizens State Bank. Capital, $60,000.

Confidence—Confidence State Savings Bank. Capital, $25,000. President, D. C. Bradley; cashier, J. L. France.

Dexter—Iowa State Bank. Capital, $25,000.

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

Fort Madison—Santa Fe Avenue Savings Bank. Capital, $25,000. President, I. H. Freligh; cashier, F. F. Dodge.

Walnut—American State Bank. Capital, $100,000. President, Otto Ronna; cashier, W. R. Spence.

KANSAS

Selden—Farmers State Bank. Capital, $15,000. President, Otis L. Benton; cashier, J. E. Adams.

KENTUCKY

Yosemite—Citizens State Bank. Capital, $30,000.

LOUISIANA

Lawtell—Lawtell State Bank.

Marrero—Bank of Marrero. Capital, $15,000. President, Leo A. Marrero; cashier, A. J. Grefer.

MINNESOTA

Barnum—The First National Bank in Barnum (Conversion of The State Bank of Barnum). Capital, $25,000. President, R. W. Barstow; cashier, F. E. Bauer.

Chicago City—Security State Bank.

Halloway—Peoples State Bank.

Hines — First State Bank. Capital, $10,000.

Kensington — Farmers & Merchants State Bank.

New Prairie — Security State Bank, Capital, $10,000. President, Alfred O. Clave; cashier, L. O. Pearson.

Osakis—Farmers State Bank. Capital, $25,000. President, H. R. Halverson; cashier, J. H. Wendel.

Santiago—Santiago State Bank. Capital, $14,000.

Skyberg—Security State Bank. Capital, $10,000. President, C. C. Lawson; cashier, A. O. Iverson.

St. Paul — Central Trust & Savings Bank. Capital, $200,000. President, John W. Wright; treasurer, S. A. Farnsworth.

St. Paul—The Twin Cities National Bank (Conversion of The Twin City State Bank). Capital, $200,000. President, L. C. Simons; cashier, F. R. Ward.

Winona — Deposit Trust & Savings Bank. President, S. L. Prentiss; secretary, E. E. Shepard.

MISSISSIPPI

Stewart—Bank of Stewart. Capital, $10,000.

MISSOURI

Sedalia—Farmers & Mechanics Bank. Capital, $100,000. Cashier, Emil Zoernig.

NEW JERSEY

Elizabeth — The Peoples National Bank. Capital, $200,000. President, Dennis F. Collins; cashier, Theodore Degenring.

Ridgewood — The Citizens National Bank. Capital, $100,000. President, W. J. Fullerton; cashier, F. Z. Board.

NEW MEXICO

Grady — The First National Bank. Capital, $25,000. President, John F. Smithson; cashier, S. B. Cupples.

NEW YORK

Blasdell—Bank of Blasdell. Capital, $30,000.

Long Beach—The National Bank of Long Beach. Capital, $25,000. President, H. G. Heyson.

Mount Vernon—The American National Bank. Capital, $100,000. President, Charles R. Gibson; cashier, W. L. Chase.

Port Leyden—The Port Leyden National Bank. Capital, $25,000. President, Samuel J. Neff; cashier, George W. Niece.

NORTH CAROLINA

Bridgeton—Bank of Bridgeton.

Burgaw — Planters Bank & Trust Company.

Colerain — Peoples Bank & Trust Company.

Draper—Bank of Draper.

Franklinton — Commercial Bank & Trust Company.

Marshville — Mutual Bank & Trust Company.

Shelby—Cleveland Bank & Trust Company.

Smithfield—National Trust Company.

Summerfield—Farmers Bank.

Taylorsville — Merchants & Farmers Bank.

Turkey—Bank of Turkey.

West Jefferson — Farmers Bank & Trust Company.

NORTH DAKOTA

Mantador — Guaranty State Bank. Capital, $15,000.

OHIO

Adena—Adena Commercial & Savings Bank. Capital, $60,000. President, Ray Moore.

Bellaire—L. Witt State Bank. Capital, $65,000.

Cleveland—Klonowski Savings Bank. Capital, $100,000.

Dayton—Xenia Avenue Savings Bank. Capital, $50,000.

Elyria—Elyria Savings & Trust Company. Capital, $500,000. President, Elmer M. Rice; cashier, Arthur Robinson.

Zanesville—Zanesville Bank & Trust Company. Capital, $150,000. President, E. F. O'Neil; cashier, J. H. Garrett.

OKLAHOMA

Buffalo—Central State Bank. Capital, $10,000.

OREGON

Clatskanie—The First National Bank. Capital, $25,000. President, Norman Merrill; cashier, Harold B. Hager.

The Dalles—Wasco County Bank.

Troutdale—Troutdale State Bank.

PENNSYLVANIA

Bakerton (P. O. Elmora)—The First National Bank. Capital, $50,000. President, James A. McClain; cashier, Fred B. Buck.

Butler — The South Side National Bank. Capital, $100,000. President, Frank E. Troutman; cashier, John E. Allen.

SOUTH DAKOTA

Britton—Security State Bank. President, Carl J. Mohn; cashier, Buell F. Jones.

Canning—Farmers State Bank. Capital, $15,000. President, W. S. Nye; cashier, Paul Winchester.

Rockham—Securities State Bank.

Sioux Falls — Live Stock Exchange Bank.

Wakpala—Wakpala State Bank. Capital, $16,500. President, J. J. Bentz; cashier, S. A. Severson.

TENNESSEE

Chattanooga—First Trust & Savings Bank. Capital, $250,000.

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

Nashville—Bank of Nashville. Capital, $100,000.

TEXAS

Boerne—Citizens State Bank.

Dallas—Dallas National Bank. Capital, $500,000. President, J. E. Cockrell; cashier, J. C. Tenison.

Decatur—Security State Bank.

Dobbin—First State Bank.

Eliasville—First State Bank.

Gordon—Guaranty State Bank.

Greenville—Citizens State Bank.

Katy—Katy State Bank.

Nacogdoches — Nacogdoches State Bank.

Silverton—Briscoe County State Bank.

WASHINGTON

Aberdeen — The Aberdeen National Bank. Capital, $100,000. President, Charles Albertson; cashier, Norman J. Bruen.

Goldendale — The National Bank of Goldendale. Capital, $50,000. President, C. T. Camplan; cashier, C. E. Crooks.

WISCONSIN

Goodman — Citizens Bank. Capital, $20,000. President, Geo. W. D'Amour; cashier, J. H. Koppa.

Tripoli—Tripoli State Bank. Capital, $10,000. President, B. D. Stone; cashier, F. J. Kandutsch.

Council on Foreign Relations

THE Twenty-first Conference of the Council on Foreign Relations held in New York City, June 17, had as its topic, "Is the American Business Man As Efficiently Supported By His Government Abroad As Is His Foreign Competitor?" The presiding officer was O. K. Davis, Secretary of the National Foreign Trade Council, and the speakers included Philip B. Kennedy, Director of the Bureau of Foreign and Domestic Commerce, Department of Commerce; Wesley Frost, Foreign Trade Advisor of the Department of State; Elliott Wadsworth, who had just returned from making an economic investigation in Central Europe, and William F. Collins, Secretary of the Committee on Commerce and Marine of the American Bankers Association. During the round-table discussion, addresses were made by Abram I. Elkus, former United States Ambassador to Turkey, and Charles H. Chandler, of the Corn Exchange National Bank, Philadelphia.

The need of reorganizing the foreign trade service activities of the government was strongly emphasized at the conference. Mr. Frost referred to the functions of the State Department in this matter, emphasizing the value of the services rendered and commending the activities of the Department of Commerce through the Bureau of Foreign and Domestic Commerce. Both he and Mr. Kennedy, the latter of whom spoke particularly of the work of the Bureau of Foreign and Domestic Commerce, alluded to the importance of cooperation in government departments. More than one speaker brought out the necessity of more adequate pay for men engaged in vital government service abroad, and another point to which attention was directed was that a larger amount of money could be effectively spent in disseminating in this country to business men information of value secured by the Government's representatives abroad.

Mr. Elkus in his remarks said, in effect, that the United States Government must see to it that adequate protection is given America's property interests in foreign countries if the extension of such interests is to be encouraged. Mr. Chandler called attention to Germany's present activities in South America, and urged that the American public become more active in seeing that their Congressional representatives are fully informed on foreign trade matters. Mr. Wadsworth sketched interesting commercial and other developments taking place in Europe. Both the chairman and Mr. Collins called attention significantly to a paragraph in the Final Declaration of Principles adopted by the Seventh Foreign Trade Convention at San Francisco in May. This paragraph states: "The Government should maintain as a principle of foreign policy that American enterprise abroad is entitled to the same measure of protection from the government of the country where domiciled that foreign enterprises domiciled in the United States receive from this Government."

Mr. Collins referred to the action of the Executive Council of the American Bankers Association at its Pinehurst meeting in adopting a report stating that bankers believe that our Government should lend such aid as is proper in assuring American business its rightful share in world trade, specifically indicating willingness to lend its friendly offices to foreign trade financing organization in negotiations and in the collection of foreign obligations if need be. The speaker said that recent legislation along the lines of foreign trade financing has given a new and very great opportunity for the right sort of Government support in reasonable undertakings designed to increase America's prosperity, and, at the same time, to give business-like help to foreign peoples who see the truth that production and thrift constitute the basis of welfare and that production can come only from work.

Feeding a great city with the aid of the Motor Truck. Though only nine years old, this Packard Truck has seen several generations of ordinary trucks go to the scrap heap. There are many Packards still doing today the same work they started to do nearly fourteen years ago

What Does the Scrap Heap Cost American Business

OFFICIAL survey shows that American business put $408,311,585 into motor trucks last year, and will spend another $568,650,000 during 1920.

How much of this vast expenditure represents *net growth* in trucking facilities?

How much is simply *replacement* of trucks bought only two or three years ago?

You can get out of a truck just what the builders put into it—and *no more.*

THE Packard people are primarily *transportation engineers.*

The basis of the Packard Truck is *unified engineering*—not merely a blue print and specifications of commercial parts; but Packard engineering design and Packard control of every Packard part.

Packard frames of *rolled* channel steel—not commercial pressed steel.

Packard live axles of special steel, *heat-treated* in furnaces designed by Packard. Tensile strength—220,000 pounds to the square inch.

Packard Engine both *strong* and *simple.* Four crankshaft bearings, as against the ordinary three.

One cam shaft only, and but *three* timing gears, in the Packard.

All valves *enclosed,* with automatic lubrication.

Packard clutch and universal joints *enclosed.* The clutch of dry multiple disc type, with *extra-large* clutch surfaces. No leather, and nothing exposed.

Packard *four-speed* transmission, with *even* ratios—as against only three speeds and uneven ratios.

Packard gears *forged* and *heat-treated* by *unique* methods that give 10 to 20 per cent above average shock resisting ability, steady load value and long life.

THE Packard Truck has nothing in common with the truck "assembled" to meet an arbitrary price—nor with that built on the "exclusive" one-at-a-time idea.

It is built and sold on the business-like basis of *assured transportation returns* every day—an enduring *net gain* in your trucking facilities.

"Ask the Man Who Owns One"

PACKARD MOTOR CAR COMPANY, *Detroit*

Library Service

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 $3.15.

COMMERCIAL GEOGRAPHY. By C. C. Adams. Price, $1.85.

FOREIGN EXCHANGE EXPLAINED. By Franklin Escher. Price, $1.60.

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, $2.90.

RURAL CREDITS. By Myron T. Herrick. Price, $2.90.

PRINCIPLES OF BOND INVESTMENT. By Lawrence Chamberlain. Price, $6.20.

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

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

THEORY AND HISTORY OF BANKING. By C. F. Dunbar. Enlarged by Oliver M. W. Sprague. Price, $1.90.

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

NEW YORK STOCK EXCHANGE. By H. S. Martin. Price, $1,40.

DIGEST OF LEGAL OPINIONS. By Thomas Paton. Price, $2.50 to members. $3.00 to non-members.

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

"Loans, a Study for Banker and Borrower." By Edmund D. Fisher.

"How Much Will Prices Fall?" By Andrew J. Frame.

"Our Public Debt." By Harvey Fisk.

"Needed Reform in the Present Federal Tax Laws." By Morris F. Frey.

"Community Trusts." By F. H. Goff.

"Currency in Circulation." By W. P. G. Harding.

"Development of a Trust Department of National Bank." By Virgil M. Harris.

"Present and Future Cattle Supply." By M. F. Horine.

"Bankers' Income Tax Problems." By H. B. Hunter.

"Two Years of Faulty Taxation and the Results." By Otto H. Kahn.

"America's Financial Equipment for Foreign Trade." By Fred I. Kent.

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

"Foreign Trade Outlook." By Eugene Meyer, Jr.

"International Finance and Trade." By Eugene Meyer, Jr.

"Cost of Living." By A. C. Miller.

"Fiscal and Currency Standards, as the Future Measure of the Credit of Nations." By Paul M. Warburg.

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

"Oil, the World's Greatest Asset, from Its Inception to Date." Megargel & Co.

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

"Short Method Analysis of Depositors' Accounts."

"Thrift, How to Teach and Encourage It."

"Acceptances."

"Cartels or the Webb Law."

"County Bankers Associations."

"Credit Statements."

"Credit Unions."

"Edge Export Finance Act."

"Federal Farm Loans."

"Federal Reserve Act."

"Federal Revenue and Income Tax Act."

"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."

"Service Charges for Small Checking Accounts."

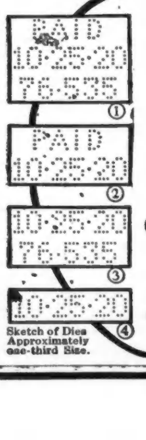
"Transportation Act of 1920."

Due Diligence means using "the best means known for the purpose"—which is the **effective cancellation** of every **Check, Draft** and **Certificate of Deposit.**

SAFETY FIRST SAFETY FIRST

The name **"Cummins"** means the right machine at the right price. Every machine backed by our 33 years' experience.

4 MACHINES IN 1



Sketch of Dies Approximately one-third Size.

Our **Cummins System Special** answers the demand of banks for a machine to do all the canceling and dating work *effectively* by perforations. Changes are instantly made—nothing to break or get out of order.

1 Full canceling die to be used on all checks, drafts, certificates of deposit, etc., containing the bank's A. B. A. number.

2 For use to advantage on customers' papers. Shows complete cancellation but not actual payment to the bank itself.

3 A thorough cancellation for notes that have been *renewed,* not "paid."

4 Perforates the date alone—on deposit slips, letters, receipts—everything.

Cummins Perforator Co.
Formerly
The B. F. Cummins Co.
Makers of Punch-Hole Marking Machines Since 1887
4752 Ravenswood Avenue
Chicago. Ill.

FREE TRIAL

Our **Cummins System Special** sent on 30 days' free trial; 3% discount for full payment at time of acceptance, or quarterly installments.

Price $82.50, f. o. b. Chicago. No obligation on your part if machine is not satisfactory.

DETROIT

The Auto Center is the Logical Place To

LEARN AUTO AND TRACTOR BUSINESS

Training for Head and Hand

With the Motor Industry admittedly in its infancy and with Detroit the Heart of the Industry, there can be but one logical place in which to learn the Auto, Truck and Tractor business—Detroit. With more than 180 auto, truck, tractor and accessory factories going night and day, the possibilities here in Detroit and all over the world are tremendous for men who thoroughly know this business.

What Big Bankers Think of the Future of the Motor Industry

Every now and then some alarmist predicts a decline in the Motor Industry. Just recently, when rumors of such an occurrence were rife, there appeared in various newspapers a lengthy article headed "Bankers' Purchase of Interest in the General Motors Increases Confidence." In part, the article read: "Confidence in the future of the motor car industry has been expressed in no uncertain degree by dominating factors of world finance through the recent purchase by the J. P. Morgan interests and the Explosive Trades, Ltd., of London, of substantial interest in the General Motors corporation. * * * Production schedule for General Motors for the year beginning August 1, 1920, is approximately 690,000 passenger cars and commercial vehicles and 170,000 tractors and farm trucks, together with parts of a total estimated value of $800,000,000."

This action by the world's largest financiers has had a tremendously stabilizing effect upon the entire Motor Industry, of which Detroit is the heart. Because of this the man contemplating entering the Auto, Truck or Tractor business and who may seek your counsel, need have no fears as to its stability and future.

The Opportunity to Get Into a Well-Paying Business

Not a One-Man School

This school is founded on the best, newest and most practical principles in the Auto, Truck and Tractor business. Our courses are built with the closest and most liberal cooperation from Manufacturers, Garages, Service Stations and Owners. It is not one man's ideas, but the combined ideas of the biggest and most successful men in each field. A. G. ZELLER, President.

To the thoroughly trained man a wonderful field of opportunities is open in this business. Garages are crowded—car owners must wait their turns—by the end of 1920 it is estimated 10,000,000 cars, trucks and tractors will be in operation. Thousands of new garages and service stations are needed. M. S. A. S. trained men can get into this business with but a small investment and can make $5,000 to $10,000 and more yearly. No other permanent business offers such possibilities in return for so small an initial investment. M. S. A. S. Graduates get and hold business because they KNOW.

Auto Factories Endorse Our Methods

The thoroughness of our methods, the completeness of our equipment and the competency of our graduates are well known in the Auto Industry. Such large auto factories as Packard, Maxwell, Hudson, Chalmers, Hupmobile, King, Buick, Oldsmobile, Paige, Federal, International Harvester Co., Emerson-Brantingham, Moline and others endorse our Courses, employ our graduates and furnish us with their latest chassis for our students' use. In fact, many of the leading manufacturers assisted in outlining our Courses.

What We Teach and How

Each student is taught Auto, Truck and Tractor construction in every detail. We train both the head and the hand. There are over 100 motors of all types in our block test department. Our Course in Auto Electrics is very thorough—graduates have no trouble locating any electrical trouble quickly and easily. Students get complete, thorough and practical knowledge of Motors, Starting, Lighting and Ignition Systems, Carburetion, Combustion, Transmissions, Differentials, etc.

As a part of the regular Course, students are given complete and thorough training in the care, repair and operation of Farm Tractors and Farm Lighting Plants. Brazing, Welding and Tire Repairing are taught in separate Courses. Either of these Courses may be taken separately, but if taken with the regular Automobile Course makes a valuable addition to the equipment of any student.

To men who want to sell Autos, Trucks and Tractors this training gives an exceptional advantage, for they know just how to judge the value of old machines offered as partial payment on new machines. They know these machines as no average salesman can know them.

Modern Equipment

Modern School Equipment means more than merely modern equipment; it means we must have old as well as modern types. Here you will find every type motor from a stationary gas engine to a Packard "Twin-Six"; here are two, four, six, eight and twelve cylinder motors, as well as the Knight sleeve valve type, with all of which our students become thoroughly familiar through actual shopwork. Particular emphasis is placed upon the teaching of Auto Electrics. Practically every Starting, Lighting and Ignition System, as well as other electrical equipment, including magnetos, coils, distributors, etc., are here for our students to work on. Through the entire Course every subject is treated in the same practical manner, insuring thoroughness of instruction.

A Booklet for Bankers

Sooner or later you may be called upon to judge, in a financial way, some young fellow who, through Michigan State Auto School Training, intends to enter the Automobile, Truck and Tractor business. That you may the better know just what the Michigan State Auto School is and how it trains men for the world's greatest industry, we want you to have our new booklet and a copy of "Auto School News." These give letters from auto factories and graduates—show pictures of equipment—tell everything about the School and its methods. All this and any other information sent FREE to any banker.

Our Trade-Mark and Guarantee

DETROIT THE HEART OF THE AUTO INDUSTRY

In addition to signifying that our school is located in Detroit, the Heart of the Automobile Industry, this trade-mark signifies also that our School, its methods and its aims are very close to the hearts of the manufacturers themselves. Here is our unqualified Guarantee given to every student: "We guarantee to qualify you for a position as chauffeur, repair man, demonstrator, auto electrician, garage man, automobile dealer or tractor mechanic and operator paying from $100 to $400 monthly or refund your money."

You, as a banker, realize the full protection this Guarantee gives every student.

The Old Reliable

MICHIGAN STATE AUTO SCHOOL

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

4047 Auto Building
687-89-91 Woodward Ave. Detroit, Mich., U.S.A.

Membership Changes

REPORTED FROM MAY 26 TO JUNE 25, 1920

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

California	Ocean Park	Merchants Commercial & Savings Bank, changed to Marine Bank of Ocean Park.
	San Francisco	Mercantile National Bank, Mercantile Trust Company and Savings Union Bank & Trust Company consolidated as Mercantile Trust Company.
Illinois	Manhattan	Manhattan Bank succeeded by Manhattan State Bank.
	McNabb	Farmers Bank changed to Farmers State Bank.
	Nauvoo	First National Bank succeeded by First Trust & Savings Bank.
	Quincy	State Street Bank succeeded by State Street Bank & Trust Company.
	Rankin	Rankin, Witham & Company changed to Rankin-Witham State Bank.
Indiana	South Bend	Citizens Loan, Trust & Savings Company to Citizens Trust & Savings Bank.
	Waldron	Bank of Waldron changed to State Bank of Waldron.
Iowa	Dexter	First National Bank succeeded by Iowa State Bank.
Kansas	Downs	Union State Bank changed to Downs National Bank.
	Emporia	Emporia National Bank consolidated with Citizens National Bank.
	Frankfort	Citizens Bank converted into Citizens National Bank.
Kentucky	Ashland	Merchants Bank & Trust Company consolidated with Ashland National Bank.
Michigan	Cheboygan	Cheboygan State Bank changed to Cheboygan State Savings Bank.
Minnesota	Alexandria	Douglas County Bank changed to Douglas County State Bank.
	Zumbro Falls	Zumbro Falls State Bank changed to Farmers & Merchants State Bank.
Missouri	Kirkwood	Bank of Kirkwood merged with Kirkwood Trust Company.
	Lathrop	First National Bank succeeded by First State Bank.
	Milan	Milan Bank succeeded by Milan State Bank.
	St. Charles	Central Bank of St. Charles succeeded by Central Trust Company.
Montana	Billings	American Bank & Trust Company changed to American National Bank.
New Jersey	Trenton	Trenton Trust & Safe Deposit Company changed to Trenton Trust Company.
New York	New York	Citizens National Bank merged with Chemical National Bank.
North Dakota	Max	Citizens State Bank converted into First National Bank.
Texas	Ranger	Bank of Ranger in receivers' hands.
Virginia	Keysville	State Bank of Charlotte County changed to Planters Bank.
	Norfolk	Church Street Bank changed to American Exchange Bank.
	Richmond	Bank of Commerce & Trusts, Manchester Branch, changed to Bank of Commerce & Trusts, South Richmond Branch.
West Virginia	Charleston	Farmers & Miners Bank consolidated with Merchants & Mechanics Bank.
Wyoming	Casper	Citizens State Bank changed to Citizens National Bank.

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

Arizona
First National Bank, Casa Grande.

Arkansas
Bank of Ratcliff, Ratcliff 81-547.

California
First National Bank, Bell 90-900.
Bank of Alameda County, Niles 90-642

Florida
Lake Alfred State Bank, Lake Alfred,

Georgia
Bank of Chatsworth, Chatsworth 64-564 (Regained).
Farmers & Merchants Bank, Cleveland 64-885 (Regained).
Bank of Lawrenceville, Lawrenceville 64-326.
Peoples Bank, Rebecca 64-972 (Regained).

Illinois
Lincoln State Bk. of Chicago, Chicago 2-200 (Regained).
First National Bank, Mount Olive 70-475.
American State & Savings Bank, Kankakee 70-193.

Indiana
Franklin County National Bank, Brookville 71-464 (Regained).
Farmers & Merchants National Bank, Rensselaer 71-1149.
Peoples Bank, Rolling Prairie 71-1144.

Safe Bonds for Bank Investments
HALSEY STUART & CO.
INCORPORATED—SUCCESSORS TO
N. W. HALSEY & CO., CHICAGO
49 WALL STREET, NEW YORK
CHICAGO PHILADELPHIA BOSTON ST. LOUIS
DETROIT MILWAUKEE

Iowa
Burlington Savings Bank, Burlington 72-57 (Regained).
Citizens' Bank, Lorimor 72-854.
Farmers Savings Bank, Percival 72-1715 (Regained).
First National Bank, Prescott 72-1538 (Regained).
Randalia Savings Bank, Randalia 72-1546.

Kansas
Farmers State Bank, Canton 83-475 (Regained).
Farmers National Bank, Great Bend 83-1368.
Farmers State Bank, Hunnewell 83-1289.
Neosha Falls State Bank, Neosho Falls 83-958.
First National Bank, Olathe 83-172 (Regained).
Partridge State Bank, Partridge 83-984.
Tonganoxie State Bank, Tonganoxie 83-378.
Citizens State Bank, Wichita 40-53 (Regained).

Kentucky
Hopkins County Bank, Madisonville 73-134.
Sanders Deposit Bank, Sanders 73-595.

Maine
Kineo Trust Co., Milo 52-206.

Massachusetts
North Adams National Bank, North Adams 53-263.

Michigan
Ealy, McKay & Co., East Tawas 74-399.
Elkton Bank of Frank W. Hubbard & Co., Elkton 74-631.

Minnesota
Farmers State Bank, Barrett 75-1284 (Regained).
Granada State Bank, Granada 75-769.
Citizens State Bank, Guckeen 75-1124.

Minnesota—Continued
Farmers & Merchants State Bank, Menahga 75-1497.
First National Bank, Minnesota Lake 75-534.

Mississippi
Commercial Bank, De Kalb 85-296.
Washington & Issaquena Bank, Glen Allan 85-482.
The Claiborne Bank, Hermanville 85-496.
Bank of Sherman, Sherman 85-265.
Citizens Bank, Tunica 85-463.

Missouri
Farmers Bank, Jerico Springs 80-1358.
Central State Bank, Monett 80-1627.

Montana
Shepherd State Bank, Shepherd 93-407.

Nebraska
First State Bank, Crete 76-113 (Regained).
Your Bank of Eli, Eli 76-1116.
Farmers & Merchants State Bank, Hubbell 76-580.
American State Bank, Kearney 76-43 (Regained).
Martell State Bank, Martel 76-798.

New Jersey
First National Bank, Beverly 55-375.
Peoples National Bank, Elizabeth 55-104.
Long Branch Trust Co., Long Branch 55-224.
First National Bank, Port Norris 55-457.

For Investment Profits Study
The BARGAIN COUNTER
RAILROAD-INDUSTRIAL-FOREIGN GOVT.
—Copy on Request—
FRANK P. WARD
INVESTMENT BROKER
80 Pine Street, New York

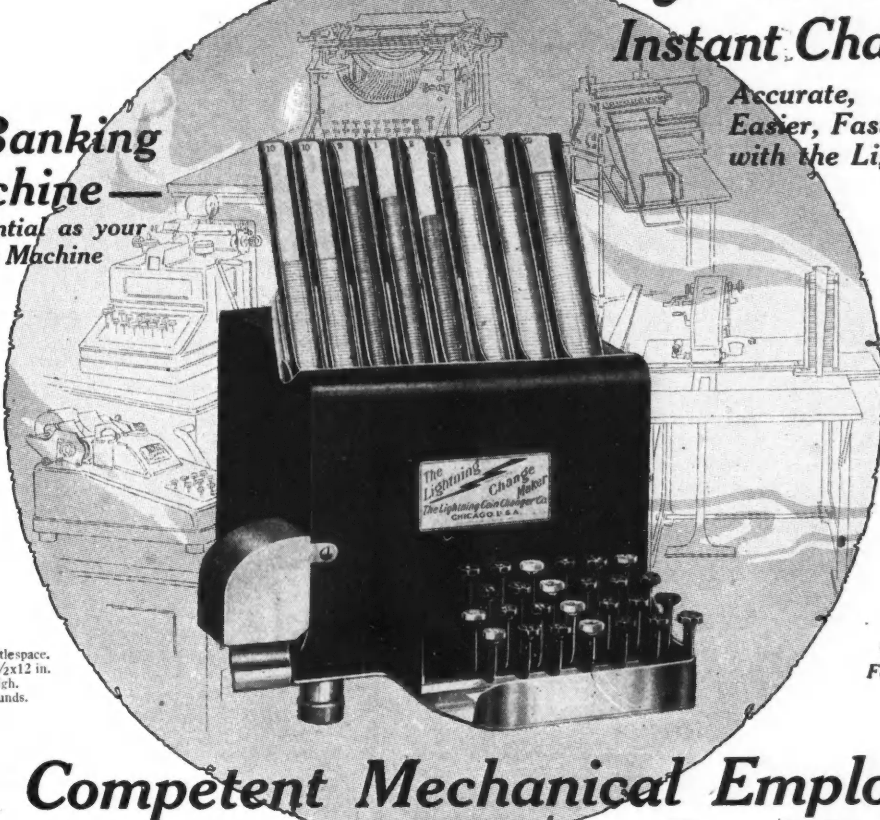
Press Only Once!

Instant Change

Accurate, Easier, Faster—with the Lightning

A Banking Machine—

as essential as your Adding Machine



Requires but little space. Full size is 9½x12 in. and 15¼ in. high. Weighs, 20 pounds.

Guaranteed For 10 Years

A Competent Mechanical Employe At a Salary of 80 Cents Per Month

What impression would your bank make if you were to return to the old methods of the time when adding machines, typewriters, etc., were not in universal use? Hard as it was then to demonstrate the labor and time-saving efficiency of such modern equipment, it now would be well-nigh impossible for you to dispense with it, even temporarily.

Labor and time saving is money saving. Handling coin—change making—is one of your teller's important duties. Why have him use valuable time to do the work a machine will do for him?

Let Us Tell You About It

You use an adding machine to figure accurately and quickly. You *SHOULD* use a Lightning to make change accurately and quickly.

Write Us For Details—Today

The Lightning Coin Changer Co.

34-36 West Lake Street
Dept. A.K.-7, CHICAGO, ILL.

New Mexico

Farmers & Stockmen's Bank, Wagon Mound 95-137 (Regained).

New York

Marine Trust Co., Fillmore Ave. Branch, Buffalo 10-2.
Marine Trust Co., Lovejoy St. Branch, Buffalo 10-2.
Marine Trust Co., Riverside Branch, Buffalo 10-2.
Bank of the Manhattan Co., College Point Branch, New York 1-2.
Bank of the Manhattan Co., Elmhurst Branch, New York 1-2.
Bank of the Manhattan Co., Fresh Pond Branch, New York 1-2.
Bank of the Manhattan Co., Long Island City Branch, New York 1-2.
Bank of the Manhattan Co., Richmond Hill Branch, New York 1-2.
Bank of the Manhattan Co., Ridgewood Branch, New York 1-2.
Bank of the Manhattan Co., Seaside Branch, New York 1-2.
Bank of the Manhattan Co., Woodhaven Branch, New York 1-2.
Jelke, Hood & Bolles, New York 0719.
Farmers Bank, Springville 50-560.

North Carolina

Bank of Bridgeton, Bridgeton 66-700.
American Trust Co. Branch, Charlotte 66-19.
Peoples Bank & Trust Co., Colerain 66-706.
Citizens Bank, Gates 66-592.

North Dakota

First State Bank, Werner 77-857.

Ohio

Hyde Park Savings Bank, Cincinnati 13-71 (Regained)

Oklahoma

Aline State Bank, Aline 86-643.
Allen National Bank, Allen 86-1077.
Bank of Ashland, Ashland 86-671.
Canadian Valley Bank, Asher 86-613.
First National Bank, Berwyn 86-678.
First National Bank, Bigheart 86-1128.
First State Bank, Binger 86-682.
Blackburn State Bank, Blackburn 86-635.
Bank of Boynton, Boynton 86-497.
Farmers State Bank, Braman 86-1074.
Central State Bank, Buffalo 86-1152.
Bank of Burlington, Burlington 86-696.
Byars State Bank, Byars 86-697.
Bank of Cache, Cache 86-699.
Bank of Capron, Capron 86-1126.
First State Bank, Carter 86-397.
First State Bank, Centralia 86-602.
Chattanooga State Bank, Chattanooga 86-572.
First State Bank, Clayton 86-1088.
Coleman State Bank, Coleman 86-714.
Oklahoma State Bank, Council Hill 86-935.
Dale State Bank, Dale 86-726.
First State Bank, Davis 86-304.
The Bank of Deer Creek, Deer Creek 86-728.
First State Bank, Depew 86-729.
Dill State Bank, Dill 86-731.
Farmers State Bank, Dustin 86-1101.
Bank of Elgin, Elgin 86-739.
First National Bank, Fairland 86-741.
Bank of Fairmont, Fairmont 86-742.
First Bank of Fallis, Fallis 86-743.
Fay State Bank, Fay 86-746.
Farmers State Bank, Fitzhugh 86-747.
Caddo County Bank, Fort Cobb 86-608.
Francis National Bank, Francis 86-992.
Citizens Bank, Gans 86-752.
Farmers State Bank, Garvin 86-753.
Farmers State Bank, Gibbon 86-757.
Bank of Gotebo, Gotebo 86-465 (Regained).
Grainola State Bank, Grainola 86-764.
Greenfield State Bank, Greenfield 86-766.
Guaranty State Bank, Hallett 86-768.
Oklahoma State Bank, Hammon 86-645.
Farmers State Bank, Hanna 86-579.
Farmers & Merchants Bank, Hayward 86-771.
Peoples Bank, Hickory 86-775.
Hitchita State Bank, Hitchita 86-936.
Hopeton State Bank, Hopeton 86-1119.
Delaware County Bank, Jay 86-789.
Bank of Jefferson, Jefferson 86-652.
Bank of Jones, Jones 86-792.
Farmers State Bank Kenefic 86-969.
Farmers State Bank, Knowles 86-963.
First State Bank, Leedey 86-924.
First State Bank, Lehigh 86-258.

Oklahoma—Continued

First National Bank, Lone Wolf 86-499.
Bank of Manitou, Manitou 86-596.
Guaranteed State Bank, Marlow 86-249.
Bank of Meeker, Meeker 86-630.
Bank of Meno, Meno 86-829.
Milfay State Bank, Milfay 86-1121.
Farmers & Merchants Bank, Nash 86-633.
Bank of Navina, Navina 86-837.
First State Bank, Optima 86-1025.
Farmers & Merchants Bank, Perry 86-161.
First State Bank, Pocasset 86-856.
First National Bank, Quapaw 86-1080.
Bank of Commerce, Ralston 86-527.
Richardville State Bank, Richardville 86-1084.
Citizens State Bank, Rocky 86-617.
Farmers & Merchants Nat. Bk., Roff 86-383.
State Exchange Bank, Salt Fork 86-875.
First State Bank, Seminole 86-570.
First State Bank, Shamrock 86-1084 (Regained).
Shattuck National Bank, Shattuck 86-343.
Farmers & Merchants Bank, Sparks 86-879.
Stillwater State Bank, Stillwater 86-146.
First State Bank, Stilwell 86-384.
First State Bank, Strong City 86-958.
Stroud State Bank, Stroud 86-1039.
Bank of Sugden, Sugden 86-887.
Sumner State Bank, Sumner 86-888.
Guaranty State Bank, Texola 86-625.
Farmers & Merchants Bank, Tryon 86-898.
Planters State Bank, Tushka 86-899.
First State Bank, Tuskahoma 86-900 (Regained).
First State Bank, Vanoss 86-905.
Citizens Bank, Wakita 86-598.
State Bank of Wakita, Wakita 86-599.
Security State Bank, Wanette 86-502.
First State Bank, Warner 86-911.
Guaranty State Bank, Weatherford 86-224.
Bank of Welch, Welch 86-494.
First State Bank, Wilburton 86-217.
City State Bank, New Wilson P. O. Wilson, 86-1124.
Wright State Bank, Wright 86-1106.

Pennsylvania

First National Bank, Lehighton 60-717.
County National Bank, Lock Haven, 60-561.
Peoples Bank, Marianna 60-1504.
Parkway Trust Co., Philadelphia 3-154.
Sunbury National Bank, Sunbury 60-378.

South Carolina

First National Bank, Brunson 67-462.
Farmers National Bank, Norway 67-386.

South Carolina—Continued

American National Bank, Spartanburg 67-37.
Bank of Union, Union 67-103.

South Dakota

Farmers State Bank, De Smet 78-147.
Gettysburg State Bank, Gettysburg 78-788.

Tennessee

Bank of Adamsville, Adamsville 87-291 (Regained).
First Trust & Savings Bank, Chattanooga 87-44.
Pinson Savings Bank, Pinson 87-451.
Westmoreland Bank, Westmoreland, 87-489.

Texas

Johnson Bros. Banking Co., Thrift Branch, Burkburnett 88-1949.
Bank of Crystal Falls, Crystal Falls 88-1962.
First National Bank, Irene 88-1111 (Regained).
Guaranty State Bank of Cottonplant, Necessity 88-1855.
Security Investment Co., Inc., Paris 0716.
Guaranty State Bank, Pasadena 88-1872.
Rock Island State Bank, Rock Island 88-1274.

Virginia

Peoples Bank, Ashland 68-591.
Western Frederick Bank, Gore 68-558.

Washington

Buena State Bank, Buena 98-408.
Security National Bank, Everett.
National Bank of Goldendale, Goldendale 98-432.
Rockford State Bank, Rockford 98-423.

West Virginia

Burnsville Exchange Bank, Burnsville 69-260.

Wisconsin

First State Bank, Campbellsport 79-473.
Peoples State Bank, Elmwood 79-1001.

Canada

Merchants Bank of Canada, Chinese Branch, Vancouver, B. C. 0718.

Mexico

A. Zambrano & Sons, bankers, Mexico City 0717.

German Municipal and Industrial Bonds

offer now in view of the LOW RATE of exchange for Marks, an exceptional opportunity to the

AMERICAN INVESTOR

to acquire safe interest paying bonds at ONE FIFTEENTH their normal value.

The security behind these issues remains first-class, regardless of political and International developments; the capital invested in these bonds will increase with every upward movement of Mark exchange. Interest can be collected here in Dollars.

Our Berlin office cables us daily quotations and we offer a large line of these securities at most reasonable prices in Dollars. Descriptive circular on request.

The new TAX LAWS of the GERMAN REPUBLIC as they affect—

AMERICAN CAPITAL

invested in German securities, are carefully analyzed in a booklet, which we will send free on request.

von Polenz & Co. *Inc.*

Investment Bankers

60 BROADWAY, NEW YORK

Phones - Rector 721-725

CHICAGO PHILADELPHIA MILWAUKEE