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GREETINGS

THE law of custom decrees that once a year all right-thinking persons shall pause in their several stations, look back over what has gone before and exchange expressions of hope for the success of that which is to come. It is a custom both profitable and pleasant—profitable because we learn and progress largely by the experiences of the past, and pleasant because the season is peculiarly dedicated to spreading the gospel of good will. In this spirit of mingled retrospect and prospect the Journal-Bulletin extends greetings to its readers, with the hope that the coming twelve months may bring plenty and prosperity.

During the past year the Journal-Bulletin has made rapid strides in the way of enlargements and improvements demanded by the members of the American Bankers Association. As a rule, each monthly issue consists of 112 pages, of which sixteen pages, bound separately, comprise the Protective Section. Apparently the separation of the protective feature from the main section has been found beneficial to both departments and has met with the favor of subscribers. The monthly circulation is now about 31,000 copies. Every issue contains interesting articles of an informative nature on banking and finance and kindred subjects, in addition to the matter embraced in the regular departments of the Association work. Much favorable comment has been received on the improved typographical dress as well as on the contents of recent numbers, and it is hoped that readers will feel free at all times to send in suggestions or criticisms. Communications are always welcome, as more than anything else such expressions tend to maintain a close relation between reader and writer.

During the coming year the Journal-Bulletin will strive not only to keep up to the level already achieved, but to excel still further in the upbuilding of a publication that shall be worthy of the highest ideals of the American Bankers Association; and in this endeavor it bespeaks the hearty co-operation and support of members and subscribers.

TOPICS OF THE MONTH

THE NATIONAL BANK SECTION

THE National Bank Section of the American Bankers Association promises to be an organization of the greatest efficiency. Its work will undoubtedly be of value to national banks and to the commercial banking interests. It is the first time that either national banks or commercial banks have had an organization through which they could work in united purpose and for the common interest. At this time the Federal Reserve Act, its administration and its operation are the matters of chief importance to national banks. The men trained in commercial banking under national charter have been long accustomed to shouldering the responsibility for the integrity of the country's finances. In the face of legislative and supervisory obstacles they have met these responsibilities, and it was the disastrous result of statutory interference with their freedom of action that brought on panics and sequential business depression. Compelled by law to become members of the Federal reserve system, they have been watching the development of the reserve banks not only with interest but with solicitude. If they have been infrequently consulted or if their suggestions have been ignored it was doubtless because they have been compelled to act as individuals and usually without particular knowledge of the views of the majority of their own members.

The governors of the Federal reserve banks have organized themselves into a conference for the purpose of discussing questions in which they are all interested. This conference has had many meetings with the Federal Reserve Board to the benefit and advantage of both organizations. But neither the governors nor the members of the Federal Reserve Board could speak with assurance of the general feeling of national bankers in respect to any particular question or in respect to the operation of the Reserve Act. Both bodies have, therefore, cordially welcomed the National Bank Section. It is important that the managers of the reserve banks and the members of the Federal Reserve Board know with particularity the sentiments of national bankers in regard to the reserve system. They have been handicapped to some extent by the lack of such knowledge.

National bankers have also been handicapped. They should exchange views and discuss matters of mutual interest to the end that their opinions may be unified and crystallized and the members of the Reserve Board may know the views entertained by bankers. The National Bank Section is the medium through which this interchange of views and crystallization of sentiment will come. Every national bank should be enrolled as a member of this Section and every member should keep pace with the development of the Reserve Act.

There are many other things in which national bankers are keenly interested, but interest in the Reserve Act and its future overtops all other questions at this time.

EMERGENCY INSTITUTIONS

At the meeting of the Executive Committee of the National Bank Section in Washington last month consideration was given to particular phases of the reserve system. The matter of domestic acceptances, branch banking, a change in capital payments and a variation in reserve methods were discussed. Underlying these and other questions affecting the operation of the Reserve Act is the fundamental one of whether or not the reserve banks are to be going or emergency institutions. If this problem can be solved the others will be greatly simplified.

It has been often stated in these columns that the intention of those who gave time and study to a new banking system was to establish a going central institution or several of them. By this is meant institutions which would have daily transactions with their members and be component parts of the banking scheme of the country. They were not to be institutions which were to lead an innocuous banking existence until there came an emergency which would call into operation all of their reserve strength. The Aldrich-Vreeland Act was an emergency measure and, as such, it worked satisfactorily under the one test to which it was put. It was inexpensive and efficient so far as supplying currency was concerned. Expert opinion was to the effect that the country needed something more than this, and in some measure and to some extent expert opinion was heeded in the formulation of the Reserve Act. Where it was not heeded difficulties have arisen.

CAPITAL REQUIREMENTS

No one could have foreseen what the capital requirements of a reserve bank system would be. Experience seems to have shown under the peaceful operations of the Act that the mere liability of the banks for the required capital would have been as effective as its payment. Paid-in capital creates a dividend liability. Dividends necessitate banking operations and the accumulation of earnings. Under present circumstances the necessity for earnings seems synonymous with competition between the reserve banks and their stockholders. So far as the stockholding banks have been able to prevent this competition they seem to have done it. On the other hand, the necessity for dividends has driven the reserve banks and the Federal Reserve Board to devising means whereby the earnings of the banks could be increased. The only field for the enlargement of the operations of the reserve banks is the open market and operations therein as outlined in section fourteen of the Act. So far these operations have not been particularly extensive and, unless there is some revision of the law, they probably will not be.

The suggestion has been made that the Federal Reserve Board take under consideration a plan to refund the capital payments to the member banks. Approval of this plan would probably end the necessity the reserve banks are under to make profits; it would also have a tendency further to suspend the active participation of the reserve banks in the constant financial life of the country pending the arrival of an emergency. They would become less than ever going institutions.

RESERVE REQUIREMENTS

Another proposal is that reserve funds which have not yet been paid into the reserve banks be withheld and that country banks, at least, be allowed to count as reserves balances on deposit with reserve city and central reserve city banks. This, it is argued, is to the extent of the amount involved a reversion to the discarded banking system and a step backward. It would reintroduce a fictional sum into the total amount of banking reserves. There is a counter-proposal. If present reserve requirements for country banks are so high that balances on deposit in correspondent banks are out of the question, the remedy is not to permit such balances to be counted as reserves but to reduce the reserve requirements.

It must be remembered that under the scientific and highly developed banking systems of the old world the banks do not carry reserves at all, in the sense in which the word is used in this country. Reserves abroad are in the central reserve banks. In this country bankers have not been trained under such a system and it would be impracticable, and perhaps disastrous, to make so radical a change. But students of the question profess to foresee the time when in this country reserves will be in reserve banks and operating banks will carry for reserve purposes paper of a kind which is acceptable for rediscount.

It is perhaps too early to determine whether it would be advisable to make a reduction in reserve requirements at this time. The question is one for determination by bankers rather than by Congress.

It is not amiss to say that many bankers hold the opinion that the reserve money in the Federal reserve banks constitutes a fund held against the expected emergency; that it is merely idle money stored up against a time of need and that the banks will have no recourse to rediscounting when necessity does not press. On the other hand, it is obvious that if the reserve banks could withdraw from their members a sufficient amount of funds the latter would be forced to rediscount. As it is now, the necessity to rediscount does not exist and any reduction in reserve requirements would make the necessity for rediscounting still more remote and the reserve banks would become even more emergency institutions than they are at present.

THE CAUSES OF IT

It would not be fair to member banks to say that the reserve banks have done little business because of hostility to the new system. The system has defects, and not the least are defects of early administration and administrative features of the Act. It was plainly an error to bring into existence at one stroke twelve reserve banks. There has apparently been about enough business for two or three. Two or three, or one, could have done all the business there has been to do and all the business there will be to do for an indefinite time to come. The Organization Committee tortured the language of section two into new meaning. The banking system, which is the pride of the administration that created it, would have been farther along the road to success if the political view had been less warped by partisanship and sentimental hostility to ancient fictions about a central bank. If the banks are emergency institutions, there has been erected a system most cumbersome and expensive.

AS TO ELASTICITY

Another defect is that an Act whose first purpose was "to furnish an elastic currency" has failed to do so. In some measure this failure is due to conditions which could not have been foreseen, viz., the upheaval in Europe, which has turned a flood of gold in the direction of the United States. As a result of excessive gold imports, which the repurchase of American securities held abroad could not hold down, there has been a currency expansion of approximately $400,000,000. The Federal reserve system, designed to meet any possible spasm of contraction, was unfortunately not designed to cope with the question of expansion. The country is afflicted with a currency inflation and is menaced with the dangers that accompany it.

For this condition a measure of responsibility is due to the disease of "cheap money and lots of it." A reluctant plan to redeem $25,000,000 of bond-secured currency a year is hardly designed to meet a condition in which the expansion is $30,000,000 a month, if gold is considered merely as currency and not as the basis for credit in a ratio of $4 or $5 of the latter to $1 of gold. It is a pertinent suggestion that if this situation is to be met some plan to provide the $196,000,000 by which the total issue of greenbacks exceeds the amount of gold held against them should be forthcoming. If such a reduction in the fixed elements of the patch-work currency scheme could be made, some effective measure of elasticity would be injected. It might even eventuate that as a means to securing currency member banks would be forced to rediscount and the reserve banks would begin to make profits without recourse to ingenious schemes for increasing the open market operations of the reserve banks. More than the reluctance of bankers to have recourse to rediscounting when their vaults are stuffed with funds, the failure of the Act to provide an elastic currency has defeated the very purpose which its framers intended—to bring into existence reserve banks which would be going institutions.

BRANCH BANKS

In the present condition of banking laws when branch banks are mentioned the reference is almost invariably to the establishment of branches in the community where the parent bank operates. There seem to be two arguments in favor of legal permission for national banks to establish such branches: one is that under existing laws national banks are unable to compete on anything like equal terms with state institutions; the second is that national banks are not allowed to give the service to their communities which they should. The first point gains emphasis, since it was decided that a national bank might combine with or absorb a state bank having branches and retain the branches. This opens an indirect way through which branches may be obtained. If there is an indirect method there might as well be a direct one.

The second point gains emphasis from the fact that in many communities the service rendered by national banks is superior to that of the state institutions, and that business institutions are deprived of convenience in the matter of their banking arrangements.

There are cogent arguments against the establishment of branches by national banks. Branch banks in the cities where the parent is domiciled would be a step, it is urged, to an extension of the branches to the county and ultimately to the state and nation. By country bankers and by those who are advocates of a completely independent banking system such an ultimate extension, however remote, is regarded with suspicion. It would not only interfere with the independence of the banks, but offer a form of competition which country banks could not meet and which would tend toward monopoly and all its evils. Such an extension would probably stabilize interest rates, but that is another question.

The opponents of branch banking in any form have many bankers in their number. The relations between country and city banks are now so intimate and are founded on such strong sentiment that these bankers see in the extension of branches a rupture of agreeable relations and profitable connections. It is a proposition to be studied carefully in all its phases because the present tendency is strongly toward permission for national banks to have branches in the cities where they operate.

DOMESTIC ACCEPTANCES

No discussion of the matter of domestic acceptances can be begun without reference to the reasons which moved Carter Glass to oppose this form of security when the Federal reserve bill was in conference. Mr. Glass said with decided emphasis that the introduction of such credit instruments into the system would be followed by a saturnalia of expansion. Despite this view, and doubtless for the purpose of enlarging the field for "open market operation," the Federal Reserve Board has gone as far it could. It has made the trade acceptance a form of paper in which Federal reserve banks may deal and it has legalized by regulation paper based on cotton stored in a public warehouse, while it has been strongly urged to give open market standing to paper secured by cotton and grain stored in private warehouses.

The National Association of Credit Men has indorsed an amendment to the Reserve Act permitting domestic acceptances by banks. It is this form of paper on which European banking systems are based. In this country, however, the proposed change affects rather a business than a banking custom. It was business concerns, not banks, that created single-name paper, and it is business that would be primarily affected by the change. In one of its aspects it would be an advantage to the banks because it would tend to increase banking profits if Mr. Glass's saturnalia did not develop to cause offsetting losses. The great jobbing houses and many manufacturers use their personal resources as the basis of bank credit and carry their customers, charging various rates of interest when bills are overdue. This custom makes it possible for the large merchandising concerns to borrow money at low rates of interest while they charge their customers on overdue bills the legal rate. This difference in interest rates is not infrequently a source of large profit to jobbing houses.

But whether or not banking profits would be increased by permitting banks to make such acceptances, it goes without saying that following the inauguration of the system there would be great confusion which would necessarily continue until there came a new adjustment as the result of new credit information.

POLITICS

The resolutions of the Federal Reserve Board forbidding the consideration of candidates for Class C directorships, who hold political offices or are politically recognized and indorsed, will relieve the Board of much annoyance. Class C directorships were pounced upon as plums with which office-seekers could be rewarded and political debts be paid. The difficulties that the Board encountered last month in making selections was doubtless the reason that prompted the adoption of the resolution. The condition was presumably a reflection of that which existed when the first Class C directors were appointed. At that time the list of candidates covered dozens of typewritten pages and their indorsements came from about all the members of Congress and most of the Cabinet officers. The number whose claims to appointment were supported by William Jennings Bryan was multitudinous and Mr. Bryan led some of the others by a narrow margin.

No one is eligible to appointment as a Class C director who is an officer, director, employee or stockholder in any bank, but two of them—the Federal reserve agent and the deputy reserve agent—must be persons "of tested banking experience." Instead of adopting resolutions which could readily be misinterpreted to mean that politics in the reserve system is a matter on which the Board frowns, the Board might have defined "tested banking experience" and thereby have excluded the whole race of politicians.

BANKING VIEWS

A bill has been introduced to abolish the Federal Advisory Council. So far as the outward manifestations of its work are concerned, the Advisory Council has not been an active organization. Among the first things that it undertook to advise was the abolition of the office of Comptroller of the Currency. This suggestion seems to have caused some consternation and it is difficult to divorce it from the proposal to abolish the Advisory Council by way of retaliation.

If the inference is correct, it is illustrative of the dangers that beset those who presume to advise on matters not acceptable to the political forces. In his preliminary explanation of the bill when it was placed on passage Representative Glass said of the Advisory Council: "The functions of this board are wholly advisory and it would amount merely to a means of expressing banking opinion." In respect to the recommendation that the office of Comptroller of the Currency be abolished, it was undoubtedly an expression of banking opinion. Mr. Glass said further: "It gives the banking interests of the several districts ample power to make their needs known, and, so far as they deserve acceptance, to secure such acceptance."

A legislative threat of extinction is hardly calculated to muzzle the Advisory Council. In the present instance the pinch of the shoe lies in the fact that the proposal "deserves acceptance." However, there is a variety of ways in which bankers may make their views known.

"ALL BUNK"

John Burke, Treasurer of the United States and candidate for the United States Senate from North Dakota, has made further criticism of the Minneapolis Federal Reserve Bank to this effect:

> There is another provision in the reserve bank Act which says that the banks may loan money for six months on notes, drafts and bills drawn for agricultural purposes or for live stock. That is the clause which is of real benefit to the farmer.
>
> But the Federal Reserve Bank at Minneapolis has not carried out that provision, and why not? In my correspondence with its chairman, John H. Rich, I asked him that question and he has never answered my letter.
>
> The only answer I have seen to it was a statement from Mr. Rich in a Minneapolis newspaper in which he characterized it as "all bunk."
>
> Here is a clause put in the bank bill that obviously was put there for the farmers' good. It is given precedence over other kinds of paper, for it has a six months' maturity whereas other paper has only three months'. The purpose of this was to let the farmer get his money long enough to finance his crop.

It is doubtful if it is possible to explain to Mr. Burke just what prompted the increase to six months in the permitted maturity for agricultural paper. It was due to the insistence of senators from agricultural districts. These senators seemed to hold the view that as soon as a bank had discounted a farmer's note that the paper would be taken to the reserve bank for rediscount. Practical experience under the Act has shown that such a course would be profitable to the banks if they could get over the impediment that discourages rediscounting for profit. But Mr. Burke seems to hold the view that the Minneapolis reserve bank can deal directly with farmers. Mr. Rich knows that it can not. His assertion that Mr. Burke's contention was "all bunk" is, therefore, a proper answer.

It would probably be idle to suggest that Mr. Burke read the Federal Reserve Act. Reading it would probably not alter his views. The only serious point in this controversy is that Mr. Burke has been three times governor of North Dakota; he is now Treasurer of the United States and a candidate for the United States Senate. His position of leadership rather than his qualifications for it make him an important personage and the farmers of his state would be justified in the assumption that he had correctly interpreted the Federal Reserve Act if they had not speedily discovered that the Federal Reserve Act is one thing and John Burke's interpretation of it quite another.

GOVERNMENT DEPOSITS

On the deposits of government funds which were transferred to the Federal reserve banks on January 1st, the Secretary of the Treasury has announced that he will demand no interest. The revenues of the government will, therefore, be diminished by approximately $160,000 a year as the result of this initial transfer of deposits. Mr. McAdoo may be subjected to adverse criticism because of his decision and he would be equally the subject of criticism if he had charged the customary two per cent. How much better it would have been if he had not had the "shall" in section fifteen of the Reserve Act changed to "may."

FINANCING PREPAREDNESS

An interesting question in regard to plans for national defense is whether the cost shall be added to the bonded indebtedness of the country or shall be paid out of current revenues. Theoretically both methods accord with business rules. One element of the cost is for permanent improvement and another is for the support of whatever it is of which preparedness consists. Politics has a part in the question. A material increase in the bonded indebtedness of the country will have its influence in the campaign which is soon to open while payment of the cost of preparedness out of current revenues will necessitate an increase in taxation which will require large amounts of explanation and defense. There is much occupation ahead for the contrasted activities of the devil and the deep sea.

FROM ANOTHER ANGLE

The London City and Midland Bank has about 1,000 branches located in all parts of the world. It was recently reported that the Bank of Cuba has under consideration the advisability of organizing a bank under the laws of the state of New York. There is apparently nothing to prevent such an action on the part of the Bank of Cuba providing it can get the co-operation of enough citizens of the state of New York to form a corporation.

Plans to extend the banking interests of the United States into foreign fields, either by action of individual banks under the provisions of the Federal Reserve Act, or through the proposed amendment permitting national banks to combine in the ownership of foreign branches, may open a new form of competition at home. If one of the large English banks conceived a plan to have branches in the United States the way is apparently open for it and the institution of such a branch or branches, whether they are such in name or not, would provide facilities for banking in foreign lands such as no bank of this country will have for many years to come. In the realm of international banking there is a form of competition quite unknown in the domestic field.

CONTRACTION IS AS IMPORTANT AS EXPANSION

By E. D. HULBERT

The Federal reserve banks have been in operation for just a year. It is most unfortunate that they were not open when the European war began. I believe that if they had been there would have been no suspension of payment on the part of the banks and the country would have been saved the enormous losses which we suffered between August 1 and November 1, 1914.

Our experience at that time demonstrated that the Aldrich-Vreeland Act was palliative and not a preventive measure. It took about two weeks to get the machinery of the Aldrich-Vreeland Act into effective working order. It was of immense assistance after that, but it was too late to prevent a general industrial suspension from which we have not yet fully recovered.

It was an unfortunate coincidence that the Federal reserve banks opened at a time when we were experiencing a national reaction from a period of violent contraction. Violent contractions in money and credit are always followed by periods of expansion which, if unchecked, lead almost certainly to another crisis.

We are now passing through such a period of expansion, and the Federal reserve banks seem to be doing little or nothing to avert the danger of inflation. On the contrary, there is a tendency on the part of the Federal reserve banks to encourage borrowing on the part of member banks.

The function of the Federal reserve bank to contract credits in a period of over-expansion is just as important as is its function to expand credits in a time of excessive contractions. On account of the comparatively small amount of Federal Reserve notes in circulation the present situation is entirely beyond the control of the Federal Reserve Board, but there are some things it could do, such as forcing the retirement of the Federal Reserve notes that have been issued and raising the official rate of the Federal reserve banks as a warning.

It is disturbing to find, at a time when the pendulum is swinging dangerously far in one direction, the Federal reserve banks seem to be accelerating the movement rather than checking it. The farther the pendulum is allowed to swing in one direction the more difficult it will be to check it when it starts the other way, and as the present tendency to expansion is beyond the control of the Federal Reserve Board it is quite possible that a tendency to contraction may eventually follow, which will also be beyond control. The machinery of the Federal reserve banks, however, is much better designed to cope with conditions of contraction than with conditions of expansion. What we want is to get the country accustomed to having the brakes put on both ends so that fluctuations of rates shall be confined to narrower limits.

It is impossible to estimate just how much the Act has done already, but no one familiar with the facts will deny that the mere presence of the Federal reserve banks has had a stabilizing influence in the business world.

Rural Credits Campaigners Introduce Avalanche of Bills in Congress

Proposed Measures Range from Amendments to Federal Reserve Act to Voluminous Documents Outlining Elaborate Plans for Using Government Money to Aid Farmers—Preaching the Doctrine of Low Interest Rates.

SIXTEEN bills providing for various methods of making loans on farm lands and to farmers have been introduced since Congress convened December 6th. The bills range in completeness from a mere amendment to the Federal Reserve Act increasing the amount that national banks may loan on farm lands to measures which cover sixty-five pages of printed copy of the usual form.

Senator Henry F. Hollis of New Hampshire, chairman of the sub-committee which has been preparing the compromise land mortgage bill, has replied to an inquiry from the JOURNAL-BULLETIN by sending an abstract of the proposed bill which covers the essential features. Senator Hollis expresses regret at not being able to furnish a copy of the bill as at the time of writing it had not yet been reported. In his letter he said:

"We concluded our labors last Friday (December 24th) and I am authorized to report a land mortgage bill to the full committee of the Joint Congressional Committee on Rural Credits next Monday. There were no dissenting votes. The bill is non-partisan, and the Republicans on the committee have joined with the Democrats in recommending its passage. * * * One very important feature of the bill is this: Every borrower must apply for his mortgage loan through a co-operative association, either limited or unlimited. The borrower contributes five per cent. of the face of his loan toward the capital of the local association, which subscribes a like amount to the capital of the land bank. The land bank is allowed to issue farm loan bonds to the amount of twenty times its capital. By this plan the increase of capital and consequent loaning power is automatic with every borrower."

The abstract forwarded by Senator Hollis states that the bill provides for a comprehensive farm mortgage credits system under the control and supervision of a land bank board, of five members, to be appointed by the President, with the approval of the Senate. The country would be divided into twelve districts, each with a regional land bank having a capital stock of $500,000, to be issued in $10 shares, for purchase by the public. Any such stock not taken within ninety days by private capital or by local loan organizations contemplated by the bill, would be subscribed by the Federal Government.

Business would be done directly between the regional banks and the local bodies, which farmers would be authorized to organize in the form of co-operative farm loan associations, or joint stock banks, charters for which would be passed on by the land bank board. Applications for loans approved by the local organizations would be recommended to the regional bank of the district. The banks would be authorized to loan out of capital stock or to sell bonds to obtain sufficient funds to make the loans, and the farmers would the charged as interest the interest on the bonds, plus one per cent. In order to reduce the rate of interest on the bonds, the bill would provide that they must be accepted by banks as security for the deposit of public funds.

The borrowing associations would be divided into two classes, those organized with limited liability and those with unlimited liability. They would appraise the land on which a farmer sought to obtain money and would themselves become liable for the loan. Thus the bonds would be backed by the regional banks, the local association, the borrowing farmer and a mortgage on the land, given to the association. Out of their profits regional banks ultimately would refund to the Government such money as it may have invested in the enterprise. Payments of the mortgages by borrowers would be made on the installment plan, running for a period of not exceeding thirty-six years.

The land banks would be permitted to accept savings deposits, and in certain specified cases to employ special agencies, including trust companies and savings banks, to make loans.

Senator Fletcher of Florida, who has been an earnest student of rural credits, has proposed a measure which probably embodies the best thought on the subject—if the best thought considers that Federal action is necessary. The only relation that the land bank, proposed by Senator Fletcher, is to have with existing banks is that land bank bonds are available as security for the deposit of postal savings funds and other deposits of public funds; they are a legal investment for time deposits of national banking associations and for the savings banks of the District of Columbia.

Senator Gronna of North Dakota provides for government aid in the form of an immediate deposit with the National Farm Loans Association, provided for in his bill, of $5,000,000 by the Secretary of the Treasury. This deposit is to be increased as rapidly as state loan associations are formed.

In several bills account is taken of the fact that postal savings are available and subject to the control of Congress. Government aid is apparently popular. Several bills provide that the Secretary of the Treasury shall advance money directly and some provide that the bonds of the loan associations shall be purchased by the Treasury. Representative Henry of Texas wants the Secretary of the Treasury to buy at least $100,000,000 of farm loan bonds per year. Mr. Doolittle of Kansas wants the Secretary of the Treasury authorized to print Treasury certificates and have these certificates made money and legal tender by law. There is another bill which provides for government aid to workers in building and buying homes. Under this bill the Secretary of the Treasury is directed to "print legal tender notes to the amount of $500,000,000, the notes to bear the words 'Workers' Home Greenbacks.'"

There are various allusions to the Federal Reserve Act. Representative Adamson of Georgia would have the Federal reserve banks, member banks or any other bank empowered to make loans on farm lands. Representative Aiken would have national banks authorized to lend money on farm security. Many of the Congressmen who have introduced these measures have no apparent appreciation of the difference between commercial banking and investment banking and little conception of what is meant by liquid bank assets. Putting into the Federal Reserve Act a provision which permits national banks to make loans on farm lands in any amount or under any circumstances or conditions was a precedent which has had its effect on the common views of banking. Propositions to connect the Federal reserve system or the member banks in any way with a land bank scheme or to make the bonds issued by such banks proper instruments in which national banks may deal are the natural results of section twenty-four of the reserve act. At the end of twenty-five years of constant and of five years of acute agitation for a new banking system, and two years after the new banking system became a reality, so little progress has been made in the education of the public and of congressmen as to what banking means and what it is, that there are innumerable schemes for mussing up the achievements that have been placed in legal form on the statute books.

The bills noted below are offered as illustrations of the trend of congressional thought. Some of them are ingenious and some of them are competent if there is first an admission that a rural credit system of a national character is either desirable or necessary.

Sowing the Seed of Low Interest Rates

Thaddeus H. Caraway of Arkansas: "To provide for a low rate of interest and long time loans in aid of agriculture, and for other purposes."

Mr. Caraway's bill differs from a dozen others that have been introduced for similar purposes in that it contains a preamble which stands as an excellent illustration of what he had in mind. The preamble reads:

> *Whereas,* Experience has demonstrated that a banking system suitable and adequate for the transaction of commercial banking is unsuited and inadequate for agriculture; and
>
> *Whereas,* The rate of interest that prevails in commercial transactions is in excess of that agriculture can pay; and
>
> *Whereas,* It is desired to establish a system whereby those bona fide engaged in agriculture may obtain a loan at a low rate of interest and long-time payment; and
>
> *Whereas,* It is not desired to disturb local banking conditions; and
>
> *Whereas,* It is in the interest of agriculture and good citizenship that large landed estates be not acquired; and
>
> *Whereas,* Those who actually reside upon the land and till the soil should be the owners thereof: therefore
>
> *Be it enacted,* etc.

Mr. Caraway's bill provides that there be created in the Treasury Department a rural credits commission of five members and that all postmasters shall be the agents of the commission to "perform whatever services may be required of them without pay." Applications for loans shall be made to postmasters and the latter, with the assistance of appraisers, shall send the applications for loans to the rural credits commission in Washington. If the application for a loan is approved by the commission the latter is required to send to the postmaster, from whom the application was received, the necessary notes and instruments to be executed. "Thereupon said notes and instruments for the loan shall be sold in the open market for par at the lowest rate of interest procurable," and the proceeds shall be transmitted to the borrower. There are further provisions for amortization and it is provided that the "United States of America shall guarantee the payment of all interest and principal of loans procured under the provisions of this act."

Senator Fletcher's Bill

Senator Fletcher of Florida (member of the Southern Commercial Congress and chairman of a committee that made an investigation of rural credits systems): "To provide for the establishment, operation and supervision of a national farm land bank system in the United States of America, for the creation of depositaries for postal savings and other public funds, and for other purposes."

Senator Fletcher's bill calls for the establishment of a bureau of the Treasury Department whose chief officer shall be known as the Commissioner of Farm Land Banks and who is empowered to issue charters or certificates of incorporation for the establishment of national farm land banks and to exercise supervision over such institutions under such general rules and regulations as the Secretary of the Treasury may prescribe. Farm land banks may be organized by not less than ten persons with a capital stock of not less than $100,000. The farm lank banks, in addition to the usual corporate powers, are empowered to make loans upon farm lands anywhere within the state in which each is located. Loans are to be made for not more than thirty-five years and they may be made "to complete the purchase of the agricultural land mortgage; to improve and equip such land for agricultural purposes; to pay and discharge debts secured by mortgages or deeds of trust on such lands." In the case of improved lands the loans are not to exceed fifty per cent. of the value or forty per cent. in other cases. There is provision for amortization. The banks may "issue, sell and trade in" their own collateral trust bonds which may be issued in series and various denominations and they are forbidden to charge an interest rate greater by more than one per cent. of the rate paid on the bonds they issue.

There is a provision which permits any "land mortgage association or corporation, or any similar institution, including building and loan associations or savings and loan associations (lending exclusively on farm mortgages) to become a national farm land bank under this act."

The land bank bonds issued by these banks are available "as security for the deposit of postal savings funds and other deposits of public funds; as a legal investment for time deposits of national banking associations, as defined in the Federal Reserve Act, and for the funds accumulating in savings banks organized and doing business in the District of Columbia; as a legal investment for trust funds and estates under the charge of or administered by any of the courts of the United States; as collateral security for loans or discounts by member banks of the Federal reserve system to national farm land banks or to individuals, for not exceeding five years, to an amount aggregating not over twenty-five per cent. of the capital and surplus or to one-third of the time deposits of the said member banks making such loans. Such loans to be made and held by the member banks making the same, as being within the provisions of section twenty-four of the Federal Reserve Act, so as to permit member banks to lend to national farm land banks, on their obligations with national land bank bonds as collateral security in place of making the loan directly on farm lands, as provided for in said section."

There is another provision to the effect that land bank bonds will take the place of other securities as investments for postal savings deposits.

To Use Government Funds

Senator Gronna of North Dakota: "To provide for the creation of a National Farm Loans Association and state and local associations."

The capital stock of the state association shall be not less than $50,000 and not more than $5,000,000 and each state association shall subscribe for not more than $2,000,000 of the capital of the national association, whose authorized capital shall be $50,000,000. The provision of particular interest in Senator Gronna's bill is that "the Secretary of the Treasury shall deposit with such association the sum of $5,000,000" as soon as the organization is completed and "he shall further deposit with such association the sum of $200,000 on proof of the organization of any state association with a subscribed capital of not less than $50,000." If the subscribed capital of a state association is greater than $50,000 the Secretary is authorized to deposit the amount by which the subscribed capital stock of such state association exceeds $50,000.

The National Farm Loans Association is empowered to borrow money and to issue bonds for this purpose, the bonds to bear the rate of four per cent. per annum. As security for the bonds the association is required to hold an equal amount of farm mortgages. Loans on farm lands are to be made through the state associations and there is the usual provision for amortization. There is also a provision for "short time loans." These may be made by state associations through the local associations, which are responsible to the state associations. Short time loans shall pay interest at the rate of six per cent. There is also a provision for the repayment of sums advanced by the Treasury out of the earnings.

Farm Loans from Postal Savings

Senator Gronna also introduced a bill "to provide for the making of farm loans from the postal savings fund." This bill is identical with that introduced in the House by Representative Smith of Idaho. It provides that the Postmaster-General be authorized and directed to make loans on farm mortgages of such funds as may be deposited with postal savings banks, and the whole process is under the control of the post-office department.

Loans from Federal Reserve Banks

Representative Adamson of Georgia: Making it lawful for "any Federal reserve bank, or member bank, or any other bank, state or Federal, to make loans to actual farmers to run for twenty years * * * based upon farm lands as security and earning a rate of interest not to exceed five per cent. per annum." It is also provided that the banks may sell such security in the investment market or may transfer "said obligation and security * * * to the Treasurer of the United States * * * and the Treasurer of the United States shall refund such bank the amount loaned."

Farm Credit Bureau

Representative McKellar of Tennessee: To create a farm credit bureau in the Department of Agriculture. The declared purpose of the Act is "to enable the government of the United States, by means of the establishment of said Farm Credit Bureau, to lend money direct to farmers upon security of farm first mortgages * * * with a low rate of interest, without the necessity of building up a class of land banks, or middlemen, who may divide the benefits of the Act with the farmers." The bill provides that the Secretary of the Treasury shall purchase farm loan bonds from the credit bureau in an amount not to exceed $50,000,000 during any one year "and shall pay for the same out of any moneys in the Treasury not otherwise appropriated."

Bringing in the National Banks

Representative Wyatt Aiken of South Carolina (who, according to the Congressional Directory, "has been a farmer all his life, and takes a keen interest in everything pertaining to agriculture"): "To establish a system through which national banks may make loans upon agricultural lands in aid of agriculture."

National banks, under this bill, are forbidden to make loans exceeding "two-thirds their actual value of the land to be hypothecated," and whenever any national bank shall have applications for loans on farm lands aggregating $10,000 and shall have taken first mortgages thereon, "said mortgages shall be placed in the hands of the Treasurer of the United States, and said national bank shall receive therefor from the United States Treasury a loan of $10,000 bearing interest at the rate of three and one-half per cent. per annum." The sum of $25,000,000 is appropriated for the purpose of taking up such loans. The privileges of the act are also extended to state banks and the Secretary of the Treasury is directed to take such steps as may be necessary to put into effect the provisions of the act.

To Decrease Interest Charges

Senator McCumber of North Dakota: "To facilitate farm credits and decrease interest charges on farm securities."

Senator McCumber would have in the Treasury Department a Bureau of Farm Credits and appropriate $10,000,000 to be devoted to the purpose of purchasing notes secured by first mortgage on agricultural land. As often as the Bureau of Farm Credits accumulates mortgages to the extent of $1,000,000, "it shall issue bonds in the name of the United States bearing four per cent. interest and the proceeds from the sale of the bonds shall be covered into the said fund of $10,000,000." The declared purpose of this Act is "not only to secure and facilitate borrowing upon agricultural lands at a reasonable rate of interest, but also to afford a means for those who desire a safe investment, and so long as the said bureau shall be able to dispose of bonds at par it shall accept mortgages presented to any extent above the $10,000,000 hereby appropriated."

Aid to Tenant Farmers

Representative McClintic of Oklahoma: "To give national aid to tenant farmers in purchasing homes, and to establish a Federal farm credit system." The distinctive character of Mr. McClintic's bill is that it provides "that any tenant farmer who has been engaged in the business of farming for a period of one year or more and who desires to purchase a tract of land not exceeding eighty acres, to be used as a home, shall be entitled to make an application for a loan to the sub-bureau located nearest to him for an amount equal to two-thirds of the taxable value of said land, and when the purchase is consummated the Bureau of Farm Credits shall take a first mortgage on the said property * * * running for a period not to exceed twenty years, at a rate of interest not to exceed five per cent.: provided, that no part of the principal shall become due until after a period of five years following the date of purchase, after which time the balance shall be divided into fifteen equal payments." The Secretary of the Treasury is authorized to issue $50,000,000 of four per cent. bonds, the proceeds from which shall constitute a fund to be available for the purposes outlined.

Representative Henry of Texas has a bill fifty-five pages in length which provides for a complete system of agricultural credit to be directed by what he terms a Federal Farm Loan Board. Under the Henry bill the Secretary of the Treasury is required to purchase from the Federal land banks farm loan bonds, "not previously issued or sold in an amount not to exceed $100,000,000 during any one year." Under this bill the Secretary is also authorized to sell or use for the purpose outlined any of the bonds of the United States now available in the Treasury, including Panama Canal bonds.

Tinkering with the Reserve Act

Representative Bailey of Pennsylvania has presented an amendment to the Federal Reserve Act which provides that any national bank, not in a central reserve city, may "make loans secured by improved and unencumbered real estate to an amount equal to twenty-five per cent. of its capital and surplus or to one-third of its time deposits." The Federal Reserve Act provides that loans of this kind may be made only upon farm land.

"Government Currency"

Mr. Doolittle of Kansas: "To establish a government bureau to loan money on agricultural land as security." The Secretary of the Treasury is to be the director of this plan and to get the funds to make the loans he is "authorized to have engraved and printed Treasury Certificates to be designated government currency of the United States, payable to bearer, which is hereby declared lawful money and legal tender in payment of all debts," etc.

Representative Howard of Georgia in his bill provides for a complete scheme of United States farm land banks, state farm land banks and local farm land banks and for the conversion of associations or companies which make loans on farm land into local farm land banks. The plan is very elaborate and the bill covers sixty-four printed pages.

Representative Burke of Wisconsin and Representative Smith of Michigan have introduced bills for the amendment of section twenty-four of the reserve act. Mr. Burke would allow national banks to loan twenty-five per cent. of capital and surplus or one-third of time deposits on improved and unencumbered farm land and Mr. Smith would allow national banks to loan amounts equal to fifty per cent. of capital and surplus or one-third of time deposits.

The bill introduced by Senator Tillman is identical with that of Representative Caraway.

"Workers' Home Greenbacks"

Representative Nolan of California: "To establish a Workers' Home Board for the purpose of making loans to workers with which to build or buy their homes."

Under this bill the Secretary of the Treasury is directed to prepare a design and print legal tender notes to the amount of $500,000,000. These notes are to bear the words "Workers' Home Greenbacks," "good for all debts public and private," and to bear the design of a cottage suitable for a worker, and such other embellishment as the board shall approve.

OTHER BILLS IN CONGRESS ON BANKING SUBJECTS

Devising plans for a rural credits system of national scope did not tax the powers of the Sixty-fourth Congress or exhaust its ideas of the subject of banking. As first aid to the Comptroller of the Currency, Representative Smith of Texas would repeal the section which provides for the Federal Advisory Council. Senator Owen of Oklahoma, Senator Norris of Nebraska and Representative Kinkaid of Nebraska have all introduced bills to insure deposits in national banks. Senator Gore has introduced a bill to prevent and punish usury, and Representative Clark a bill to regulate the method of calculating interest. Representative Stephens of Mississippi has offered a new scheme of national banking which is so interesting and so much a departure from accepted views that it is printed in full.

Senator Pomerene of Ohio: A bill providing for cumulative voting by stockholders in all elections of national bank directors.

Senator Owen: A bill "to indemnify depositors in member banks, as defined by the Federal Reserve Act, against loss in the event of the failure or suspension of business of such banks." The bill provides for the creation of a fund to be known as the depositors' indemnity fund and it is to be under the control and supervision of the Federal Reserve Board. The fund will consist of the proceeds of the tax on national bank circulation until the accumulation equals one per cent. of the deposits of the member banks of the reserve system.

Representative Kinkaid of Nebraska: "To provide for the insurance of deposits in national banks." This bill provides that the interest paid on public money deposited by the Secretary of the Treasury in depositaries "be covered into the Treasury as a fund for the payment to depositors balances due them in failed national banks."

Senator Norris of Nebraska: "To authorize national banking associations to avail themselves of state laws providing for the guaranteeing of deposits."

Senator Gore: "To prevent usury, provide penalties for its violation and for other purposes." The bill provides "that every national banking association organized under the laws of the United States shall keep a schedule in such form and under such rules and regulations as the Comptroller of the Currency may prescribe, showing the rate and amount of interest taken, received, reserved or charged on any loan or discount, or on any note, bill of exchange, or other evidences of debt. * * * National bank examiners are required to report details to the Comptroller of the Currency, the Comptroller of the Currency is directed to submit a quarterly report to the Attorney-General and the Attorney-General is directed to institute suit "for the recovery of a sum equal to the amount on which the illegal rate of interest was taken," but in no case shall the amount for which the action is brought be less than $200. The bill further provides that a national bank which charges a rate of interest in excess of that authorized by statute, "except a fee or commission not to exceed twenty-five cents for the execution of the instrument involved in such transaction, * * * shall, in addition to other penalties and forfeitures, be liable to the United States in damages in a sum equal to the amount on which such illegal rate of interest was taken * * * and all interest paid or charged thereon." In no case shall such penalty be less than $250.

Representative Rogers of Massachusetts: To "permit the Comptroller of the Currency to deposit upon interest the assets of insolvent national banks in other national banks of the same or of an adjacent city or town."

Representative Stephens of Mississippi: "To prevent the use of the mails and of the telegraph and telephone in furtherance of fraudulent and harmful transactions on stock exchanges." This bill denies the use of the mails, etc., to all manner of information about security transactions or securities, "unless such exchange has been incorporated under the laws of the state or territory in which its business is conducted, or unless the charter and by-laws or such exchange or the law under which it is organized shall contain regulations and prohibitions satisfactory to the Postmaster-General safeguarding the transactions of such exchange." This bill has many interesting features.

Representative Hayes of California: Providing that silver certificates shall be issued only in denominations of five dollars and under and providing that all certificates for amounts in excess of five dollars be redeemed and retired as rapidly as possible.

Representative Smith of Texas: "To enlarge the powers of Federal reserve banks." The bill provides "that in addition to the powers now conferred upon it by law every Federal reserve bank shall have the power, under such rules and regulations as may be prescribed by the Federal Reserve Board, to buy, discount and sell from or to any bank, corporation, firm or individual, notes, drafts and bills of exchange of the kinds and maturities by the Federal Reserve Act made eligible for rediscount, with or without the indorsement of a member bank. And such notes, drafts and bills of exchange so acquired by a Federal reserve bank may be used by it for securing the issuance to it of Federal reserve notes in like manner and to the same extent as if same had been acquired by re-discount as provided by said act."

Mr. Smith's bill would supplement section fourteen of the Federal Reserve Act and enlarge the list of securities for open market operations. As the law now reads these operations are confined to cable transfers, bankers acceptances and bills of exchange.

Representative Clark of Florida: "To prescribe the methods for banks to compute interest on loans and prescribing punishment for its violation." The bill is short. It reads as follows: "That from and after the passage of this act each and every bank now existing under and by virtue of the laws of the United States, and each and every bank which may hereafter be incorporated and authorized to do business under the laws of the United States, shall in calculating interest on loans calculate and charge the same on the basis known as true interest; that is to say, that when any bank shall make a loan at a given rate of interest per annum such interest shall be computed upon the basis of three hundred and sixty-five days to the year, using the figures "365" as the denominator."

Mr. Clark apparently forgot to mention the penalty for an infraction of this rule.

Representative Crago of Pennsylvania: A bill "requiring receivers for national banks to file accounts in the district courts of the United States."

Representative Moon of Tennessee, chairman of the Committee on Post Offices and Post Roads, has presented a bill which permits a postal savings bank to carry a balance to the credit of any person upon which interest is payable of $1,000, and that the board of trustees may accept additional deposits from a single depositor of $1,000 on which no interest is paid.

Representative Mondell of Wyoming: An amendment to the Federal Reserve Act which would strike out from section fifteen the words "or of the postal savings." The provision sought to be amended provides that no public funds of the Philippine Islands or of the postal savings, or any Government funds, shall be deposited in any bank not belonging to the Federal reserve system.

A Radical Bank Bill

Representative Stephens of Mississippi, in a bill "to amend the national banking laws," makes changes so radical that it is hardly likely that his measure will be given serious consideration by the Committee on Banking and Currency, to which it was referred. Congressman Stephens lives in New Albany, Miss., where he was born. He is a lawyer by profession and is serving his third term in Congress. His bill to amend the national banking laws is as follows:

That no national bank may be, become, or remain a member of, or otherwise affiliated or connected with, any voluntary or unincorporated organization performing any of the functions of a clearing house or clearing-house association; nor shall such bank be, become, or remain a member of, or otherwise affiliated or connected with any incorporated clearing-house association or with any agency or organization performing similar functions except under the following conditions:

First. Such associations must have been created a body corporate by the state or territory in which such national bank is located and doing business or by an adjoining state or territory.

Second. The membership of such association must be limited to incorporated banks and trust companies by the charter or articles of incorporation of such association or the law under which it exists, which must further provide that any solvent bank or trust company doing business within the prescribed territorial boundaries of the association, whether organized under Federal or state law, having a capital stock not less than that required of a national bank in the same locality, upon payment or tender of the fees fixed by the association and upon compliance with any other conditions prescribed by the association and which must be reasonably necessary to the performance of the legitimate functions of membership in such association as hereinafter stated, shall be entitled to become and remain a member and freely to enjoy its facilities and may enforce such right by summary process in any court of competent jurisdiction; that no member shall be suspended or expelled or deprived of the enjoyment of the equal facilities of such association without the approval in writing first obtained by the association from the superintendent of banks or like official of the state or territory in which the member so affected is incoporated if there be such official, or of the Comptroller of the Currency if the member in question is a national bank: *Provided,* That the association shall by its charter prescribe its territorial boundaries and may thereafter upon application for membership determine in the first instance whether the applicant is solvent, which determination shall, however, be subject to review and revision by the Comptroller of the Currency if the applicant is a national bank, or of the corresponding state official if the applicant is a state bank or trust company: *Provided further,* That such determinations shall thereafter be subject to further review and revision by any court of competent jurisdiction by summary process at the instance of such association or of such applicant.

Third. The charter or articles of incorporation of such association or the law under which it exists, may authorize the association, in its discretion or that of its constituted authority, to issue certificates on the security of members' assets to the extent that it shall determine that it and its members are adequately secured against loss, for use solely among members and which shall not be otherwise transferable, to pay debit balances owing by members to each other at the clearing house of such association, on condition that such certificate shall be the joint and several obligations of the several members of the association and that the same shall not be required to be redeemed by any member to whom issued except after due notice and upon the approval of the Comptroller of the Currency, if the member shall be a national bank, or of the superintendent of banks or corresponding official of the state or territory in which the member shall have been incorporated, if such member be a state bank or trust company: *Provided,* That the members to which or for the account of which such certificates are issued shall be primarily liable to the holders thereof and to the association for the payment thereof, and that as between the several members of said association, other than the member to which such certificates are issued, each member shall be liable and shall be required to contribute to the discharge of such defaulted obligations as shall remain unpaid by the members to which such certificates are issued, only in the proportion that its capital, surplus and undivided profits, as shown by its official report next preceding such default, bears to the aggregate capital, surplus and undivided profits of all the remaining members.

Fourth. The charter or articles of incorporation of such association or the law under which it exists must further expressly provide for the voluntary resignation or withdrawal of any member subject to the discharge of its obligations to the association and the members thereof, and that all the acts of said association shall be subject to judicial review at the suit of any member or applicant for membership.

Fifth. The said charter or articles of association or the law under which said association is organized must prohibit it and its officers and managers from exercising or attempting to exercise, directly or indirectly, any control or influence over its members or over the conduct of their business except as expressly authorized by its charter and from making or attempting to make or enforce any rule, regulation, arrangement, or understanding in respect of any of the following prescribed subjects.

(a) The restriction or regulation of competition between the members of the association or any of them in any matter or thing connected with the business conducted by such members or authorized to be done by them under their respective charters;

(b) The fees, commissions, or other compensation chargeable by or payable to or to be charged by or paid to any member by its customers or otherwise for the collection by or through such member or its agent or correspondent of checks, drafts, notes, or bills of exchange drawn upon banks, bankers, trust companies, or others that are not members of such association or that are outside its boundaries;

(c) The rates of interest or discount chargeable or to be charged by or payable or to be paid to members on loans or discounts to or for customers or others;

(d) The rates of interest to be allowed by members on deposits; and

(e) The rates of exchange.

Sixth. No such clearing-house association shall make, undertake, or attempt any examination of the books of account, business, or transactions of any national bank except through the Comptroller of the Currency as herein provided and the official examiners authorized to be employed by him under this act. Any such association may, however, by requisition upon the Comptroller of the Currency, procure the appointment by said comptroller of such number of examiners to be nominated by the association and approved by the comptroller in addition to his usual staff of examiners as in the judgment of the association will be necessary or proper to secure the thorough performance of the work of the examination of the national banks members of such association at such stated intervals as the association may require in addition to the examinations prescribed by existing law: *Provided,* That there shall be paid monthly by said association to the comptroller the entire cost, charges and expenses incurred by the comptroller in such further examinations.

Such examiners may be employed by the comptroller either for specified and successive terms not exceeding one year each or under such other arrangements as may be made with the association. All particulars gathered by the comptroller through such examiners or otherwise in the course of such examination or otherwise with respect to the names of borrowers, the amounts owing by them, respectively, and the collateral, if any, for such loans shall be retained in the custody of the comptroller and shall not be divulged to the association or to any of the members thereof other than to the member directly affected thereby, except that the comptroller may, in his discretion, impart such particulars to the association or to any authorized committee thereof whenever and only when in his judgment it shall be necessary to assure such association against the impending insolvency of any such member, and then only to the officials of the association intrusted with the power to receive such particulars. All data other than that concerning the names of borrowers, the amounts owing by them, and the collateral for such loans shall be at all times available to the association and to all members thereof and to every stockholder and depositor in such national bank and to all others who, in the judgment of the comptroller, shall request the same for proper purposes.

Sec. 2. That no national bank shall be or become a party to any agreement, understanding, or arrangement, or shall be or become a member of or otherwise associated or connected with any corporation, association, exchange, agency, or other body, whether incorporated or unincorporated, having for its purpose or which shall engage in any of the prohibited acts specified in section one of this act: *Provided,* That nothing herein contained shall be construed to prohibit any national bank from establishing jointly with other banks or trust companies, or both, doing business in the same city, town, or village, or within a radius of fifty miles, an agency for the collection of checks, drafts, notes, and bills of exchange drawn only upon banks outside the locality in which such agency is conducted: *Provided further,* That the sole purpose of such agency be to save collection expense to the members in making such collections and that neither such agency nor any of the members thereof shall engage in any of the prohibited acts specified in this or in the next preceding sections.

Sec. 3. That no national bank shall act as clearing agent for any other national bank or for any other bank or for any trust company that is eligible to membership in said association in the same city, town, or other place in which such national bank is located in the collection of checks, drafts, notes, or bills of exchange drawn on any other bank or on any trust company in such city, town, or place, and no national bank shall clear through or collect through any other bank or any trust company in the same city, town, or other place in which such national bank is located any checks, drafts, notes, or bills of exchange drawn on any other bank or on any trust company in such city, town or place.

Sec. 4. That no national bank shall make or enter into any agreement, arrangement, or understanding with any other bank or with any trust company having the purpose or effect of regulating its charges for collecting checks, drafts, notes, or bills of exchange for its customers or of fixing or regulating rates of interest or discount on such loans to customers or to others, or the rates of interest allowed by it to such customers on deposits, or rates of exchange.

Sec. 5. That no national bank shall knowingly enter into any agreement or arrangement with or lend money or credit to or on account of any person or corporation for use in connection with or to aid in participating in any combination, conspiracy, trust, agreement, contract, or understanding intended to or which shall have the effect to control, regulate, or affect the price or supply of any commodity or article of commerce in, or that is to be imported into, any part of the United States or subject territory; nor shall any such bank knowingly lend or advance any money or credit upon any securities issued pursuant to such combination, conspiracy, trust, agreement, contract, or understanding or in furtherance thereof or in connection therewith.

Sec. 6. That section fifty-one hundred and forty-four of the Revised Statutes is hereby amended so as to read as follows:

"Sec. 5144. Election of Directors—Cumulative Voting.—At all elections of shareholders for directors each shareholder shall be entitled to as many votes as are equal to the number of his shares of stock multiplied by the number of directors to be elected. He may cast all of such votes for a single director or may distribute them among the number to be voted for, or among any two or more of them, as he may see fit. In deciding all other questions at a meeting of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him. Shareholders may vote by proxies, but no officer, clerk, teller, or bookkeeper of such association shall act as proxy, and no shareholder whose liability is past due and unpaid shall be allowed to vote. Every shareholder of a national bank heretofore formed shall hereafter exercise his right of voting according to the provisions of this Act. No national bank shall accept or hold as security or collateral for any loan, discount, or advance made or negotiated by or with it or otherwise shares of stock or voting trust or other certificates representing any beneficial interest in any corporation unless there shall have been secured and reserved to the stockholders of such corporation the right of representation by cumulative voting as hereby defined."

Sec. 7. That there shall be added to the national banking act, immediately following section fifty-one hundred and forty-four of the Revised Statutes, as hereby amended, a section to be known as section fifty-one hundred and forty-four-a, which shall read as follows:

"Sec. 5144-a. Every person voting at any meeting of shareholders for the election of directors, previous to casting his vote, whether such vote be cast in person or by proxy, shall file with the inspectors of election a statement in the following form (the blanks being properly filled in):

"'I reside in ———. I am the owner of record upon the books of ——— Bank of ——— shares of the stock of said bank, and have been the registered and beneficial owner in my own name and right for upward of ninety days next preceding the date hereof of the aforesaid number of shares of stock, for which I desire to cast my vote at the election for directors to be held on ———, or on any adjourned day of said meeting. I do not hold said stock in trust for or for the benefit of any person other than as appears on the face of the certificate of stock held by me and as registered on the books of the association, and no person or corporation other than as appears upon the face of said certificate and upon said books has any beneficial interest in any of said shares or in the proceeds thereof. I have not been paid or promised any money, compensation, inducement, or reward for my vote or proxy or as an inducement to me to cast such vote or give such proxy.'"

SEC. 8. That section fifty-one hundred and forty-five of the Revised Statutes is hereby amended so as to read as follows:

"SEC. 5145. The affairs of each association shall be managed by not less than five nor more than thirteen directors, who shall be elected by the shareholders at a meeting to be held at any time before the association is authorized by the Comptroller of the Currency to commence the business of banking, and afterwards at meetings to be held at such times in January of each year as is specified therefor in the articles of association. The directors shall hold office for one year and until their successors are elected and have qualified."

SEC. 9. That section fifty-one hundred and forty-six of the Revised Statutes is hereby amended so as to read as follows:

"SEC. 5146. Every director must during his whole term of service be a citizen of the United States, and at least three-fourths of the directors must have resided in the state, territory, or district in which the association is located for at least one year immediately preceding their election, and must be residents therein during their continuance in office; and for not less than three months next preceding the date of his election each director must be and he must remain during his entire term of office the registered and sole beneficial owner and holder, in his own name and right, and free from debt or claim, of at least one per centum of the then outstanding capital stock of the association of which he is a director: *Provided, however,* That if the capital stock of the bank shall not exceed $100,000 he must own in his own beneficial right and interest not less than ten shares of such capital stock. The directors may be voted and paid such fees, salaries, or compensation for their services as shall from time to time be prescribed by the stockholders."

SEC. 10. That no officer or director of a national bank shall receive or be beneficiary, either directly or indirectly, of any fee, brokerage, commission, gratuity, or other consideration or inducement other than the salary or other compensation that shall have been voted him by the stockholders, for or on account of any loan, purchase, sale, payment, exchange, or transaction made by or on behalf of a national bank of which he is such officer or director.

SEC. 11. That no officer or director of a national bank shall be an officer or director of any other bank or of any trust company or other financial or other corporation or institution, whether organized under state or Federal law, that is authorized to receive moneys on deposit or that is engaged in the business of loaning money on collateral or in buying and selling securities except as in this section provided; and no person shall be an officer or director of any national bank who is a private banker or a member of a firm or partnership of bankers that is engaged in the business of receiving deposits: *Provided,* That such bank, trust company, financial institution, banker, or firm of bankers is located at or engaged in business at or in the same city, town, or village as that in which such national bank is located or engaged in business: *Provided further,* That a director of a national bank or a partner of such director may be an officer or director of not more than one trust company organized by the laws of the state in which such national bank is engaged in business and doing business at the same place.

SEC. 12. That no national banks shall lend or advance money or credit or purchase or discount any promissory note, draft, bill of exchange, or other evidence of debt bearing the signature or indorsement of any of its officers or of any partnership of which such officer is a member, directly or indirectly, or of any corporation in which such officer owns or has a beneficial interest of upward of ten per centum of the capital stock, or lend or advance money or credit to, for, or on behalf of any such officer or of any such partnership or corporation, or purchase any security from any such officer or of or from any partnership or corporation of which such officer is a member or in which he is financially interested as herein specified or of any corporation of which any of its officers is an officer at the time of such transaction.

SEC. 13. That no national bank shall lend or advance money or credit or purchase or discount any promissory note, draft, bill of exchange, or other evidence of debt bearing the signature or indorsement of any director or for his benefit, or purchase any bond, note, debenture, or other security or obligation, or make or enter into any contract or agreement involving a profit or the payment of money or other valuable consideration to any director or to any firm of which such director is a partner or in which he is interested or of any corporation of which such director owns or controls, directly or indirectly, upward of ten per centum of the share capital, unless and until previous written notice of such intended transaction shall have been given to all the directors, nor unless action thereon shall first have been taken at a meeting of the board of directors duly called for the purpose and all the facts and details of the transaction have been first recorded on the minutes of such meeting.

SEC. 14. That no officer or director of any national bank and no firm or partnership of which any such officer or director is a member shall be directly or indirectly beneficially interested or concerned in any guaranty, underwriting, syndicate, or other agreement or arrangement or understanding involving the purchase or sale of any securities which shall be purchased, sold, or dealt in by such bank, and no such bank and no officer or director thereof shall knowingly purchase or sell or assent to the purchase or sale of any such securities.

SEC. 15. That no national bank shall engage in or be or become directly or indirectly interested in or connected with any promotion, guaranty, or underwriting involving the purchase, sale, or disposition of the securities of any corporation, or make any agreement with respect thereto, or shall either alone or jointly with others offer any securities for sale by public advertisement or otherwise, or make or cause to be made or issue any statement or representation with respect to any such security: *Provided, however,* That nothing herein contained shall be construed to interfere with the disposition by such bank at public or private sale of securities or interest therein that may have been acquired by it as security for loans of money made by such bank or to which it may have derived title in the current conduct of its business of loaning money on collateral.

SEC. 16. That no shares of stock of any national bank shall be held by any other bank or by any trust company or other financial institution or corporation or in trust for any such bank, trust company, or other financial institution or corporation that is authorized to receive deposits of money or to engage in the general business of banking or to buy and sell securities.

SEC. 17. That it shall be unlawful for any officer or director of a national bank to be an officer or director of any other bank or other financial corporation that has a substantially identical management, officers, or directors as such bank or other financial corporation or of any corporation the shares of which can be bought or sold only in conjunction with the shares of such national bank or that is so related to the bank or its officers by identity or similarity of interest or management as to amount in effect to a control by either of such corporations or of the operations or management thereof by the other or by the interests that control, operate, or manage the other.

SEC. 18. That any national bank and any officer or director or other person violating any of the provisions of this act, and any officer or director thereof assenting to such violation, shall be guilty of a misdemeanor, and upon conviction shall be fined not exceeding $5,000; and any such officer, director, or other person may also be imprisoned not exceeding two years.

SEC. 19. That this act shall take effect six months from and after its passage.

THE LAND BANK OF THE STATE OF NEW YORK

By EDWIN F. HOWELL, Managing Director

The Guaranty Trust Company has purchased the first series of land bank bonds of $50,000 at four and one-half per cent. interest. These bonds are ten-year serials and based upon land mortgages deposited with the comptroller of New York State. Their strength lies in the two prime facts that they represent less than forty per cent. of the property value covered by the supporting mortgages and that this security is selected from all parts of the state. The mortgages already in the hands of the state comptroller cover property in the counties of Seneca, Ontario, Saratoga, Rensselaer, Sullivan, Westchester, Rockland, Suffolk, Albany and Nassau, with but two small New York City mortgages, one in Kings and one in Queens county.

Of this $50,000, $17,000 is loaned on rural and $33,000 on urban property. The coincidence is remarkable that in this first transaction of the land bank the proportion of rural credit to urban is almost identical with that of the principal Lanschafften of Germany.

The legality of these bonds and sufficiency of the statute under which the bonds are issued is certified by Messrs. Coudert Brothers.

This step is practically the first in the realization of actual results in the financing of rural credit by the well-considered plan of the New York State government. This land bank is capitalized by the savings and loan associations of the state. It is not contemplated that the bank will do a general public business, as its duties are to place bonds through a competent channel and transmit the proceeds to the savings and loan associations. They in turn make the individual investments. It is, therefore, a close corporation and places bonds only for its shareholding members, who deposit their mortgages into the keeping of the state comptroller.

That the business of this new and unfamiliar institution is upon a high financial plane is evidenced by the rate of interest upon its bonds and the banking interests that are backing the enterprise.

The history and methods of this institution are unique. It is technically the same system adopted in organizing the Federal reserve banks, and indeed, it has been held that the Federal Reserve Act was adapted from the first land bank bill presented in the New York legislature.

In 1912 the Banking Department of New York undertook in earnest to extend our established land credit system by a careful plan that would enable organized finance to reach the farmers of the state. This undertaking had been suggested in the circular letter of the President of the United States, written to the Governors. In that letter he advocated certain credit methods in vogue in European countries, which he believed could be adopted by our state governments and utilized by existing institutions for the purpose of extending financial credit to farmers.

Hon. George I. Skinner, First Deputy Superintendent of Banks, made an exhaustive study of the practical application of the President's suggestion and finally concluded, first, that land credit and personal credit could not be undertaken by the same institutions; secondly, that investments in long term mortgages, either flat or amortizing, by private capital individually or by corporations, of funds raised by the issue of bonds were already amply provided for in the banking law; and thirdly, that any system which could be devised to reach into the rural communities must be local and inexpensive. He found that the farming industry had been declining for many years past and that no new banking facilities could possibly be devised that would attempt to finance its restoration. During the decade 1900 to 1910, according to the United States census, 11,123 farms of 617,800 acres had been abandoned, that this abandonment was preceded by tenantry and the impoverishment of the soil, and that in the main the question was one for the agricultural department and not banking.

However, Mr. Skinner proposed that a complete system of banking would be provided, and that its success or failure would depend upon the farmers themselves. How was this to be done? He first established what is called the "Credit Union," to be organized under article eleven of the present banking law. This is a local co-operative institution based upon personal credit and may be organized in any hamlet where seven persons will combine their energies and resources to help one another in a small financial way.

Then he turned to the savings and loan associations. He found that 250 such societies, with agggreate investments in land mortgages of $65,000,000, reporting to the Banking Department were already engaged in placing long term mortgages, repayable on the amortization plan. These local societies were all financed by local money, and while their united spheres of operation covered the whole territory of the state, their mortgage transactions were made almost entirely in close proximity to their home offices. The problem Mr. Skinner faced was to send money for investment into a territory that could help itself only to a limited degree, and to do that safely and inexpensively. He proposed to give the combined savings and loan associations the power to use more money than they receive from their respective limited communities by granting to them the power to issue debenture bonds through the medium of a central organization and thus make their mortgages a more liquid asset, practically to the extent of half the resources of the society.

The rural credit system of New York State, therefore, is neither a thing supported by state aid nor an eleemosynary plan of assistance, nor yet a special trade organization. It is a plan to treat farm land credits as part of all land credits and to look upon the farmer as a plain citizen, neither a pauper nor a prince.

Under this plan it is necessary for the farmers to create their own primary organization. Those who have individual banking credit need nothing in that direction. Those who have not must first have the good opinion and endorsement of their neighbors. To acquire a farm under this New York system a tenant or small purchaser must have twenty-five to thirty per cent. of the purchase price, either personally, by personal loan from his grantor or from his neighbors or their credit union, or the backing of some altruistic society. The remainder is business. Twenty to thirty per cent. of the purchase price of the farm must be provided by the local savings and loan association of his district and the final percentage, not to exceed fifty, of the independently appraised value of the property will be provided by the issue of bonds.

This plan, worked out by the Banking Department of the state, excludes all state aid, depends upon inexpensive organization, and co-ordinates the whole financial world in a businesslike method of rural credit.

DIKES AND DITCHES OF THE RESERVE SYSTEM

By M. J. McNELLIS, Auditor, Federal Reserve Bank, Kansas City

Large sums of money have been expended in recent years in irrigating lands in the United States, making it possible to raise immense crops where it was thought formerly that such dry and sandy soil had little or no productive value. Equally marked progress has been made in harnessing great flows of water by means of engineering devices, so that floods which used to spread out over vast areas, destroying everything in their wake, are now conducted through channels which protect the surrounding country from destructive overflows and reclaim millions of rich alluvial acres to agricultural purposes. This conservation and development has also brought about many other commercial advantages, such as cheap water power and less expensive and more adequate transportation facilities.

Whatever can be said in favor of irrigation, dikes and flood protection may be urged with equal force in behalf of the Federal reserve system, for the two bear a striking analogy. The latter, figuratively speaking, has its dikes, irrigation ditches and system of flood protection, distributing, as it does, the medium of exchange proportionately throughout the various sections of our country in such a way as to give to each section sufficient money to meet its financial needs. Already its system of dikes and protection against abnormal conditions has been tested and proved adequate; also, its irrigation ditches have been extended into parts of the country which have heretofore suffered greatly on account of insufficient credit in times of stress and depression. It can now be said that our medium of exchange has enough expansion to accommodate the financial necessities of our people in all parts of the country and at all seasons of the year. No more will we witness panicky times for the same reason that the dangers from devastating floods on the one hand and severe drought on the other have been largely removed by the improved means of controlling and distributing our rainfall.

The Federal reserve system is something that should appeal strongly to our people as a whole, but more particularly to bankers for they are in closer touch with its operations and can therefore more fully appreciate its merits. It has amply proved its worth and efficiency. Some who doubted its wisdom in the beginning are now most pronounced in its praise. Like our system of irrigation and flood protection, it takes time to realize its great value.

Though the Federal reserve banks have been established less than a year, an analysis of their operations will show, in addition to the general good that they have accomplished, that every one of them is on a paying basis to-day, as reflected in the monthly bulletin issued by the Federal Reserve Board. What other banking institution in the first year of its existence has made such a record?

Every banker, whether he is affiliated with a national or state bank, should take great pride in lending to the Federal reserve bank of his district the fullest co-operation and enthusiasm. It was created for his benefit and for the benefit of the people with whom he does business.

Political Interference Produces Discontent with Operations of Reserve Banks

Farmers in Minnesota and the Dakotas Aroused by False Impression of What District Bank Could Do—Real Help Could Be Given by Solving the Storage Problem —Minneapolis Correspondent of the Journal-Bulletin Reviews Charges by Treasurer Burke.

FEAR of political interference is the one thing that has always troubled those who like to see laws carried out in the spirit intended by their authors. Such meddling may take one of two forms: it may result either in a complacent disregard of certain features or provisions; it may lead to pernicious activity or distortion. Neither is conducive to the best results.

Of all subjects of legislation, perhaps banking operations are the most sensitive to outside interference. The carefully nurtured, popular distrust of anything savoring of a central bank had its genesis in political intrusion; and even the Federal Reserve Act, not much more than a year in actual operation, has already had its innings with those who seek to turn it to political account. It will be recalled, for instance, that in the very infancy of the act Secretary of the Treasury McAdoo tried to have the Federal Reserve Board relegated to the position of a bureau of the Treasury Department, but the weight of legal opinion was against him; and since that time the Secretary has not been altogether successful in imposing his ideas—such as those relating to the establishment of Federal reserve bank branches in foreign countries, for example—upon the Reserve Board.

There has come to light recently another instance of the peculiar policy which seeks to make political capital out of the operations of reserve institutions. Unfortunately, in this particular case, the facts of which are cited purely as facts and without bias of any kind, a false and possibly harmful impression was created among thousands of farmers of the great grain states of Minnesota and the Dakotas; and this result was apparently brought about by the activity of John Burke, three times governor of North Dakota and present Treasurer of the United States.

"Grain Gamblers"

Mr. Burke's adventure into this realm originated in letters to the press at home, complaining of the inaction of the Ninth Bank at Minneapolis in providing three per cent. money to be loaned agriculturalists at six per cent. These letters contained insinuations of sinister control of the bank in the interests of the great grain "gamblers" at the terminal markets of Minneapolis and Duluth, with irrelevant remarks about a "loss" of $80,000,000 to his home state through the drop in wheat prices, and conveyed intimations that the Ninth Bank would be removed to another center if it did not mend its ways.

Following the suggestion about the closing of the bank there were instant unofficial criticisms and discussions. The press took up the closing or removal of the Minneapolis bank, settling the matter offhand both by wiping out the institution entirely and by attaching it to the Seventh Bank in Chicago as a branch. Official Washington gave the subject extended unofficial discussion and the Federal Reserve Board took note and issued a statement that the matter had not been (formally) considered. Discussion ceased only when Attorney-General Gregory rendered the opinion that the power to abolish Federal banks or reserve districts does not rest in the Federal Reserve Board.

Effect on Bankers and Farmers

In the Ninth District a different phase presented itself. Excellent progress was being made toward the extension of membership among state banks. Confidence of member banks was slowly being built up. Commercial paper was accumulating in the Ninth Bank's vaults. The Burke incident definitely stopped all movement of state banks towards membership. It created doubt and questioning among member national banks. The growth of rediscounts slowed up, and while not directly traceable to this incident, was doubtless influenced by it.

The serious phase of the incident was not in the effect on official Washington, the Ninth Bank itself, or its membership, but in the damage caused by misinformation spread among Mr. Burke's home farmer friends, who whether they correctly interpreted his outpourings or not, immediately concluded that a generous government had made large deposits of Federal funds in the Ninth Bank to be loaned indiscriminately to worthy agriculturalists at six per cent. North Dakota bank rates are eight per cent. to ten per cent., the latter being the legal rate. Cheap money looked good to the wheat farmers. They wanted it.

There were no government deposits in the Ninth Bank. It had no legal right to loan to farmers at six per cent. It could not loan at all except through member banks, and then only on the voluntary application of members. It was rigidly limited to rediscount at three per cent. of paper collateralled by "storage tickets" (local grain elevator receipts) of elevator concerns of good credit, when the rate on such paper to the maker had not exceeded six per cent. It had no power to force any member to rediscount, or to control or lower the going rate to any member, except specifically as to notes, collateralled by grain tickets, and rediscounted. One little example in arithmetic entirely escaped Mr. Burke's attention.

Some Figures as to Cost of Holding Grain

A loan of $1,000 on grain delivered in store to a country elevator in that state would cost as follows:

90 days' interest on $1,000 @ 6%......	$15.00
Storage (elevator charges), 1,500 bu...	37.50
	$52.50 or 21.2%

Holding grain at twenty-one and two-tenth per cent. as against a possible rise in price, especially with a price level ranging around $1.00 a bushel for wheat, is risky business.

Whether an emergency so serious as to justify the Treasurer of the United States in publicly intimating sinister control of the Ninth Bank in such measure as to justify its closing or removal, did actually confront the farmers of North Dakota, may be judged by the fact that in the entire period from the adoption of the three per cent.-six per cent. commodity rate on September 27th to December 1st the total business done by the Ninth Bank under it is understood to have been but about $15,000, in its territory comprising in whole or in part six great states.

Over the grain territory, the episode had one instant effect. It encouraged among farmers who hoped to realize $1.50 for wheat an impression that the government had come to their rescue. They believed they could store wheat on the farm and finance themselves at six per cent. They had faith in the Ninth Bank, and have found nothing but disappointment. The Ninth Bank has no money for them. It does not control bank rates, and it is not giving farmers cheap money.

North Dakota bankers are bitter. They have recently gone on a ten per cent. basis in response to state enactment. Their deposits have been large. By the dozens they report that they are not only willing to loan freely at current rates, but are energetically seeking farmers of sound credit with whom to place funds that are accumulating during a very slack demand for loans.

The Storage Problem

The big question that the Burke incident raises is one that Mr. Burke did not contemplate. North Dakota farmers, as well as bankers, know that storing grain on elevator tickets is unsound, costly and too venturesome an experiment to be good business. They point with justice to the conditions in that state under which the maturing fall obligations naturally force the sale of much grain as soon as it is harvested, and ask why they should be compelled to dump their wheat—one of the most valuable of commodities—at a time when the market is glutted. They are looking for the one solution that will give them any real relief. Their demand is for a method of financing that will enable them to store grain in their own granaries, on their own farms, and hold it in their own possession for easy marketing as prices may warrant.

Such a result would be an economic reformation. Howard Elliott, then president of the Northern Pacific, long ago advocated farm storage, but not as a remedy for low prices. His view, which he urged unceasingly upon farmers, was that the forcing out of the huge Northwestern grain crop during a ninety-day fall period caused pressure to the breaking point on all rail lines, congestion at terminals, delays and poor service to shippers, with the constant danger of car shortage. Farm storage, he contended, would relieve the grain lines, terminals and storage elevators.

But the farmer must have money in the fall. A plan of deferred shipments must involve a plan to finance the farmers' immediate obligations. The Reserve Board's commodity rate is well intentioned, but misses its objective in the grain territory. How it might be given the application that will fill the actual and very pressing need is not easy of solution. Grain is vendable. The farmer is not always honest. In the granary six miles from town the local banker regards the wheat with misgivings. It may be there and may not be, and if it has been removed his paper is likely worth little.

The one suggestion that offers a possibility is that the kind and character of local storage acceptable to the reserve authorities be clearly defined by regulation. The farmer complying with such rigid requirements as might be set would then be put under Federal enactment making it a criminal offense to remove or hypothecate grain stored as collateral against paper rediscounted with a Federal reserve bank. The long arm of the government, reaching through the Federal bank to the real security (wheat) behind the rediscounted paper of the farmer, might avail to protect the integrity of that security. The farmer might then enjoy a six per cent. rate (his paper having been rediscounted at three per cent.) with safety to reserve banks in grain territory and their members.

JOURNALS OUT OF PRINT

The August, 1908; October, 1910; October, 1911, and January, 1912, issues of the JOURNAL-BULLETIN are out of print. Members having copies of these issues which they do not care to preserve should send them to us. Twenty-five cents per copy will be paid.

OFFICIAL BADGES

A few of the official badges are left over from the Seattle convention. They will be sent to members on written request to the General Secretary, until the supply is exhausted. Applications for the badges will be honored in the order in which they are received.

War Loans, Expenditures and Indebtedness of the Belligerent Nations

National Debts of all Countries of the World, Now $75,000,000,000, an Increase of $32,000,000,000 in Two Years—Indebtedness of Countries at War Has More Than Doubled—Value of Property Destroyed Not Included in Figures of Astounding Magnitude.

By I. NEWTON HOFFMANN

SEVENTEEN months of war has cost the belligerent nations of Europe approximately $40,000,000,000. The average daily cost is approximately $80,000,000, which may be divided roughly into $50,000,000 shared by the Allies, and $30,000,000 expended by the Central Powers.

Internal and external government loans floated since the beginning of hostilities aggregate about $32,000,000,000.

The indebtedness of the countries at war has more than doubled, the total now being considerably in excess of $65,000,000,000.

The indebtedness of all the countries of the world, which in 1913 was estimated at about $43,000,000,000, is now figured at approximately $75,000,000,000.

The magnitude of these figures is difficult to comprehend—even for bankers; and they present an overwhelming financial picture, the counterpart of the incalculable aggregation of suffering, misery and mental pain sustained by the participants in the conflict and their relatives and friends at home. Just as it is well-nigh impossible for any one to gauge appreciatingly the distress brought about by the war, so is it impossible fully to realize its cost. The figures given are compiled from the best obtainable records and estimates made by officials and competent authorities, but their exactness cannot, of course, be absolutely vouched for. It should be noted that the cost of the war as referred to in this article, and particularly in the figures cited above, does not include the value of the military, naval and other property destroyed, but merely takes into consideration the money expended by the belligerent governments in maintaining the war, in equipping the armies and navies with ammunition, supplies, clothing and food. The expenditures made by the governments in preparation for the war are not taken into consideration in these figures. Were items omitted from these figures included, the actual cost of the war—the cost of the operation and the value of destroyed property of all descriptions—would be still more staggering.

Fundamentals of Government Financing

Before discussing the expenditures and loans of the various belligerents, the detailed compilations of which are given in this article, a brief statement of several observations on government finance will not be amiss.

First, it is well to bear in mind that the funds required by governments are derived (a) from current savings, (b) the sale of securities in foreign markets, and (c) by the pyramiding of credits.

Second, in the discussion of the financial power of a country it is customary to measure the strength of the government in terms of the strength and wealth of the people of the country. In other words, in times of war, a nation's power, physical and financial, is regarded to be just as strong or as weak as the aggregate citizenship making up the nation. There are two reasons for assuming this point of view: first, because the sense of patriotism and loyalty of a people is expected to bring about a voluntary sacrifice of personal comforts and property for the good of the state in cases where the existence of a nation is threatened; and secondly, because the government possesses the physical, if not the moral, power to commandeer for its uses, not only its citizens but their property. The right of conscription is not questioned and while governments are reluctant to resort to this means for obtaining the necessary men to go to battle, believing that the citizens would not stand back if the occasion demanded their services, in the same way and on the same theory, it is generally recognized that a government may, and can, if need be, compel its people to give up their gold and other property if such surrender is deemed indispensable by the exigencies of the situation.

As a matter of practice what governments usually do, and what has been done in the present war, is to appeal to the sentiment of the people and have them give up their gold in exchange for paper money or other obligations of the government. The need for the yellow metal is imperative for the reason that with an increased supply the banks, be they government institutions or not, are in a position to increase their output of currency without the expedient of changing laws governing the issuance of circulating medium. Moreover, in times of war, payments that have to be made in foreign countries require the passing of the precious metal, while in times of peace credits are more available and the restrictions are not quite as great.

Rich and poor alike have generously come to the aid of their governments by turning in to banks and post offices their gold coin. They have withdrawn their savings and invested their funds in government bonds and notes. They have sold their foreign securities in foreign countries, investing the proceeds in the bonds of their own government. In short, the people of each of the belligerent countries have taken the view that they are all partners in this business of war and regarding the government and its officials as the virtual leaders or managers of the enterprise, have unstintedly given of their private resources for the good of the nation.

The banks in many of the belligerent countries, especially in Germany, have employed various devices for increasing their circulating media and have resorted to numerous plans for pyramiding credits, thereby causing general financial inflation, which is bound to cause trouble later on.

The most practical method for providing means for meeting the payment of interest and principal on the various war loans is taxation. Nations as a rule are not much concerned with the liquidation of their national debts; they concentrate their attention upon meeting promptly the interest payments, and indirectly they are concerned in seeing to it that the cost of carrying the debt is reduced to a minimum. While Great Britain and some of the other countries have been in the habit of paying between two and one-half to three per cent. on their interest-bearing obligations, it is realized that in times of war the rate must be considerably larger, and consequently the rate has been materially increased in practically every case, some of the new issues costing belligerent countries six and seven per cent.

The assessment of taxes in nearly all of the foreign countries, particularly Great Britain, has been greatly increased, the income tax rate in England having been raised in the highest class of incomes to thirty-four per cent. and the limit of exemption lowered from $800 to $650.

In regard to increased revenues from taxation, mention should be made here of the fact that some of the foreign governments, especially Russia, are obliged to contend with a considerable decrease by reason of the liquor prohibition laws that have been enacted since the outbreak of the war. As is well known, liquor has always been a source of large revenue and its elimination has been keenly felt; in fact, it has been necessary to increase the rate of taxes on the most common and necessary articles of food and on incomes.

Estimates of Expenditures Made by Officials

Dr. Karl Helferrich, Secretary of the German Imperial Treasury, in a speech in the Reichstag (December 14th), referred to his estimate in August that the total cost of the war to all the belligerents was almost $75,000,000 daily, and declared that the present cost must be between $80,000,000 and $82,500,000. This, he said, would make a yearly cost of $60,000,000,000. Dr. Helferrich estimated that about two-thirds of this expenditure was shouldered by the Entente Allies and one-third by Germany and her Allies.

The British Prime Minister has publicly stated that war expenditures averaged $13,500,000 per day from April 1st to the end of July; from July 1st to July 17th it was $15,000,000 per day and that from July 18th to September 11th the average has been over $17,500,000 per day. This includes advances made to the Allies.

On the eve of Christmas a score of leading English bankers issued a manifesto to the people of Great Britain, urging the strenuous co-operation of all in rendering the country financial aid. "In the current calendar year," read the appeal to the nation, "the British people will spend £1,300,000,000 ($6,500,000,000) on war and government, next year £1,800,000,000 ($9,000,000,000). To raise this sum is a stupendous task which will try the mettle of the nation as it has not been tried in a hundred years."

Alexander Ribot, the French Minister of Finance, speaking in the Chamber of Deputies (December 16th) is reported as having said that while the war expenditures at the beginning of the conflict amounted to $300,000,000 a month, they are now $420,000,000. At the same session of the Chamber, Deputy Jules Roche declared that the war has already cost France $5,200,000,000, and that all of the belligerents had expended about $38,800,000,000.

The Appropriations Committee of the French Chamber of Deputies, reporting (December 14th) upon the requirements of the Government for the first quarter of 1916, summarized the cost of the war as follows:

"The total expenses of the Government from August 1, 1914, to December 31, 1915, were 31,024,000,000 francs ($6,204,800,000), of which the purely military expenditures were 24,347,000,000 francs, while the average expenses of the Government during the first five months of the war were 1,780,000,000 francs. The estimates for the first quarter of the new year average 2,505,000,000 francs monthly."

Belligerents Raise Thirty-One Billion Dollars

The following tabulation of war loans credits the Allies with $18,922,700,000 and the Central Powers with $11,936,250,000, making a total of $30,858,950,000 for all belligerents. To this is added loans of neutral countries amounting to $378,380,000, which gives a grand total of $31,237,330,000.

If allowance is made for the unlimited issue of five per cent. five-year Exchequer bonds by the British Government, and the unlimited issue of five per cent. bonds by the Italian Government (announcement of the royal decree authorizing the loan was made on December 24th), it is safe to place the total of foreign government loans made since the outbreak of the war at even over $32,000,000,000.

SUMMARY OF WAR LOANS

Allies

Great Britain	$7,284,200,000
France	7,931,000,000
Russia	3,148,000,000
Italy	415,000,000
Japan	26,500,000
Belgium	100,000,000
Serbia	18,000,000
Total, Allies	$18,922,700,000

Central Powers

Germany	$8,925,250,000
Austria-Hungary	2,731,000,000
Turkey	250,000,000
Bulgaria	30,000,000
Total, Central Powers	$11,936,250,000

Total, Central Powers	$11,936,250,000
Total, Belligerents	30,858,950,000
Neutral Countries	378,380,000
Grand Total Government Loans	$31,237,330,000

Of the grand total, about $830,000,000 has been floated in the United States.

Following is a detailed list of all foreign loans made to date:

LOANS OF ENTENTE ALLIES

Great Britain

First war loan 3½s on 3.97% basis	$1,750,000,000
Second war loan 4½s on 4.58% basis	2,925,000,000
Treasury bills	*1,800,000,000
Five-year exchequer 5s	*239,000,000
Half of Anglo-French loan in U. S.	250,000,000
Banking credit in United States	50,000,000
Canadian ten-year 4½s in London	25,000,000
Canadian one and two-year 5s in U. S.	45,000,000
Canadian ten-year internal 5s at 97½	50,000,000
New Zealand	50,000,000
Union of South Africa	35,000,000
Jamaica (Note Issue)	20,000,000
Indian government internal 4s	15,000,000
Indian treasury bills in London	17,500,000
Australian 5s, at 99, in London	10,000,000
British Columbia, in United States	2,700,000
Total	$7,284,200,000

France

War loan 5s at 88	$3,000,000,000
Advances by the Bank of France	1,480,000,000
Treasury bills	1,664,000,000
National defense bonds	848,000,000
Bonds and notes in London	506,000,000
Half of Anglo-French loan in United States	250,000,000
One-year 5% notes in United States	30,000,000
Commercial credit in United States	20,000,000
One-year notes in United States (since paid)	10,000,000
One-year banking credit in United States	15,000,000
Advances from Bank of Algeria	15,000,000
3½% loan, July, 1914	93,000,000
Total	$7,931,000,000

Russia

First internal 5s at 94 on 5.35% basis	$257,500,000
Second internal loan	257,500,000
Third loan, five-year 5½s	515,000,000
Fourth loan, ten-year 5½s, at 95	500,000,000
Four per cent. bonds	309,000,000
Treasury bills	1,000,000,000
Issues in France and England	277,000,000
Banking credits in United States	7,000,000
Acceptances in United States (since paid))	25,000,000
Total	$3,148,000,000

Italy

Twenty-five-year 4½s at 97	$200,000,000
Twenty-five-year 4½s at 95	190,000,000
One-year 6% notes in United States	25,000,000
Unlimited 25-year loan 5% at 97½	....
Total	$415,000,000

* Estimated.

Japan

Loan (September, 1914)	$26,500,000

Belgium

Loan from Great Britain and France	$100,000,000

Serbia

Loan from France	$18,000,000

LOANS OF CENTRAL POWERS

Germany

First war loan at 97½ on 5.32% basis	$1,115,000,000
Second war loan 5s at 98½	2,265,000,000
Third war loan 5s at 99	3,025,250,000
Nine-months' notes in United States	10,000,000
Bank loan in Sweden	10,000,000
Supplementary war credit (pending)	2,500,000,000
Total	$8,925,250,000

Austria-Hungary

Austrian 5½s at 97½, on 6.10% basis	$433,000,000
Hungarian 6s at 97½, on 6.70% basis	237,000,000
Second war loan	900,000,000
Third war loan	900,000,000
Loan from German bankers	76,000,000
Second loan in Germany	125,000,000
Credit in Germany	60,000,000
Total	$2,731,000,000

Turkey

Loan in Germany	$250,000,000

Bulgaria

Loan from German and Austrian bankers	$30,000,000

NEUTRAL LOANS

Netherlands 5% internal loan	$110,000,000
Netherlands India loan	25,000,000
One-year treasury loan	8,000,000
Rumania 4% loan from National Bank of Rumania	40,000,000
Egypt, treasury bills	25,000,000
Switzerland, internal loan	16,000,000
Five per cent. notes in United States	15,000,000
Danish 4s and 5s	28,000,000
Spanish 4½s at par	10,000,000
Greece from England, France and Russia	8,000,000
Loan in United States	7,000,000
Norway, internal loans	8,000,000
Two 6% loans in United States	8,000,000
Sweden, internal loans	9,380,000
Six per cent. notes in United States	5,000,000
Argentina, three 6% loans in United States	46,000,000
Bolivia, in United States	1,000,000
Republic of Chile, in United States	6,000,000
Republic of Panama, in United States	3,000,000
Total	$378,380,000

Increase in National Debts

Before the war, the indebtedness of all nations amounted to $43,000,000,000, according to figures compiled by the United States Department of Commerce. Of this total, the debts of belligerent countries aggregated $33,261,218,000, which has now been increased by over $30,858,950,000 in war loans alone, to say nothing of the heavy obligations incurred by these governments by the issuance of currency, and other debts.

It is interesting to note that according to the Department of Commerce figures of national debts before the war the total revenues of all nations amounted to about $12,500,000,000 a year, and that the expenditures were approximately the same amount. The total annual interest charge was estimated to be about $1,750,000,000.

The average interest rate on national debts, prior to the war, was figured at about four per cent., but under war conditions the rate is necessarily much higher and, therefore, the revenue the government must raise has to be increased proportionately. Great Britain has, in the past, paid from two and one-half to two and three-quarters per cent.; France, two and one-quarter to three per cent.; Russia, three to six per cent.; Italy, three to five per cent.; Germany, three to four per cent.; Austria-Hungary, three to four and one-half per cent.; and Turkey, three and one-half to four per cent.

The following table gives the national debts, annual revenues and interest charges of the belligerent countries, compared with the figures for all the nations of the world:

National Debts of Belligerent Nations.

	Total Debt	Revenues	Annual Interest Charges
Great Britain	$3,485,818,000	$918,805,000	$119,229,000
Australia and New Zealand	1,867,648,000	342,984,000	66,117,000
India	1,475,292,000	386,176,000	48,104,000
Canada	483,233,000	168,690,000	14,493,000
Colonies	210,036,000	127,290,000	6,556,000
France	6,346,129,000	914,604,000	186,341,000
Algeria, Tunis and Colonies	210,717,000	103,608,000	12,304,000
Russia	4,537,861,000	1,832,505,000	207,421,000
Italy	2,852,148,000	512,800,000	101,324,000
Japan	1,241,997,000	292,230,000	71,189,000
Belgium	825,518,000	146,227,000	40,409,000
Congo	54,741,000	7,801,000	1,490,000
Serbia	126,232,000	24,694,000	6,252,000
Total Allies	$23,717,370,000	$5,778,414,000	$881,229,000
Germany	$1,177,418,000	$879,656,000	$54,658,000
States	3,735,902,000	1,488,421,000	163,893,000
Colonies	20,130,000	14,297,000	1,464,000
Austria-Hungary	1,047,154,000	120,658,000	47,960,000
Austria	1,484,489,000	636,909,000	63,851,000
Hungary	1,267,801,000	410,008,000	53,763,000
Turkey	675,654,000	134,262,000	64,271,000
Bulgaria	135,300,000	36,723,000	7,749,000
Total Germany, et al.	$9,543,848,000	$3,720,934,000	$457,609,000
TOTAL BELLIGERENTS	$33,261,218,000	$9,499,348,000	$1,338,838,000
TOTAL ALL NATIONS	$42,939,631,000	$12,462,202,000	$1,747,258,000

Compared with the debts of the countries at war, the debt of the United States is very small. According to the latest report of the Secretary of the Treasury, the total interest and non-interest-bearing debt is $1,344,241,000. This includes the Government's liability for $346,681,000 unprotected United States "greenback" notes. The aggregate government receipts for the fiscal year ending June 30, 1915, amounted to $1,007,646,000. The interest charges on the public debt amounted to $21,309,679.

The accumulation of national debts is seen from the following table, the figures being those of the best economic authorities:

1714	$1,500,000,000	1872	$23,025,000,000
1793	2,500,000,000	1882	26,970,000,000
1820	7,750,000,000	1900	31,250,000,000
1848	8,650,000,000	1912	43,000,000,000
1862	13,750,000,000	1915 (est.)	75,000,000,000

For the sake of comparison the following table of the estimated wealth of the leading nations is given:

Wealth of Nations

United States	$187,740,000,000
Great Britain and Ireland	85,000,000,000
Germany	80,000,000,000
France	50,000,000,000
Russia	40,000,000,000
Austria-Hungary	25,000,000,000
Italy	20,000,000,000
Belgium	9,000,000,000
Spain	5,400,000,000
Netherlands	5,000,000,000
Switzerland	4,000,000,000
Portugal	2,500,000,000

How Long Will It Continue?

The question may well be asked: How long will the belligerent nations continue making war loans and piling up huge debts?

No direct or precise answer can be given, but it is undeniable that certain well-known laws governing the fiscal affairs of individuals operate with equal force and inevitable results in the case of nations. Just as a continuous increase in the outstanding obligations of a business man militate against his credit standing with his bank and his creditors, so the unprecedented accumulation of national debts impairs the credit standing of the warring nations. The decline, from normal, in rates of exchange on London, Paris, Petrograd, Berlin and Vienna is an indication of this fact.

As the war progresses, and more and more money is expended, the harder it becomes for the governments to borrow, especially in foreign countries. There is no doubt that Great Britain and France could not now negotiate a joint loan in the United States on the same terms as the $500,000,000 transaction of last September. At home, borrowings, as they increase, become more difficult and greater inducements in the way of rate and price must be made constantly.

Taxes have been increased everywhere and new and additional assessments are being worked out—all for the purpose of providing the governments with funds with which to meet interest payments.

This cannot continue forever, no matter how patriotic and self-sacrificing its people may be. And the nearer we approach the limit, the closer we get to the day when the war will cease.

Of the three prime requisites of war—men, munitions and money—the last is most potent and most precious. Despite the large number of men who have lost their lives, there is apparently no lack of others to take their places; the gunpowder exploded and the cannon destroyed are readily replaced by manufacturers; but when once a nation's financial power and credit are exhausted, it can no longer clothe and equip its soldiers, and must, perforce, seek some graceful way of prompting peace.

How to Get Gold by Various Methods from "Panning" to Quartz Mining

Primitive Pans and Sluice-Boxes Have Given Way to Powerful Hydraulic Mining—Ancient and Risky Ways of Working a Lode in Peru—Gold-Getting a Nobler Occupation for Man Than Gold Earning.

By ALEXANDER DEL MAR
Author of "A History of the Precious Metals"

IT may occasion some surprise to be assured that gold is one of the commonest of metals. The sea is full of it: every ton of salt water contains a grain of gold. The mountains are full of it, and the glaciers are every day grinding the rocks that confine it and spewing it out upon the moraines. We build houses of it: every brick in Philadelphia is said to hold an atom of gold. We eat it and drink it: every pinch of salt contains its golden æon.

Then if Nature holds so much of it, why does man possess so little?

Because man is too faint-hearted or too indifferent to win it by prospecting or mining, preferring rather to obtain it by the nearer process of earning it, or getting it somehow or other from his fellow-man. Anybody who will take the trouble to sum up the auriferous plunder of the Carthaginian, Macedonian, Roman, Imperial German, Portuguese and Spanish conquerors, will discover what the illustrious Humboldt long since taught in his "Fluctuations of Gold": that a large portion of the world's accumulation of the precious metals is not the product of free mining labor, but of slavery or rapine. The very first word that Columbus uttered to the wondering natives who witnessed his ceremonial landing in America was an inquiry for "oro" (gold): and he began his search for it not by mining, but slavery. His rapacious successors, Cortes and Pizarro, added torture and murder. Fifteen millions of American lives was the cost of the first half century of golden plunder.

Gold is commonly enclosed in thin veins of white quartz, penetrating fissures in plutonic rocks. Bind together two pound loaves of iced cake, with the two icings facing each other, and you have a miniature representation of a rocky mountain, or a section of country rock, intersected by a quartz vein containing gold. When the mountain or country rock is worn down by cloud-bursts, rain, snow and other bad weather accompaniments, the quartz vein, which is harder than the country rock, remains last and forms a peak or pinnacle above the ruin. This peak is what the prospector seeks, for it indicates an auriferous mine, which may contain a workable quantity of gold. Should the peak not be found, or found and not worked, both the peak and the mine beneath it will eventually be ground down by Nature and its golden contents carried away by glaciers, mountain torrents or rivers. These carriers will deposit the gold in gravel beds and sandy bottoms called auriferons, or placers.

THE SPIRIT OF '49

It is in these secondary deposits that the miner finds his readiest gold. Nature having done the trituration or grinding work which separates the gold from the dross, the miner has only to wash the gravel with a hand pan in order to win a sample of his prize. In a word, the easiest gold is found in placers; the hardest, in rock mines; the latter requiring shafts, explosives, grinding mills, hoisting and pumping machinery, besides other expensive works.

Our first illustration shows the prospector and panner. He puts a peck of gravel in a pan, washes the stuff in a creek or, lacking that convenience, in a barrel or a tub of water, picking out the stones by hand and gyrating the pan in the water until the earth and sand are washed away by the overflow and the gold, whose superior gravity causes it continually to sink, is found at the bottom of the pan.

When a stream of water is available and the auriferous field is large enough to warrant the expense, he diverts the upper waters of the stream and runs them into a pipe, whose contents, discharged upon the placer, first disintegrates or breaks it down and next washes

THE FIRST HYDRAULIC MINE IN NORTH AMERICA, CONSTRUCTED 1854

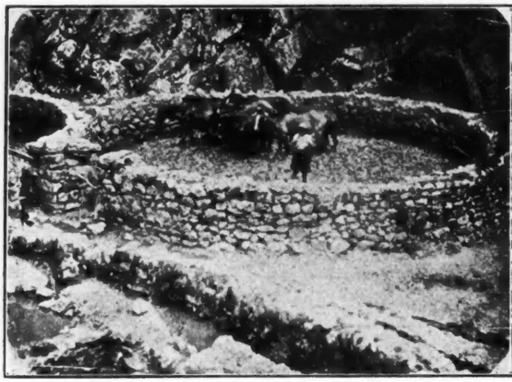
the gravel into sluice-boxes, where the work of panning is done automatically. Such works are called a sluice or hydraulic mine. The first one in North America was constructed in 1854. A daguerreotype was taken of it at the time and a photographic copy of this is in possession of the writer. The present illustration is a copy of the photograph.

Between 1854 and 1914 such vast improvements were made in this process that now instead of a hose pipe with a water head of twenty feet we have entire rivers forced into fourteen-inch steel pipes with heads of several hundred feet, discharging streams with the force of artillery and washing down gravel banks hundreds of feet in height. This is illustrated in our third picture.

When no stream of water is available, placer deposits are worked by means of the dredge. This device or structure requires only a small quantity of water, little more than enough to float the dredge, which uses the same water over and over again to wash the gravel, as well as to float itself through the desert, until the gravel is all divested, "cleaned up," of its golden contents, when the dross is cast away. See "Gold Ships and Their Cargoes," an illustrated pamphlet, giving the details of various dredge undertakings.

Turning now from placer to quartz mining, it is to be observed that in many auriferous veins and lodes silver is mingled with the gold, usually in small proportions, but sometimes in very great ones. Such last was the case in the Comstock lode of Nevada, which opened as a gold quartz vein striking down westwardly into Mount Davidson, but afterwards turning into several doré lodes running down in an opposite, or easterly, direction, somewhat parallel to the flank of the moun-

HYDRAULIC MINING AS IT IS CARRIED ON TO-DAY



THE "ARRASTRA," FOR GRINDING ORE

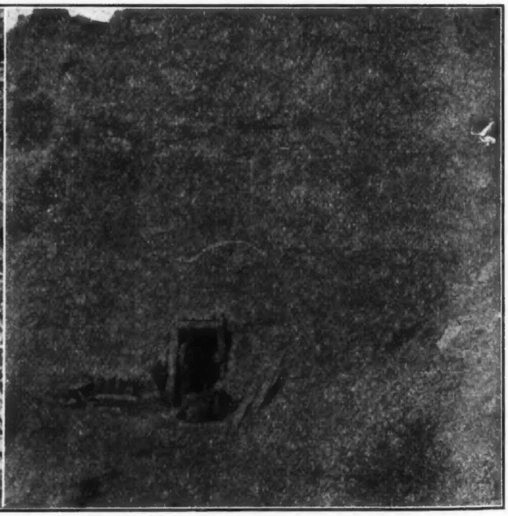
ANOTHER TYPE, MODELED AFTER FLOUR MILL

tain. This stupendous find yielded, during virtually ten years, over $300,000,000, half in gold and half in silver; hence the produce was called doré. The Comstock was practically exhausted before 1880.

The other most celebrated doré lode or series of mines is the Cerro de Pasco of Peru, though in this instance the product is chiefly silver. It was discovered and first worked some 250 years ago and is still productive.

In working a vein or lode the miner must penetrate the country rock either downward or laterally, depending on the lay of the lode. If he has no capital he "coyotes" the mine at imminent risk of his life. If he has capital enough to procure timbers he proceeds with more safety and assurance. After removing and sorting the ore—by preserving the metallic pieces and casting the remainder on the dump—he must reduce the former to bullion. In other words, he must do mechanically and chemically what, in the case of placer gold, Nature has already done for him. If it is gold quartz he must pulverize it fine enough to wash out the gold, or else extract or recover it by means of quicksilver, cyanide of potash, or some other process. The solitary miner uses a common hand pestle and mortar; a small company construct an arrastra, which is a mill with the paved earth for a mortar and an ox or a donkey to drag a heavy stone over it within a walled circle. This device for grinding the ore is a substitute for the pestle and mortar. A larger company is enabled to employ an assembly of arrastras. Some ingenious fellow among them remembers the flour mill far away in his native land and forthwith constructs a gold quartz mill on somewhat the same plan. Another of the adventurers, discovering that "self-education is a slow process of enlightenment," buys a few books and learns from Martial that the Romans had stamp mills; and from modern works that Agricola built one centuries ago; and that the Portuguese constructed a similar one in Brazil;

"COYOTING" A MINE



TIMBERING FOR SAFETY

whereupon he also proceeds to erect a stamp-mill, which is merely a pestle and mortar of gigantic dimensions, the pestles weighing half a ton each and the mortar, or "battery," made of solid steel.

There are now single quartz mills, or congeries of mills, in the United States with over 200 stamps, reducing at a profit auriferous ores that contain less than $2 in gold to the ton of mineralized rock. In these great works the employees are educated men, who earn $4 to $10 a day, while in backward South America—kept backward by circumstances which need not be adverted to here—the workmen are poor and ill-informed, while the works are crude and unskilful.

Such are the ways by which gold has been and is being got. How it is to be got, from now onward, *How to get Gold,* is yet to be pointed out.

For the young and enterprising, gold-getting is quite a simple matter, much simpler than gold-earning. Too many youths crowd the clerical staircase. Let them abandon this narrow road to success and strike out for the mountains and an independent life. A company of three or four resolute youths with a capital of $100 each would make an ideal prospecting party. The mining altitude is inspiring; the air invigorating; the chase exciting; the prize gratifying. Morever, gold-getting helps to enrich the country, and even *that* is worth thinking about. Mining locations are free; outfits are cheap; and Dame Fortune continually flits from one hiding place to another. For instance, Sam Napier, of Provincetown, Mass., "prospected" a gold nugget which yielded him no less than $60,000. This, too, was in a place that had previously been worked over by others.

But except in an unexplored region it is the quartz location that pays quickest; for if it can be proved promising for a reasonable depth downward from the outcrop, peak or crest, a ready market for it, at a highly remunerative price, is always to be found.

Such is the prospector's life. The failures which attend prospecting are commonly due to indolence, drinking or other bad habits; but failure is the exception and success the rule. Mining is an ancient and a noble vocation; and behold its ample reward!

NOTE—All of the works cited in this article will be found in the Library of the American Bankers Association.

TITLE CHANGES AMONG BANK OFFICERS

Following is a list of officers' title changes in institutions which are members of the American Bankers Association, reported to the JOURNAL-BULLETIN during the past month. Members will confer a favor by notifying this department immediately of any such changes. Publication will not be made except on receipt of direct information:

COLORADO

Greeley—J. H. B. Petrikin, formerly cashier First National Bank, now vice-president.

KENTUCKY

Louisville—H. D. Ormsby, formerly cashier National Bank of Kentucky, now vice-president and cashier.

MASSACHUSETTS

Boston—Robert H. Bean, formerly treasurer Old South Trust Company, now treasurer Casco-Mercantile Trust Company, Portland, Me.

MISSOURI

Kansas City—T. Culbertson, formerly assistant secretary Commercial Trust Company, now vice-president.

NEW YORK

Hamburg—Henry R. Stratmeier, formerly assistant cashier Peoples Bank, now cashier. Arthur J. Straub succeeds Mr. Stratmeier as assistant cashier.

New York—William C. Poillon, formerly vice-president Bankers Trust Company, now member of banking firm of Tucker, Anthony & Company, of New York and Boston.

NORTH DAKOTA

Anamoose—Max Thurow, formerly assistant cashier Anamoose National Bank, now cashier.

TEXAS

New Waverly—Will C. Jones, Jr., formerly cashier New Waverly State Bank, now president. W. A. Whitley formerly assistant cashier, succeeds Mr. Jones as cashier.

Wharton—B. C. Roberts elected president Wharton Bank and Trust Company, to succeed the late G. C. Clifford.

WASHINGTON

Seattle—Charles E. Burnside, assistant cashier Dexter Horton National Bank, now cashier.

WEST VIRGINIA

Parkersburg—W. W. Van Winkle, formerly vice-president First National Bank, now president. E. L. Davidson succeeds Mr. Van Winkle as vice-president.

WYOMING

Cheyenne—G. E. Abbott, formerly vice-president First National Bank, now president. John B. Cosgriff succeeds Mr. Abbott as vice-president.

Powell—J. E. Dowling succeeds J. B. Arnold as president of Powell National Bank.

"Commercial Preparedness" to be Keynote of National Foreign Trade Convention

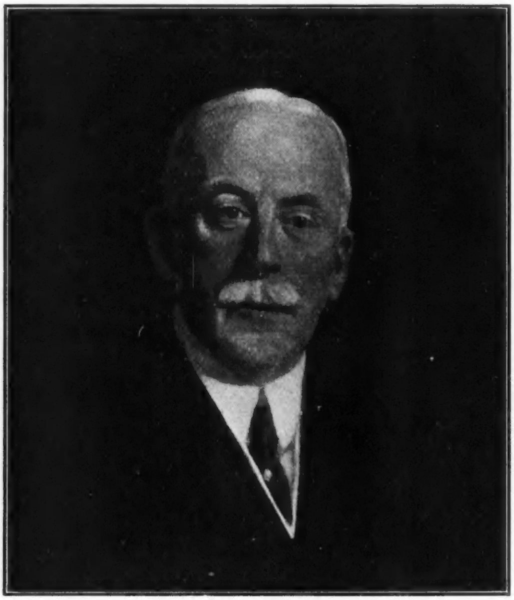
This Country's Position in the Markets of the World, International Trade Relations, etc., to be Discussed by Gathering of Prominent Bankers, Merchants and Manufacturers at New Orleans

By ROBERT H. PATCHIN,
Secretary National Foreign Trade Council, New York.

THE Third National Foreign Trade Convention, to be held at New Orleans, January 27, 28 and 29, under the auspices of the National Foreign Trade Council, promises to be one of the most important gatherings ever held in the United States for the purpose of furthering American foreign trade.

Not only will the delegates include many of the best known bankers and financiers in this country, but manufacturers, merchants, farmers and others whose affairs are in any way connected with foreign commerce. While their field of action is, of course, world-wide, yet at the forthcoming convention particular attention will be given to conditions in, and markets of, Latin-American countries. This should very much engage the attention of American bankers.

"Commercial preparedness" is the very applicable and stirring slogan of the Council. None better could be devised for an organization whose aims are those of this body. It is indeed "commercial preparedness" that the convention will urge and work for during its session, and in this it will receive the full approval of the American banking and commercial worlds.



JAMES A. FARRELL
President United States Steel Corporation, Chairman National Foreign Trade Council
(From a painting by Walter L. Clark)

The names of the fifty members of the Council, including, as they do, leaders in financial circles as well as others who are known not only throughout the United States but overseas also, are indicative of the importance and seriousness of this body and of the accomplishments that may be expected of the convention's work. The delegates, who, of course include the members of the Council, will number hundreds, thus bringing together perhaps the most remarkable assemblage of men of ability engaged both in large and small financial, manufacturing and other enterprises, the object of which is the expansion of our foreign trade, that has ever been held in this country. They will come from various points, from near the Canadian boundary line, the Pacific coast, the South, the Middle West, the Atlantic and other states.

Our Position in the World's Markets.

The opinion has been expressed that to what degree, if any, the European war will bring us ultimate advantages or disadvantages depends largely upon changes in international trade relations and trade routes. Of course these changes cannot be accurately forecasted at this time, but it may be safely predicted that they will bring surprises, and that these will be favorable to American foreign commerce. While the strategy of trade will probably be latent of greater possibilities than ever following the close of the war it must be realized that nothing is going to fall into our laps unsought, at least so far as foreign trade is concerned.

It is to the highest degree important, therefore, that we should prepare to meet such competition in the world's markets as will undoubtedly take place. To trade with other nations bargains must be made, and those nations which have nothing to give or will give nothing can expect nothing in return. As all signs point to a strengthening of trade combinations abroad it is most neccesary that American business men should develop and constantly work to build up our foreign trade association. Bankers, manufacturers, merchants and others may, by solid, constructive work, diligently promote our foreign trade not alone in times of war but when universal peace prevails.

It is this work that the Third National Foreign Trade Convention will seek to aid and further. It is clearly foreseen that in the readjustment of the world's business following the war American commerce will require all the co-operation and systematic organization that its financial, manufacturing, mercantile, agricultural, mining and transportation elements can provide, as well as the adaptation of commercial education to the needs of foreign commerce so that a steadily increasing army of young men, equipped to become foreign traders, may be graduated from our colleges and schools.

It is logical, therefore, that the program of the convention is based on the acceptance of established principles of foreign trade, such as the necessity of adequate banking facilities and transportation, the adaptation of product and sales methods to market, proper packing, knowledge of foreign tariffs and other charges and the helpful relation of investment to export trade. Of still larger scope is the development of the American merchant marine, the utilization of the tariff to encourage American foreign trade and protect it from discrimination, the adaptation of commercial education to the needs of oversea commerce and ways and means for smaller manufacturers to engage more effectively in foreign trade. These will be the primary subjects for discussion by the convention.

The Personnel of the Council.

The extent to which the Council is representative of the financial and commercial interests of the entire country, not of one section alone, is indicated by its membership. This consists of James A. Farrell, chairman, who is president of the United States Steel Corporation, New York; Frank A. Vanderlip, president of the National City Bank, New York, chairman of the recently organized American International Corporation, with a capitalization of $50,000,000; Alba B. Johnson, president of the Baldwin Locomotive Works, Philadelphia; James J. Hill, chairman of the Great Northern Railway Co., St. Paul; Willard Straight, vice-president of the American International Corporation, New York; John J. Arnold, vice-president of the First National Bank, Chicago; Willis H. Booth, vice-president of the Security Trust & Savings Bank, Los Angeles; Walter Clark, treasurer of the Council; Samuel P. Colt, president of the United States Rubber Co., and P. A. S. Franklin, vice-president of the International Mercantile Marine Company, New York; Fairfax Harrison, president of the Southern Railway Co., Washington; Cyrus H. McCormick, president International Harvester Corporation, Chicago; John D. Ryan, president Anaconda Copper Mining Co., New York; E. P. Thomas, president United States Steel Products Co., New York; J. A. G. Carson, president Carson Naval Stores Co., Savannah; E. A. S. Clarke, president Lackawanna Steel Co., New York; S. G. Crowell, vice-president the Hall-Baker Grain Co., Kansas Ctiy, Mo.; J. J. Donovan, vice-president the Bloedel-Donovan Lumber Mills, Bellingham, Wash.; John F. Fitzgerald, chairman the Foreign Trade Committee of the Chamber of Commerce, Boston; Maurice Coster, foreign manager Westinghouse Electric Manufacturing Co., New York; Lloyd C. Griscom, New York.

Also W. D. Simmons, president Simmons Hardware Co., St. Louis; Barton Myers, president Chamber of Commerce, Norfolk, Va.; Charles E. Jennings, president C. E. Jennings Co., New York; G. F. Sulzberger, Sulzberger & Sons Co., Chicago; Stewart K. Taylor, president S. K. Taylor Lumber Co., Mobile; Daniel Warren, American Trading Co., New York; J. R. McWane, president American Cast Iron Pipe Co., Birmingham; Charles M. Muchnic, vice-president American Locomotive Sales Corporation, New York; J. H. Wheelwright, president Consolidation Coal Co., Baltimore; M. A. Oudin, foreign manager General Electric Co., Schenectady, N. Y.; J. Rogers Flannery, chairman Pittsburgh Foreign Trade Commission; Robert Dollar, president The Robert Dollar Co., San Francisco; H. G. Herget, Pekin Cooperage Co., Pekin, Ill.; D. W. Kempner, Galveston Cotton Exchange, Galveston; William Pigott, president Seattle Car & Foundry Co., Seattle; William H. Russe, president Russe & Burgess, Inc., Memphis; W. L. Saunders, chairman of the board Ingersoll-Rand Co., New York; Charles A. Schieren, president Charles A. Schieren Co., New York; Welding Ring, of Mailler & Quereau, New York, and Theodore B. Wilcox, Portland Flouring Mills Co., Portland, Ore.

Among the bankers who are to attend the convention are Frank A. Vanderlip, president of the National City Bank, New York; W. S. Kies, of the foreign department of the National City, and James Matthews, of the same institution; Festus J. Wade, president of the Mercantile Trust Co., St. Louis; several officers of the National Park Bank, New York, including G. H. Koetz; James P. Roche, special representative of the American Exchange National Bank, New York, as well as several officers of that institution; R. F. Maddox, American National Bank, Atlanta, Ga.; J. A. Miller, president of the Bank of the Ohio Valley, Wheeling, W. Va., and C. K. Huston, of the Chattanooga Trust Co., Chattanooga, Tenn.

Mr. Vanderlip will be one of the speakers at the convention. His subject will deal with the national and international situation to the extent that it relates to foreign trade, as well as to the question of commercial credits.

Program of the Convention.

The convention will be called to order on the morning of January 27th by Mr. Farrell. Gov. Luther E. Hall, of Louisiana, will welcome the delegates in behalf of the state, Mayor Martin Behrman the city of New Orleans, and L. S. Goldstein representing the commercial and industrial organizations of that city.

Following this is to be an important address on "World Trade Conditions After the European War," by Alba B. Johnson. The election of a president of the convention will then be held. Mr. Farrell will speak on "Foreign Investment of American Capital as an Aid to Our Foreign Trade." Percival Farquhar, president of the Brazil Railway Co., New York, and A. J. Berwind, president of the Berwind-White Coal Co., New York, are to discuss "Investment in Latin-America," and John Clausen, of the Crocker National Bank, San Francisco, will speak on "Investment in Central America." Needless to say the subjects will be of decided interest to banker delegates and others. A general discussion of each subject, limited to ten minutes for each speaker, will follow.

The afternoon session will be opened with an address by Willard Straight on "The Relation of the Tariff to World Trade Conditions After the War." This subject is to be discussed by delegates, after which J. J. Culbertson, of Paris, Tex., who represents the Interstate Cotton Seed Crushers' Association, will speak on "Unfair Discrimination Against American Exports." "The Necessity for an American Dyestuffs Industry to Aid Export Trade in Textiles" will be the subject of an address by Henry Howard. A general discussion, also under the ten-minute rule, will take place.

Later in the afternoon group sessions are to be held, when detailed discussion of the following subjects are to take place: Group No. 1, of which W. L. Saunders is chairman, will consider "How to Utilize the Export Commission Houses." Victor Camors, of J. B. Camors & Co., New Orleans, and Daniel Warren, of New York, will lead the discussion. Group No. 2, the chairman of which has not yet been announced, is to discuss "Co-operative Foreign Selling," Charles M. Muchnic leading.

At the night session an address on "Commercial Education for Foreign Trade" is to be made, followed by the presentation of a report of the committee on commercial education for foreign trade of the National Foreign Trade Council, of which W. D. Simmons is chairman. This will be followed by another address on the same subject by Morton A. Aldrich, dean of the college of commerce and business administration of Tulane University, New Orleans.

At the morning session of January 28th an address, on "The Merchant Marine," a subject which is of the utmost importance to New Orleans in view of its large shipping interests, will be made by a delegate whose name is to be announced. The merchant marine committee of the Council will present a report on the subject, to be discussed by Capt. Robert Dollar, of San Francisco, owner of the Dollar Steamship Co.; F. D. Strachan, of Brunswick, Ga., and others. "Co-operative Foreign Selling to Meet World Trade Conditions After the War" is a paper to be presented by a delegate yet to be selected. H. G. Lewis, general manager of the National Paper & Type Co., of Boston, a co-operative concern, will be heard on "Detail of Co-operative Foreign Selling—How Business May Be Fairly Divided—Method of Distribution, etc." A general discussion of this subject will follow, after which will be heard a paper prepared by L. S. Smith, of the American Laundry Machinery Co., Cincinnati, entitled "How the Smaller Manufacturer May More Largely Share the Benefits of Foreign Trade." This is a subject of particular interest to the smaller manufacturer and merchant everywhere, intended, as it is, to point a way to the lesser business man in which he may extend his foreign trade.

The afternoon meeting is to be devoted entirely to group sessions. Here, again, the interests of the merchant and manufacturer whose business is not conducted on as extensive a scale as that of some others will be given consideration. Group No. 1, of which Mr. G. Herget is president, will under the five-minute rule consider the subject, "The Smaller Manufacturer in Foreign Trade," the leader of the discussion being William Pigott. Group No. 2, the name of whose chairman will be announced hereafter, will continue the discussion of "The Merchant Marine," which took place at the morning session.

"The United States Tariff System and Foreign Trade" will be considered by Group No. 2, of which D. Y. Cooper, president of the Henderson Cotton Mills, Henderson, N. C., one of the best known business men in that state, is chairman. Of especial interest to bankers, also, is the subject to come before Group No. 4, "American Banking in Foreign Markets After the War." Of this group, Sol Wexler, president of the Whitney-Central National Bank, New Orleans, a financier well known throughout the South, is chairman.

A banquet is to be held in the evening, at which a number of speakers are to be heard, among them Mr. Vanderlip; also Fairfax Harrison, who is to present his views on "The Relation of American Railroads to the Development of Foreign Trade." The following day, Saturday, will mark the close of the convention. In the morning, reports will be received from group sessions and the necessary action taken. The final business of the convention will be attended to and the meeting come to an end. In the afternoon an inspection of the port improvement works is to be made, and later the delegates will leave for home.

Eastern delegates are to leave New York on the "foreign trade special," at 4.35 o'clock on the afternoon of January 25th, arriving there on the morning of the 27th, shortly before the convention opens. Delegates who prefer to travel by water may leave New York at noon of January 22d by the steamer *Creole*.

While thousands of invitations have been sent to banks, bankers, financiers and financial institutions, as well as to firms, commercial and industrial organizations, where heads of concerns find it will not be possible for them to attend they may be represented by other members of the firm or heads of departments. Those persons interested in foreign trade who have not received invitations are advised to communicate at once with Robert H. Patchin, secretary of the National Foreign Trade Council, No. 64 Stone Street, New York.

Effect of Nation-Wide Prohibition on the Country's Revenues and Taxation

Nearly Forty Per Cent. of the Government's Taxation Revenue is Derived from Liquors, and Prohibition Throughout the Nation Would Mean a Revenue Loss of $245,000,000, Which Must be Made Up in Other Ways.

By L. AMES BROWN

TREMENDOUS decreases in the amount of revenue derived by the government in the fiscal year 1915, which are disclosed in the annual report of Commissioner of Internal Revenue Osborne recently made public, direct attention in a new and forceful fashion to the effect upon our system of taxation to be anticipated from the operation of that nation-wide reform which so frequently we hear heralded by the Anti-Saloon League and its supporting organizations. The Internal Revenue report shows clearly that the problem of taxation is linked so importantly to that of liquor reform in the manner proposed by ex-Congressman Hobson that it merits the quiet, but serious, consideration of every American citizen. It certainly justifies a demand, in behalf of those who have not enrolled themselves as partisans on the side of the Hobson propaganda, that the prohibition advocates embody some adequate scheme of taxation in their program which will offset the sums by which the National Treasury will be depleted.

The following quotations from Commissioner Osborne's report present the data gathered by his office as to the falling off in the consumption and production of beverage intoxicants:

"The production of distilled spirits in the fiscal year 1913 amounted to 193,605,258 gallons; in 1914, 181,919,542 gallons; in 1915, 140,656,103 gallons.

"The tax-paid withdrawals of distilled spirits (which represent consumption figures) in the fiscal year 1913 amounted to 143,220,056 gallons; in 1914, 139,-138,501 gallons; in 1915, 125,155,178 gallons. The withdrawals of tax-paid spirits in the first three months of this fiscal year amounted to 27,903,829 gallons, as compared with 32,043,662 gallons withdrawn in the first three months of fiscal year 1914 and 38,456,420 gallons withdrawn in the first three months of fiscal year 1915.

"There were removed tax paid in fiscal year 1913, 65,245,544 barrels of fermented liquors; in 1914, 66,-105,445 barrels; in 1915, 59,746,701 barrels, and for the first three months of this fiscal year 17,458,565 barrels, as compared with 20,606,582 barrels for the first three months of fiscal year 1914 and 18,181,604 barrels for the first three months of fiscal year 1915.

"There is a noticeable decrease in the receipts from distilled spirits and fermented liquors. This, in the main, can probably be attributed to prohibition laws. Alabama, Arkansas, Arizona, Georgia, Kansas, Maine, Mississippi, North Carolina, North Dakota, Oklahoma, Tennessee, and West Virginia are operating under prohibition laws, and Colorado, Idaho, Iowa, Oregon, South Carolina, Virginia, and Washington have passed prohibition laws which will become effective in the near future, and undoubtedly this has had and will continue to have effect upon internal-revenue receipts."

In a further analysis of the figures regarding the consumption of liquor, the Commissioner says:

"During the last fiscal year there were produced from materials other than fruit 132,134,152.2 taxable gallons of distilled spirits, or 42,477,492.8 gallons less than the quantity of like spirits produced during the fiscal year 1914.

"Of this class of spirits there were removed from bonded warehouse on payment of tax 121,498,325 taxable gallons, or 14,771,427.6 gallons less than the quantity tax paid during the preceding year.

"The decrease here noted occurred principally in beverage spirits (whisky, rum and gin), and the falling off in this class of spirits is doubtless attributable, in a large measure, to the prohibition laws enacted in many of the states.

"The quantity of such beverage spirits remaining in bonded warehouse at the close of the fiscal year 1915 was 251,168,079.5 taxable gallons, which, on the basis of tax payments as to this class of spirits during the year (67,790,044.9 gallons) represents a stock sufficient to meet the demands of the trade for the next three or four years. Of this quantity 52,727,090.3 gallons have remained in warehouse four years or more, and are now eligible for bottling in bond.

"Under the conditions here noted, no material increase in revenue from distilled spirits during the current fiscal year can be reasonably expected. Indeed, a gradual decrease in annual receipts from this source, in consequence of the state prohibition laws, may, I think, be safely predicted."

In further verification of his opinion that prohibition is more than ever abating the use of alcohol, the Commissioner points out that 108 distilleries and forty-one breweries went out of business in the fiscal year under examination.

Persons more inclined to question the efficacy of prohibition point out that during the same year in which these decreases were noted there was a decrease of more than 600,000,000 in the number of cigars "consumed" and a decrease of $2,515,882 in the tobacco revenue of the government. From these facts they argue that the country evidenced, in a diminished consumption of both liquor and tobacco, the very positive tendency toward personal economies which set in during the parlous financial conditions which followed the outbreak of the European war. As casting further doubt on the conclusions of the Commissioner, they point to his own statement regarding the continued growth of illicit distilling in the prohibition states of the south. This development of the "moonshine" industry in the prohibition states has been a subject of comment in every annual report of the Commissioner of Internal Revenue for many years. In the most recent report Commissioner Osborne says:

"The business of the 'moonshiner' in whisky in the southern states, from the number of illicit distilleries reported seized during the fiscal year ended June 30, 1915, appears to be increasing. There were reported 3,832 illicit distilleries destroyed during the fiscal year 1915, as against 2,677 destroyed during the fiscal year ended June 30, 1914. As a result of information received by the revenue agents through informers, as well as by the officers themselves endeavoring to capture these illicit distillers, or destroy their distilleries and distilling apparatus, the following persons were killed:

"O. B. Byrd, an informer to the still of Marion and John Pennington, Campbell County, Tenn., was killed April 13, 1915.

"J. S. West, acting as posseman, was killed on February 10, 1915, while raiding the still of Bud Tucker, Putnam County, Tenn.

"C. P. Phlegar, deputy United States marshal, killed May 14, 1915, while on a raid, acting as posseman, in Patrick County, Va.

"There does not appear to be any abatement respecting the illegal sale of liquors by 'bootleggers.' Many reports are received in this bureau from the law-abiding element throughout the country, reciting conditions as to illegal sales of liquors in the various localities by 'bootleggers,' and asking this bureau to assist them in stamping out the conditions complained of. These conditions are largely brought about by failure of local officers to enforce the provisions of the state laws governing the manufacture and sale of liquor."

The dubious ones point also to the number of retail and wholesale liquor dealers paying Federal tax in the prohibition states. A compilation included in the Commissioner's report discloses that more than 8,000 liquor dealers (the number includes druggists, as well as "blind tigers" and "blind pigs") paid the Federal liquor tax in the twelve states in which prohibition laws now are operative.

Whatever the comparative importance of the part played by economy and the prohibition reform in this reduction of consumption of liquors, it is a fact that the government's revenues fell off $22,250,000 in a year in which the Treasury fund was sadly depleted in other ways. This loss of a mere $22,250,000 is unimportant as compared with the ultimate effect of prohibition upon the nation's revenues should the Hobson movement to put the entire country in the "dry" column achieve success.

The importance of this effect can be appreciated when it is stated that nearly forty per cent. of the government's taxation revenue is derived from liquors. The Secretary of the Treasury's last annual report shows that the total income of the Government from taxation was less than $700,000,000.

Of this sum approximately $225,000,000 was derived from internal revenue taxes on liquors, and $13,400,000 from customs duties on liquors. It would be better, however, to take the customs revenue from imported liquors for the previous year as illustrative of our point, for the past year has seen, of course, a practical discontinuance of importations of both German beer and French and Italian wines, due to the engagement of these nations in the great European struggle. The customs revenues in the fiscal year 1914 amounted to $19,500,000. If this sum had been equaled in the last year the total government revenues from liquor taxes would have reached $245,500,000.

It is a fact not frequently commented upon that the Government derives so large a percentage of its revenues from direct and indirect taxes on liquor. It is evident, therefore, that the establishment of nation-wide prohibition would necessitate the complete reorganization of our system of taxation. The Democratic tariff for revenue probably would have to be increased to percentages which would satisfy all the demands of protectionist ideals. The much discussed inheritance tax might find the way for its adoption made easy. The present income tax on wealth certainly would be extended. The tribulations of the present administration and the Democratic leaders of Congress in their efforts to devise new sources for $112,000,000 of revenue, which the Secretary of the Treasury solemnly assures the country will be sufficient to wipe out the deficit and provide for the increased national defense program, suggest a mild picture of the troubles that would fall upon Congress with the advent of nation-wide prohibition. Increased taxation invariably has brought the responsible political party into disfavor throughout the history of our politics. Is it not a reasonable suggestion that the unpopularity which would be inspired by new taxation laws to raise $245,000,000 more would mean the death of the political party which fathered it?

RICHMOND RESERVE BANK PAYS DIVIDEND

A dividend of five per cent. has been declared by the Federal Reserve Bank of Richmond on its capital stock of $3,554,000 for the period from November 2, 1914, to December 31, 1915. The members of the fifth reserve district number 506 banks. The Richmond reserve bank is the one which has been generally credited with doing the most profitable business of any of the twelve district banks in the whole system.

What Is Interest? A Riddle Political Economists Have Tried in Vain to Solve

Summary of Arguments Regarding the Legitimacy of Interest—The Three Theories which have Attained the Largest Following—Summary of Böhm-Bawerk's Classification of Interest Theories and Names of the Economists Related to Each—Statement of Böhm-Bawerk's Agio Theory—Irving Fisher's Criticism of the Productivity Theory—Outline of Fisher's Impatience Theory—Seager's Criticism of Fisher's Impatience Theory, with Comment by Frank A. Fetter.

FROM time immemorial, mankind has been perturbed over the question of interest, and economists of all ages, from Moses to the Comptroller of the Currency, have cordially disagreed with each other over the theorem of what is interest, why, and how much. Apparently there has persisted in the mind of man the feeling that anything of value, when loaned to some one, should bring its owner some sort of reward from the beneficiary. In other words Esau, instead of selling his birthright for a mess of pottage, might have loaned it out at interest; but if he had waited for the economists to agree on a definition of interest he would have made even more of a mess of it.

It does not require much acumen to discover that as there are no two people who agree on the theory of socialism, so there are no two who agree on the meaning of interest. Political economy is just one definition after another; and the man who defines to-day must expect to be criticized to-morrow—and the day after to-morrow, indeed, the critic will be criticized by the author.

In an endeavor to throw light on a murky subject—not to say a dark, forbidding, usurious subject—the JOURNAL-BULLETIN has had compiled a digest of some of the more important theories and opinions of economic writers, arranged in such form that the reader can easily discover what they think of interest—and of one another. The compilations are the work of Marian R. Glenn, Librarian of the American Bankers Association.

THE LEGITIMACY OF INTEREST
From Principles of Political Economy
By Charles Gide, p. 556

Of all kinds of income the legitimacy of which has been called into question, none has been more violently contested than that which is due to the loan of capital and is called interest. For over two thousand years this problem has given rise to vehement and unceasing polemic.

The following are the principal points that have been raised during this controversy:

(1) It was asserted, by Aristotle among others, that *money is unproductive:* one coin has never given birth to another coin.

To this, economists reply that money only *"represents"* capital, which is productive both by its nature and according to its definition. With money, as Bentham observed, one can buy sheep, and sheep give birth to sheep.

(2) It was asserted that in loaning money the lender undergoes *"no genuine privation,"* and, consequently, has no right to an indemnity in the shape of interest.

In answer to this, economists endeavor to prove that the capitalist must deprive himself in order to create capital; some have even declared with Senior that abstinence is the sole source of capital.

(3) It was asserted that the perpetuity of interest is unnatural and unjust. At the rate of five per cent. (and without reckoning compound interest) the lender will recover his entire loan in twenty years in the guise of annual interest-payments. In forty years he will collect the original sum twice over, and a century, five times; nevertheless, he still retains his right to the entire reimbursement of the loan!

To this it is answered that the regular payment of interest is by no means the same thing as the gradual restitution of the loan, any more than the annual rent of a farm is part of the purchase-price of the land. Payment for the use of a thing, and the return of the thing itself or an equivalent for it, are two distinct and different operations. Interest, like the rent of a farm, is the payment for the use of wealth that is perpetual, or, at least, wealth that can be made perpetual by constant renewal. And if the use that one can make of a thing is perpetual, why should not the price paid for its use be also perpetual?

(4) It was asserted that the borrower is obliged to *pay back more than he has received.*

This the economist denies.

THREE THEORIES OF INTEREST
From The New International Encyclopedia

The three theories which have attained the largest following are: (1) The abstinence theory, which regards interest as a reward for the abstinence which the capitalist exercises in employnig his wealth for productive purposes instead of consuming it unproductively; (2) the productivity theory, which lays emphasis upon the fact that capital represents an instrument which greatly increases the efficiency of labor and therefore normally entitles its owner to a reward; and (3) the exploitation theory, which regards labor as the sole source of wealth, the income known as interest being merely a tribute to the capitalists who hold a monopoly of the opportunities for employment.

In recent economics a variety of the abstinence theory has gained a large following under the leadership of Professor Böhm-Bawerk, who explains interest as a result of the universal under-valuation of future goods as compared with present goods. The productivity theory finds its foremost champion in Prof. J. B. Clark. In his view, capital, as a limited agent capable of increasing the output of industry, is productive in the same sense in which labor is productive; and the measure of this productivity is the loss to industry which would result if the least important portion of capital were withdrawn. In explaining the laws which govern interest, Prof. Alfred Marshall and his followers take a position midway between the productivity and the abstinence schools. The rate of interest depends upon the relations between the demand and supply of capital. The demand for capital varies with the opportunity for its productive employment; the supply varies with the readiness of individuals to postpone consumption to a future date. If productivity is high, the inducement to save is correspondingly great; and consequently the supply of capital increases. With increase in supply of capital its productivity declines, until no reason exists for further creation of capital. The rate of interest, therefore, tends to become fixed at the point where the productivity of capital is just sufficient to compensate those who save for the disadvantages which attend the postponing of consumption, or waiting.

BÖHM-BAWERK, ADAM SMITH, ETC.

From Palgrave's Dictionary of Political Economy

Böhm-Bawerk throws modern theories into three classes. The first of these, to which he gives the name the "naive productivity" theory, attributes the production of interest to capital, which in the distribution of the product only claims that of which it was originally the source. The second, which he calls the "socialist exploitation theory," regards interest as the appropriation of that which is due to labor out of which it sprang, labor being the sole source and measure of value.

The third view is intermediate. While accepting the first view of capital as being in conjunction with nature and labor a source of production, it dwells upon the importance of exchange values in determining the amount which can be appropriated by the capitalist. While the first two theories confine their attention to interest as a problem of production "the interest problem in its last resort is a problem of value."

"While Adam Smith accepted interest as an economic fact, without attempting to justify it on analytical grounds, he indirectly furnished a basis for a revisal of the whole question of its justification. In discussing the sources of wealth, Adam Smith, while he frequently mentions land and capital, leaned to the doctrine that wealth was exclusively derived from labor. This position was borrowed from Locke, who lays down that labor "put the difference of value on everything." Ricardo, like Adam Smith, without elevating the proposition into a system, adopts the general idea. From this it was an easy transition to the view of the modern socialists, that interest is abstracted—wrongfully abstracted—from labor. The connecting link between the two views is the French economist Sismondi. He escapes the logical conclusion of the theory by ascribing the right to interest to the original labor which forms capital. The scientific socialists, however, claiming to rest their teaching upon Adam Smith and Ricardo, regard the returns to capital whether called by the name of profit or interest as a fraud upon the laborer to which hunger compels him to submit.

"Of this school Proudhon was the earliest distinguished representative in France; in Germany, Rodbertus-Jagetzow and Karl Marx. According to Rodbertus, interest—profit and rent alike—rests on two grounds, one economic, the other legal. The economic ground lies in the fact that since the introduction of division of labor the laborers produce more than they require to support themselves in life, and so allow them to continue their labor, and thus others are also able to live upon the product. The legal ground is the existence of private property in land and capital. Marx reproduces the same idea. In the view of the anti-socialist economists, these conclusions are only arrived at by divorcing the propositions of Adam Smith and Ricardo from their context and ignoring the fact that capital is in itself productive and belongs to the capitalist as the reward of abstinence from its expenditure. The economists who earliest insisted on the first of these characteristics of capital were J. B. Say and Lord Lauderdale, while N. W. Senior is the founder of the abstinence theory. Eclectic economists, like Roscher, include both these elements."

PRODUCTIVITY AND EXPLOITATION

From Principles of Political Economy
By Charles Gide, p. 558

1. The *productivity* theories. This name is applied to the theories based on the familiar fact that a workman provided with capital (tools, machines, etc.) can produce more products or better products than without capital. This additional product "produced by capital" constitutes interest. J. B. Say seems to have been the first author to speak of the "productive power" and the "productive services" of capital.

2. The *use* theory asserts, in brief, that in capitalistic production there is a sacrifice not only of the material substance of capital, but also a sacrifice of the use of the capital during the period of production. The best and fullest statement of this theory is found in the work of the brilliant Austrian economist, Carl Menger.

3. The abstinence theory, first clearly stated by N. W. Senior, is based on the thought that if men postpone the present enjoyment of their wealth, and devote the resources so spared to the purposes of production, it is manifest that the resulting increase in product is very intimately connected with the saving which made possible the adoption of the more productive methods. In other words, the cost of production must include not only the labor and capital that is *used* in the process of production, but also the disutility involved in the postponement of present enjoyment, or, in brief, *abstinence.*

4. The *labor* theories. Under this name Böhm-Bawerk includes a number of theories which agree in considering interest as the remuneration for "labor" performed by the capitalist. Concerning the nature of this "labor" there is a divergence of views.

(a) The *English* group of authors, especially John Mill, regards interest as wages for the labor of producing capital.

(b) The *French* group, chief among which is Courcelle-Seneuil, defines interest as the "wages of saving," and emphasizes the will-power and firmness of purpose required to save wealth.

(c) The *German* group, to which many so-called "socialists of the chair" belong, regards the ownership of land and of capital as a social office or "function" and defines the return from land and capital as a kind of salary due to the leaders of agricultural or industrial enterprises. This conception manifestly makes little or no distinction between profits and interest.

5. The *exploitation* theory. This celebrated theory, founded by Rodbertus and Karl Marx, regards rent, interest and profits as all due to the exploitation of workingmen. Accepting the defective terminology of the orthodox economists, these authors frequently employ profits and interest as interchangeable terms, and direct their attack against the whole complex return secured by the capitalist. The socialistic attack is much more effectual with regard to profit than with regard to interest.

SUMMARY OF BÖHM-BAWERK'S AGIO THEORY

From Irving Fisher's The Rate of Interest,* p. 53

"Böhm-Bawerk's theory is called by him the 'agio theory' of interest, since it finds the essence of the rate of interest in the agio or premium on present goods when exchanged for future goods. Böhm-Bawerk distinguishes two problems: (1) Why does interest exist? and (2) What determines any particular rate of interest?"

CRITICISM OF THE PRODUCTIVITY THEORY

By Irving Fisher, in his Elementary Principles of Economics (Excerpts)

"The money supply has no effect on the rate of interest, except during transition periods." The real riddle of interest, therefore, still remains unsolved. Why is there such a thing as a rate of interest, even when the purchasing power of money is constant, and what, then, determines that rate?

There is, perhaps, no other "nut" so hard to "crack" in all economics as this one of the rate of interest. Next to the money fallacies, one of the most persistent fallacies is that the rate of interest represents the rate of "productivity of capital." If a man who has never thought on the subject is asked why the rate of interest is five per cent., he will almost invariably answer, "because capital produces five per cent." When the rate of interest is five per cent., nothing at first sight seems more obvious than that it is five per cent. because capital yields five per cent. Since capital is productive, it seems self-evident that an investment of $100,000 in productive land, machinery or any other form of capital will yield a rate of interest proportionate to its productivity. This proposition looks attractive, but is superficial. (For development of argument see the author's "Elementary Principles of Economics," p. 366.)

The paradox that, when we come to the *value* of capital, it is value of income which produces the value of capital, and not the reverse is the stumbling block of the productivity theorists. It is clear, of course, in any particular investment, that the selling value of the stock or bond is dependent on its expected income. And yet business men, although constantly employing this discount process in specific cases, usually cherish the illusion that they do so because their capital-value, if invested, in some vague "other use," would actually produce interest. They fail to observe that the principle of discounting the future is universal, and applies to any investment whatsoever, and that in such a discount process there is necessarily assumed the very rate of interest we are seeking to explain.

The futility of this productivity theory may be further illustrated by observing the effect of a change of productivity, etc.

CRITICISM OF SOCIALIST THEORY

The socialists say that labor produces capital, and therefore produces the interest from capital, and therefore labor should get all the income from capital; and since the laborer does not get it all, it must be true that it is held back by somebody who is in position of vantage to steal it. This is the key to so-called "scientific socialism."

The socialist theory involves two propositions: first, that all income and all capital are practically produced by labor; and, secondly, that all the resulting income should be paid to the laborer. The first proposition is much more nearly correct than the second, etc.

It would be a mistake to say that there is no exploitation of laboring men by capitalists, because we know the contrary to be a fact, but it would likewise be a mistake to condemn all interest on the ground of exploitation. The basis of interest is much deeper. It lies in the preference for present over future goods.

IMPATIENCE THEORY OF INTEREST

Irving Fisher, in his Elementary Principles of Economics, p 371

The essence of interest is impatience, the desire to obtain gratifications earlier than we can get them, the preference for present over future goods. It is a fundamental attribute of human nature; and as long as it exists so long will there be a rate of interest.

Interest is, as it were, human impatience crystallized into a market rate. The market rate of interest is formed out of the various degrees or rates of impatience in the minds of different people * * *. The problem of determining the rate of interest is the problem of determining the premium which people are willing to pay for present enjoyable income in terms of future enjoyable income.

*This book may be borrowed from the Association Library.

We must know on what causes the degree or rate of impatience depends. It depends principally upon the character of the individual and the character of the income which he possesses. The difference will be due to a difference in the personal characteristics of the individuals. These characteristics are chiefly five in number: (1) foresight; (2) self-control; (3) habit; (4) expectation of life; (5) love for posterity. The impatience of any individual depends partly, too, on the character of his income, *i. e.*, on three characteristics of income—(1) its distribution in time, (2) its amount, (3) its uncertainties.

See subsequent chapters for analysis of determination of the rate of interest.

EXTRACTS FROM CRITICISM OF IRVING FISHER'S CRITICISM OF THE PRODUCTIVITY THEORY

By Prof. H. R. Seager, in American Economic Review, December, 1912

Professor Fisher's "Impatience Theory of Interest" is Professor von Böhm-Bawerk's "Discount Theory," with two highly important modifications. Fisher denies the validity of the distinction between land and capital and refuses to admit what Böhm-Bawerk calls the "technical superiority of present over future goods," and what other writers have characterized more briefly as "the productivity of capital," has any influence on the comparison between present gratifications and future gratifications in which, as he believes, the complete and final explanation of interest is to be sought.

It is not the factors which Fisher makes prominent as the causes of interest that distinguish his theory from other theories, but rather his method of presenting these factors and his denial of the pertinence of that other factor, the "technical superiority of present over future goods" or the "productivity of capital," which to other writers has seemed all important.

The most striking fact about his method of presenting his factors is that he dissociates his discussion completely from any account of the production of wealth. From a perusal of his Rate of Interest and all but the very last chapters of his Elementary Principles, the reader might easily get the impression that becoming rich is a purely psychological process * * *

Although nothing in Fisher's discussion has shaken my confidence in the essential soundness of the productivity explanation of interest, when presented not as the complete explanation but as the necessary supplement of the discount theory, there is one feature in his treatment that leaves me uncertain *how far he himself is a productivity theorist in disguise.*

Fisher replied to this criticism in *The American Economic Review* of September, 1913.

Prof. Frank A. Fetter, in *The American Economic Review* of March, 1914, writing on "Interest Theories Old and New," criticizes Fisher's Impatience Theory and says: "I share Seager's doubt of the aptness of the proposition that impatience is 'a fundamental attribute of human nature,' or is 'the essence of interest,' although my doubts are for a different reason."

Fetter characterizes rival views as the "technological" and the "psychological" interest theories and says that for more than a decade the psychological theories have been gaining adherents in America. He gives, as the gist of the capitalization theory of interest the proposition that: "The rate of interest (contractual) is the reflection, in a market price on money loans, of a rate of capitalization involved in the prices of the goods in the community."

FOR SUMMARIES OF INTEREST THEORIES SEE

Böhm-Bawerk, Eugene von—Recent Literature on Interest, 1884-1899.

Fisher, Irving—The Rate of Interest.

Hoag, C. G.—A Theory of Interest, and other books which can be supplied by the Association Library.

AGRICULTURAL COMMISSION APPOINTED

At the Seattle Convention of the American Bankers Association the Agricultural Commission was by unanimous vote continued for another year. The Administrative Committee of the Association has just acted on the personnel of the Commission for 1916 and the following appointments are unanimous:

B. F. Harris, president First National Bank, Champaign, Ill., *Chairman.*

E. J. Curtin, president Citizens Savings Bank, Decorah, Iowa.

Joseph Hirsch, vice-president Corpus Christi National Bank, Corpus Christi, Texas.

George T. Wells, chief clerk, Denver National Bank, Denver, Col.

J. R. Wheeler, cashier Farmers & Merchants Union Bank, Columbus, Wis.

R. I. Woodside, president Farmers & Merchants Bank, Greenville, S. C.

William H. High, assistant cashier Anglo and London—Paris National Bank, San Francisco, Cal.

W. R. CREER LOSES SON

The many friends of William R. Creer of Cleveland, a former president of the Savings Bank Section of the American Bankers Association, will learn with regret of the death of his son, William Rhea Creer, who passed away November 26th at Colorado Springs. He had been ill for a year and was only twenty-nine years old at the time of his death.

WALL STREET HAS MANAGERS' SHARES AND SHARES WITHOUT PAR VALUE

All manufacturers are constantly in search of novelties, and Wall Street producers of securities are no exception.

Recently two novelties have come to public notice: First, the issuance of stock certificates of no par value, and secondly, the issuance of what is termed "managers' shares." The Kennecott Copper and new Submarine corporations are examples of the first; while the American International Corporation, organized by the National City Bank, presents an illustration of the second.

For years past it has been customary to issue stock of a fixed par value, usually $100, the same having no relation to the intrinsic value of the shares or to the selling price on the Stock Exchange. In cases of new companies, stock of a $100 par value would be sold at perhaps one-tenth the figure and transactions at the low figure would invariably tend to create the impression of depreciation in the value of the stock, or at best indicate that the $100 mark on the stock certificate was manifestly fictitious.

In the last analysis, a share of stock is a certificate of ownership of a specific share of a business. The precise value of the stated portion of the enterprise is determined by the value of the entire business as revealed from an inventory and a financial statement. The $100 mark has no bearing upon its value, except in so far as it is a form of representing a unit of a share. In this connection, it should be mentioned that the price of a given share of stock is dependent, in a measure, upon the supply of and demand for the particular stock, irrespective of its intrinsic value as disclosed by the company's books.

Inasmuch as the holder of a share of stock is concerned only with the proportion of his holdings to the whole issue, and by reason of the fact that its market price bears no relation to the designated par value, Wall Street has learned that the notation of par values is absolutely unnecessary. Moreover, bankers engaged in the production of securities have learned from experience that the sale of stock below the fixed par value is not always an inducement to buy and frequently has proved detrimental to their business interests and reputation.

The issuance of stock of no par value was recommended in November, 1911, by President Taft's Railroad Securities Commission, of which Arthur T. Hadley, president of Yale University, was chairman. The report of the commission declared that the retention of the $100 mark, or any other dollar mark, was of no essential importance.

"As between the two alternatives of permitting the issue of stock below par, or authorizing the creation of shares without par value, the latter seems to this commission the preferable one. It is true that it will be less easy to introduce than the other, because it is less in accord with existing business habits and usages; but it has the cardinal merit of accuracy. It makes no claims that the share thus issued is anything more than a participation certificate.

"The objections to the creation of shares without par value are two in number: First, that their issue will permit inflation, by making it easy to create an excessive number of shares; and second, that it will produce a division of roads into two classes, those whose shares have a par value and those whose shares have not. The second of these objections does not appear to be a very serious one. There are listed on the stock exchanges to-day, side by side with one another, shares of the par value of one hundred dollars, shares of the par value of fifty dollars, shares with very much smaller par value, and a few, like the Great Northern Ore certificates, with no par value at all. The share sells in each case simply for what the public supposes it to be worth as a share.

"The danger of inflation deserves more serious consideration. We believe, however, that it is more apparent than real, because shareholders will be jealous of permitting other shareholders to acquire shares in the association except at full market value, and will not permit the issue of such shares to themselves at prices so low as seriously to impair the market or other value of their holdings. Shares either with or without par value, and whether sold at par or above par or below it, should, except in cases of consolidation and reorganization, be offered in the first instance to existing shareholders pro rata.

"The issue of stock without par value offers special facilities for consolidation and reorganization."

"Managers' shares" are shares set aside by a corporation for purchase by, or presentation to, persons who are hired to participate in the active management of the corporation. These shares, limited in amount, pay a larger dividend after the regular dividend is distributed than do the ordinary shares of the company. The excess profits, as it were, are distributed among the men who through their efforts made the corporation earn the dividends. In the case of the American International Corporation, the provision is made that if at any time one of the owners of the "managers' shares" resigns from active management of the company, or is dismissed by the directors, he must sell his managers' stock to the corporation at the market price, the same to be taken up by the man who replaces him in the service of the company.

RESERVE SYSTEM IS CALLED A BURDEN

A strong arraignment of the Federal reserve system is contained in a letter sent recently to congressmen and senators at Washington by a committee of Tennessee bankers, appointed by the Tennessee Bankers Association to investigate the Federal Reserve Act and make recommendations for its improvement. The committee in its letter points out the significance of the fact that only about thirty of the 17,000 state banks and trust companies in the United States have joined the system; and it cites this as only one evidence that the system is quite generally regarded as a burden on the member banks. The committee's letter in full is as follows:

At a recent meeting of the Tennessee Bankers Association, a committee was appointed to draft the following resolution to be forwarded to you for your prompt and earnest consideration:

The next session of Congress will likely consider amendments to the Federal Reserve Act, and it has occurred to us that you would like to be acquainted with the manner in which the new banking act has affected us, and we believe we are in position to give you some information as to what remedies we believe are needed.

The reserve banks have been in operation over a year. All national banks are compelled to join. The state banks were simply invited to join, and out of about 17,000 state banks and trust companies in the United States, only thirty so far have become members of the system, though they were invited to join upon much more favorable terms than the national banks. To make the system a complete success, we are of the opinion that a mapority, if not all, state banks should become members. The fact that they have not done so, to our minds points clearly to the fact that the system as now administered is a burden to the banks, and indirectly a burden to the public.

The member banks of Tennessee have contributed to the Federal reserve bank system in capital and reserve deposits to date approximately $2,462,155, and when all reserves are transferred as contemplated in the act, the amount will be about $5,000,000. They have found from a practical standpoint that their loaning power has been decreased accordingly, they have not been able to increase their loans because of the lessening of the reserve requirements, finding it necessary to keep in their vaults about the same amount of money they have always kept, maintain the same collection facilities they have always maintained, and to keep about the same balances with their city correspondents they have always kept.

The only advantage of consequence to the member banks is that of rediscounting. No bank likes to continually rediscount, and only about 10 per cent. of the banks of the United States have discounted with the Federal reserve banks. Even in the height of the cotton season only about thirty-three and one-third per cent. of the member banks of the Sixth Federal Reserve District rediscounted with the Federal reserve bank of Atlanta. They have found that in normal times banks can rediscount with their New York and other city correspondents on terms quite as favorable, if not more so, than with the Federal reserve bank. Besides, the process of rediscounting with their correspondents is much simpler than with the Federal reserve banks.

So far we have found the collection facilities offered by the Federal reserve banks have been of very little value, and it seems practically impossible for any fair basis to be reached that will even approximately be satisfactory to the banks, and if they are forced into a clearing system against their will it would never, in our judgment, succeed, and we are of the opinion it would be better for the Federal reserve system when the reserve banks abandon the idea of clearing banks.

A committee of experts, so called, has reported to the Federal Reserve Board a check collection plan, which if adopted will make the system even more burdensome than at present. We believe in the main it is impractical and unworkable.

The paid-in capital of all the Federal reserve banks is, in round numbers, $55,000,000; their total reserve deposits over $400,000,000. At no time has the aggregate of commercial paper and bank acceptances discounted by these banks been equal to the paid-in capital stock, to say nothing of the reserve deposits, and in the face of these facts the governor of one of the reserve banks recommends the payment of the additional subscribed capital and the full reserve to be transferred at once, and then have the Federal reserve bank go into the open market and compete with their member banks. This would simply mean taking the funds of the banks of the country without any guarantee of returns or without rendering a service commensurate with the amount of the funds so taken and go into the open market and compete with them with their own money. Could anything be more unfair or more unreasonable?

It is exceedingly difficult to change at once the system of banking that has prevailed with us for so many generations. We believe the number of Federal reserve banks should be reduced from twelve to at least four, and these simply administered for emergency purposes. In our opinion this is all the country needs.

Under the Aldrich-Vreeland bill for 1914, when the whole country was in distress, there was issued $380,000,000 in emergency currency, every dollar of which was returned in a few months without the loss of a single cent. The loaning power of the Federal reserve banks at present is between two and three times this amount, and why should it be necessary to pay in additional capital or transfer additional reserve in the face of these facts?

Under the old system the reserve in the vaults of a bank, or with their city reserve agents, could be used temporarily in case of necessity. Such is not possible with the reserve in the Federal reserve bank, as no member bank dares to encroach seriously upon its reserve with the Federal reserve bank.

The earnings of the Federal reserve banks after one year's operation are only at the rate of 1.8 per cent. on the capital stock, over their current expenses, to say nothing of organization expenses. Four of the twelve banks are not even earning their current expenses, and it is doubtful if more than two or three will earn even approximately their dividend. The total current expenses of the twelve banks are now more than $1,600,000, all of which the public, through the member banks, is paying with but little corresponding benefit.

It is claimed the Federal reserve banks should not seriously consider the question of earnings. This is to some extent correct, but to expect the banks to contribute all the capital, practically all the deposits, and have no control over either except in theory, without adequate returns or corresponding benefits, is as unreasonable as to ask the officials of these twelve banks to serve without salary. The current expenses of the Federal reserve bank of Atlanta are now at the rate of about $100,000 per annum, and it should be borne in mind that they have no taxes to pay, no interest, no expense of securing business, in rediscounting assume practically no risk, and what is true of this district is true of all.

In view of the foregoing we therefore recommend that you urge the modification of the Federal Reserve Act as follows:

First—The amount of capital paid into the Federal reserve bank should be one per cent. of the capital of the member bank, not taking into consideration any surplus, as otherwise it would have a tendency to keep banks from adding to their surplus funds.

Second—That the balance of the reserve as now required to be transferred to the Federal reserve banks be allowed to remain either in the vaults of the member banks or with their reserve agents in either reserve cities or central reserve cities. This would leave $1,000,000,000, which is about three times the amount required in 1914 under the Aldrich-Vreeland act, which answered every purpose up to that time.

Third—That the number of Federal reserve banks be reduced from twelve to not more than four, and that there be no districts, but all member banks subscribe and divide their capital and reserve equally as near as possible between the four banks, each member bank to be able to rediscount whenever desired with the reserve bank offering the lowest rate. By this means the resources and deposits of the four banks would be practically equal, and if one bank were having a stronger demand than the others, this could be adjusted by raising or lowering the discount rate, as the case might be.

Fourth—That no attempt be made to compete with the banks in the open market or to attempt the functions of a clearing house, the Federal reserve banks to be simply operated as an emergency proposition.

From inquiry we have learned that many member banks have found it practically impossible to do business to any extent with the Federal reserve banks. Their methods of transacting business and their requirements are so exacting and so different from what the public has been accustomed to that it is doubtful if they will ever secure any state banks to join the system or have any deposits materially in excess of the amount required by law.

We believe these matters should receive your serious and urgent consideration.

INSERTS FOR MEMBERSHIP SIGNS

Drafts dated September 1, 1915, for membership dues for the present fiscal year were forwarded to all members by the Treasurer of the American Bankers Association through the City National Bank, Galveston, Tex. In each case where the draft was honored a celluloid insert showing dues paid in full to September 1, 1916, was mailed. If this insert has not already been placed in the Metal Membership Sign it should be inserted at once.

It has come to our notice that in a few cases this has not been done—the insert having been misplaced or lost in transit. If it is not available, the office of the Association, at Five Nassau Street, New York, N. Y., should be notified at once and duplicate will be forwarded.

CIPHER CODE

The attention of members is called to the following letters recently received which relate to the circular letter of December 11th and enclosures forwarded to all members of the Association:

"We are in receipt of your circular letter under date of December 11th with instructions regarding the use of the Code of your association and the enclosures you sent have been affixed to the Code in accordance with your instructions. We wish to assure you that we appreciate the American Bankers Association Cipher Code. and use the same exclusively in the transmitting of all funds of this institution by telegraph."

"We are pleased to receive yours of the 11th instant enclosing therein pasters for our copy of your code book, and also giving us valuable data in connection with the use of the Code. We shall be pleased to act on your suggestions and thank you very kindly for the data given.

"In connection with transferring funds by open telegram, you will doubtless be interested to know that we use the Code in our telegraphic transactions wherever it is possible, and it is the policy of this institution not to accept open messages on any matter of importance without obtaining a direct 'repeat' from the senders. We believe that if this policy was adopted by all banking institutions it would undoubtedly have a tendency to increase the membership of your Association and make the use of your Code very general throughout the United States.

"Assuring you that it is our constant aim and desire to make full use of the effective service of all your departments, we remain, * * *."

"We beg to acknowledge your letter, enclosing pasters to attach to our A. B. A. Code, which we have done this morning. We wish to say that we are very much pleased with this system, and we have no trouble with same."

It is gratifying to receive letters of the above character. We again urge all members to comply with previous requests by reading carefully all directions embodied in the Code as well as the Key to the Test Word which was forwarded under separate cover at the time the Code was sent.

REGISTRATION AT THE ASSOCIATION OFFICES

During the Month of December, 1915

Aseltine, A. H., *Commercial and Financial Chronicle*, New York City.
Ayres, J. D., vice-president The Bank of Pittsburgh, N. A., Pittsburgh, Pa.
Blair, Frank W., president Union Trust Company, Detroit, Mich.
Burns, Wm. J., president The Wm. J. Burns International Detective Agency, Inc., New York City.
Burns, Raymond J., treasurer Wm. J. Burns International Detective Agency, Inc., Chicago, Ill.
Carabin, Miss Maud A., librarian Detroit Edison Company, Detroit, Mich.
Campbell, Henry M., Union Trust Company, Detroit, Mich.
Cook, E. C., passenger agent New York Central Lines, New York City.
Cox, J. Elwood, president Commercial National Bank, High Point, N. C.
Del Mar, Alexander, New York City.
Drake, Luther, president Merchants National Bank, Omaha, Neb.
Edwards, Geo. E., pres. Dollar Savings Bank, N. Y. City.
Farnsworth, F. C., Ithaca, N. Y.
Forbes, B. C., business editor *New York American*, New York City.
Franklin, N. E., pres. First National Bank, Deadwood, S. D.; pres. South Dakota Bankers' Association.
Franklin, Mrs. N. E., Deadwood, S. D.
Geibel, E. M., Greenwich, Conn.
Gordon, Lionel Smith, librarian Co-operative Reference Library, Dublin, Ireland.
Gwin, Earl S., president American Southern National Bank, Louisville, Ky.
Harris, Charles N., president City National Bank, Gloversville, N. Y.
Hawley, N. F., treasurer Farmers & Mechanics Savings Bank, Minneapolis, Minn.
Hecht, R. S., trust officer Hibernia Bank & Trust Company, New Orleans, La.
Hixon, Robert, Stacy & Braun, Toledo, Ohio.
Hoge, James D., president Union Savings & Trust Company, Seattle, Wash.
Hopkins, Scott, president Prudential Trust Company, Topeka, Kans.
Hurlbut, Guy B., Bankers Trust Company, N. Y. City.
Kavanagh, Roger P., manager Fifth Avenue office, Metropolitan Trust Company, New York City.
Knox, Wm. E., comptroller Bowery Savings Bank, New York City.
Latta, James A., vice-president Northwestern National Bank, Minneapolis, Minn.
Law, Wm. A., president First National Bank, Philadelphia, Pa.
McCarter, Uzal H., president Fidelity Trust Company, Newark, N. J.
McHugh, John, vice-president Mechanics & Metals National Bank, New York City.
McNider, C. H., president First National Bank, Mason City, Iowa.
Milmine, E. L., vice-president and cashier Mohawk National Bank, Schenectady, N. Y.
Muhlbach, Clarence, Brooklyn, N. Y.
Newell, E. J., vice-pres. The Peoples Bank, Buffalo, N. Y.
Phelps, F. W., editor *Pacific Northwest Banker*, Seattle, Wash.
Pierce, Carroll, vice-president Citizens National Bank, Alexandria, Va.
Porter, E. C., commercial agent United States Department of Commerce, New York City.
Rockwood, Wm. H., president Union Square Savings Bank, New York City.
Runkle, Delmer, president Peoples Bank, Hoosick Falls, N. Y.
Russell, R. LaMotte, president Manchester Trust Company, South Manchester, Conn.
Sands, Oliver J., president American National Bank, Richmond, Va.
Slavens, Miss Ruth, New York City.
Stacy, Charles L., Stacy & Braun, Toledo, Ohio.
Tucker, John S., Washington, D. C.
Unbescheiden, G. C., secretary Hamburg Savings Bank, Brooklyn, N. Y.
Upshur, John A., assistant traffic manager Atlas Portland Cement Company, New York City.
Van Deusen, W. M., cashier National Newark Banking Company, Newark, N. J.
Ward, J. A., acting assistant cashier Federal Reserve Bank of Cleveland, Cleveland, Ohio.

A. B. A. DELEGATES TO PAN-AMERICAN CONGRESS

The Second Pan-American Scientific Congress opened at Washington, December 27, 1915, and was scheduled to continue until January 8, 1916. At the invitation of the Congress, President James K. Lynch of the American Bankers Association appointed as a delegate William A. Law, president of the First National Bank of Philadelphia and ex-President of the Association. W. S. Kies, vice-president of the National City Bank of New York, was named as alternate.

The work of the Pan-American Scientific Congress is conducted through sections, which meet simultaneously each day. Messrs. Law and Kies gave their particular attention to the section on transportation, commerce, finance and taxation, which took up, among other things, the subjects of foreign trade among American countries, the measurement of foreign commerce, taxation, investment of foreign capital, credit and banking, and a common monetary standard.

MORTUARY RECORD OF ASSOCIATION MEMBERS

REPORTED DURING DECEMBER

Allen, E. P.—Vice-President and Director First National Bank, Independence, Kan.

Baber, Asa J.—President First National Bank, Paris, Ill.

Bacon, Edward R.—Director Farmers Loan & Trust Company, New York City.

Bearce, George B.—Director First National Bank, Lewiston, Me.

Bishop, Fred R.—Vice-President German Bank, Louisville, Ky.

Caldwell, Victor B.—President United States National Bank, Omaha, Neb. Formerly member Executive Council American Bankers Association.

Cragin, Charles I.—Director Fourth Street National Bank, Philadelphia, Pa.

Dickens, William H.—President Farmers National Bank, Longmont, Colo.

Dickerman, Charles H.—President First National Bank, Milton, Pa.

English, Benjamin R.—Vice-President First National Bank, Director Connecticut Savings Bank and Union & New Haven Trust Company, New Haven, Conn.

Faerber, George P.—Secretary-Treasurer Forest City Savings & Trust Company, Cleveland, Ohio.

Greene, Charles P.—President First National Bank, Elkhorn, Wis.

Guernsey, D. A.—President Farmers & Merchants Bank, Stockton, Cal.

Heisler, William H.—President Manufacturers National Bank, Philadelphia, Pa.

Hicks, Henry R.—Director Westchester Trust Company, Yonkers, N. Y.

Huber, John H.—Vice-President Ridgeville State Bank, Ridgeville, Ind.

Jones, George W.—President First National Bank, Hondo, Tex.

Kelly, Darwin B.—Director Cadillac State Bank, Cadillac, Mich.

Learned, Walter, Vice-President Savings Bank of New London, and Director Union Bank & Trust Company, New London, Conn.

Lindsay, Wallace W.—President First National Bank, New London, Wis.

Nissley, John J.—President Hummelstown National Bank, Hummelstown, Pa.

Perkins, R. R.—President Merchants Bank, Bay St. Louis, Miss.

Pierson, J. L.—President North Side Bank, Cincinnati, Ohio.

Pollock, Robert M.—President First National Bank, Gilman, Ill.

Powell, Edward E.—President National Branch Bank, Madison, Ind.

Rapp, Edmund—Assistant Cashier German Insurance Bank, Louisville, Ky.

Roelker, Alfred—President German Savings Bank, New York City.

Ross, Lewis P.—President Fidelity Trust Company, Rochester, N. Y.

Seabury, Robert—Vice-President and Director Hempstead Bank, Hempstead, N. Y.

Smith, W. M.—President Clifton Forge National Bank, Clifton Forge, Va.

Southard, E. Terry—Director Bank of Rockville Centre, Rockville Centre, N. Y.

Turner, J. M.—Vice-President First National Bank, Blairsville, Pa.

Van Wagenen, J. R.—President First National Bank, Oxford, N. Y.

Wallace, Edward C.—Director National Park Bank, New York City.

Warner, Alfred D.—Director Wilmington Trust Company and Wilmington Savings Fund Society, Wilmington, Del.

Wilber, Mark D.—President Home Bank & Trust Company, Darien, Conn.

Williams, Jesse—Vice-President Security State Bank, Bonesteel, S. D.

Wilson, Frederick H.—President First National Bank, Brunswick, Me.

Wrenn, McDonald L.—President Citizens Bank, Norfolk, Va.

JOHN R. VAN WAGENEN

John Richard Van Wagenen, president of the First National Bank of Oxford, N. Y., who died recently at the age of seventy-four, was widely known to members of the American Bankers Association, whose conventions he had attended with great frequency since its organization in 1875. He was present at the 1875 meeting, and in 1895, when the Association convened at Atlanta, he was made Vice-President for New York State. In May, 1914, Mr. Van Wagenen celebrated the fiftieth anniversary of his connection with the First National Bank.

VICTOR B. CALDWELL

Victor B. Caldwell, president of the United States National Bank of Omaha, Neb., died December 26, 1915, at his home in that city. Mr. Caldwell served three years as a member of the Executive Council of the American Bankers Association, his term expiring in 1913.

INDORSE THRIFT CAMPAIGN

This resolution was adopted by the Executive Committee of the National Bank Section in Washington:

"*Whereas*, The Savings Bank Section of the American Bankers Association is promoting and conducting a campaign for thrift in commemoration of the establishment of the first savings institution in America;

"*Resolved*, That the National Bank Section, through its Executive Committee, heartily indorses this thrift anniversary movement, and is in entire accord with the plan. The National Bank Section will be glad to coöperate with the Savings Bank Section in this work in any way possible."

LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

FEDERAL RESERVE BANKS APPOINTED DEPOSITARIES AND FISCAL AGENTS

The following announcement has been made by the Secretary of the Treasury:

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,

Washington, D. C., November 24, 1915.

"The Federal Reserve Board,
Washington, D. C.

"Gentlemen:

"In accordance with the provisions of Section 15 of the Federal Reserve Act, which provide that

'The moneys held in the general fund of the Treasury * * * may, upon the direction of the Secretary of the Treasury, be deposited in Federal reserve banks, which banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States * * *'

I have determined to appoint the Federal reserve banks depositaries and fiscal agents in the manner thus indicated by the act. In order that the reserve banks may not be embarrassed by the addition of an unduly large volume of business upon undertaking their functions in this connection, I have decided to make a beginning by transferring to each of the Federal reserve banks the funds of the Government now on deposit with the national banks in each of the cities in which a bank is located, thus giving to each of the reserve banks the funds held by the national banks in its own city. Each Federal reserve bank will be required to perform on behalf of the Government the services which are now rendered by the national bank depositaries located in said cities, as well as any other services incident to or growing out of the duties and responsibilities of fiscal agents.

"May I ask you to co-operate in carrying out the provisions of the Federal Reserve Act in this regard and to take any and all steps that may be desirable to perfect such arrangements by the Federal reserve banks as will enable them to fully and satisfactorily perform these functions from and after January 1, 1916, the date on which it is my purpose to make the proposed arrangements effective. I have designated Hon. William P. Malburn, Assistant Secretary of the Treasury in charge of the fiscal bureaus, to act for the Treasury Department in carrying out the details so far as this Department is concerned. I have deferred action until this time in order that the organization of the Federal reserve banks might be completed and gotten into good working order through experience and practice, and with the hope that a satisfactory clearing and collection system would, by this time, have been evolved. I feel convinced, however, that I should not longer delay giving these banks the opportunity of performing these services for the government and enlarging their field of usefulness.

"Very truly yours,
W. G. McADOO,
Secretary."

RESERVE BOARD REGULATES GENERAL OPEN-MARKET OPERATIONS

The following circular (No. 20, series of 1915, December 4, 1915) with appended regulation (T, series of 1915, December 4, 1915) has been issued by the Federal Reserve Board:

CIRCULAR

The Federal Reserve Act in section 14, under the head "Open-market operations," provides that—

"Any Federal Reserve Bank may, under the rules and regulations prescribed by the Federal Reserve Board, purchase and sell in the open market, at home or abroad, either from or to domestic or foreign banks, firms, corporations, or individuals, cable transfers, and bankers' acceptances and bills of exchange of the kinds and maturities by this Act made eligible for rediscount, with or without the indorsement of a member bank."

The Act also provides that every Federal reserve bank shall have power—

"To deal in gold coin and bullion at home or abroad * * *."

"To buy and sell, at home or abroad, bonds and notes of the United States, and bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes, or in anticipation of the receipt of assured revenue by any state, county, district, political subdivision, or municipality * * *."

"To purchase from member banks and to sell, with or without its indorsement, bills of exchange arising out of commercial transactions, as hereinbefore defined."

Further in the same section permission is given to each Federal reserve bank:

"* * * to buy and sell * * * through (its) correspondents or agencies, bills of exchange arising out of actual commercial transactions which have not more than ninety days to run, and which bear the signature of two or more responsible parties."

Several of these classes of transactions have already been provided for in the circulars and regulations heretofore issued by the Federal Reserve Board as follows:

Regulation F, series of 1915, provides for the purchase of warrants, revenue bonds, etc.

In letters to the various Federal reserve banks the conditions have been indicated under which bonds and notes of the United States may be dealt in.

In regulation S, partly superseding Regulation R, series of 1915, conditions have been established for the purchase of bankers' acceptances payable in the United States in dollars and growing out of foreign trade operations and out of certain domestic transactions.

There remain still to be dealt with the purchase and sale of "cable transfers" and bills of exchange, both domestic and foreign, of the kinds and maturities by this Act made eligible for rediscount, and bankers' acceptances payable in foreign countries and in foreign currencies.

The present circular and regulation is intended to cover these items. The Board wishes particularly to call attention to the purpose of the open-market section of the Federal Reserve Act. It enables the Federal reserve banks to exert a steadying influence upon prevailing rates of interest by the use of their purchasing power whenever conditions make such influence desirable, and when, owing to the lack of applications for rediscounts, they are unable to influence rates through the latter means. It also affords to the Federal reserve banks the opportunity of purchasing, in the open market, paper with a view to providing for their expenses and dividends. The Board is of the opinion that the Federal reserve banks should, when occasion warrants, stand ready to engage in open-market transactions, as buyers or sellers, to the extent that it is necessary to carry out the purposes of the Act.

The Federal Reserve Board does not wish to be understood as encouraging expansion of credits at times and under conditions when there should be contraction, but rather as holding the view that the Federal reserve banks, taking cognizance of the conditions in their respective districts, should avail themselves of the powers granted by the act as explained in our letter of October 8, 1915, just as they have done in connection with other open market powers conferred upon them.

Regulation

I. *Definition.*

Open-market operations, as contemplated under the Federal Reserve Act, are all those transactions authorized by section fourteen of the Act which involve dealings with persons or institutions—whether or not members of the Federal Reserve System—and which do not require the indorsement of a member bank.

II. *Operations Provided for in This Regulation.*

The present regulation deals with operations in cable transfers and foreign and domestic bills of exchange and bankers' acceptances payable in foreign countries and in foreign currencies. The statutory requirements pertaining thereto have already been set forth in the accompanying circular.

III. *Cable Transfers and Foreign Bills of Exchange.*

In order to carry on open-market transactions in cable transfers and foreign bills of exchange (including foreign bankers' acceptances)—that is, payments to be made in, or bills payable in, foreign countries—it will be necessary for Federal reserve banks to open accounts with correspondents or establish agencies in foreign countries. Such bills of exchange and foreign acceptances must comply with the applicable requirements of sections 13 and 14. As the law prescribes that these connections are to be established only with the consent of the Federal Reserve Board, Federal reserve banks will be required to communicate with the Federal Reserve Board whenever they are ready to enter these foreign fields.

The Federal Reserve Board realizes that in dealing in foreign exchange the Federal reserve banks must necessarily have wide discretion in determining the rates at which they will buy or sell. It is not necessary that the bills shall have been actually accepted at the time of purchase. The Federal Reserve Board, however, will require that unaccepted "long bills," payable in foreign countries, when purchased, unless secured by documents, shall bear one satisfactory indorsement other than those of the drawer or acceptor, preferably that of a banker. Federal reserve banks should exercise due caution in dealing in foreign bills, and boards of directors should fix a limit within which the acceptances or bills of a single firm may be taken.

IV. *Domestic Bills of Exchange.*

A bill of exchange may be defined as an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a certain sum in money to, or to the order of, a specified person or to bearer.

A domestic bill of exchange is payable in dollars in the United States.

The Federal Reserve Board has determined that a bill, in order to be eligible for purchase under section fourteen by a Federal reserve bank, at the rate to be established for open-market operations—

(*a*) Must be a bill, the proceeds of which have been used, or are to be used, in producing, purchasing, carrying, or marketing goods in one or more steps of production, manufacture, and distribution; but shall not be eligible if its proceeds have been used, or are to be used, for a permanent or fixed investment of any kind; for example, land, buildings, machinery, etc., or for any investment of a merely speculative character.

(*b*) Must have been drawn by a domestic or foreign firm, company, corporation, or individual upon a firm, company, corporation, or individual in the United States; but need not bear the indorsement of a member bank.

(*c*) Must have been accepted by the drawee prior to the purchase by a Federal reserve bank unless accompanied and secured by approved warehouse receipts, bills of lading, or other such documents covering readily marketable goods.

V. *Domestic Bills—Conditions of Purchase.*

(*a*) Before purchasing domestic bills of exchange, the Federal reserve bank must secure statements concerning the condition and standing of the drawer of the paper, and, if possible, also of the acceptor of the bill, sufficient to satisfy the bank as to the nature and quality of the paper to be purchased.

(*b*) No Federal reserve bank will be permitted to purchase bills of any one drawer, or issued upon any one maker to an amount to exceed in the aggregate a percentage of its capital, to be fixed from time to time by the Federal Reserve Board, except when secured by approved warehouse receipts, bills of lading, or other such documents covering readily marketable goods. The aggregate amount drawn on any one acceptor, purchased by Federal reserve banks, shall not exceed a reasonable percentage of the stated net worth of the parties whose names appear upon the paper.

VI. *Rates.*

Federal reserve banks desiring to engage in open-market transactions in domestic bills of exchange shall communicate to the Federal Reserve Board the rate they desire to establish, for review and determination.

RESERVE BOARD EXTENDS REGULATIONS AS TO "BANKERS' ACCEPTANCES"

The following circular (No. 19, Series of 1915, November 29, 1915) with appended regulation (S, Series of 1915, November 29, 1915) has been issued by the Federal Reserve Board:

Open-Market Purchases of Bankers' Acceptances

Circular

In Regulation R, series of 1915, relating to the discount of bankers' acceptances, the Federal Reserve Board provided for the purchase in the open market of bankers' acceptances based on the importation or exportation of goods.

The appended regulation is intended to cover the purchase in the open market, not only of bankers' acceptances based on the importation or exportation of goods, heretofore covered by Regulation R, but also the purchase of certain domestic acceptances authorized by certain State laws.

The Federal Reserve Board has determined that bankers' domestic acceptances, as defined and restricted in the appended regulation, are a very useful type of paper, and the Board has not felt justified, therefore, when admitting state banks and trust companies into the Federal reserve system, in stipulating that such domestic acceptances should not be continued under reasonable limitations as a part of their business.

Inasmuch as the making of these domestic acceptances has been recognized by the Board as the exercise of a legitimate banking function when authorized by law, it was thought that they are of the character to make desirable investments for Federal reserve banks. The Board has, therefore, issued the appended regulation, not only embodying the authority given in Regulation R, series of 1915, to purchase bankers' acceptances based on the importation or exportation of goods, but also authorizing the purchase of bankers' domestic acceptances within the limits prescribed in the appended regulation.

Regulation

I. *Definition.*

In this regulation the term "acceptance" is defined as a draft or bill of exchange drawn to order, having a definite maturity, and payable in dollars, in the United States, the obligation to pay which has been accepted by an acknowledgment written or stamped and signed across the face of the instrument by the party on whom it is drawn; such agreement to be to the effect that the acceptor will pay at maturity according to the tenor of such draft or bill without qualifying conditions.

II. *Statutory Requirements.*

Section 14 of the Federal Reserve Act permits Federal reserve banks, under regulations to be prescribed by the Federal Reserve Board, to purchase and sell in the open market bankers' acceptances with or without the indorsement of a member bank.

III. *Eligibility*

The Federal Reserve Board has determined that, until further notice, to be eligible for purchase under Section 14 at the rates to be established for the purchase of bankers' domestic and foreign acceptances:

(*a*) Acceptances must have been made by a bank or trust company, or by some firm, person, company, or corporation engaged in the business of accepting or discounting. Such acceptances will hereafter be referred to as "bankers' acceptances."

(*b*) A banker's foreign acceptance must be drawn by a purchaser or seller or other person, firm, company, or corporation directly connected with the importation or exportation of the goods involved in the transaction in which the acceptance originated, or by a "banker." The bill must not be renewed after the goods have been surrendered to the purchaser or consignee, except for such reasonable period as may have been agreed upon at the time of the opening of the credit as a condition incidental to the importation or exportation involved, provided that the bill must not contain or be subject to any condition whereby the holder thereof is obligated to renew the same at maturity.

(*c*) A banker's foreign acceptance must bear on its face or be accompanied by evidence in form satisfactory to a Federal reserve bank that it originated in, or is based upon, a transaction or transactions involving the importation or exportation of goods. Such evidence may consist of a certificate on or accompanying the acceptance to the following effect:

This acceptance is based upon a transaction involving the importation or exportation of goods. Reference No. ——. Name of acceptor ——.

(*d*) A banker's domestic acceptance must be based on a transaction covering the shipment of goods, such transaction to be evidenced at the time of acceptance by accompanying shipping documents, or must be secured by a warehouse receipt covering readily marketable staples and issued by a warehouse independent of the borrower; or by the pledge of goods actually sold.

(*e*) A banker's domestic acceptance must bear on its face or be accompanied by evidence in form satisfactory to the Federal reserve bank that it is based on a transaction or is secured by a receipt or pledge of the character defined in III (*d*) hereof. Such evidence may consist of a certificate in general form similar to that suggested in III (*c*) hereof.

(*f*) Bankers' acceptances, other than those of member banks, whether foreign or domestic, shall be eligible only after the acceptors shall have agreed in writing to furnish to the Federal reserve banks of their respective districts, upon request, information concerning the nature of the transactions against which acceptances (certified or bearing evidence under III (*c*) and (*e*) hereof) have been made.

(*g*) The aggregate of bills, domestic and foreign, of any one drawer, drawn on and accepted by any bank or trust company and purchased or discounted by a Federal reserve bank, shall at no time exceed ten per cent. of the unimpaired capital and surplus of such bank or trust company, but this restriction shall not apply to the purchase or discount of bills drawn in good faith against actually existing values; that is, bills the acceptor of which is secured by a lien on or by a transfer of title to the goods to be transported, or by other adequate security such as a warehouse receipt or the pledge of goods actually sold.

(*h*) The aggregate of bills, domestic and foreign, of any one drawer, drawn on and accepted by any firm, person, company, or corporation (other than a bank or trust company), engaged in the business of discounting or accepting, and purchased or discounted by a Federal reserve bank, shall at no time exceed a sum equal to a definite percentage of the paid-in capital of such Federal reserve bank, such percentage to be fixed from time to time by the Federal Reserve Board; but this restriction shall not apply to the purchase or discount of bills drawn in good faith against actually existing values; that is, bills the acceptor of which is secured by a lien on or by a transfer of title to the goods to be transported or by other adequate security, such as a warehouse receipt; or the pledge of goods actually sold.

(*i*) The aggregate of bankers' acceptances, domestic and foreign, made by any one firm, person, company, or corporation (other than a bank or trust company) engaged in the business of discounting or accepting, purchased or discounted by a Federal reserve bank, shall at no time exceed a sum equal to a definite percentage of the paid-in capital of such Federal reserve bank; such percentage to be fixed from time to time by the Federal Reserve Board.

No Federal reserve bank shall purchase a domestic or foreign acceptance of a "banker" other than a member bank which does not bear the indorsement of a member bank, unless there is furnished a satisfactory statement of the financial condition of the acceptor in form to be approved by the Federal Reserve Board.

IV. *Policy as to Purchases.*

Federal reserve banks should bear in mind that preference should be given wherever possible to acceptances indorsed by a member bank, discounted under Section 13, not only because of the additional protection that such indorsement affords, but also because of the reason that acceptances discounted under Section 13 may be used as collateral security for the issue of Federal reserve notes.

V.

So much of Regulation R, series of 1915, as relates to the purchase in the open market of bankers' acceptances is hereby superseded.

ACCEPTABILITY OF BONDS AS SECURITY FOR POSTAL SAVINGS DEPOSITS

The annual report of the Solicitor for the Post Office Department contains the following:

The duty of determining the legal acceptability of bonds offered by banks to secure deposits of postal savings funds was imposed upon this office as of July 1, 1913, and my last annual report set forth the plan of examination adopted and some of the results of the first year's work.

During the past fiscal year bonds of the par value of $9,925,545.70 have been submitted for examination, of which $8,220,152.70 have been approved, $1,059,125 disapproved, $598,973 withdrawn by banks during the examination, and $47,295 returned by the Treasurer of the United States at the suggestion of this office because the banks tendering them had not furnished necessary information. The bonds approved represented 1,093 issues, aggregating $440,487,066.61, and those disapproved represented seventy-one issues, aggregating $117,671,594.16.

The amount of bonds actually submitted for examination, $9,925,545.70, does not cover all the bonds tendered by banks during the year. The Treasurer of the United States accepted and rejected large additional amounts of bonds upon the basis of opinions previously rendered by this office, approving or disapproving in their entirety the issues which included such bonds.

The current work has been of such volume that it has not been possible to examine all the bonds deposited with the Treasurer of the United States from the establishment of the Postal Savings System to the date as of which the responsibility of legal examination was placed upon this office. However, all bonds which have been tendered by banks as postal savings security since July 1, 1913, have been submitted to this office for examination, notwithstanding that other bonds of those issues may have been accepted by the Treasurer prior to the date named. The approval or disapproval of such issues gradually tends to bring the bonds already on deposit with the Treasurer into conformity with the present requirements. With due regard to the demands of the current work, independent examinations are also being made of bonds accepted prior to July 1, 1913.

In view of the large number of issues being examined and the embarrassment which would result to the Postal Savings System and the depositary banks from undue delays in their disposition, every facility is being provided for prompt handling of the work.

There has been a continuance and enlargement of the co-operation of banks and bond dealers during the year, and an added number have signified their willingness to furnish legal papers relating to issues in which they are interested. There is a growing practice among dealers of forwarding to this office, at the time of purchasing bonds from municipalities, copies of final legal opinions obtained thereon, in order that such papers may be immediately available on the tender of any of the bonds as security. The resources thus placed at the disposal of the department have greatly facilitated the performance of the work.

Several firms of bond attorneys have also rendered valuable assistance in connection with general questions of law arising in the work and in respect to specific questions affecting bonds which had been originally submitted to them for examination, and which were later offered as postal-savings security. The mutual advantages likely to result from a freer exchange of information and views upon such subjects will, it is hoped, encourage the development of closer relations between this office and the attorneys, whose opinions, covering, as they do, the regularity of the proceedings leading up to the issuance of the bonds, must be relied on by this office in many cases in reaching its conclusions as to the acceptability of such bonds.

Of the many important legal questions which have occupied the attention of the office during the year, the following may be specifically mentioned:

1. *Negotiability of registered bonds and of bonds payable in or with bank exchange.*—In November, 1914, the board of trustees of the Postal Savings System, recognizing the advantages, both commercial and legal, possessed by "negotiable" securities, adopted a regulation providing for the acceptance of "negotiable interest-bearing bonds or securities" only. Some question arose as to whether so-called "registered" bonds and bonds payable in or with bank exchange were within the provisions of the regulation.

An examination by this office indicated that, while the authorities on these questions were meager and not wholly uniform, the conclusion appeared to be warranted that bonds of the character mentioned were, as a matter of law, "negotiable securities." As a result of this investigation, registered bonds and bonds payable in or with bank exchange have been approved as legally acceptable security for postal-savings deposits, thus placing the holdings of this office in line with the accepted commercial position and practice as well as in accord with what is conceived to be the correct legal view.

2. *Status of revenue bonds, temporary notes, warrants and other like obligations.*—Considerable difficulty was experienced in determining satisfactorily the status of a large class of obligations, including "revenue bonds," "temporary notes," "warrants," and the like evidences of indebtedness, issued in many instances for current expenses or in anticipation of the collection of taxes or other revenues or of the sale of bonds or other obligations. During the early months of the European war this office was virtually swamped with obligations of this character, offered in large amounts as security for postal-savings deposits.

Such obligations were issued under a variety of statutes, but in few instances had their legal status been discussed or established by the courts. It was, moreover, practically impossible to obtain, in respect to them, legal papers such as were ordinarily available in the case of regular municipal bonds.

These legal and administrative difficulties and the grave question whether such obligations were within the spirit of the postal savings act were called to the attention of the board of trustees of the Postal Savings system by this office, and, on November 19, 1914, the board adopted the following regulation:

SEC. 8b. Obligations of the general class embracing what are commonly known as "revenue bonds," "temporary bonds," "temporary notes," "certificates of indebtedness," "warrants," and the like obligations, whether issued in anticipation of the collection of taxes, assessments, or other revenues, or of the sale of bonds or other obligations, or for similar purposes, will not be accepted as security for postal savings deposits: *Provided,* That in applying this regulation, consideration will be given to the legal status of the obligations submitted rather than to the nomenclature employed in designating such obligations.

Subsequent experience has demonstrated the wisdom of this action.

3. *Acceptability of bonds issued by municipalities either prior or subsequent to their consolidation or merger.*—The postal savings regulations, as made effective July 1, 1913, authorized the acceptance of bonds of municipalities and other political divisions which, besides meeting other requirements, had "been in existence for a period of ten years." This provision did not permit of the acceptance of bonds of a newly created municipality formed by the consolidation of other municipalities which had been in existence for the period prescribed by the regulations. The language of the regulations also precluded the acceptance of bonds of a municipality which had lost its previous identity by becoming merged into another municipality.

It was considered that, in so far as its bonds were concerned, a municipality recently organized, but which became the successor to the property and resources of other municipalties which had existed for the period required by the regulations, might be equally as substantial as its predecessors. It was also recognized that bonds of a municipality which had ceased to exist, but whose obligations had been assumed by a larger municipality into which the former had been merged, might be fully as desirable for postal savings security as if such merger had not been effected, provided such bonds were, in accordance with the spirit of section 8a of the regulations, payable out of taxes levied on all the taxable property within the territorial limits of the municipality which assumed them and not solely out of taxes limited to the territory of the former municipality.

In view of the considerations stated, and upon the recommendation of this office, the board of trustees, on November 19, 1914, adopted certain amendments to the regulations, as follows:

SEC. 8c. Bonds which in all other respects are found to be legally acceptable as security under the postal savings act and these regulations will be construed, as a matter of law, to conform to those provisions of section 8, paragraphs (*c*) and (*d*), respectively, which relate to term of existence and non-default, under the following conditions:

(1) Bonds issued by or in behalf of any city, town, county, or other legally constituted municipality or district in the United States which was, subsequently to the issuance of such bonds, consolidated with, or merged into, an existing political division which meets the requirements of these regulations, will be deemed to be the bonds of such political division: *Provided,* That such bonds were assumed by such political division under statutes and appropriate proceedings the effect of which is to make such bonds general obligations of such assuming political division, and payable either directly or ultimately, without limitation to a special fund, from the proceeds of taxes levied upon all the taxable real and personal property within its territorial limits.

(2) Bonds issued by or in behalf of any city, town, county, or other legally constituted municipality or district in the United States which was, subsequently to the issuance of such bonds, wholly succeeded by a newly organized political division, whose term of existence, added to that of such original political division, or of any other political division so succeeded, is equal to a period of ten years, will be deemed to be bonds of such succeeding political division: *Provided,* That during such period none of such political divisions shall have

defaulted in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it: *And provided further,* That such bonds were assumed by such new political division under statutes and appropriate proceedings the effect of which is to make such bonds general obligations of such assuming political division, and payable, either directly or ultimately, without limitation to a special fund, from the proceeds of taxes levied upon all the taxable real and personal property within its territorial limits.

(3) Bonds issued by or in behalf of any city, town, county, or other legally constituted municipality or district in the United States which, prior to such issuance, became the successor of one or more, or was formed by the consolidation or merger of two or more, pre-existing political divisions, the term of existence of one or more of which, added to that of such succeeding or consolidated political division, is equal to a period of ten years, will be deemed to be bonds of a political division which has been in existence for a period of ten years: *Provided,* That during such period, none of such original, succeeding, or consolidated political divisions shall have defaulted in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it.

OPINIONS OF THE GENERAL COUNSEL

ACCOUNTS RECEIVABLE AS COLLATERAL

To constitute a valid pledgee of an account receivable there must be an assignment in writing, mere delivery of a copy of the account being insufficient—Necessity of notice to debtor or, where borrower acts as lender's agent to collect the account, bond or security for fidelity of agent.

From Pennsylvania—What is the status of "Accounts Receivable" as collateral security to a loan? In the event of the borrower's bankruptcy does the bank have a prior claim upon such accounts, assuming, of course, that the assignment has been made for the purpose of securing credit and not taken for a prior debt? In case the bank does take an assignment of "accounts receivable" to secure a loan (previously made without such security) would the bank be able to collect upon the "accounts receivable" in the event of the borrower's bankruptcy? Is the practice of loaning upon "accounts receivable" by banks general among the banks of Pennsylvania, and if not, why not? There are a number of incorporated companies that make a business of buying accounts receivable and for that reason the practice of making loans against them by banks should be possible without undue risk. Your opinion will be greatly appreciated.

An account receivable due by a responsible debtor would be a valid collateral provided there is an assignment of the account in writing to the lending bank and the debtor is notified of such assignment before paying same to the assignor.

An instructive case on this subject is American Exchange Nat. Bank *v.* Federal Nat. Bank, 75 Atl. (Pa.) 683. A tube company in Pittsburgh obtained a loan from a New York bank giving its collateral note with deposit of certain warehouse receipts. Subsequently, at the request of the tube company, certain accounts receivable due by a gaslight company in Spokane were substituted for one of the warehouse receipts, "but there was no written assignment or delivery of the books containing the accounts" to the New York bank. The tube company agreed as agent of the New York bank to collect the accounts and pay over the proceeds which were to be applied to the liquidation of its indebtedness to the New York bank. The tube company drew a draft on the gaslight company for the amount of the accounts which was collected by a Pittsburgh bank and the proceeds applied upon the indebtedness of the tube company to the latter, under an agreement that the tube company's balance with the Pittsburgh bank should be security for its indebtedness. The tube company went into the hands of a receiver. In an action by the New York bank against the Pittsburgh bank in which the former claimed to be owner of the accounts receivable and their proceeds, there was judgment for the Pittsburgh bank, the court holding that there had been no valid pledge of the accounts receivable to the New York bank. Following are pertinent extracts from the court's opinion:

"If the plaintiff (N. Y.) bank is entitled to the fund in controversy it must be by virtue of the pledge of the Spokane accounts to it as collateral security for payment of the note given by the tube company. In order to make a valid pledge as against other creditors, there must be an actual or constructive delivery of possession of the goods. The delivery must be clear, unequivocal, complete and effective at all times, so as to give notice to third parties of the pledgee's rights. A mere agreement by the debtor that the creditor shall take and hold certain property as security for his debt is insufficient. * * * Delivery of possession is sufficient if made by transfer of the instrument which represents the property, such as a warehouse receipt, elevator receipt, bill of lading, promissory note or an obligation or claim upon other persons. * * * But a book account is not pledged by the delivery of a copy of the account as security without an assignment, since such a copy does not represent the debt. Cornwell *v.* Baldwin's Bank, 12 App. Div. (N. Y.) 227. Recurring to the facts of the present case, it will be seen that the plaintiff cannot sustain its claim to the fund in dispute on the ground that it was a pledgee of the Spokane accounts. The pledge was never completed by any actual or constructive delivery of the property pledged. This property consisted of four accounts on bills receivable which the tube company held against the Spokane Falls Gaslight Company. The accounts themselves, or rather the books containing the accounts, were never delivered to the plaintiff notwithstanding the note of January 19, 1903, stated that they had been deposited with the bank. It is conceded that no such delivery was made. There was a delivery of copies of the account to the plaintiff bank without any assignment or other transfer of the right of the tube company in or to the accounts. This manifestly was not an actual or constructive delivery of the accounts to the pledgee. The same delivery could have been made to as many parties as the tube company had creditors, and with like force and effect. It gave no notice to other parties purchasing or accepting the accounts as collateral security, nor did it confer authority on the plaintiff bank to enforce payment against the Spokane Company by an action at law. The delivery of the copy, therefore, transferred neither the title nor the possession of the accounts to the plaintiff bank, and hence was insufficient to create a lien on the accounts in favor of the bank as against subsequent purchasers, pledgees, or creditors of the tube company without notice."

In the light of the above decision, therefore, in order to constitute a valid pledge of an account receivable, unless there be a delivery of the books containing the accounts themselves, which would seem impracticable, there must be a written assignment of the accounts. It is not sufficient, it is seen, that the collateral note states that the accounts have been deposited with the bank, where the books containing the accounts are never delivered, but only copies of the accounts, but in addition to the collateral note there must be a written assignment, transferring the accounts, delivered to the bank and to make the bank absolutely safe there must be notice to the debtor that the account has been so assigned. Such notice would bind the debtor to pay the assignee.

Assuming no such notice is given by the bank, which is probably frequently the case because the borrower does not desire that the debtor have knowledge of the pledge, but instead thereof, the borrower agrees to collect the account as agent of the bank and turn over the proceeds to it, the question arises whether the bank is safe in taking an assignment of the account under such a form of agreement, without giving notice to the debtor. If the borrower becomes bankrupt before collecting the money, the bank is the owner of the account and is protected, or if the account is paid by the debtor to the receiver or is paid to the debtor and can be traced into the hands of the receiver, the bank would be likewise protected. But if the borrower collects the money and misappropriates it to purposes of his own so that it cannot be traced into the receiver's hands, the bank would not be protected in such case and its only right, aside from proceeding against the collecting agent criminally, would be to prove its claim upon the debt against the bankrupt's estate. Again, the borrower might draw upon the debtor for the amount and negotiate the draft for value. The debtor paying such draft without notice of the bank's rights would be protected, as would the purchaser of the draft who would be a holder in due course, and whether the bank could recover the amount in full from the receiver in such case would depend upon whether it could trace the funds received from the sale of the draft into the hands of the receiver and impress a trust character thereon.

The above is sufficient to indicate that the taking of an assignment of accounts receivable without giving notice to the debtor but under an agreement by which the borrower becomes agent of the bank to collect the accounts and turn over the proceeds, cannot be done with entire safety, but is at the risk of the borrower's honesty and against such risk it would seem that the bank should protect itself by requiring a fidelity bond or security from the borrower sufficient for its protection.

The above is a somewhat cursory discussion of your question as to the status of accounts receivable as collateral security to a loan. Your inquiry whether in the event of the borrower's bankruptcy the bank would have a prior claim upon such accounts, where assigned for the purpose of securing credit and not taken for a prior debt, can be answered in the affirmative, without discussion, assuming the bank acquires the accounts in good faith without knowledge of the insolvency of the borrower. But as to your further inquiry concerning the right of the bank where book accounts are assigned as security for an existing debt, such assignment if made within four months of the adjudication in bankruptcy would probably be voidable as a preference. A recent decision by the District Court, E. D. Pa., is instructive on this point. In re Cotton Manufacturer's Sales Co., 209 Fed. 629. In this case the bank made loans to a mercantile company, taking assignments of its accounts receivable as they were created as security, and appointed the president of the company as its own agent, under bond, to collect the accounts and deposit the proceeds. The mercantile company was insolvent but the bank had no actual knowledge of that fact, although charged with constructive notice in view of the fact that the president of the company was its agent. The court held that as to accounts receivable assigned within four months of the bankruptcy, the bank, in so far as it advanced money on the several accounts when they were assigned and to the extent of such advances, was a pledgee in good faith and for a present fair consideration; but in so far as they were held as security for other indebtedness, the assignments were preferential and voidable by the trustee.

Concerning your final question, I am without information as to how general the practice is among banks in Pennsylvania of loaning money upon accounts receivable.

NOTE PAYABLE "IN NEW YORK EXCHANGE"

Decisions conflict upon negotiability of note so payable.

From Virginia—One of our customers offered us for discount a few days ago, three large notes payable at Richmond, Va., "in New York exchange." We would appreciate it if you would give us your opinion as to whether or not this phrase "in New York exchange" makes the notes non-negotiable.

The Negotiable Instruments Act provides that, to be negotiable, an instrument "must contain an unconditional promise or order to pay a sum certain in money." It further provides that "the sum payable is a sum certain within the meaning of this Act, although it is to be paid * * * with exchange, whether at a fixed rate or at the current rate."

The question is whether an instrument payable at Richmond, Va., "in New York exchange" would be negotiable, under the above provisions. Before the passage of the Negotiable Instruments Act it was held by the courts in several cases that an instrument payable in New York or in Chicago exchange was not negotiable. For example, in Chandler *v.* Calvert, 87 Mo. App. 362 it was held that a note payable "in New York exchange" was not payable in money and therefore not negotiable. The court said: "New York exchange is not money; it is a commodity or, in other words, it is property." Likewise in Hogue *v.* Edwards, 9 Ill. App. 153 a check drawn on a Peoria banker payable "in Chicago exchange" was held not payable in money and not negotiable. The court said: "a bank is not obliged to pay a check drawn by a depositor in anything but money. Whether it will give exchange upon a request contained in a check is a matter of agreement."

But since the passage of the Negotiable Instruments Act it has been held by a Federal Court in Iowa that notes payable "in New York or Chicago exchange" are negotiable within the provisions of the Act above quoted. Security Trust Co. *v.* Des Moines County, 198 Fed 331. The court said:

"It was argued that the obligation in suit is not payable in money, because it is made payable in exchange, and not *with* exchange. This is very critical, and the distinction so refined, that it is difficult to see it. Whether 'in' and 'with' are synonyms, and whether there are such things as synonyms, I leave to others who have time for such discussions. But great commercial questions like this ought not to turn on the particular shade of meaning of some preposition. The defendant agreed to pay so much money, and the payee was to receive it. The payee was in another state. It must either come after the money, or the money when paid at the county treasurer's office was to be carried in some form to Rochester, N. Y. It was a method of carriage to Rochester, which would be attended with cost, and it was agreed that the payor should pay the cost. I do not say the distinction between 'in' and 'with' cannot be seen, but it is difficult to see. The great per cent. of the business of the country is done in commercial paper, and a great per cent. of that paper is payable both 'in' and 'with' exchange."

Under the present condition of law, therefore, it cannot be said with certainty that a note payable at Richmond, Va., "in New York exchange" is, or is not negotiable. There is evidenced a conflict of judicial decision on the point, and I find no decision in Virginia on the subject. Before the passage of the Negotiable Instruments Act it was the rule of the law merchant that, to be negotiable, an instrument must be in money and where an instrument was payable "with exchange on New York" the courts differed upon its negotiability, some holding that the amount was sufficiently certain to satisfy the requirements of negotiability and others that it was not; while in the case of an instrument payable "in New York exchange" such decisions as were rendered on the subject were apparently uniform that the instrument was not payable in money but in a commodity. There was, therefore, recognized before the Act a distinction between "in" and "with" and it is not unlikely that some courts under the Act, will draw the same distinction although the Federal Court in the case above cited holds that the words in the sense used are synonymous. A country banker, for example, who carries a small cash reserve and keeps the larger amount with his city correspondent will, in case of a customer who has occasion to draw large checks, agree with the customer that such checks shall be drawn "in New York exchange" with the intention that they may be paid for, not in cash, but by delivery of a draft for the amount on a city correspondent. Here is one reason, therefore, to indicate that when an instrument is payable "in New York exchange" it is not intended to be paid in money but in a draft on New York.

Until the law is more clearly settled, either one way or the other upon the negotiability of a note payable "in New York exchange," it would be the safer course for the bank to which such a note is offered for discount to proceed on the theory that it might be held non-negotiable.

GIFT OF DEPOSIT IN CHRISTMAS SAVINGS FUND

The mere opening of a savings account by a husband in the name of his wife and daughter does not constitute a completed gift in the absence of delivery of the pass-book or other evidence of the deposit or of other facts indicating the perfection of the gift, and so long as the gift is not completed it may be revoked by the husband.

From Pennsylvania—We would like an opinion on a peculiar case which we have in our Christmas Savings Club. A married man opened an account last January for his wife and one for his little girl. In May his wife left him and he came in the bank and asked a clerk to strike the name "Mrs." off his card, he having opened the account with his name, but "Mrs." instead of "Mr." (Mrs. John Smith). He continued to make deposits until recently when his wife wrote us stating that she desired us to mail the Christmas Savings Check which account is in her name and also the check for the amount due the daughter, to her; whereas the husband who left this town about September also gave instructions to send the checks to him at his new address. Now both claim both accounts and both speak of having consulted attorneys who advised them that they control the amount deposited. The husband made all the deposits, the wife having made none. What is the bank's privilege in the matter of paying the wife's account? We do not think there is any question about the little girl's account for we believe we may pay that account to the husband; but we are in doubt as to our privilege if we are not about our duty in regard to the wife's account.

The wife would not be entitled to the deposit made by the husband in her name unless there was a completed gift to her either by delivery to her of the pass-book or other evidence of the deposit issued by the bank, or there were other facts sufficient to constitute a completed gift.

From the statement submitted by you one essential element of a perfected gift *inter vivos* seems to have been lacking, namely, delivery. There appears to have been no possession of the gift by the wife, either actual or constructive, and, hence, since the gift was not perfected, it was revocable at the option and pleasure of the donor.

The following reference to the authorities may be helpful:

Where the donor deposits money in the name of the donee and delivers to him, or to a third person for him, a pass-book therefor, or where he, by an express declaration of trust, constitutes himself a trustee of the donee in respect to such fund, the transaction is a valid gift *inter vivos.* (Montgomery First Nat. Bank *v.* Taylor [Ala.] 37 So. 695; Russell *v.* Langford, 135 Cal. 356; Buckingham's Appeal, 60 Conn. 143; Telford *v.* Patton, 144 Ill. 611; Davis *v.* Ney, 125 Mass. 590; Martin *v.* Funk, 75 N. Y. 134; Howard *v.* Windham County Sav. Bank, 40 Vt. 597; Miller *v.* Clark, 40 Fed. 15; Deposit Company *v.* Miller [Conn.] 90 Atl. 228; Moore *v.* Power, 5 Newfoundl. 466; In re Drover, Newfoundl. 45; Bank *v.* Gibboney, 43 Ind. App. 492; Kelly *v.* Trust Co., 108 N. Y. Suppl. 214; McMahon *v.* Lawler, 190 Mass. 343.)

However, the mere fact of the deposit of money in the name of a third party, without the delivery of the pass-book, or other evidence of intention to make a gift, will not constitute a valid gift *inter vivos.* (Main's Appeal, 73 Conn. 638; Goelz *v.* People's Sav. Bank, 31 Ind. App. 67; Tucker *v.* Tucker, 138 Iowa, 344; Booth *v.* Bristol County Sav. Bank, 162 Mass. 455; Baker *v.* Baker, 123 Md. 32; Roughan *v.* Bank, 144 N. Y. Suppl. 508; Schippers *v.* Kempkes [N. J.] 67 Atl. 74; Schweyer *v.* Brewing Co., 21 Pa. Dist. Ct. 31.)

In this last case, decided in 1911, it was held that where a father deposits money in the name of his daughter, reserving to himself the right to draw upon the deposit for his own needs, returning from time to time, at his option and convenience, what he had thus taken out, the mere fact of the deposit cannot be treated as evidencing an irrevocable and absolute gift. The effect of the deposit as a gift depends upon the intention with which it was so made and administered, which intention turns upon the nature of the use made of the deposit by the father.

The rule is universally recognized that where a gift *inter vivos* has been perfected, that is, where nothing more is to be done to vest the title in the donee, such gift can no more be revoked by the donor than a sale, or any other executed contract. (Shaw *v.* White, 28 Ala. 637; Merrill *v.* Gordon [Ariz.] 140 Pac. 496; Britton *v.* Esson, 260 Ill. 273; Kyger *v.* Stallings [Ind.] 103 N. E.; Stockert *v.* Savings Inst. 139 N. Y. Suppl. 986; In re Greenfield, 14 Pa. St. 489; Nicholas *v.* Adams, 2 Whart. [Pa.] 17.)

A perfected gift is not revoked by the mere fact of its subsequently coming into the donor's possession again. (Ivey *v.* Owens, 28 Ala. 641; Grover *v.* Grover, 41 Mass. 261; Matter of Wachter, 16 Misc. [N. Y.] 137; Allen *v.* Knowlton, 47 Vt. 512.)

Where, however, some essential element necessary to make a perfected gift *inter vivos*, such as delivery to or acceptance by the donee, is lacking, the donor may revoke the gift at any time before it is perfected. (Boyett *v.* Potter, 80 Ala. 476; Smith *v.* Peacock, 114 Ga. 691; Britton *v.* Esson, 260 Ill. 273; Johnson *v.* Stevens, 22 La. Ann. 144; Walsh's Appeal, 122 Pa. St. 177.)

The general rule is that even the delivery of a bank pass-book is not a sufficient delivery to sustain a gift *inter vivos* of money in a bank of issue, discount and deposit, as the money can only be withdrawn from the bank by the production of the depositor's check, and not by the production of the pass-book.

Of course, the rule is otherwise in regard to a deposit book of a savings bank, and where the other essential elements of a gift *inter vivos* are present, mere delivery of the book is sufficient to pass the fund. (Jones *v.* Weakley, 99 Ala. 441; Bank *v.* McCormack, 79 Conn. 260; Ashbrook *v.* Ryon, 2 Bush [Ky.] 228; Hill *v.* Stevenson, 63 Me. 364; Sheedy *v.* Roach, 124 Mass. 472; Pace *v.* Pace [Miss.] 65 South. 273; In re Myer, 129 N. Y. Suppl. 194; Ridden *v.* Thrall, 125 N. Y. 572; Watson *v.* Watson, 69 Vt. 243; Moore *v.* Power, 5 Newfoundl. 466. See also Crane *v.* Brewer, 73 N. J. Eq. 558, holding that authorizing another to draw upon a fund does not necessarily show a gift of it. And Holman *v.* Bank (Utah) 124 Pac. 765, holding that possession by the donee of a bank-book in the name of the donor is not alone sufficient to show a gift.

The above authorities may aid you in reaching a conclusion as to the proper course to pursue. Unless the facts show a completed gift, the husband still retains title to both deposits and the right to receive same.

COMPETENCY OF BANK NOTARY IN OHIO

Statute prohibiting director, officer or clerk from acting as notary in any matter in which bank interested does not disqualify stockholder holding no official relation from taking acknowledgments or making protests, but director who is notary cannot protest paper owned by bank—Whether director-notary can protest paper held for collection, quære.

From Ohio—One of our directors and stockholders is an attorney. We are writing to inquire if it is legal for him to protest checks drawn on this bank or drawn on any other bank, which might be sent to us for collection. We understand that an officer or stockholder of any Ohio bank cannot protest paper in which the bank is interested and we would like to know if this means that he is not to protest any of the bank's paper. We understand that there has been a recent ruling which allows a stockholder or officer of an Ohio bank to protest paper which is not owned by the bank. We thank you in advance for any information you may be able to give us.

The Ohio statute provides as follows:

> "No banker, broker, cashier, director, teller, or clerk of any bank, banker or broker, or other person holding any official relation to any bank, banker or broker, shall be competent to act as notary public in any matter in which said bank, banker or broker is in any way interested." Bates Anno. Ohio Stat. Chap. 1, Sec. 111; Sec. 121 Page and Adams Annot. Code.

In Read *v.* Toledo Loan Co., 67 N. E. (Ohio) 729, this statute was construed. A mortgage to a loan company was acknowledged before a notary who was a stockholder of the mortgagee, and was attested before witnesses who were stockholders. The court held it was not invalid and could not be impeached for that reason, in the absence of fraud and undue advantage. The court said:

"It would seem that in those instances where the Legislature intended to disqualify or limit the authority of a notary public to act in his official capacity, it has done so by express and positive statutory provision. * * * If therefore it had been the policy and purpose of the Legislature to prohibit a stockholder of a corporation from acting as notary public in the taking and certifying of an acknowledgment to an instrument in which said corporation was interested, it would have doubtless so provided; and in the absence of any statutory inhibition, the disqualification of the notary to act will not be presumed."

I find no later Ohio decision under this statute. The statute does not expressly mention a stockholder of a bank and the decision, it is seen, holds that a stockholder is not disqualified by the statute to take an acknowledgment of an instrument running to the bank. Presumably, also, a stockholder who is notary would not be disqualified in protesting paper owned by the bank or held by the bank for collection, where the stockholder is not an officer or director and holds no official relation to the bank.

In the case submitted by you, however, the attorney who is notary is not only a stockholder but is a director of the bank and the statute expressly prohibits a director from acting as notary public in any matter in which the bank "is in any way interested." Under this plain wording the attorney is clearly disqualified from protesting paper owned by the bank. Whether or not he would be disqualified from protesting paper not owned by the bank but simply held by it for collection would depend upon whether the bank could be said to be interested in such paper in any way. This question has not been decided in Ohio so far as I can ascertain, and is therefore uncertain. The bank, of course, has no substantial or pecuniary interest in such paper as owner and if the word "interested" refers to such character of interest, it might be held that a notary who is director is not disqualified.

RIGHT OF PURCHASER OF STOPPED CHECK

Innocent purchaser of stopped check may recover from drawer though check was negotiated to him after payment had been stopped.

From Illinois—A makes check payable to B for $650 in lieu of an affidavit and consideration of signing mortgage papers. Before B passes the check A notifies B that the affidavit made is not true and that A has stopped payment on check. B, nevertheless, ignores this notice and passes said check which he indorses to C for payment of a small bill, and receives balance in cash. C holds check without notice of stop payment. Can C collect from A on said check?

The fact that A has stopped payment of the check because of the fraud of B will not protect A from liability to C, who is a holder in due course, even though the negotiation to C was after the payment was stopped. I assume, of course, that the check is negotiable and that B negotiated it to C within a reasonable time after its issue. The fact that C only gave part cash for the check and the balance of the consideration was a bill owed by B to C would not prevent C from recovering the full amount from A because the Negotiable Instruments Act expressly provides that an antecedent debt is a valuable consideration.

NOTE PAYABLE TO ALTERNATIVE PAYEES

Is negotiable under Negotiable Instruments Act and indorsement by either one of the payees passes title.

From Colorado—There has come to our observation a rather uncommon matter on which we would like your kind advice. We are holding in trust and for collection a number of first mortgage notes, originally payable to our institution and by us indorsed to John Doe or Anna Doe without recourse on us. John Doe died a short time ago and Anna Doe makes request for the payment of one note which has matured. The mortgagor is ready to pay the amount, but hesitates to receive a release of the mortgage signed by Anna Doe. The surviving indorsee also desires to sell to our institution one note which has not as yet matured, and we do not know whether it will be safe to accept her indorsement and whether we would be considered a holder in due course. We notice in the Negotiable Instruments Act passed in Colorado that a note may be made payable to one or two payees in the alternative, and probably such case would hold good for the indorsement. We shall be pleased to receive your advice and, if possible, cite a few references bearing upon this question.

At common law a note payable to A and B jointly was negotiable but required the indorsement of both to pass title, unless they were partners. In the case, however, of a note payable to A or B in the alternative there was a conflict of authority, some cases holding the note non-negotiable because it was uncertain which of the payees had the right to receive payment, the legal right not being vested in either; while other cases held the note negotiable because it was payable to either and either had the right to sue upon it and receive payment.

The Negotiable Instruments Act contains the following provisions on the subject (I quote the section numbering of the Colorado Act):

> "§5058. When payable to order. The instrument is payable to order where it is drawn payable to the order of a specified person or to him or his order. It may be drawn payable to the order of: * * * (4) Two or more payees jointly; or (5) One or some of several payees; * * *"
>
> "§5091. Where an instrument is payable to the order of two or more payees or indorsees who are not partners, all must indorse, unless the one indorsing has authority to indorse for the others."

Subdivision 5 of Section 5058 above quoted settles the conflict of authority by providing for the negotiability of an instrument payable to A or B in the alternative. It declares that a negotiable instrument may be drawn payable to the order of "one or some of several payees" and an instrument drawn payable to A or B falls within this description.

Under the act, therefore, an instrument is negotiable whether it be paid to A and B jointly or to A or B in the alternative. The question follows what constitutes a valid indorsement in each case. Concerning the first case where the instrument is payable to A and B jointly the act expressly provides (Section 5091) that all must indorse, unless the one indorsing has authority to indorse for the others, but there is no express provision governing the indorsement of an instrument payable in the alternative.

On this point, however, the act has been interpreted by the Supreme Court of Iowa in a recent case (Union Bank of Bridgewater *v.* Spies, 151 Iowa, 178). In that case a promissory note was made payable to "The Royal Mutual Life Insurance Co. or Hugh Blackman," who was soliciting agent of the company. Blackman indorsed the note and delivered it to plaintiff bank for value. The bank brought suit against the maker, who pleaded that the note was fraudulently procured by Blackman. He insisted that the bank failed to prove it was the owner of the note in suit and cited the provision of the Iowa Negotiable Instruments Act, "that where an instrument is payable to the order of two or more payees or indorsees who are not partners, all must indorse unless the one indorsing has authority to indorse for the others."

But the court said it was manifest the note did not fall within this provision of the statute "for the reason that it was not made payable to two or more payees or to their order. It was made payable to either one of two payees and under Code Sup. Par. 3060a 8 (being the same as Section 5058 of the Colorado Act) its endorsement by either one of the payees named therein would pass title. Under the last-named provision of the statute, a note made payable to one or some of several payees is payable to the order of any of the payees named and is negotiable."

In the light of this interpretation of the act I think it would be reasonably safe to conclude that in the case of a note originally payable to your institution and by you indorsed to John Doe or Anna Doe without recourse, Anna Doe could execute a good release to the mortgagor upon payment and surrender of the note; and that her indorsement of the note not yet matured would carry good title. I do not think the fact of the death of John Doe, the alternate payee, would affect the right of Anna Doe to make the indorsement and execute the release as stated unless there was some affirmative evidence that the note and mortgage did not belong to her but to the estate of John Doe.

INTEREST ON NOTE

Legal rate prevails after maturity although note provides for less than legal rate.

From Pennsylvania—In 1906 an individual gave to another individual a judgment note for $1,000 payable one year after date, bearing four per cent. interest. The interest was paid until 1910, three years after the note was due. Since then no interest has been paid. Will that note bear six per cent. interest charged in Pennsylvania from date it was due or for the interest still due or does the four per cent. rate still prevail? No effort has yet been made to enforce payment of note.

It has been held in Pennsylvania that the legal rate governs after maturity and default in payment of a debt, whether the rate fixed by the contract before maturity be greater or less than the legal rate. Ludwick *v.* Huntzinger, 5 Watts & Ser. [Pa.] 51, where a bond was dated in 1830 conditioned for the payment of money on April 1, 1832, with three per cent. interest from date, and it was held that plaintiff was entitled to recover interest at three per cent. until maturity of the bond, and after that legal interest at the rate of six per cent.

In Wright *v.* Hanna, 210 Pa. St. 349 the rule was thus stated: Where the interest on a promissory note is fixed at less than six per cent. "from date until paid," such rate applies up to maturity of the note, and the words "until paid" relate to such maturity, and thereafter the legal rate of six per cent. will prevail. This rule was recognized, and the above case cited with approval in Kauffman *v.* Kauffman, 239 Pa. St. 42, 60.

According to the above authorities, interest would be collectible on the note in question at the legal rate of six per cent. from maturity unless the fact that the holder received four per cent. thereon for three years after the note was due would evidence an agreement to receive such lower rate in full satisfaction of interest for such three years and constitute a waiver of his right to collect the extra two per cent. for such period. If it should be so held, then the holder would be entitled to the interest still due at the rate of six per cent. In case of suit it would be better for the holder to demand the full six per cent. from maturity of the note less the four per cent. paid for three years and leave it for the court to decide whether such claim was tenable.

CALCULATION OF INTEREST

The custom of banks to compute interest on the basis of 30 days to a month is generally held valid by the courts and in some cases sanctioned by statute, but in a few states, including Iowa, such method is held usurious.

From Iowa—We have before us the old question of the legal right of a bank to charge interest on the basis of thirty days to a month instead of by calendar months. I wish you would cite us to whatever authority you may have on this subject.

There is a conflict of judicial authority upon the legality of the banking custom to calculate interest on the basis of thirty days to the month. Some of the early cases are to the effect that this mode of computation is usurious and such would seem to be the rule in Iowa. In Talbot *v.* First National Bank of Sioux City, 106 Iowa 361, decided by the Supreme Court of Iowa in 1898, the Court stated that it did "not concur in the conclusions of law * * * that the custom of banks to compute interest on the commercial business of thirty days to the month is legal."

In a number of states, statutes have legalized such method of computation, but there is no such statute in Iowa.

The majority of courts, however, hold, irrespective of statute, this method of computation is legal. See, for example, Pool *v.* White, 175 Pa. St. 459, in which the court said:

"In regard to the calculation of interest the strict legal rule is certainly to compute it according to the actual time, 365 days to the year. But it is the custom in banks and some other kinds of business where calculations of interest are required frequently, to compute it for the sake of convenience at thirty days to the month and twelve months to the year. The result when calculated for a year is, of course, the same, the exact six per cent. on the sum involved, and the difference in amount for fractions of a year is usually so small as to be unimportant."

See also the following cases to the effect that when interest is computed on the assumption that a year consists of 360 days, a month of thirty days and other portions of the year upon the same basis, as a matter of convenience in calculation merely, no usury exists. (Camp *v.* Bates, 11 Conn. 487; Patton *v.* Lafayette Bank, 124 Ga. 965; Planters' Bank *v.* Bass, 2 La. Ann. 430; Agricultural Bank *v.* Bissell, 12 Pick. [Mass.] 586; Planters' Bank *v.* Snodgrass, 4 How. [Miss.] 573; Lafayette Bank *v.* Findley, 1 Ohio Dec. [Reprint] 49; Merchants' etc. Bank *v.* Sarratt, 77 S. C. 141; Parker *v.* Cousins, 2 Gratt. [Va.] 372; North Carolina State Bank *v.* Cowan, 8 Leigh [Va.] 238; Bradley *v.* McKee, 3 Fed. Cas. No. 1784.)

REGULATIONS FOR RETIREMENT OF NATIONAL BANK NOTE CIRCULATION

Secretary McAdoo has issued regulations establishing the method of retiring national bank circulation and of refunding United States two per cent. bonds, as provided in Section 18 of the Federal Reserve Act. Section 18 became effective December 23, 1915, on and after which date, according to the regulations just issued, any national bank may submit to the Treasurer of the United States application to sell at par and accrued interest any bonds securing circulation which the bank desires to retire. On March 31, 1916, and quarterly thereafter the Treasurer of the United States will submit to the Federal Reserve Board a list of all applications to retire circulation that have been received at least ten days before such date. The board will pass upon such applications and will advise the treasurer of any bonds allotted to the Federal reserve banks for purchase; thereupon the treasurer will call upon the Federal reserve banks required to purchase the bonds to deposit lawful money therefor, and after receipt of such deposits, the treasurer will cover into the treasury such sums as may be necessary to redeem the notes to be retired, will remit the balance to the banks selling the bonds and will transfer title of the bonds to the Federal reserve bank acquiring them. Applications to retire circulation which are not accepted by the board must subsequently be renewed.

The regulations further provide that Federal reserve banks owning two per cent. consols of 1930 or two per cent. Panama Canal bonds against which no circulation is outstanding, may apply for the conversion of such bonds into one year three per cent. notes or thirty year three per cent. bonds. Such applications may be submitted at any time, but conversions will be made quarterly only on the first day of January, April, July and October, which are the dividend dates for the consols of 1930. Not to exceed one-half of the bonds tendered may be converted into notes. The notes will be termed "one year Treasury notes"; they will be payable one year from date of issue, and a bank applying therefor must execute an obligation to purchase at recurring maturities for thirty years similar notes in like amounts. Subsequently, banks may exchange such notes for three per cent. bonds. These notes will be issued in denominations of $1,000, $10,000 and $50,000. The bonds will be termed "three per cent. conversion bonds", and will be payable thirty years from January 1st of the year of issue; they will be issued in denominations of $100, $1,000, $5,000 and $10,000.

Both notes and bonds will be issued in registered and coupon form; they will bear interest at three per cent. payable quarterly on the first day of January, April, July and October; they will be payable principal and interest, in gold coin of the present standard of value, and will be exempt from all taxation. They will not be acceptable as security for circulation.

Concerning market conditions in regard to United States bonds, an authority on the subject says: "The transfer of government deposits from national to Federal banks has to date released only moderate amounts of Porto Rican, Hawaiian and Philippine bonds. The discontinuance of the former practice on the part of our government in carrying deposits with national banks will coincidently discontinue the chief market for the bonds. The national banks have always served as the principal obsorbers of these bonds which have been particularly adapted to secure government deposits. The turning point in the market position of such issues, therefore, is apparently at hand."

TRUST COMPANY SECTION

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TRUST COMPANY BANQUET FEBRUARY 25

Departing from the custom of former years, the annual banquet of the Trust Company Section this year will be held during the winter—on Friday evening, February 25th, at the Waldorf-Astoria. Heretofore this dinner has always been held the first week in May, about the same time as the spring meeting of the Executive Council of the American Bankers Association. There has been a feeling for some time, however, that this season is too advanced for a banquet, and an even greater attendance than heretofore is anticipated.

ILLINOIS TEST SUIT IS WON

The Supreme Court of Illinois on December 22d handed down a decision against the first National Bank of Joliet in its mandamus suit against James J. Brady, State Auditor, to compel him to issue a certificate of authority to the bank to act as trustee, administrator or executor under the Illinois trust act. This the bank sought to do in accordance with the permission granted by section 11 (k) of the Federal Reserve Act conferring trust powers upon national banks when not in contravention of state laws. The Illinois Supreme Court holds that this section of the act is unconstitutional and void, so far as Illinois is concerned.

Commenting on this decision Milton Elliott, counsel for the Federal Reserve Board, said:

"This is the one of several suits pending in different state courts in which the question of the constitutionality of section 11 (k) of the Federal Reserve Act is involved. The Federal Reserve Board has asked leave to file briefs and to be heard by counsel in only one of these cases. It will not be argued until the latter part of January or in February.

"There are two fundamental questions involved—first, whether Congress has authority, under the Constitution of the United States, to vest national banks with corporate powers to act in these capacities, and, second, whether the exercise of such powers will contravene the laws of the state in which any particular national bank is located.

"The permits granted by the board to national banks to act as trustee, executor, administrator, and registrar of stocks and bonds authorize the exercise of these powers only when not in contravention of the laws of the state in which such banks are located, but the question of the constitutionality of the Act which is presented to the courts will be argued by counsel for the board. Some of these cases will be appealed to the Supreme Court of the United States, and its decision on the constitutional question will be binding on all state courts."

BOOKS FOR TRUST COMPANIES

The Trust Company Section has on hand a number of handsomely bound copies of Proceedings of the Section. Volume I contains the proceedings from 1896 to 1903, inclusive, and Volume II the proceedings from 1904 to 1908, inclusive. These two volumes contain many important reports, addresses and discussions on matters of great interest to trust company officers and their employees. It is confidently believed that in no other books could so wide a range of trust company information be obtained.

In the pages of these books will be found addresses and discussions covering such topics among many others, as:

Advertising for Trust Companies.
Educational Publicity for Trust Companies.
Bond Certification by Trust Companies.
Charges and Fees.
Defalcations—What Can Be Done to Decrease Them?
Employees—Practices in Interest of.
Fiduciary Capacities—Superiority of the Trust Company in.
Management of Real Estate by Trust Companies.
Registrars and Transfer Agents.
Safe Deposit Companies.
Trustees of Corporate Mortgages.
The Trust Company—a Necessity.
Utility of the Country Trust Company.

A great many copies have been sold, but in order to make room for other matter the remaining volumes, as long as they last, will be sold at seventy cents each, including postage. Orders should be sent to the Secretary, who will forward the books promptly.

SAVINGS BANK SECTION

SAVINGS BANK CENTENNIAL PLAN PRESENTED TO CONNECTICUT BANKERS

By VICTOR A. LERSNER
Chairman Savings Bank Centennial Committee

The centennial of savings banks in this country is arranged for a period which is appropriate for such a celebration—the month of December, 1916—and my theme is the father or foundation of savings banking —Thrift.

Centennial Celebration

Some, if not all of you, are probably aware that two or three years ago that phase of the American Bankers Association which has to do with our part of banking, and which is known as the Savings Bank Section, developed a desire to do something in the way of constructive usefulness and definite advantage both to the community and its members, a something that would be truly representative of the parent organization and at the same time thoroughly consistent with the basic principles and ideals of savings banking. The result was the formation of a thrift movement and the adoption of a plan for the proper celebration of the one hundredth anniversary of the savings bank system.

To people in the savings bank business, regardless of the length of their experience, it would seem uncalled for to deliberate over the propriety of celebrating such an important event; but in deciding to hold a convention of such a character, it was apparent that it could only be done if managed with great care, and it was also realized that it could only secure its becoming proportions by having the united enthusiasm and interest of all those who represent the savings bank business. It is to be assumed that every savings bank man is convinced that the savings bank business since its beginning has contributed that vast measure of moral good and economic value to the individual and the country as to deserve the right of commanding notice and record on reaching its one-hundred-year period. I have not the figures at the moment that tell of the billions of dollars that have been accumulated through our business. They are interesting for statistical purposes, but I feel that the great machine that cares for the precious funds of the multitude has done much more than gather into one great mass the vast sum represented in its assets.

This mountain of money is a matter of record and easy of learning; rather let us consider the millions of people who have been savings bank depositors and what the savings bank has done for them as individuals in providing enlarged opportunities for their welfare and becoming the certain agency to care for those happenings of human experience that is well expressed in the rainy day period. This unknown and unrecorded and undiscoverable result that has been the direct outgrowth of the savings bank influence is of far greater importance and worthy of vaster consideration than the mere dollar sum. It is much the same story of the difference between the mere value of saved money and the greater value of the savings habit.

What Saving Has Accomplished

How often do any of us even stop to deliberate over what the savings bank business has done through the power of its vast assets towards the development and expansion of the country? Here again, it is not necessary for us to talk in figures on this score, but would it have been possible for our railroads to have taken on their beneficial development without the aid of our investments? Would it have been possible for our country, our states and our municipalities to have grown with the vigor that marks their history had it not been for the great assistance rendered through our means? What would have been the progress, or the possibilities for it, of our own local communities if savings banks had not been present to have loaned unbelievable amounts on mortgages for the upbuilding of homes and factories? This is not intended to present anything of a becoming picture of what the savings bank business has done. It is but a crude and cursory outline of the force we have exercised in the affairs of this country.

The better to give the proper background and foundation for the success of the centennial it was wisely decreed that the Savings Bank Section should inaugurate a thrift campaign which would run through the entire year of 1916. This really is the primary work. The centennial celebration is to act as its climax, and I would rather at this time interest you in the cause of the thrift campaign than in the centennial. This campaign can only be made possible and positive by the hearty co-operation of the banks in making a striking appeal to all the people throughout the land for greater thrift and reduced extravagance.

In my confessed ignorance of the practices in your state, I am allowed to hope that maybe Connecticut is different from New York. I hope it is, for I find that most of our progressive and thoughtful savings bank men admit to the indictment of having followed the line of least resistance, and have accepted such money as has been voluntarily offered by the public without exerting themselves in any way to develop a system of thrift in those who are really more deserving of such suggestion and aid than many who are the present-day depositors.

The Foundations of Thrift

It might be well for us savings bank men to let our minds run back not only to the beginning of the savings bank business here, but go back to its actual beginning in Great Britain, and think of the conduct of those men who laid the foundation stones. To be sure, it would not be possible to produce exact duplication, for in both Great Britain and the United States savings banks were originally strictly neighborhood organizations. It was the personal element on the part of these devout and devoted pioneers in giving generously of their years, their purse and their social influence that gives proof of their inspiring zeal and constancy of purpose to serve in a great effort to develop greater happiness and independence among the people. Their perseverance and struggle with prejudice and indifference give them an award to fame that is all too poorly established in the meagre history that has survived them.

Consider for a moment the unusual and unexpected position that our country has been thrown into by reason of the European conflict. In many matters relating to finance there are divided opinions among the authorities as to some of its consequences, but in the time that has passed since the war began we have all learned that the United States has been forced into a new relation with all the commercial world. From a purely debtor country we are fast emerging into a creditor. Instead of looking for wealthy Europe to finance in a large measure our vast projects, both new and deferred, we must not only look after our own demands, but become the helping hand for the crippled old world and the fields it formerly cared for. The only way in which that can be made possible to its fullest measure will be by saving. It is the only way in which any country has ever done it heretofore and unless some undiscovered and unlikely new power appears it will remain the only way open to the world for all times.

We are at present witnessing vast fortunes being accumulated virtually over-night. Many of our industries are running at a pace never heretofore approached. We are told by those whose position makes it worth our while to heed that America is launched on a financial boom that had never been reckoned possible. In other words, we are on the first step of a vast business prosperity. If this be true and we can remember the habits of our people which have made them famous for their tremendous extravagance, then this is the great moment for us to try to save them in some measure from a continuance of that undesirable reputation.

Be it said to the credit of some communities, for it is known to exist in some places in the west, that they have already and for some time past taken up the question of trying to educate the people into a knowledge of the advantages of savings. But wherever this has occurred, how much can it be multiplied and amplified if the whole banking power would lend itself to a nation-wide movement. This is what we propose and what we have arranged for: The machinery is all assembled. It is necessary now for those to whom the honor is going to fall to arrange themselves at their particular stations. A thrift campaign will happen whether the bankers align themselves with it or not, but I shall not allow myself to think they will be found wanting during its happening. It is a most pleasing fact that some strikingly influential organizations have already set themselves to the task of creating this greater thrift. Since the Savings Bank Section started out to arrange for the plan it has been a wonderful satisfaction to realize the enthusiasm and the prospective influence of the organizations that have indicated their hearty willingness to join in the movement; such, for instance, as: the National Americanization Committee, the National Civic Federation, the National Association of Life Underwriters, the Young Men's Christian Association, the Women's Christian Temperance Union, and the by no means least factor, the Public Affairs Committee in each of the sixty-odd Chapters of the American Institute of Banking, and of which your own good city can lay claim to one of which it may well boast.

If you have not already, you will before long receive a text-book which will be sent out by the Savings Bank Section. This book is intended to show how a thrift campaign can be conducted in any community and under any circumstances. It was apparent to us from the beginning that it would not be easy to find a sufficient number of bank men who could bring themselves to take up the work of a thrift propaganda. Neither have we been deceived into thinking it possible for us to make platform orators out of men who might join in the ranks, but we have created a valuable aid thereto both through the medium of this text-book and a vast amount of material in the office of the Secretary of the Savings Bank Section, that will readily fit into any situation. It will provide the necessary ideas for a man to go before any gathering, which, of course, must be arranged for in advance, and strikingly point out the primary and cardinal reasons and the apparent advantages for an enlarged practice of saving.

Industrial missionary work has been most carefully treated. We will be able to lead the way by direction and suggestion for any set of men or any individual to go into our large manufacturing plants and there attempt to invite the notice of the operators to the virtue of thrift. There will be no lack of opportunity for work in this department for business men recognize the obvious advantage to them of having employees who are thrifty rather than those who are improvident and will welcome our presence.

Even the moving-picture business sees the advantage in such a movement and several very well-known concerns are anxious to co-operate with us in a large way. We have at the present time to be sure one motion picture that has gone pretty well all over the country, called "The Reward of Thrift," whose story depicts the horrors of extravagance and improvidence as well as the virtue of saving. This one picture is to be splendidly supplemented by a series of pictures and the field for their display is to be materially enlarged. In fact, the Savings Bank Section will likely become the owners by actual purchase of a series of film stories which can be arranged for in the course of this campaign. There has been a most careful planning and preparation for the greatest thrift movement that has ever occurred in the civilized world. The extent and measure of its success will depend almost entirely upon the quality of the support given to it by those who should consider themselves the most responsible for it—the bankers.

I believe that the more the people can be induced to become the infant capitalists that savings bank depositors are, the more likely the socialistic movement can be restrained. This consideration and conviction played no small part in the effort that has been going on under the auspices of the Savings Bank Section to develop the school savings bank system throughout the country. None will deny that the mutual savings bank system at least is a quasi-national institution and if we can develop school savings banking to its fullest possibility I fully believe that we can make better future citizens of our present-day youth than through any other practical instrumentality.

I trust I have been able to portray to you something that will reawaken a spirit of social service on your parts and that we can confidently look to the state of Connecticut through its savings bank managers for their full share in the great constructive and unselfish work that is being planned for the people of the country through the medium of this thrift campaign.

TEXT BOOK FOR THE THRIFT CAMPAIGN

Directions for conducting the thrift campaign of the American Bankers Association are contained in the text-book which has been published by the Savings Bank Section. Already about one thousand copies have been mailed to all sections of the country.

The subject of thrift is considered from several different angles. The centennial of savings banks is fully explained. How to construct a thrift talk; conducting a thrift campaign: in a small city, in a city with a chapter of the American Institute of Banking, among the immigrants, and a state-wide thrift campaign are some of the subjects undertaken. Many other things are contained in the book, all of which will be exceedingly helpful.

The American Bankers Association, through the Savings Bank Section, will be pleased to furnish these text-books free of charge upon request. The only condition is that you use it to good advantage.

THE SOUTH IS ALIVE TO ITS OPPORTUNITY

Social and economic conditions in the south have been largely responsible for the lack of thrift, particularly in the past half century. But in recent years the south has developed to a remarkable extent; it has realized its opportunities and has grown accordingly.

The diversification of crops campaign and the innumerable local campaigns to improve communities, chambers of commerce, boards of trade, the railways of the south initiating improvements, have all contributed to what has been called the New South.

The secretary represented the section in visiting a number of cities in the south during the past month. Richmond, Raleigh, Columbia, Charleston, Savannah, Jacksonville, Macon, Atlanta, Birmingham, New Orleans, Memphis, Chattanooga, Nashville and Louisville were visited, and the Centennial Thrift Campaign presented and explained. It is gratifying to know that each city responded in an admirable manner, and appointed committees for carrying on the promotion of thrift. In cities where there are chapters of the American Institute of Banking the thrift campaign is being conducted through a Public Affairs Committee appointed by the Chapter president. In other cities prominent men have formed themselves into a committee and will, undoubtedly, do much to support the work.

An editorial on "Where the South Lags" in the *News and Courier* (Charleston), December 7th, stated: "The Savings Bank Section of the American Bankers Association has undertaken a campaign which ought to mean a great deal to the country at large and especially to the south—a campaign to promote thrift among the American people. The south is indeed worse off in this respect than any other section of the country. More than in most southern cities habits of thrift have been cultivated in Charleston, yet Charleston still has much to learn in this regard. Some of the benefits which would accrue to the community through a larger cultivation of thriftiness was suggested in a talk to bankers and business men of this community yesterday by the secretary of the Savings Bank Section of the American

Bankers Association. What he urges is that people shall study not their necessities alone but their opportunities as well. He believes that intelligent work along this line will accomplish larger results in Charleston than in almost any place which might be named in this part of the country. 'I have never seen a city with so many wonderful opportunities still to be realized upon,' he said yesterday. This is true. The people of Charleston know that it is true. What is needed is that more and more of them shall acquaint themselves with the advantages growing out of good management, the avoidance of waste on the one hand and of dry rot on the other; the utilization of their resources; the cultivation not only of frugality but of frugality coupled with alert and intelligent endeavor."

In Savannah both the Rotary Club and the Clearing House Association appointed committees to investigate the campaign with the object of carrying on the work in that city. In Raleigh and Columbia committees were appointed.

Among the chapter cities, Richmond, Jacksonville and New Orleans are proceeding with considerable energy to make the campaign a great success. The newspapers are giving the various thrift committees all possible aid. The *Times-Picayune* (New Orleans)—December 20th, editorially stated: "The gulf between improvidence and thrift is as wide to-day as it was when the savings bank was established in 1816. The savings habit has lost none of its value and importance because it is harder to form and keep in these free-spending days. The ages-old lesson of thrift is being emphasized to-day in a thousand forms. And if the temptation to-day is stronger than of old the facilities for saving are vastly more numerous and convenient. The American Bankers Association has launched its "thrift campaign" at an opportune moment, for the great war abroad, with its stern lessons in self-denial and economy and its temporary unsettlement of business and industrial conditions here, has impressed most thoughtful Americans with the value of preparedness against financial contingencies. The savings reserve makes not only for security against misfortune, but for independence and for wider opportunity. The man whose expenditure equals his income month after month and year after year is in a sense chained to his oar if he has not independent resources. The thrift campaign is waged in behalf of the individual and of the family. Its success will mean a better, stronger nation and happier people."

Altogether forty-five or more chapter cities are preparing for the campaign. There are a great number of smaller cities which will also conduct the campaign. Letters requesting information and advice are constantly pouring into the office of the section with relation to the centennial and the thrift campaign. This will indeed be a memorable year for the savings banks. It is an eminently fitting and substantial way of celebrating the completion of one hundred years of Savings Banking in America.

MOVING PICTURES—AN AID

Pathé Freres of Jersey City, N. J., have constructed a list of moving pictures for the Centennial Thrift Campaign, any one of which can be rented from them at $3.00 and up an evening. They will also send a camera man to any city or town to take local pictures of 150 to 200 feet in length at a price of thirty-five cents a foot, plus the camera man's expenses. A camera man may be reached in any of the branches of the company situated in all parts of the United States. Some of the subjects are:

Harnessed Falls of the Northwest.
Dredges and Farm Implements in the West.
Opportunity and a Million Acres.
Glacier Park in Winter.
The Art of a Furrier.
Ice Cutting in Sweden.
Trading Stamp Mania.
Water Falls of Argonia.
Rice Culture in Indo-China.
Stock-farming in Brazil.
Making Lace Fans.
Slate Industry.
Sugar Making in Cuba.
Eggs and Some Tests.
Wood Carving.
Wine Industry.
Coffee Cultivation.
Blazing New Trail in Glacier Park.
Dredges and Farm Industry.
Farming with Dynamite.
Petrified Forests of Arizona.
How Mountains Grow.
Experiments with Liquid Air.
Mines and Foundry in Malacia.
The Analysis of Motion.

The "Reward of Thrift" picture which was produced last year by the Savings Bank Section may be secured through the local moving picture house. Slides in connection with this picture may be had by addressing the Secretary of the Savings Bank Section.

A SUGGESTION

"The most practical suggestion I can make on the subject of Teaching Thrift, paradoxical as it may seem, is to have the prospective saver *incur a debt.*

"Among our own employees, the obligation to pay a stated amount on the first of each month is promptly met. It is most important to have *compulsory regulation in saving.*

"To illustrate my suggestion concretely and briefly:

"Let the employer make it possible for the employee to purchase, say, a share of stock in *their* company, employee giving his note in payment for same, with the obligation to pay a stated amount on same each month.

"If the employee is of the right caliber, not only is his loyalty and co-operation developed, but by the time his debt is paid, he sees the benefits of systematic saving, and the habit is deeply and firmly rooted in fertile soil.

"This plan may be used in all branches of commercial and industrial establishments, with certain modifications, and I believe will accomplish more than all the nebulous theories ever set forth."

A RESULT OF THRIFT

A member has sent us an account of a deposit opened eighty-three years ago:

S——— B——— of Norwich, Conn., opened an account with this Society by deposit

June 4, 1832		$ 7
Sept. 3, 1832	he deposited	8
July 21, 1833		5
Oct. 8, 1834		13
Total amount deposited		$33

There were no other transactions on this account until December 3, 1915, when we paid to his estate, represented by his widow as executrix of his will, the amount

deposited	$ 33.00
and accumulation of dividends or interest	1,779.09
Total	$1,812.09

This is not an estimate, but the record of an actual experience of a depositor in a mutual savings bank.

SAVINGS

TRANSCRIPT OF ACCOUNT No. 36,391

"Isaac Deposited for His Daughter Lydia"

1852	6/3	Deposit	$10.00
"	12/30	"	7.00
1853	12/30	"	5.00
1854	12/30	"	5.00
1855	12/29	"	5.00
1856	12/30	"	5.00
1857	12/29	"	5.00
1858	12/29	"	5.00
1859	6/3	"	6.00
"	12/27	"	5.00
1860	12/26	"	5.00
1861	12/27	"	5.00
1862	12/29	"	5.00
1863	1/21	"	5.00
"	12/31	"	5.00
1864	12/29	"	5.00
1865	12/22	"	5.00
1866	12/31	"	5.00
1867	12/28	"	5.00
1868	12/24	"	5.00
1869	12/24	"	5.00
	Total Deposits		$113.00

1870	Interest to January,		$96.71
1880	"	"	190.69
1890	"	"	203.11
1900	"	"	293.08
1910	"	"	435.40

Account closed May 10, 1910, by payment of $1,331.99

CO-OPERATION FROM BIG BUSINESS

Frank Trumbull, chairman of the Immigration Committee of the United States Chamber of Commerce and member of the Centennial Advisory Thrift Commission, has recently written the following letter to each of the chambers of commerce in the United States:

The Chamber of Commerce of the United States of America has created an Immigration Committee for the purpose of dealing with this subject from a broad standpoint.

It has occurred to us that the most serious problems likely to face us in the near future are industrial—such as the supply of labor and its distribution, the kind of immigration we will receive after the war, the conservation of our present supply of workers and the encouragement of American investments by the foreign born residents.

The Centennial Advisory Thrift Commission of the American Bankers Association, the National Americanization Committee and the National Society of the Sons of the American Revolution agree with our Committee, and are willing to co-operate in some kind of "get together" occasion, when we may promote Americanization along social, civic, industrial and patriotic lines which might do for the country along different lines what Americanization Day did for citizenship and loyalty to America.

I am therefore suggesting to the Chambers of Commerce, members of the United States Chamber of Commerce, that we make Washington's Birthday, February 22d, the occasion of "America First" dinners throughout the country, for the purpose of promoting Americanization along the lines indicated, inviting to such dinners the leaders of the American born and the foreign born in your city. Such a dinner was held in Rochester by the Chamber of Commerce two or three years ago and there were 900 present and it was a most happy occasion.

The above-named organizations acting in co-operation with this Committee are prepared to make suggestions as to programs, topics, speakers and to furnish data and other information and services. I take pleasure in enclosing a statement of why we believe Chambers of Commerce can do this work best and some of the results we may expect.

There will be a National Conference on Americanization held in Philadelphia, January 19th and 20th. William E. Knox, comptroller Bowery Savings Bank, New York, will present to the conference "Conducting the Centennial Thrift Campaign among the Immigrants in America." Charles M. Schwab, James J. Hill, Nicholas Murray Butler and Theodore Roosevelt will also speak.

COURSE IN SAVINGS BANKING

Members should follow the study course in savings banking which is being conducted each month through the pages of the JOURNAL-BULLETIN in the American Institute of Banking Section. Such subjects as Savings Banking in Europe, Savings Banking in the United States, Investments for a Stock Savings Bank, Investments for a Mutual Savings Bank, Segregation of Savings Deposits, The Savings Bank and the Federal Reserve, The Centennial of Savings Banks will be taken up during the next year.

CLEARING HOUSE SECTION

JUST CHARGES FOR SERVICES RENDERED

Collection costs are so often confused with exchange charges that it is a hopeful sign to note that the bankers of Wisconsin have taken steps to make the difference clear. Banks perform too many services free of charge and it would be well if more of them would have the courage of their convictions.

The Wisconsin Bankers' Association is now sending out a card to members on which is reproduced the resolution adopted at their convention. The wording on the card follows:

"THE WISCONSIN BANKERS' ASSOCIATION
(Of which this bank is a member)

"At its 1915 convention adopted the following resolution relative to collections and requests for rating—it being the general opinion of the bankers present that 'the laborer is worthy of his hire,' and that banks should not be expected to perform these important duties without some remuneration:

RESOLUTION

"Collections and requests for rating will have our prompt attention provided same are accompanied by the following fee in advance:

Collections ....15 cts. each

Requests for rating, minimum fee...25 cts. each

"Unless such fee accompanies request for this service the item will be returned without presentation or attention. This rule does not apply to drafts with bills of lading attached, or to notes.

"We return the attached and call your attention to our rule. Fees accompanying collections will be credited as part of regular exchange charge on collections made. In complying with request for rating, all statements will be made upon information which this bank believes to be reliable, but further than that it assumes no liability whatever."

BOOK OF FORMS FOR NATIONAL AND STATE BANKS

A copy of this book can be secured by any member of the American Bankers Association at the cost of $5. The book contains about 300 accounting and other forms, together with some descriptive matter and a short introductory treatise on the elements of a sound system of bank accounting. Subscribers are entitled to receive new forms, free of charge, as they may develop by changes in banking law and practice.

NEW MEMBERS

The Mesa County Clearing House Association, Grand Junction, Colo., the Norristown, Pa., and New Castle, Pa., Clearing Houses have been enrolled as members of this Section.

KEY TO NUMERICAL SYSTEM

The new Key—September, 1915—contains the numbers of all new banks corrected up to September 1st. The complete list of numbers is arranged both numerically and alphabetically and the book has a value in transit work aside from its use in connection with the Numerical System. We can supply copies at $1.50 each.

NATIONAL BANK SECTION

OFFICERS OF THE NATIONAL BANK SECTION

PRESIDENT
FRED. W. HYDE, Cashier National Chautauqua County Bank, Jamestown, N. Y.

CHAIRMAN EXECUTIVE COMMITTEE
J. ELWOOD COX, President Commercial National Bank, High Point, N. C.

VICE-PRESIDENT
J. S. CALFEE, Cashier Mechanics-American National Bank, St. Louis, Mo.

SECRETARY, *Pro Tem.*
FRED. E. FARNSWORTH, 5 Nassau Street, New York.

NATIONAL BANKS QUICK TO ENROLL

Enrollment in the National Bank Section is proceeding rapidly, at a rate that leaves no doubt as to the popularity of this new Section of the American Bankers Association. At the present writing, out of the 5700 national bank members of the Association, only a few hundred have failed to fill in the enrollment cards sent out December 18th, and there appears to be every prospect that by the time this issue of the JOURNAL-BULLETIN appears only a few stragglers will still remain to be heard from. It is to the interest of every national bank to join in the work of this Section, as already, in the short period of its existence, it has established itself as a power in the interests of the national banks of the country. Any bank which failed to receive the circular and enrollment card sent out December 18th should notify the Secretary *pro tem.* at once.

COMMITTEE MEETS WITH RESERVE GOVERNORS

The meeting of the Executive Committee of the National Bank Section on December 14th in Washington was attended by Fred. W. Hyde, president of the Section; J. S. Calfee, first vice-president; J. Elwood Cox, chairman of the committee; W. H. Bucholz, H. E. Otte and W. M. Van Deusen; also Thomas B. Paton, General Counsel of the American Bankers Association. General Secretary Farnsworth acted as secretary for the committee.

The committee met in Washington on invitation of the chairman of the executive committee of the conference of governors of Federal reserve banks and with that committee discussed matters of interest, including several proposed amendments to the Federal Reserve Act. The particular matters discussed were (1) An amendment to section 19-A, which relates to the reserves of banks not located in reserve or central reserve cities. (2) Interlocking directors. (3) Domestic acceptances. (4) Bills of lading. (5) Amendment to the Federal Reserve Act to make subscription to the capital of reserve banks a liability, not to be paid over till called.

The executive committee formally approved the form of legislation in regard to bills of lading and interlocking directorates recommended by the Federal legislative committee of the Association and agreed to cooperate in urging the passage of these bills. It was also decided to take up for consideration with the Federal legislative committee the question of the reduction of capital stock of the reserve banks and the privilege of domestic acceptances in an endeavor to secure the cooperation of that committee.

The committee had a conference with the Federal Reserve Board, at which all the members of the Board were present except Secretary McAdoo and Dr. Miller. At this conference Comptroller Williams asked if the Committee had made reply to the answer he sent after receiving the committee's protest against his statement as to the usurious rates of interest charged by national banks. When this matter was brought before the committee Secretary Farnsworth was directed to reply to the Comptroller as follows:

"Acknowledging receipt of your communication of November 23, 1915, which has been duly considered by our committee, it appears evident from the length and elaborateness of your defense (and the committee is led to believe) that you misunderstood the purpose of our former communication, which was to suggest to you the propriety of criticism in specific cases, instead of general criticism, as the latter would give the wrong impression of general banking practices."

The committee of the conference of governors and the members of the Federal Reserve Board expressed themselves as greatly pleased with the opportunity to talk over matters with the Committee of the National Bank Section. The opinion was frequently expressed, both by the governors and the members of the Reserve Board that they had long felt the need of closer contact with the national banks through some committee or organization that was representative and could speak with assurance of the general views held by national bankers. Governor Strong of the Federal Reserve Bank of New York, who is chairman of the committee of the conference of governors, expressed the wish that the Committee of the National Bank Section could meet with the governors at each of their conferences. It is not unlikely that the meetings between the governors and the National Bank Section Committee will be held every month.

The next meeting of the executive committee of the Section will be held at the Shoreham Hotel in Washington January 19, 1916.

VICE-PRESIDENTS OF THE SECTION

Following is a list of the state and territorial vice-presidents named for the National Bank Section:

Alabama—Louis B. Farley, president The New Farley National Bank, Montgomery.

Alaska—Gaston Hardy, vice-president The Harriman National Bank, Seward.

Arizona—Morris Goldwater, vice-president The Prescott National Bank, Prescott.

Arkansas—Stuart Wilson, cashier State National Bank, Texarkana.

California—Alden Anderson, president The Capital National Bank, Sacramento.

Colorado—J. C. Burger, cashier Hamilton National Bank, Denver.

Connecticut—H. V. Whipple, president Merchants National Bank, New Haven.

Delaware—John B. Smith, cashier First National Bank, Milford.

District of Columbia—Milton E. Ailes, vice-president Riggs National Bank, Washington.

Florida—A. F. Thomasson, president Central National Bank, St. Petersburg.

Georgia—J. K. Ottley, vice-president Fourth National Bank, Atlanta.

Hawaii—L. T. Peck, president First National Bank of Hawaii, Honolulu.

Idaho—Wm. Thomson, president Lewiston National Bank, Lewiston.

Illinois—J. J. Doherty, cashier First National Bank, Dwight.

Indiana—C. H. Church, cashier Delaware County National Bank, Muncie.

Iowa—J. L. Edwards, president Merchants National Bank, Burlington.

Kansas—W. J. Bailey, vice-president Exchange National Bank, Atchison.

Kentucky—J. W. Stoll, president First & City National Bank, Lexington.

Louisiana—E. K. Smith, president Commercial National Bank, Shreveport.

Maine—Charles G. Allen, cashier Portland National Bank, Portland.

Maryland—A. D. Graham, vice-president and cashier Citizens National Bank, Baltimore.

Massachusetts—E. B. Brown, president Mechanics National Bank, New Bedford.

Michigan—John W. Staley, vice-president First and Old Detroit National Bank, Detroit.

Minnesota—J. R. Mitchell, president Capital National Bank, St. Paul.

Mississippi—T. W. McCoy, vice-president Merchants National Bank, Vicksburg.

Missouri—J. G. Schneider, vice-president German-American National Bank, St. Joseph.

Montana—Frank S. Lusk, president First National Bank, Missoula.

Nebraska—P. L. Hall, president Central National Bank, Lincoln.

Nevada—George Wingfield, president Reno National Bank, Reno.

New Hampshire—F. W. Sawyer, vice-president and cashier Souhegan National Bank, Milford.

New Jersey—Robert D. Foote, president National Iron Bank, Morristown.

New Mexico—D. T. Hoskins, cashier San Miguel National Bank, Las Vegas.

New York—Rollin P. Grant, president Irving National Bank, New York.

North Carolina—J. G. Brown, president Citizens National Bank, Raleigh.

North Dakota—James E. Phelan, president First National Bank, Bowman.

Ohio—J. J. Sullivan, president Central National Bank, Cleveland.

Oklahoma—Thomas P. Martin, Jr., president Oklahoma Stock Yards National Bank, Oklahoma City.

Oregon—Edgar H. Sensenich, cashier Northwestern National Bank of Portland, Portland.

Pennsylvania—L. T. McFadden, cashier First National Bank, Canton.

Rhode Island—H. L. Wilcox, cashier National Bank of Commerce, Providence.

South Carolina—Arthur L. Mills, vice-president and cashier Fourth National Bank, Greenville.

South Dakota—N. E. Franklin, president First National Bank, Deadwood.

Tennessee—T. R. Preston, president Hamilton National Bank, Chattanooga.

Texas—Nathan Adams, cashier American Exchange National Bank, Dallas.

Utah—C. S. Burton, vice-president Utah State National Bank, Salt Lake City.

Vermont—Frank M. Corry, president First National Bank, Montpelier.

Virginia—John M. Miller, Jr., vice-president First National Bank, Richmond.

Washington—Ralph S. Stacy, president National Bank of Tacoma, Tacoma.

West Virginia—W. B. Irvine, vice-president National Bank of West Virginia, Wheeling.

Wisconsin—E. J. Hughes, vice-president First National Bank, Milwaukee.

Wyoming—A. H. Marble, president Stock Growers National Bank, Cheyenne.

STATE SECRETARIES SECTION

OFFICERS OF THE STATE SECRETARIES SECTION

PRESIDENT
HAYNES McFADDEN, Secretary Georgia Bankers Association, Atlanta, Ga.

FIRST VICE-PRESIDENT
S. B. RANKIN, Secretary Ohio Bankers Association, Columbus, Ohio.

SECOND VICE-PRESIDENT
FREDERICK H. COLBURN, Secretary California Bankers Association, San Francisco, Cal.

SECRETARY-TREASURER
GEORGE D. BARTLETT, Secretary Wisconsin Bankers Association, Milwaukee, Wis.

STATISTICS OF STATE ASSOCIATIONS

In the December number of the JOURNAL-BULLETIN there appeared an article under the heading, "What State Bankers Are Doing for the Benefit of Their Members," containing interesting statistics about various departments of association activity. At the time the article was written only thirty-six replies had been received out of the total of forty-nine associations. Since then the receipt of additional answers makes it possible to give more complete figures, although the character and significance of the facts brought out are in no wise altered. For instance, with forty-two replies at hand, there is no change on one point—unanimity in looking after state legislation. Thirty-five associations have also taken up actively the subject of taxation.

The forty-two states heard from report a total membership of 21,703 and eligible non-members 2,742, so that only about ten per cent. of the banking institutions of the country which could join a state association have failed to do so—a high compliment to the industry of the state secretaries. Incidentally, the Washington association, which at the time of making its reply had only one non-member bank in the state, has since enrolled that one, making a perfect score for the state.

Thirty associations have the group system, twelve have not; and, as a rule, the groups are in a flourishing condition. It is worth repeating that most of the states pay the secretary's dues in the State Secretaries Section of the American Bankers Association and that more than half of them pay his expenses to the annual convention of the Association. Seven associations are incorporated, thirty-five are not.

Only sixteen out of the forty-two associations reporting maintain an agency for bonding and burglary insurance. Twenty-two have a protective feature, sixteen have a paid attorney and twenty-seven a state badge.

CONVENTION CALENDAR

April 27-29	Alabama	Pensacola, Fla.
April ——	Florida	Daytona
May 2-4	Texas	Houston
May 8-10	Ex. Council, A. B. A.	Briarcliff Manor, N. Y.
May 16-17	Missouri	——
May 18-19	Pennsylvania	Philadelphia
May 25-27	Georgia	Macon
May ——	Mississippi	Laurel
June 15-16	North Dakota	Minot
June 28-29	So. Dakota	Sioux Falls
Sept. ——	Amer. Bankers Assn	Kansas City, Mo.
Sept. ——	Investment	Cincinnati
——	Am. Inst. of Banking	Cincinnati
——	Reserve City Bankers	Detroit
——	Iowa	Waterloo
——	Idaho	Lewiston
——	West Virginia	Wheeling

WISCONSIN TREASURER

In the list of officers of state bankers' associations printed in the December JOURNAL-BULLETIN the name of the treasurer of the Wisconsin association was erroneously given as J. J. Jamieson. The treasurer elected at the convention last July is C. E. Gibson, cashier First National Bank of Clintonville. Mr. Jamieson was treasurer last year.

NEW OKLAHOMA SECRETARY

Harry E. Bagby, president of the Farmers State Bank of Vinita, Okla., has been chosen to succeed W. B. Harrison as secretary of the Oklahoma Bankers Association. Mr. Harrison's resignation takes effect January 1st, at which time, it is understood, Mr. Bagby will remove to Oklahoma City and take charge of the association office there. He will retain his bank affiliation.

LIBRARY DEPARTMENT

MARIAN R. GLENN, LIBRARIAN

THE ANATOMY OF AN INTEREST RATE

WHY is a rate of interest?

WHAT is a rate of interest?

The first is not a flippant question, as any banker who wants to send for the Library's literature on Interest will find when he undertakes to discover the differences between the "agio," the "labor," the "productivity" and other theories of rival economists in their "use," "abstinence," "impatience," "cost" and "exploitation" aspects.

Alexander Del Mar, in his "Science of Money," seems to have been the first to attempt an answer to the second query, analyzing "net" and "loaded" interest and constructing what might be called an anatomy of an interest rate built up as follows:

	Percent.
Net, or unloaded rate of interest, due to rate of the increase of the means of subsistence, and agreeing substantially with the rate of the growth of population	2
Risk	2
Taxes on money or loans of money	½
Cost of superintendence of loan, legal and notarial expenses, etc.	½
Market or gross rate of interest	5

This writer has, however, been criticized by others as holding to the "fructification" theory, and so it goes. In his book on the "Rate of Interest," in which he develops the Böhm-Bawerk agio theory, Irving Fisher gives an interesting résumé of the moot points upon which few economists seem to agree with each other, while the socialists disagree among themselves as well as with the economists. When Jeremiah O'Callaghan and some of the older writers on "Usury" are added to this potpourri of opinion on interest it adds zest to opportunities for reading which any banker with a sense of humor would relish in connection with the present controversy with the Comptroller.

NEW BOOKS

Cahn, Herman—Capital Today. Putnam, 1915.

A critical analysis of the concentration of capital from a Marxian standpoint.

Hirst, F. W.—Political Economy of War. Dutton, 1915.

Policy and Economics of War—On War Debts—On the Great War of 1914-1915.

Jones, J. H.—Economics of War and Conquest; an Examination of Norman Angell's economic doctrines. London, King, 1915.

Contains chapters on War and the Credit System—Immediate Financial Effects of the War—The Material Cost of War.

Lawson, W. R.—British War Finance, 1914-1915. Van Nostrand, 1915.

An Averted Panic—Relief Measures—Emergency Government—The Treasury Régime.

Morgan, Dick T.—Land Credits. Crowell, 1915.

The newest book on rural credits. Discusses land banks, reserve funds, interest rates, Government aid, and compares the provisions of recently proposed legislation.

Wagel, S. R.—Chinese Currency and Banking. 1915. Finance in China. 1914. *The North-China Daily News and Herald.*

Contains information from official sources not hitherto easily available.

Willis, H. P.—The Federal Reserve. Doubleday, Page & Co. 1915.

The latest book on the Federal reserve system, written by the Secretary of the Board. A useful and readable summary of how the act was put into effect; how policies were determined and what difficulties were overcome when the banks were opened; how the banks are supervised and administered; how commercial paper is classified and handled; how checks are cleared; how the system has been unified; and how it is related to the Government and to the financing of foreign trade.

A "MAIL ORDER" LIBRARY

Bankers can now order by mail from Association headquarters, "package libraries" on banking subjects in which they are interested, or which they may want their employees to read. These package libraries are collections of articles taken from financial papers, addresses and reports given at conventions, newspaper comment, editorials, criticisms, suggestions, plans and information related not only to banking problems, but to public questions in which bankers are interested.

A letter from any officer or employee of a member bank will bring a package library to his desk, without charge. To bankers who want to keep in touch with the discussion of current problems package libraries are suggested on: Agricultural credit—Bank reserves—Changes in credit methods—Co-operation—Criticism of the Federal Reserve Act—Effect of the European war upon the United States—Foreign trade opportunities—Merchant marine—Tariff.

BULLETIN

OF THE

AMERICAN INSTITUTE OF BANKING

FORUM OF THE INSTITUTE

NEW CHAPTERS OF THE INSTITUTE

New Chapters of the Institute have recently been organized at Raleigh in North Carolina, Columbia and Charleston in South Carolina, and Savannah in Georgia. These Chapters will all be conducted strictly along educational lines and no attempt will be made to introduce miscellaneous activities such as Chapters in metropolitan centers see fit to conduct. The fact is realized that success depends upon systematic pursuit of the Institute study course, and it is believed that such policy may solve the heretofore unsolvable problem of small city Chapters.

In Columbia, the capital of South Carolina, an Institute Chapter was organized with forty-five charter members on Thursday evening, December 2, 1915. Previous to the actual organization of the Chapter, a number of the bank men were called upon to speak as to the desirability of proceeding. It was gratifying to hear the many testimonials relative to what the American Institute of Banking has accomplished in the past, both from bank officials and from bank employees who had taken the correspondence work of the Institute. It was that more than anything else which caused the formation of Columbia Chapter. The men were impressed by the importance of studying their jobs; that it was impossible for them to rise in the banking world without first obtaining an adequate knowledge of the profession which they had chosen; that the time had passed when a man could make good by bluffing his way through. Immediately following an explanation of the Institute purposes by M. W. Harrison, Assistant to the Educational Director, the constitution of Columbia Chapter was formed and the following officers elected: L. L. Hardin, president; E. C. Cathcart, vice-president; O. P. Loyal, secretary, W. M. Gibbes, Jr., treasurer. The new Chapter has secured H. C. Frierson, professor of law in the University of South Carolina, to instruct the class. The primary object of the Chapter is to secure Institute certificates for its members. This is the platform to which the new officers are committed.

With fifty-seven charter members, Charleston Chapter was organized on Monday evening, December 6th. The Charleston bankers gathered at a dinner in the Charleston Hotel, which was provided for them by the members of the Clearing House Association. Wilson G. Harvey, president of the Enterprise Bank, presided at a meeting, which followed the dinner for the purpose of organizing a Chapter. After several of the bank officials had spoken on the desirability of an Institute Chapter in Charleston, the Assistant to the Educational Director explained Institute organization and what the Institute would mean to the bankers. The result was the formation of Charleston Chapter. The following officers were elected: Arthur R. LaCoste, president; T. R. Croft, vice-president; Herman J. Bollmann, secretary; Joseph Frampton, treasurer. George F. Buist, member of the firm of Buist & Buist, prominent lawyers of Charleston, was selected as the instructor of the class. Mr. Buist is a young man of talent and there is no doubt that the study class will be both interesting and successful. A novel plan was presented to the members of the new Chapter by Ernest H. Pringle, Jr., vice-president of the Bank of Charleston, to give to each man who successfully finishes each part of the study course an amount covering the cost of the annual dues and the two Institute text-books. This was concurred in by all of the bank officials present, representing every bank except one in Charleston. The Chapter has decided to take up no other work in addition to the study course for the coming year. It is their desire to secure Institute certificates before entering upon any extension of Chapter work.

Tuesday evening, November 30th, the bankers of Raleigh, N. C., assembled in the Chamber of Commerce Auditorium for the purpose of organizing a Chapter of the Institute. A constitution was adopted and the following officers were elected: Eugene E. Culbreth, president; J. P. Millikin, vice-president; Alan T. Bowler, secretary; Robert A. Brown, treasurer. C. K. Burgess, a young attorney of Raleigh, was selected as instructor of the class. At a subsequent meeting Hon. Francis D. Winston, U. S. District Attorney, gave the class an interesting address on "The Efficient Bank Clerk." There is no doubt that Raleigh is a fertile field for Institute work, and the creation of a Chapter there means that another state will represent the Institute. Raleigh is the only Chapter city in North Carolina. Raleigh Chapter will be successful, for it has been started upon the proper foundation—education.

The reorganization of Savannah Chapter is evidence that a Chapter in a city of the size of Savannah can be reorganized and placed on a strong basis with the provision that the sole object of the Chapter shall be educational. About twenty-five bank men of Savannah met on the evening of December 8th and listened to a talk by the Assistant to the Educational Director, M. W. Harrison, on the purposes of the Institute and the organization of a Chapter. A constitution was adopted and an organization committee appointed. On Tuesday evening, December 14th, the organization of the Chapter was perfected at a meeting held in the rooms of the Board of Trade. Thirty-nine men became charter members and the following officers were elected: President, J. H. Thompson, Savannah Bank & Trust Company; vice-president, M. C. McCarthy, Hibernia Bank; secretary, George L. C. Hunter, Chatham Bank & Trust Company; treasurer, W. P. Dowling, Germania Bank. Carlton G. Ogburn, a young attorney of Savannah, was selected as instructor of the class. On the same evening Mr. Ogburn gave an introductory talk on the study of commercial law, and on the following Tuesday the first regular lesson in the law course was taken up. There was no "enthusiasm" exhibited in the formation of the Chapter. The members thoroughly understand that it means hard work and they seem confident that at the end of two years a number of Institute certificates will be distributed in Savannah.

BANKERS' ACCEPTANCES

The framers of the Federal Reserve Act limited bankers' acceptances to those based on import or export transactions with the view of preventing the spread of the acceptance system among the smaller banks in the interior, whose resources are not sufficiently large to permit of accepting on a large scale. By the limitation the act has practically restricted the business to the larger banks located in port cities. The phrase "export or import transaction," as used in the Federal Reserve Act, does not mean that a draft to be eligible for acceptance by a national bank must represent a business transaction involving goods imported into or exported from the United States. A bill representing the purchase of coffee in Brazil for shipment to a Bremen house may be accepted by a national bank, and it comes within the requirements for bankers' acceptances under the act.

BANKING EDUCATION IN MISSOURI

The Missouri Bankers Association has done the biggest kind of thing for the young bankers of that state. In officially announcing a comprehensive system of education just adopted the association emphasizes the value of thorough training and instruction of junior bank officers and employees. With the desire to increase the personal efficiency and worth of these individuals to the institutions which they serve and to better equip them for the occupancy of more responsible positions in the banking world, the association, through its Committee on Schools of Finance and Economy, has made it possible for a large number of them to obtain such training practically without cost. The medium of education utilized is the Correspondence Chapter of the American Institute of Banking Section of the American Bankers Association. The specific work provided at the present time is Part II of the Institute study course pertaining to law, for which the tuition fee, including text-books and collateral examinations, is $10. In order to encourage the younger bank officers and employees to make themselves more efficient the Missouri Bankers Association offers to reimburse, to the extent of $10, every eligible officer or employee of any bank that is a member of the association provided such students shall duly enroll in the part of the study course specified and complete the same within one year from the time of enrollment as certified by the American Institute of Banking. Such offer is made subject to the following provisions and restrictions:

1. The offer is applicable to any bank in Missouri which is a member of the Missouri Bankers Association, except those located in St. Louis, Kansas City and St. Joseph.

2. Persons eligible to enrollment under this offer are those occupying the positions of junior officers (*i. e.*, below the rank of cashier), or duly qualified and bona-fide employees.

3. Not more than *two* persons may enroll for the course from any one institution under this offer.

4. Enrollment must be made by December 15, 1915, and the course must be completed in *one year* from that date.

"What more profitable temporary investment could be made by any bank," says the association, "than to pick out the two best-qualified men and enroll them in this course? Not only would the individual be worth more to the institution in increased efficiency and growing intelligence concerning the banking business, but a spirit of loyalty to the institution will be aroused, the value of which can hardly be measured in terms of dollars. It is often inconvenient for an employee or an officer to pay out $10, even though sure of a return of $10 at a definite time, but the bank, by investing $20 in its men for a year, without interest, will earn big dividends from their increased loyalty and efficiency.

"This offer is not lacking in opportunity to men in institutions which for any reason do not care to supply these scholarships to their officers or employees. They have here a chance to increase their worth, either to the bank where they are now, or to some other institution. The trained man, the thinker, the expert, was never more in demand than to-day. Banking as a profession, no less than law, medicine, or engineering, offers big tasks and big rewards to the man who can fit himself to carry out big plans and solve big problems. The $10 comes back, so that the cost of the course is nothing. If the course was being sold at the rate which applies to most high-class correspondence courses, its cost would be beyond the means of many of those who need it most."

BRANCHES OF FOREIGN BANKS

Replying to an inquiry from Newark, N. J., under the laws of New York state, branches or agencies of foreign banks having offices within the state are not permitted to receive deposits. Some of the agencies of Canadian banks located in New York City, while not accepting the accounts of local business houses, have Jersey concerns among their depositors.

MILITARY TRAINING

In response to a number of inquiries in regard to Institute activities in military training, the action of Boston Chapter is given as an example of what may properly be done.

Prompted by a desire to continue the work of the "Plattsburgh Training Camp for Business and Professional Men," the First Corps Cadets, M. V. M., in cooperation with the National Security League, opened a recruiting station and exhibition of military equipment and war data, in a room in the National Shawmut Bank Building on October 21st.

As the enlistment roll for this school was to be open for but two weeks, and as the fall Chapter dinner had taken place before the establishment of the school had been announced, it was necessary to call a special meeting of the Chapter to present the matter to its members. Through the alertness of President Locke and a number of other earnest Chapter men, such mass meeting was held just a week before the enlistment closed. The meeting was addressed by United States Senator Weeks, Adjutant-General Cole and Captain Chase, Commander of the School Battalion. No more eloquent or convincing advocates of preparedness and military training could have been found. The result was that the school, which was limited by necessity to 250 enlisted men, had a creditable representation from Boston banks.

So eager was the response from business men that the enlistment roll has a waiting list of some sixty, who, judging from enthusiasm shown at drills already held, have little chance of becoming active members of the school. Since this waiting list contains the names of several Chapter members it is evident that but for the limited time for action the Chapter would have had a large representation in the school. The benefit to be derived to the favored men, however, will insure a much larger representation another year.

The First Corps Cadets, which is conducting the school, is a specially organized battalion of the state militia, with a notable history dating from the year 1741. It was early designated the body-guard of Massachusetts colonial governors and continues to hold that distinction. It is primarily a school for officers, modeled after West Point, with a distinctive uniform, and its own half-million dollar armory; an organization of high military efficiency and fine traditions.

The school enjoys the sanction and co-operation of the War Department, and every drill is preceded by lectures by officers from the regular army. It is hoped that other Chapters will find inclination and opportunity to follow Boston's example and contribute to the vital problem of preparedness. Institute men were never before offered such an opportunity for red-blooded patriotic service to their country and benefit to themselves.

GOLD CERTIFICATES

It is not generally known that gold certificates, which in reality are warehouse receipts for gold on deposit at the United States Treasury, are not legal tender under our currency laws. Gold certificates, however, are receivable for customs, taxes and all public dues. On the other hand, United States notes are legal tender in payment of all debts, public and private, within the United States, excepting for duties on imports and interest on the public debt. Silver certificates and national bank notes are likewise not legal tender. It has always been an anomaly that gold certificates—the best kind of paper money—should not be legal tender.

MONETARY SYSTEM OF TURKEY

The monetary system of Turkey is nominally bimetallic, with the piaster, equal to forty paras (1/100 of a Turkish pound or lira) as the monetary unit. Coinage of silver has been suspended since 1884 and silver is depreciated. The commerce of Turkey is greatly aided by the Ottoman Bank, owned by British and French interests, which is capitalized at $25,000,000 and possesses note-issuing power.

PRELIMINARY EDUCATIONAL WORK

A New York correspondent propounds the following: "Would it be better for Chapters to require a certain amount of preliminary work to be done by students before they take up the standard Institute study course? What work would you suggest and what requirements would you deem necessary in order that the student may get the most out of the study course?"

Primarily the Institute study course is designed for the younger banker, to prepare him for an understanding of the fundamentals of banking, so that he will be able to solve without difficulty the questions which daily confront the average banker. There is, however, a certain amount of foundation work of perhaps a secondary character, which would ordinarily be expected of a man who begins such subjects as are prescribed in the Institute study course. The high school graduate with one or two years of practical bank work certainly should not experience any difficulty in thoroughly understanding, provided he actually studies the Institute course. If the prospective student has not secured this previous training or the equivalent thereto, there is no doubt that a preliminary course in certain subjects which are available from the A. I. B. would be most beneficial.

In answer to the second question, it is quite necessary that the student have at least a good understanding of the subject of English. The A. I. B. furnishes a separate study course in English, written particularly for bankers, which is available to all Chapters desiring it. Moreover, the subject of public speaking is included in the course. The price of the text-book covering the course is one dollar. It would be highly beneficial for Chapters to undertake a course in "Elementary Banking" preliminary to the standard course. A new text-book has been provided by the A. I. B., written by O. Howard Wolfe, and covers in a splendid manner those elements of banking knowledge which would be exceedingly helpful to the beginner in banking. At least fifteen evenings in the year should be devoted to the course in English, using the text-book as mentioned above. Twenty evenings or more should be given to the study of "Elementary Banking." It should not be difficult to find instructors for these classes. Some Institute graduate could undertake the conduct of the class with considerable profit to himself and those he teaches. There is one Chapter which devotes two hours one evening in each week to this preliminary work. The first hour of every Friday evening "Elementary Banking" is taught, the second hour is the English period. The provision is made that members registering for the standard Institute course of two years must have completed a full four-year high school course and must have had in addition thereto two years' experience in banking, or other experience and education sufficient to satisfy the Educational Committee that they can pursue the course with advantage. For those who have less than the required amount of education and experience to register for the standard course, there is provided an elementary course of one year, the satisfactory completion of which together with two years' experience in banking will qualify them for the standard course.

PRACTICAL CHAPTER WORK

A new Chapter asks for suggestion in regard to the best method of conducting the Institute law course.

Where a person has a full knowledge of a subject the lecture method is extremely helpful. He obtains suggestions or ideas which will make for a better understanding of presumably his life's work. This is also true of the text-book method. But where a person wishes to obtain possession of the fundamentals of a subject he knows nothing about, it is erroneous to assume he can secure anything more than fragmentary knowledge by using either one or the other of the two methods mentioned above. It is by all means essential that he combine, first, the lecture method; second, the text-book method, and thirdly, examinations. It is axiomatic that the more a person reviews a subject the better he knows it. Naturally, if you listen to a lecture upon a subject which prior thereto you knew nothing about, it is all that you can do to remember, unless you happen to have a memory better than the ordinary person, even the subject itself. It is therefore essential that you review and study the subject which was explained by a lecturer in a hurried manner, with no opportunity for discussion. The brain doesn't take things in in a hurried fashion. It is quite necessary that it take time to absorb, to be able to analyze. You must get the thinking apparatus into motion, and that you do when you study the text-book. The test as to whether you know the subject or not comes when you take the examination.

One of the best methods, therefore, is for the instructor in addition to the lecture to assign the pages in the text-book relating to that part of the subject lectured upon, together with a certain number of questions which will be found in the back of each text-book and refer to the evening's lecture. Each student will then come prepared to discuss the questions studied at the next session of the class.

PRESIDENT BEAN'S NEW POSITION

It is officially announced that on January 1, 1916, the business of the Casco National Bank and the Mercantile Trust Company was consolidated under the name of the Casco Mercantile Trust Company. Robert H. Bean of Boston has been elected treasurer and assumed his duties with the Company on the date named.

CAISSE DE DÉPÔTS ET DE CONSIGNATIONS

A banker in New Orleans asks for information regarding the Caisse de Dépôts et de Consignations. It is an institution where savings banks and friendly societies deposit their funds. The Caisse invests the funds in securities, principally Government issues. The Caisse's assets are approximately 5,620,000,000 francs or $1,124,000,000, of which 4,110,000,000 is due to savings banks.

Study Course in Savings Banking

LESSON 3

"Savings Banking in Europe"

Economic and Educational Aspect of Savings—The Economic Surroundings of the Various European Countries in the Development of the Savings Idea—The Agencies for the Promotion of the Thrift Habit—The Spread of Savings Banking—The Effect of the War upon European Savings—A Comparison—Financing Europe with American Savings—The Savings Bank as an Aid in the Development of Civilization—Savings Bank in Bremen—The French Savings Institutions—Slot Machine Savings Banks—Conclusion.

By MILTON W. HARRISON

Fundamentally, the savings idea is the result of economic necessity. Saving or accumulation must precede achievement.

Progress primarily has its basis in denying oneself in the present in order that happiness might be secured in the future. For, in the main, progress points to greater human happiness. The line of demarcation between a state of savagery and that of civilization lies in human foresight. The weaver must have his material to work upon and the tools of his industry before he is able to weave. The process of preparation or training for a particular vocation or profession is foresight in action. Hence, foresight plus accumulation equals progress.

The Need for a Savings Institution

The necessity of providing a means by which the more unfortunate class of people could better their economic condition, and at the same time secure some degree of independence, was supplied by the creation of an institution which would substantially aid them. This institution began to grow in the early part of the nineteenth century.

History relates the facts which gave rise to an economic necessity for the savings institution. The reign of the Bourbons; the oppression exercised by the 12,000 owners of the property of France; the greater and lesser guilds; the march from the Tuilleries to where now stands the Arc d'Triomphe and the beheading of the French king and queen; the consequent revolution followed by the redistribution of French property, all marked an epoch. Governments were changed or altered. The upper classes commenced to realize and to recognize the frightful conditions of the poorer classes, which existed in every country of Europe.

Particularly was this so in the British Isles. The apparent reason for the lack of ameliorative measures was found in the recognition by all that there existed two distinct classes of people. That a person born in poverty was merely unfortunate. That it was generally incumbent upon the upper classes to contribute toward the support of the poverty-stricken. To beg was the order of the day.

Even at the present time in countries where the savings habit has not been fostered or inculcated—in the orient and in the far east—beggars predominate.

The Value of Accumulated Savings

The importance of accumulating the small savings of the people in one institution manifestly had not been appreciated until the beginning of the nineteenth century. The mere hoarding of money was exceedingly harmful and in a large degree hindered production. Moreover, this money *en masse* of the small wage-earner, the result of thrift, made an amount of available capital which did much in securing large scale production, following the introduction of the division of labor.

The Economic Significance of Savings

It is an economic principle that capital follows one law and arises solely out of savings. Therefore, the division of labor and large scale production depends entirely upon the saving power of the community.

In the introduction to the "Wealth of Nations," Book II, Adam Smith states:

"When the division of labor has once been thoroughly introduced, the produce of the man's own labor can supply but a very small part of his occasional wants. The far greater part of them are supplied by the purchase of other men's labor, which he purchases with the produce, or, what is the same thing, with the price of the produce of his own. But this purchase cannot be made till such time as the product of his own labor has not only been completed, but sold. A stock of goods of different kinds, therefore, must be stored up somewhere sufficient to maintain him, and to supply him with the materials and the tools of his work until he has not only completed, but sold his web. This accumulation must, evidently, be previous to his applying his industry for so long a time to such a peculiar business.

"As the accumulation of stock must in the nature of things be previous to the division of labor, so labor can be more and more subdivided in proportion as stock is previously more and more accumulated. The quantity of material which the same number of people can work up increases in a great proportion as labor comes to be more and more subdivided; and as the operations of each workman are gradually reduced to a greater degree of simplicity a variety of new machines come to be invented for facilitating and abridging those operations. As the division of labor advances, therefore, in order to give constant employment to an equal number of workmen and equal stock of provisions and a greater stock of materials and tools than would have been necessary in a ruder state of things must be accumulated beforehand."

The Social Significance of Savings

The social significance of the individual accumulating a surplus to be used in the event of necessity cannot be estimated. Especially is this true of the wage-earner. In the case of the failure of a prominent business man there is usually an amount of wreckage to soften the fall. He may be protected from want by the property of his wife or by her dower interest in his real estate. He has usually the sympathy of influential friends, who may find for him an opportunity to earn a living, and his business experience is likely to make his services valuable on their merits. Social evils flow chiefly from the distress of the men at the bottom of the economic scale, men who have no influential friends and for whom there are no subordinate positions to fall into. Both from an individual and a social point of view it is most essential that the doctrine of a reserve of energy find an abiding place in this class.*

The Educational Significance of Savings

The educational aspect of saving in the individual must not be lost sight of. If a person habitually saves a certain proportion of his income it is an indication of his prudence, foresight, good management, and assuredly develops greater efficiency, and, too, if such evidence is adduced one can readily assume that the saver is seeking a higher standard of living, a greater degree of comfort. This is the primary object of education.

The Savings Bank, a Remedy

The advent in Europe of the savings bank was timely. It was soon recognized as the solution of a grave problem. Economists were agreed as to its supplying a great need. Even Malthus, who pessimistically predicted world famine upon the increase in the world's population, stated: "Of all the plans which have yet been proposed for the assistance of the laboring classes the savings banks, as far as they go, appear to me much the best and the most likely, if they should become general, to effect a permanent improvement in the condition of the lower classes of society. By giving to each individual the full and entire benefit of his own industry and prudence, they are calculated greatly to strengthen the lessons of Nature and Providence, and a young man who had been saving from fourteen or fifteen with a view to marriage at four or five and twenty, or perhaps much earlier, would probably be induced to wait two or three years longer if the times were unfavorable; if corn were high; if wages were low; or if the sum he had saved had been found by experience not to be sufficient to furnish a tolerable security against want. A habit of saving a portion of present earnings for future contingencies can scarcely be supposed to exist without general habits of prudence and foresight; and if the opportunity furnished by provident banks to individuals of reaping the full benefit of saving should render the practice general it might rationally be expected that, under the varying resources of the country, the population would be adjusted to the actual demand for labor, at the expense of less pain and less poverty; and the remedy thus appears, so far as it goes, to apply to the very root of the evil."†

The Establishment of the Savings Idea

The savings principle has been applied from time immemorial. The code of Hammurabi, 2220 B. C., mentions a place for deposit for safe keeping and accumulation. Still later in biblical times Joseph accumulates the corn of Egypt when it is plentiful for the seven lean years that followed. It was in the second century after Christ that the humane custom obtained in Rome of permitting slaves to deposit extra earnings to create a fund for the final purchase of their freedom, and legion savings banks were provided under the Roman emperors for the accommodation of the soldiers.‡

De Malarce records that the plan for a savings bank in Europe was first propounded by Hughes Delestre, a Frenchman, in 1611. Every wage-earner was to be allowed to make deposits which he might withdraw in whole or in part, as his need dictated. The depositor was to receive simple interest at the rate of five and nine-tenths per cent., calculated according to the length of time the money was deposited. The repayment of deposits was to be made upon demand within a maximum period of two weeks.§

The First Savings Banks

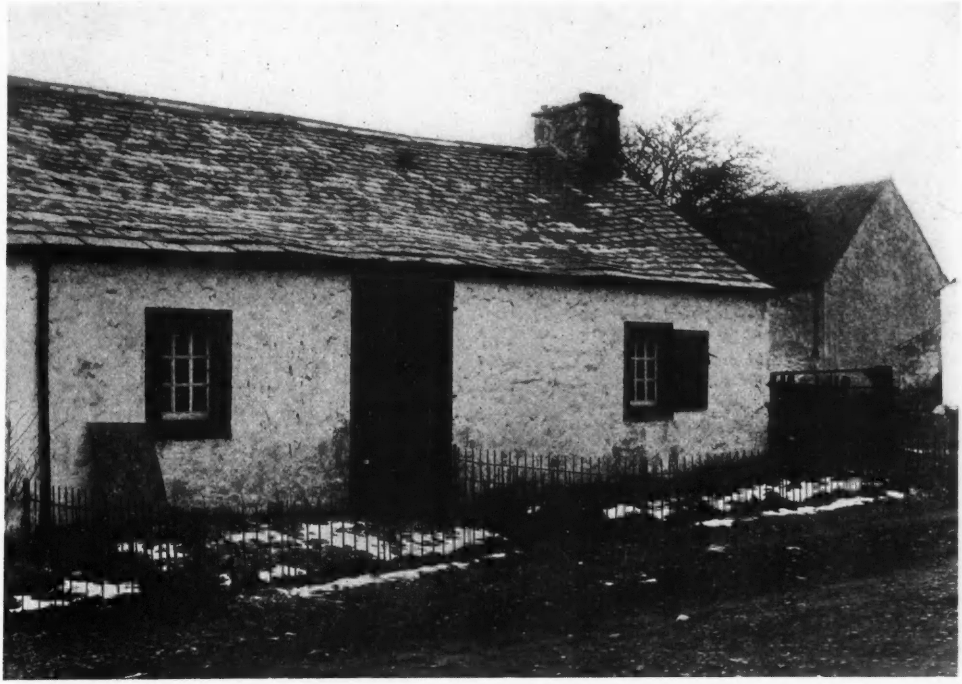
As a part of the reform of the North German poor laws there was established in Brunswick in 1765 "The Ducal Loan Bank."

In 1778 this bank was reorganized from a mere "charitable organization" into a savings bank, designed for the special benefit "of the more dependent of the industrial classes, such as servants, day laborers, handworkers, seamen, etc., for the collection and increase of their small savings."

The Growth of the Savings Bank

Institutions were created in a number of other European countries for the purpose of ameliorating the condition of the poor. On February 16, 1799, a law was passed by the French General Assembly relating to the Bank of France, and stipulating that "a deposit and savings bank be opened in which all sums above fifty francs should be received, to be repaid at convenient periods. The bank should pay interest on these deposits and issue certificates payable to bearer or his order."¶

*Savings and Savings Institutions, Hamilton, p. 39.
†Essay on Population, Book VI, Ch. XII.
‡Veget, De rè militaire, v. 2, p. 20.
§From National Monetary Commission Report.
¶This stipulation never went into effect. (24 Pluvôise an VII.)



THE FIRST SAVINGS BANK—RUTHWELL, SCOTLAND, 1810

In Great Britain two or three plans were tried before the first successful plan was inaugurated. One by a private company in London in 1798, which formed a "benevolent institution," and another in 1802 by Miss Priscilla Wakefield of Tottenham near London, of the same character, called "Frugality Bank."

Both paid depositors large bonuses if they were systematic in their savings.

Dr. Duncan's Bank

Credit for being the originator of the modern trustee savings bank is given to the Rev. Henry Duncan, of Ruthwell, Scotland, who, in 1810, started a bank for savings in connection with his parish, primarily for the purpose of mitigating poverty. Duncan's bank was the forerunner of the Edinburgh Savings Bank, which was established by the Society for the Suppression of Beggary in 1814 and is in existence to-day. It is the third largest trustee savings bank in the United Kingdom and has ten branches. A report issued November 20, 1914, stated that the bank had £4,850,980 on deposit belonging to 98,674 depositors.

Hence the modern savings banks found their first literary advocacy in France, their first practical test in Germany and their first statutory regulation in England.†

The Spread of the Movement

In nearly every country in Europe the movement spread rapidly. It was at a time of great industrial and commercial expansion and incidental to the reformation of money and banking methods. In fact, the industrial revolution as already inferred was in part attributable to the great accumulation of capital deposited in the banks in driblets from the pockets of the people. This fact undoubtedly led McCulloch to state: "As an accumulation of capital must precede any very extensive division and combination of employments, so their further division and combination can only be perfected as capital is more and more accumulated. Accumulation and division act and react on each other. The greater the amount of their capital, the better, speaking generally, will the employers of labor distribute the work to be done among the working people in their employment, who, consequently, have, as already explained, a greater chance of discovering machines and processes for abridging their various tasks. Hence, the industry of every country is not only directly increased with the increase of the stock or capital which sets it in motion; but, by means of this increase, the division of labor is extended, new and more powerful implements and machines are invented, and the same amount of labor is made to produce a much greater supply of commodities."

To-day savings institutions of one kind or other have been established in every section of the civilized world. It is natural that the spirit of benevolence which prompted the eminent gentlemen who organized and conducted the Trustee Savings Banks in the early days

†Malarce, address, Paris, 1890.

should not exist in as large a measure at the present time, more than a hundred years after the first bank was established. Service as trustee, while it may not consist of any remuneration, is distinctly a badge of respectability.

Trustee and Postal Savings

In Europe more than in America the wage-earner, the so-called small saver, has been encouraged to save. Many trustee savings banks of the United Kingdom, which now number about 220, are sometimes looked upon as investment institutions rather than savings banks. The postal savings banks have to a large degree filled the gap for promoting the savings habit among the poorer classes. There is no intention whatsoever to disparage or depreciate the public benefit which these great reservoirs of capital—the trustee savings banks—have been to every community in which they have been in operation. So it seems the main reason the postal savings banks have superseded the trustee banks in Great Britain is because of the tendency of private institutions to actively compete for the business brought to them. There is no doubt that free competition should be entirely eliminated from the sphere of savings banking. Competition of this sort often begets suspicion and the consequent lack of confidence. This may or may not be true, however, where a commercial bank accepts savings deposits purely on a business basis, and to pay a reasonable rate of interest for the money so deposited.

Various European Savings Institutions

The European countries have almost every conceivable form of savings institution. In Great Britain, the trustee savings bank, the original type, and postal savings banks, which predominate as noted above. In France, some private savings banks, with partial control vested in the state. The funds received on deposit must be invested in French rentes. The French national savings banks are the ordinary postal savings banks.

Germany is the home of the municipal savings bank. Almost every form of savings institution except the postal savings bank exists in Germany. For the protection of the depositor the German municipal savings banks have guaranty unions which guarantee the deposits. Where the community or city is not of sufficient size other communities making up a district will organize a district savings bank, and a guaranty union will be secured for the protection of deposits.

The co-operative savings banks of Germany, which include the Raffeison type and the Schulze-Delitzsch type are mainly designed to extend credit in small amounts for the relief of the peasant farmer. There are a number of private savings banks in Germany situated in the large factories and primarily are organized to encourage the employees to save.

The Krupp Savings Bank

Particularly the Krupp works at Essen has carried on successfully since 1900 a factory savings bank. The bank is run on the following conditions:

1. The participation in the savings is voluntary.
2. The amount of new deposits per month is limited.
3. All savings are deposited with and handled by the municipal savings bank of the city of Essen.
4. The yearly interest amounts to five per cent., of which the municipal savings bank of Essen pays four per cent., besides special premiums for the most habitual and the most efficient depositor in the form of money.

Withdrawals of deposits may be made at any time. Statements for each depositor are issued once a year. The following table shows the development of the institution:

Year	Number of Deposits	Amount of Deposits
1900-01	1,228	$ 26,635
1901-02	2,146	71,726
1902-03	3,234	130,183
1903-04	4,737	216,321
1904-05	6,981	366,061
1905-06	9,114	561,616
1906-07	10,746	763,074
1907-08	11,333	895,026
1908-09	12,778	1,060,240
1909-10	14,805	1,275,652
1910-11	16,687	1,485,866
1911-12	17,775	1,650,848
1912-13	19,189	1,918,666
1913-14	21,596	2,279,790

The Establishment of Postal Savings

The postal savings bank is the accepted form of savings banking in the other countries of Europe. Belgium adopted postal savings in 1870, Italy in 1876, Netherlands in 1881, Sweden in 1882, Austria in 1883, Hungary in 1886, and later by Russia. Russia recently organized 5,000 new postal banks. Spain established these banks in 1909. In Turkey the imperial government conducts a savings institution in connection with the treasury department, called Emniet Sandeki, the operations of which combine somewhat those of the Caisses d'Epargne* and Caisse de Dépôts et Consignations.† Furthermore, the Imperial Ottoman Bank conducts a savings department. The savings bank is still in its incipient stage in Turkey.

Switzerland, which leads the world in the percentage of savers to population, operates savings departments in connection with state or cantonal banks, as also private savings banks.

It is obvious Europe does not lack the institutions for the encouragement of the savings habit. Of course, some of the country districts have been sadly neglected; largely on account of the expense entailed in the collection of the people's savings. In France this is obviated to a great degree in extending the savings idea to country communities through the regular postal service facilities. This is also true to some degree in the United Kingdom and in Germany through the district savings bank branches.

* French Savings Bank.
† French Bureau of Investment and Supervision.

The National Value of Savings

The accumulation of European savings, while it has produced better conditions among the wage-earning class, it has also been of great national benefit. This was manifested after the Franco-Prussian War in 1871, when France surprised the world and Germany more than any one else by paying the huge indemnity of 5,000,000,000 francs from the driblets deposited in the savings banks.

Germany to-day is fighting this war on her national savings. The following table gives some idea of the savings deposits of the various warring nations:

	Population	Number of Depositors	Amount on Deposit	Amount per Capita
Belgium	7,579,000	3,062,025	$215,000,000	$28.50
France	39,602,000	14,362,533	1,091,000,000	27.56
Italy	35,000,000	....	866,000,000	24.58
Japan	51,646,000	20,655,830	179,000,000	3.46
Russia	167,920,000	8,189,734	867,000,000	10.90
United Kingdom	45,663,000	14,251,537	1,148,000,000	25.14
Total, Entente Allies	347,410,000	60,521,659	$4,366,000,000	$20.02
Germany	64,432,000	22,349,570	$4,873,000,000	$88.08
Austria	28,572,000	6,769,715	1,331,000,000	46.29
Hungary	21,030,000	2,009,498	472,033,000	22.47
Total, Central Powers	114,034,000	31,128,783	$6,676,033,000	52.28

The apparent sharp contrast between the savings accumulations of the Central Powers and the Entente Allies might be viewed with some significance. When it is considered that capital is secured only from the national savings and in order to extend credit there must be the necessary capital as a basis and that credit may be extended to four or five times the available capital, the position of Germany financially assumes some degree of power. Including the last great German loan, amounting to 10,000,000,000 marks, which brings the total up to approximately 40,000,000,000 marks, or $10,000,000,000, there is still an adequate supply of available capital within the Teutonic states to finance the war for some time to come. Of course, under existing circumstances Germany will be unable to contract a foreign loan.

There is no intention whatsoever to argue or discuss the question of how the various warring nations will finance themselves for the remainder of the great war. Suffice it to say that the importance of savings and savings institutions is manifestly great in the economic life of every nation.

A Lesson for the United States

It is interesting to note merely by way of comparison the position of the United States regarding its savings power. After a consideration of the facts relating thereto it is obviously certain that they will be viewed with considerable apprehension. The United States is almost at the end of the list as a nation of savers. According to the last report of the Comptroller of the Currency the United States had but eleven per cent. of its total population depositors in the 2,100 mutual and stock savings banks. The average percentage of savers to population of the ten leading European nations is .373.

Switzerland	.554
Denmark	.442
Norway	.415
Sweden	.404
Belgium	.397
France	.346
Netherlands	.325
Germany	.317
England	.302
Italy	.228

Germany with thirty-one and seven-tenth per cent. of its population savers and United States with eleven per cent. savers. United States with the highest scale of wages and the lowest percentage of savers. Germany with a low scale of wages and a higher percentage of savers. He who runs may read.

Effect of the War upon British Banks

Immediately following the declaration of war the bankers of Great Britain fully expected an unprecedented run on particularly the larger trustee savings banks of the United Kingdom. The fact was, however, that the depositors were little influenced by the crisis. *The Bankers' Magazine* for October, 1914, predicted: "When the figures for the present crisis year come to be published there is no reason to expect to be disclosed a substantial decrease in savings bank funds. It is more probable there will be recorded a small decrease or a small increase."

The report issued of the trustee savings banks in the United Kingdom November 20, 1914, covering about four months of the war, showed that the effect of the war upon the savings banks was almost insignficant.

Meeting of Savings Bank of Glasgow

It was stated at the annual meeting of the Savings Bank of Glasgow, the largest in the Kingdom, "It would not have been at all surprising if during the first fortnight of the war—when many business people were much perturbed as to how things would go and were in some cases busily collecting gold—the working people, who were chiefly the depositors, had made large withdrawals of money. They showed their good sense by refraining from such action, and they were justified in having confidence in the bank. Indeed, there was an increase in deposits in spite of the war having already lasted for nearly five months. The sphere of the bank's operations had been lessened owing probably to upwards of 50,000 men having undertaken military service. Consequently fewer accounts had been opened than in former years and the deposit transactions had been rather fewer. The same cause had also had the effect of decreasing the number of withdrawals at the bank and the amounts repaid at the latter part of the year. The funds were greater than they had ever been, and *that* in spite of the greatest European war that had ever taken place. It might have been expected that there would have been some run on the bank, but there had been none; the depositors had shown the utmost confidence in the bank."

Two Other Trustee Savings Banks

In the report of the Manchester and Salford Savings Bank, which is the second largest trustee bank in the country, having thirteen branches, it was stated: "In view of the dislocation of trade and consequent curtailment of employment in many industries since the commencement of the war, it is not surprising to find that the progress in the business of the bank, especially during the last few months, has not been so marked as in recent years. It is satisfactory, however, to note that there is an increase in the amount due to depositors at the close of the year, and only a comparatively small decrease in the number of accounts. The committee, therefore, feel satisfied that the bank still continues to meet all the requirements of its depositors and to retain their confidence."

It was said by the chairman at the annual meeting of the bank, December 16, 1914: "The patrons will no doubt recollect that this year the August bank holiday fell upon the 3d of August, and that by Royal Proclamation the holiday was extended over the following three days. The bank and its branches were consequently not open for business during the first four days of that week. The official intimation of the extension of the holiday did not reach us until the morning of Tuesday, the 4th, and therefore we were unable to inform our depositors beforehand that the bank would not reopen before the following Friday morning. This undoubtedly caused considerable inconvenience to many, and the pressure of business during Friday was consequently very great, nearly 5,000 people being attended to during that day, the usual average per day being 2,000. These 5,000 people were attended to without any sign of panic or excitement. There was no run on the bank.

In the report of the Edinburgh Savings Bank, November 20, 1914, was stated: "When the war broke out in August it was expected that a turn of the tide of the deposits, which, up till then, had been a gratifying feature of the year's business, might have to be experienced. For one or two days a good deal of money was withdrawn by depositors in apprehension of the national crisis, but reassured as to the absolute safety of the funds of the bank, much of the money so withdrawn was replaced, and the deposits soon thereafter exceeded the payments, with the result now recorded."

The War's Effect Elsewhere

Several of the trustee banks suffered considerably in the depreciation in the market price of British consols, which in some instances, like the Yorkshire Penny Bank, the entire reserve fund was wiped out and but for the prompt action of the local subscribers the deficit would have produced a rather disastrous set of circumstances. The Yorkshire Penny Bank had deposits of approximately $80,000,000.

If the deposits in these European savings banks continue to increase, or if they do not appreciably reduce in amount, it will be nothing short of a miracle.

The United States will undoubtedly be called upon for funds if the available capital is materially reduced. Fortunately the people of Europe own in the neighborhood of $15,000,000,000 of American securities. That is, however, a problem which the United States must solve. It is assuredly a problem of savings in its entirety.

Development and Operation of the Banks

It must be conceded that in the brief space allotted to the writing of such a subject as savings banking in Europe it is more necessary that the reader understand the savings idea from its educational, social and economic aspect than a systematic and comprehensive account of the development and operations of the various institutions for the promulgation of the savings idea.

It will, however, be interesting to relate briefly the operation and development of two or three European institutions, as also some facts concerning them.

The Savings Bank at Bremen

The savings bank (*die sparkasse*) at Bremen "is one of the most peculiar and original institutions of its kind in all Germany, if not in the whole business world. It is in the nature of a private savings and loan bank conducted for the exclusive benefit of its depositors.

It was founded in June, 1825, by eighty prominent citizens of Bremen, among whom were the president and many members of the Bremen Senate, members of the Citizens' Assembly and other prominent citizens, and was incorporated under the law of the Free and Hanseatic State of Bremen. It was instituted mainly for the purpose of offering an inducement for saving to the people of Bremen, especially to the poorer classes, by giving them a safe opportunity of investment and a profitable return on their savings. A second object was to establish a source of supply, or creative means, for the furtherance of public welfare and charities.

In the beginning a law was enacted by which it was directed that none of the profits should ever be divided among the members of the society, but that they should be distributed among charitable institutions and enterprises of public utility and expended for the common welfare.

The following table illustrates the growth of the institution in number of depositors and amounts deposited at the end of the last year of each decade, and also at the end of 1911:

Year	Number of Savings Books	Amounts Deposited
1830	3,751	$260,160
1840	9,318	755,860
1850	18,014	1,826,772
1860	25,392	3,611,782
1870	28,826	4,349,197
1880	30,864	7,940,528
1890	97,097	13,435,831
1900	140,372	17,741,372
1910	188,716	28,681,431
1911	195,163	30,307,344

Institution's Charitable Work

After the bank had been in business some fifteen years it donated \$1,000 from its surplus earnings to a charitable institution. In the years following, when the bank's surplus had attained considerable strength, numerous larger gifts were made for the public welfare, charity and the general improvement of the social conditions of the less wealthy class in the city of Bremen. For instance, in 1875 the building of a public bath in the city was made possible by a gift of \$75,000 by the bank. Fifteen years later, by a donation of \$57,000, the bank helped the city carry out its long-cherished plans of erecting a People's Museum, which has now become "the pride of Bremen."

The amount of gifts up to the present year made by the savings bank from its surplus earnings to charity and the public welfare totals the handsome sum of 3,294,378 marks (\$784,062).

The Operation of the Bank

On opening an account in the savings bank a deposit book is given, in which the bank enters all amounts paid in and out, affixing date, seal and signature to the entry, and at the end of the year the interest on the account is added. Checks or drafts payable to order are not in use. Moneys are paid in and paid out on the presentation of the deposit book at the direction of the holder. The depositor in opening an account gives a name which is usually his own, though it may be any name, or even a word, and which the bank may use as a source of identification in case the deposit book is lost or stolen. The deposit book also bears a number, which controls the account. A circular disk of celluloid or some metallic substance, carrying the number of the deposit book stamped upon it, is also given to the depositor as an additional safeguard by which he may reclaim the deposit book at the office of the bank. Possession of the deposit book, together with the numbered disk, is accepted as prima facie evidence of ownership of the bank account.

Some twenty modern adding machines are in use in the bank with which to handle the lists of daily receipts and disbursements and to check up the 200,000 accounts of depositors several times during the year.

Investments

In the mortgage loan department of the bank a card file register is in use, with a three-cross reference index, covering the name of the borrower, the name of the street where the property is situated and the day of maturity of the loan.

The investments of the bank are made with the utmost care, loans being given only on first-mortgage security or to municipalities or states. In loaning on mortgage security the tax assessment, which is generally considered as a basis for the valuation of real estate, is not accepted as final by the bank, loans being made only after a careful inspection of the property and favorable report by the bank officials. At the end of 1911 the bank was carrying \$22,435,000 on first-mortgage loans. Full care is also exercised in maintaining an adequate sinking fund for the depreciation of the real estate owned by the *sparkasse*.

Security of Deposits

It is the rule of the directorate to place a very low valuation on the real estate of the bank. At present sixteen different pieces of real estate are owned by the bank which are valued by the state officials for tax purposes at \$722,425, while on the books of the bank they are entered at only \$314,160. The difference in valuation is considered to be a silent fund of additional reserve security for the moneys entrusted to its care.

In fixing the rate of interest paid to depositors it has been the habit from the beginning not to follow the fluctuations of bank discount, but to pay an average rate. The rates of interest during the past twenty years have been as follows: January 1, 1890, to December 31, 1895, three and one-quarter per cent.; January 1, 1896, to June 30, 1899, three per cent.; July 1, 1899, to December 31, 1899, three and one-quarter per cent.; January 1, 1900, to June 30, 1902, three and one-half per cent.; July 1, 1902, to December 31, 1905, three per cent.; January 1, 1906, to December 31, 1906, three and one-quarter per cent.; January 1, 1907, to January 1, 1912, three and one-half per cent.

Different Classes of Deposits

There are three different classes of deposits: The ordinary deposit, which may be drawn out at any time, previous notice being required only for large amounts, pupils' or wards' deposits, which can only be drawn out on written order of the guardians; the time deposits, on which the time of payment is fixed by agreement between the depositor and the bank. These deposits may be made in favor of third persons. For instance, a father may open an account for his daughter with the proviso that it shall be payable to her upon reaching majority or at the day of her marriage, etc.

For the purpose of teaching children habits of thrift and economy and to reward them for merit at school, the savings bank has created a school savings card fund out of which savings cards are furnished free to the public schools of the city to be given to good pupils. On each of these cards five saving stamps are printed, of a value of ten pfennigs (2.38 cents each). When the child has purchased and added five other savings stamps of like value to the card and handed it in at the bank, a bank book will be issued calling for one mark, or 23.8 cents, and bearing interest from that day on.*

The Savings Bank of Paris

The Savings Bank of Paris had its formation in a maritime insurance company in May, 1818, with the name *Caissee d'Epargne et de Prevoyance* (Bank of Savings and Foresight). The founders paid in \$200 each, while the insurance company furnished the place of business.

*From report of U. S. Consul William T. Fee, Bremen.

The object of the company was to receive on deposit the small sums which might be entrusted to it by the laboring classes, whether workmen, artisans, domestics, or those engaged in agriculture, as well as other persons who were both economical and industrious. The smallest deposit allowed was twenty cents. The statutes contained a fundamental principle. "Whenever the account of a depositor shall show a sum sufficient to buy, at current rates, the sum of $10 annual payment, in state bonds, the bonds shall be transferred and registered in his name, and he will become the owner, except that the bond will be left on deposit in the bank, which is charged with the duty of collecting interest for him." Fundamentally, the purpose of the savings bank was to accumulate the small savings of the working classes until an amount was reached sufficient to buy, at current rates, a bond of fifty francs of state rentes.

The Savings Bank of Paris was a pronounced success and its example was rapidly followed in a number of other cities in France. However, the revolution of 1848 caused the suspension of a number of these savings banks. The government took over the deposit accounts. The Savings Bank of Paris is still an independent institution, but uses its deposits to invest in state securities, virtually under the supervision of the "*caisse des dépôt se consignations*," a government board charged with the investment of savings funds for the National Postal Savings Bank. The postal savings banks of France have not affected the steady growth of the other savings institutions as in other countries.

French Savings Banks

According to a report issued in 1914, there were 550 savings banks in operation in France, besides 1,854 branches, making a total of 2,404 savings institutions. There is a limit to the amount which each depositor may have in a savings bank of 1,500 francs ($289.50). "The *caisses d'epargne* of France are pre-eminently the savings banks of wage-earners, small tradesmen and children, deposits as small as one franc (19.3 cents) being accepted." The postal savings banks of France number approximately 8,000.

Slot Machine Banks

In some of the European countries they have gone so far as to establish slot machine savings banks in order to teach the people the value of the small coins. About four years ago a bank in Budapest established a series of these little banks. The machines are arranged for the receipt of two coins, the crown ($0.203) and the twenty-fillér piece ($0.04). They return a ticket for each coin deposited and these tickets bear interest from the date of their issuance. One hundred and ten tickets may be exchanged for a bank book. The machine is so constructed that if counterfeit coins are deposited, the numbers of the tickets issued for them can be ascertained; it can be arranged to take coins of other sizes and weights than the crown and the twenty-fillér pieces. The total deposits in 1912 were 65,000 crowns ($13.195).

In conclusion, it seems that where a country has adopted a system of savings, in the final analysis that system has grown and has been successful which has been most suitable to the people from both an economic and educational standpoint.

CITY BANK SCHOLARSHIP

In response to several inquiries in regard to the scholarship in foreign banking offered by the National City Bank of New York, a restatement of the arrangement seems timely:

An agreement has been made whereby the National City Bank will give a "Scholarship in Foreign Banking" at one of its foreign branches to one graduate of the American Institute of Banking section of the American Bankers Association each year, said scholarship to be for a term of two years, or for such other period as may be mutually agreed upon between said graduate and the bank, and at a salary at least covering comfortable living expenses at the place of employment, and the bank will further pay the expenses of the graduate from his place of residence in this country to the foreign branch. The holder of the scholarship shall be subject to the rules and regulations governing the employes of the bank in its foreign service.

The selection of the graduate to whom this scholarship will be awarded shall be left to the uncontrolled discretion, jointly, of the President and Educational Director of the Institute at the time the selection is made, and in awarding the scholarship due consideration will be given to the qualifications that are essential in a banker; but before anyone will be considered for this honor he shall have complied with the following requirements: (1) He shall be at least twenty-one years of age; (2) He shall enroll with the Educational Director as a candidate; (3) He shall have completed the prescribed Institute study course and have obtained the Institute certificate.

It is not necessary for a candidate to be able to read or write a foreign language, but while that will be helpful, it is more important that he give special attention to the study of credits, foreign exchange, commercial geography and geographical demands giving rise to foreign trade.

It has also been arranged with the same bank that the President and Educational Director of the Institute may nominate annually two additional graduates for consideration by the bank for similar employment, but the bank will be under no obligation to extend employment thereto.

Protection of the Gold Reserve an Indirect Function of Federal Reserve System

Although This Duty is Not Specifically Stated by the Reserve Act, a Wise Policy Has Assumed to Carry Out the Spirit of the Law Through the Pledging and Subsequent Redemption of Commercial Paper.

BY J. E. ROVENSKY

Vice-President and Manager Foreign Exchange Department, National Bank of Commerce in New York

IT required four panics to convince the people of this country that there was something radically wrong with the banking and currency system developed under the National Bank Act, but even the dreadful effects of these four panics could not make them overcome an ancient prejudice against the logical remedy—a central bank.

Nearly every student of our banking system as it existed prior to the passage of the Federal Reserve Act was forced to the conclusion that our troubles consisted of a lack of co-ordination amongst our twenty thousand banks; the rigidity, or rather the perverse elasticity, of our currency and the inefficient disposition of the nation's gold reserves. But Congress, having in mind the popular antipathy to anything having the appearance of a central bank, after much hard labor, adopted an ingenious plan devised to meet the various defects of our banking and currency system—the Federal Reserve Act.

When we consider how handicapped by public prejudice were the framers of that act we must admit that they achieved remarkably good results. Popular opinion demanded a system consisting of a number of reserve banks instead of one institution, but fortunately they placed the system under the control of a central body, and this part of the plan is now having the effect of bringing about many of the benefits of a central bank and doing away with much of the harm that would be caused by a number of separate units.

It frequently occurs that a piece of legislation works out in a totally unexpected manner. In some instances, such unexpected developments are of a favorable character. In the case of the Federal Reserve Act the developments have been of a very favorable character and I believe that this can largely be attributed to the excellent personnel of the Federal Reserve Board and the officers of the several Federal reserve banks. They have been wisely shaping the policies of the new institution, and the only complaints heard to-day against the operation of the act are those of the short-sighted people, who claim that in normal times the activities of the Federal reserve banks diminish their profits without compensating benefits and are not able to discern the immense value to this country of the feeling of security that the Federal reserve banks have engendered.

I believe the idea is becoming generally accepted that despite the efforts of our legislators, the Federal reserve banks really constitute one central banking organization. It matters little what you name an institution—the important thing is its character, its operations and is effect on the business of the community. For instance, if the municipal authorities of a city decree that they shall not permit the organization of a bank within their city limits, but set up instead a number of offices in various parts of the town to receive the surplus cash of the population, and then through some central executive body make loans, it will be patent to all that regardless of what name has been applied to such offices that municipality is in fact operating a bank.

The Federal Reserve Act provides that the Federal reserve system shall consist of twelve separate offices, but they are all governed by one central body that controls their policies, supervises their investments, rates of interest, etc., and lately a further step has been made in the direction of unification by the establishment of a central gold settlement fund. We have, therefore, to all practical purposes a central banking organization consisting of twelve affiliated offices. It is probable that more direct and efficient service to the country would be rendered by this central banking organization if it were organized by law as such instead of compelling it to organize itself into that form through a process of adaption and evolution, but we must accept the circumstances as we find them and be thankful for what we have.

Protect the Gold Reserve

Our central banking organization is fairly well equipped to perform for this country many of the important economic services that were lacking in our banking system prior to the passage of the Federal Reserve Act. The act provides the means whereby we shall eventually have an elastic currency system based upon the commerce of the country; rediscounting facilities, coupled, as they should be, with the currency-issuing privilege on the part of the central institution and we have a provision for the mobilization of our bank reserves. The act also provides for many minor improvements in the former banking system, but it provided only in an indirect manner for a very important function of a central banking organization—*that of protecting the country's gold reserve.* This is one of the important duties of the central banking organization of every foreign country, and it should certainly be performed by our Federal reserve banks.

While the act contains no direct provision charging the Federal reserve banks with the duty of protecting the gold reserves (beyond a mention in Section 14 that the banks shall have power to deal in gold coin and bullion at home or abroad) the management of these banks has wisely assumed this duty and means have been found whereby they will be able to perform this valuable service in the future.

If you will examine the recent statements of the Federal reserve banks you will find that the volume of their circulating notes has been steadily increasing. The volume of notes outstanding has risen about $100,000,000 during the last four months, although the amount of rediscounted commercial paper held by the banks remains about the same. At the same time the total amount of gold held by the Federal reserve banks and Federal reserve agents has risen by approximately the same amount as the volume of notes outstanding, *i. e.*, about $100,000,000. It is therefore apparent that the issue of notes is based upon the amount of gold received.

Reserve Notes Backed by Gold

The plan adopted by the Federal reserve banks for the issue of notes practically against the deposit of gold is that commercial paper previously discounted for member banks by the Federal reserve banks is pledged with the Federal reserve agent and a corresponding amount of notes is put into circulation by being paid out to member banks for their ordinary currency requirements. The next step is to take gold received in the usual course of business and deliver it to the Federal reserve agent as redemption of the just issued notes. This releases the commercial paper previously pledged as security for the notes and the Federal reserve bank is then in position to repeat the operation, that is, again tender the same commercial paper to the Federal reserve agent, obtain notes thereagainst, pay out the same, deposit gold received in the usual course of business with the Federal reserve agent and regain possession of the commercial paper, etc.

The process stripped of its technicalities is simply that of issuing Federal reserve notes against a deposit of gold. This is precisely what every central banking organization in the world is doing to-day and should do. The Bank of England is empowered to issue a certain fixed amount of currency against the Government's debt and other securities—all additional currency issues are based upon a deposit of gold. Although our Federal Reserve Act does not make specific provision for the *issue* of Federal reserve notes against a deposit of gold, it does state in Section 14 that the Federal reserve notes may be exchanged for gold coin or gold certificates. The present practice of the Federal reserve bank is therefore well within the spirit, as well as the letter of the law.

That the policy of the Federal reserve banks in accumulating a substantial supply of gold at this time is a wise one becomes quite apparent when the motives are thoroughly understood.

With the money market in its present condition, it is an easy matter for the Federal reserve banks to mobilize a substantial part of the country's gold reserves, and this gold, whether nominally held by the Federal reserve agents or directly by the Federal reserve banks, is an element of strength that will be found extremely beneficial when the tide turns and gold begins to flow back to Europe.

Inflative Effect of Reserve Act

Another benefit to the country from these operations of our central banking organization is that it tends partially to neutralize the inflative tendencies due to the reduced reserve requirements of the Federal Reserve Act. The gold that is being withdrawn from circulation is reserve money—the Federal reserve notes that are being substituted are not. Of course, only a part of the gold that has been withdrawn from circulation by the central banking organization was formerly held by our banks as reserves. Undoubtedly a large part of it was formerly in the tills and pockets of the people, but every dollar of gold drawn from the reserves of the banks has the effect of contracting bank credits at least five fold. We must be careful not to underestimate the benefits derived from this effect of our central banking organization's policy. We may as well admit that the Federal Reserve Act has had an inflative effect upon the credit structure of this country. A simple and convincing test of the truth of this proposition can be found in the fact that although the normal volume of commercial paper is coming on the market, interest rates remain at extremely low levels. As a result of these unnatural conditions, money is being forced into channels of more or less permanent investment, such as bonds, etc. It is certainly desirable that these inflative effects of the act be minimized, and while the issue of Federal reserve notes against gold has not yet had any marked effect, it is an influence in the right direction, and as such should be commended.

It is desirable that as a precautionary measure, this country should have an adequate fund of gold under the control of an institution that is actuated not by a desire to make profits, but by an aim to promote the public welfare. It is improbable that any upheaval approaching our experience of August, 1914, will be repeated during this generation, but the close of the war will cause the golden stream to turn eastward, and if we are prepared it will not then be necessary that a Gold Fund Committee be organized; that gold be collected from banks in all parts of the country and that machinery be improvised to prevent the circulating medium of the country dropping to an irredeemable paper basis. We shall have instead a strong central banking organization with adequate means and tested machinery at its disposal for handling any situation that may arise and the gold will go out in a normal manner to settle adverse balances under the direction of a public-spirited institution and not in the form of destructive tidal waves followed by spasmodic recessions.

The Meaning of a Bank Audit, Its Purpose, Methods and Errors to be Avoided

Different Varieties of Audit and the Merits of Each—Clearing House Examination Apt to be Most Thorough—Address Before New Orleans Chapter.

By F. L. RAMOS,
Auditor Canal Bank and Trust Company, New Orleans, La.

WHAT does the term "audit" mean? Perhaps the most simple definition that I can think of would be that an audit is the *analytical presentation of a balance sheet together with the proving of the genuineness and total of the items which make up the balance.*

The purpose of an audit is to present to the public and to the officers of a company the actual financial condition and earnings of the enterprise; the detection of fraud as well as errors caused by ignorance or mistake, such as errors of principle, clerical errors, errors of omission or commission and off-setting errors.

Of these the most important are the errors of principle, as they most generally affect the profit and loss account on the balance sheet. A concrete example of such an error is, for instance, not apportioning the profits and losses to the period in which they belong or charging a capital account with an item which should be charged to revenue.

Clerical errors are, of course, the most frequent and while they will be found in every and all companies, it is left to the auditor to determine whether they are too frequent and designate careless work. He must, of course, have perception enough to determine whether an error of addition in pay-roll or the cash book was made intentionally or accidentally.

Errors of omission are rather grave, and while they may be made unintentionally, the auditor is justified in devoting a great deal of his time to the discovery of such errors.

Errors of commission are those in which an entry is incorrectly recorded either in whole or in part, such as an incorrect extension of interest or sales and do not affect the trial balance; they are generally made with fraudulent intent.

Off-setting errors are those errors which when made on the resources and liabilities' sides counterbalance each other, and are very annoying.

After this brief description of the purposes of an audit, I will pass to the qualifications of an auditor.

Qualifications of an Auditor

The auditor must, primarily, be well versed in accounting in order that such errors as enumerated above may be readily detected; he should have had some practical experience and be a fair mathematician; he must be both imaginative and analytical and possess discretion, quick judgment and ability, and in the case of an internal auditor must be able to inspire the clerical force with confidence.

Now to devote ourselves, as first stated, to banking, there are different audits generally made and by different classes of auditors. These may be divided as follows:

> Audits made by state or national bank examiners and clearing house examiners.
> By public auditors.
> By internal bank auditor; and
> By the mechanical principle of the internal check of departments against one another.

There has been much discussion in the last few years over the question of national bank examinations by national bank examiners, and sometimes the system and examiners themselves have been held up to public criticism. This criticism has been very unjustifiable, as, notwithstanding much discussion to the contrary, I firmly believe that a state or national bank examiner's duty is primarily to see that the laws covering the institution which he is examining are being observed and that its general management and condition, more particularly in regard to its portfolio, is such as to offer proper protection to depositors. His time is too limited and his force too small to check in detail the entire institution and present a statement such as offered by public accountants.

Clearing house examiners are probably better equipped to offer a thorough examination, especially in cases of the bank portfolio, which might be called the "life-blood" of an institution.

Their knowledge of the credit conditions is better than any outside auditors or examiners the bank might secure; they are, however, handicapped to some extent by the lack of assistants, and as there are in a bank so many changeable assets it is difficult for them to examine these thoroughly without handicapping the work of the institution. To all practical purposes an audit by clearing house examiners is the most valuable to officers and depositors of an institution.

Public auditors are well equipped to give a report upon the general condition of a bank in all its forms, administrative control, criticism on systems employed and recommendations of changes necessary to insure the bank being operated upon a proper accounting basis, also the detection of all forms of clerical errors. They have the necessary corps of assistants, are unbiased in their work and without any influence from any source; they are, however, handicapped by their lack of technical skill in bank work and a knowledge of credit conditions in examining the bank's portfolio.

The bank auditor furnishes to an institution a continual check upon the different departments, meeting the problems as they arise, keeping the officers informed upon the general condition of departmental work, advises and installs more efficient and economical methods of performing the work and, through close and daily contact with the different departments and clerks therein, is enabled almost to foresee any laxity in duties or errors as they are committed.

It is sometimes contended that this continual contact with the daily routine is a handicap to the bank auditor, as he has a tendency to fall into what is generally termed a "rut" and that the clerks of an institution through the knowledge of his methods of checking are able to circumvent the same, whereas in the case of the public auditor they have neither the knowledge as to how the audit is to be conducted, nor have the auditors any opinion in advance as to the correctness of any work or department.

While there is no doubt some truth in the above statement, I can hardly imagine any large up-to-date institution without an internal auditor. As his duties are very familiar to myself, I will endeavor to explain in detail some of the methods adopted in checking the different departments.

The first requirement of the bank auditor is that he be a "practical man," having had experience in the various departments which he is supposed to check, so that he may readily appreciate the problems that confront the various tellers and clerks and that he may perform his duties with the least possible disturbance of routine work.

He should have some knowledge of the law pertaining to banks and their relations with the public, so that in adopting forms and systems he may give the bank the greatest amount of protection possible. As in the case of a public auditor, he must have tact, decision, keenness and be able to inspire the employees with confidence in himself.

The bank auditor very seldom checks the entire institution at once, devoting himself to checking department by department, and by his daily contact with the clerks, keeping in touch with the correspondence and tracers, becomes thoroughly familiar with all work performed. To go more in detail, I will enumerate the various methods adopted by him to verify and familiarize himself with the work of the institution.

The cash of all departments should, at intervals, be thoroughly examined and counted, paying particular attention to all cash items or due bills that may be handled by any teller, verifying at the same time the clearings and checks returned by the various banks; the individual ledger keepers should be changed from time to time and the statements verified against ledger balances; of course, the best check upon ledger accounts is to have the various customers present their books as often as possible to be balanced, such balance being checked by the auditor against the ledger, initialed by him and a receipt acknowledging the correctness of balance obtained from the customer. This same result is obtained with out-of-town accounts, by means of reconcilement forms, the return of which is made in a special envelope direct to the auditor.

The various bank accounts kept by the institution should be reconciled by the auditor and all differences carefully noted and traced to their source; it is advisable that the various accounts kept on the general ledger, bearing upon such accounts as cashier's checks, certified checks, dividends and other special accounts, be reconciled, or checked, monthly, and record thereof kept either in a reconcilement book or some other book for the purpose.

Such accounts as "arrival of goods" and "transit account" should be either regularly checked in a thorough manner or, still better, liquidated.

Accrued interest, or interest receivable account, reserved for interest, reserved for taxes or special provisional accounts should be gone into thoroughly and all entries to them should either be noted by the auditor or initialed by him.

The expense account should always be carefully scrutinized, as well as all entries to profit accounts, both debit and credit.

All mail received bearing upon departmental work should pass through the hands of the auditor and special notation taken of all tracers or complaints made by the different correspondents. While not so important, it is desirable that the outgoing departmental mail should also pass through his hands.

Probably the most essential feature of the bank auditor's work is to see that the various departments are so arranged that the work of one will be a check upon the other; in fact, all systems, books and forms adopted by the bank should either be directly recommended by the auditor, or approved by him; he should either have direct control of the clerks or supervision over them in some way, so that he may see that all duties are properly fulfilled.

In those countries in which branch banking is a feature the auditor is always considered a very influential person and his recommendations are very carefully weighed; in such cases the auditor examines at intervals every branch, covering every department in the same.

While I am not positive, I believe that in the majority of cases in this country the auditor does not examine the portfolio, his duties simply being, in that department, to ascertain if the notes and documents therein correspond to the total amount represented by the books, the actual checking of securities and their valuation, together with the genuineness of the notes being more often accomplished by the portfolio examinations made by the directors of the bank.

In concluding my remarks, I cannot refrain from commenting on the necessity of banks obtaining from their customers statements prepared by public auditors and their encouragement of this practice; it is the surest and only absolute check upon the bank portfolio, as it naturally follows that if each firm whose note is in the bank's portfolio be examined its solvency and general condition approved the portfolio itself is proven to be absolutely sound.

The unfortunate failures of firms which have occurred here in recent years, and which firms, in practically every case, had never been audited, should in itself be conclusive evidence of the necessity of the general practice of audited statements being required. The firms themselves should welcome it, as it often happens that the owners and stockholders are deluded into the belief that their firm is absolutely sound and revenue producing, when an audit will prove that the account of the firm has been faulty and instead of a sound and healthy condition may be on the verge of bankruptcy.

Banks, however, must insist upon receiving statements regularly and comparing them with previous years, as, especially when the statement is furnished by the firm's auditor or when no general remarks by the public auditor are furnished, it must be shown by the subsequent statements that the firm is making headway in its business, earning revenue and not in any way increasing permanent or fixed assets, unless the firm has made the progress necessary to warrant same.

The notes issued should also be in proportion to the liquid assets, and any indebtedness against fixed assets so noted.

The importance of this subject has been recognized in England, which country is far ahead of us in accounting, by making it mandatory upon corporations to appoint an auditor not in any way connected with the firm as an officer, stockholder or employee, whose duty it is to examine periodically and report upon the condition of the firm.

ANNUAL DEBATE FOR INSTITUTE CUP

Announcement is made to the Chapters of the Institute that the Executive Council will offer a cup as a prize in a debate to be held each year at the Annual Convention. A Chapter must win the Annual Debate three times in order to become the permanent possessor of the cup, but this does not mean that the debate must be won three times in succession by any one Chapter.

It has long been felt that debating forms an important part of Chapter work, providing as it does valuable training in constructive thinking and in accurate expression. Debating is not for the purpose of developing orators, but any man who aspires to be successful will find that the ability to think clearly and express himself intelligently is a great asset, and many promotions have been attained by men who, although having no better technical training, have been able to talk better than the other man. A student in debating and public speaking soon finds that it is necessary to have more than a superficial knowledge of the subject to be discussed, and the thorough reading required to properly prepare himself to debate a question proves of immense value, not only in the knowledge thus acquired of the subject, but in the training to "think through" a subject and thoroughly understand it.

It is therefore with the thought in mind of the value to Chapter men to become trained in debating that the Committee on Debating and Public Speaking has decided to arrange preliminary debates this year between Chapters located convenient to each other, these preliminary debates to culminate in the Annual Debate at the Institute Convention in Cincinnati in 1916. Any Chapter winning the Annual Debate will have its name engraved upon the cup and will hold the cup for the ensuing year, but must win the Annual Debate three times in order to obtain permanent possession of it.

All Chapters desiring to take part in the contest this year should enter by notifying the Chairman of the Debating and Public Speaking Committee not later than January 30th. Immediately after that date the Committee will complete arrangements for the preliminary debates, which must be held promptly and will be at the expense of the competing Chapters.

A large number of Chapters conduct regular work in debating, and a national contest should do much to stimulate interest in this branch of Chapter work, and the Annual Debate will form an interesting part of the program at the Institute Convention. The President of every Chapter which can take part in the contest this year is urged to notify the Chairman promptly.

COMMITTEE

John C. Rovensky, National Bank of Commerce, New York.

C. Leland Getz, Robert Garrett & Sons, Baltimore.

Herbert C. Roer, Fort Dearborn National Bank, Chicago.

Edwin C. Phinney, Northwestern National Bank, Minneapolis.

F. M. Polliard, Ernst & Ernst, Pittsburgh.

Carl H. Chaffee, Chairman, First National Bank, Philadelphia.

VICE-PRESIDENT ROVENSKY

John E. Rovensky has been made a vice-president of the National Bank of Commerce in New York, where he came about two years ago as an assistant cashier. Previously Mr. Rovensky was connected with the First National Bank of Pittsburgh as assistant cashier and manager of the foreign exchange, savings and publicity departments. He is an Institute graduate, but not noted for anything else in particular except the conscientious and intelligent performance of every duty, big or little, that ever came his way.

INSTITUTE CHAPTERGRAMS

ALBANY

By J. Raymond Roos

The value of Chapter work is again exemplified in the promotion of Edward R. Thorne to assistant cashier of the New York State National Bank and adding one more name to the Institute's Roll of Honor of those of its members promoted to official positions. Mr. Thorne has been in the employ of the State Bank since 1898.

At our regular business meeting, December 17th, Mr. O'Byrne of the First National Bank read a very carefully prepared and exceedingly interesting paper on "Thrift."

Dr. A. M. Sakolski, former lecturer on Corporation Finance at New York University and Johns Hopkins, outlined a course of lectures he will deliver before the Chapter this winter. The topics already selected are:

Corporation Securities.
Corporate Promotion and Organization.
Corporation Accounting (Elementary Principals).
Income Statements.
Balance Sheets.
Valuation of Assets.
Analysis of Corporation Reports.
Reorganization and Receivership.

The lectures given by Prof. Lewis R. Parker of the Albany Law School on "Negotiable Instruments" continue to be attractive features of the local Chapter.

The various committees, under the direction of President Godfrey J. Smith, are industriously preparing for the Thrift Centennial.

ATLANTA

By T. I. Miller

Interest in the institute work increases. We are hard at work on our study course, and are growing stronger each week.

The Educational Committee continues its good work, and from results accomplished so far, they should feel very highly gratified. The last meeting of the old year was held December 21st.

Milton W. Harrison, Secretary of the Savings Bank Section, was with us December 14th, and outlined to us the Thrift Campaign, as it will be conducted throughout the United States. It was a pleasure to have such an interesting speaker as Mr. Harrison to put before us this most important subject. Atlanta Chapter expects to do her part in this campaign. The opportunities before us are many, and we bank men in this section have great responsibility on our shoulders to see that the message of Thrift is carried home to our people, and right here, we will get some more real hard work out of our men.

BOSTON

By Leo Wm. Huegle

Reports of success seem to be the monthly order for Boston Chapter, each month finding us in a more prosperous condition than the previous one. We are proud of the record made by our membership committee in securing over 200 new members, our total membership being now 815. Wishing to give their moral support to a cause that they know is of great service to the men in the banks, twenty of the senior officers in local banks joined our Chapter during the past month. We most heartily welcome them, and hope that their act will be an inspiration to many other men to join.

The enthusiasm for study shown by the men in the educational classes augurs well for the future. In the Senior Banking and Finance Course 170 men are enrolled, many of whom will become graduates after successfully passing the examination to be held at the end of the course.

Two hundred men are registered in the Junior Banking and Finance Course, although no examination or credit will be given. These men are fitting themselves to take the Senior Course another year, and will then doubtless experience no difficulty in securing "one credit" towards a diploma. A number of banks encouraged their men to take this course by supplying the necessary textbooks.

Our Chapter nights, through which acquaintance and good fellowship are fostered, have been well attended. The last one, on November 15th, "International night," proved the most successful and best-attended gathering in our history, nearly 350 being present. Seated at the head table were many of our most prominent banking officials, President Locke presiding. Mr. Fred I. Kent, vice-president of the Bankers Trust Co. of New York, a specialist on foreign banking, chose for his topic "International Trade and Finance," a subject most interesting and instructive. Mr. Kent, who was abroad at the beginning of the war as a representative of the United States Government, rendering financial assistance to stranded Americans, related many of his experiences in connection with his work.

"Preparedness" was the timely subject selected by Congressman Augustus P. Gardner in his address. That the United States is wholly unfit to cope with any nation attacking us was explained, the statements being verified by many facts and figures taken from Government records. The arguments could not but convince the most doubting individual. National President Bean addressed us and was given a hearty reception, this being his first appearance at one of our gatherings since his election.

Twenty-seven bank men are enrolled in the Military Training School of the First Corps of Cadets, M. V. M. The school formed along the lines of the recent Government camp at Plattsburgh requires the attendance of the men every Friday night for two hours, when instruction is given in drilling, and lectures are delivered by United States Army officers. The method of training suggested by the National Institute Committee is very similar to the First Corps school work, although differing somewhat as regards the age of the men. Many of our younger men were desirous of joining the school, but were under the required age of thirty years.

The Post-Graduates on December 10th visited the plant of the United Drug Company. The entire factory was inspected, our men being divided into groups of ten, each in the care of one of the drug men. The process used in the manufacture of all kinds of pills, emulsions, powders, creams, perfumes, etc., was shown and explained thoroughly by the very efficient guides. After walking about two miles around the factory, we were addressed by Mr. Louis K. Liggett, president and founder of the company, and by James C. McCormick, treasurer. The growth of this business since 1903, when it was started, is remarkable. In that year they boasted of fifteen to twenty-five employees and seventy customers. To-day they have from 1500 to 1800 in their employ, and 7000 stores handling their goods. Fifty stores are now owned by the Company, and about January 1st, 110 stores will be under their control, making 160 in all. Their success is due to co-operation, a policy to which they have adhered from the beginning.

Our Chapter Banquet Club is making great headway and is proving a boon to those who have joined. The attendance at the annual banquet to be held in February will be greatly increased through this idea.

A Public Affairs Committee, with Herbert E. Stone as Chairman, has been appointed by President Locke. This committee supersedes the Debating Committee.

CINCINNATI

By Wm. Beiser

At the meeting of December 14th, Charles W. Dupuis, vice-president of the Second National Bank, spoke upon the important subject of "Bank Acceptances." He made reference to the distinguishing characteristics of a bank acceptance and the trade acceptance, and of the difference involved in the making of a bank acceptance and the purchasing of one. In the making of a bank acceptance a liability is created and in the purchasing of one an asset is bought. He referred to four kinds of bank acceptances, those for financing imports, exports, domestic transactions and finance acceptances. He referred to the efficiency given to credit through the use of bank acceptances by citing cases where a bank may not be willing or is not in a position to loan its funds and might be willing to loan its credit in the form of a bank acceptance. He referred to the development of a discount market in the United States for bank acceptances and told how the banks would require the same security for accepting as they would require in purchasing bills payable. He referred to the charges as being at half a per cent. for sixty or ninety days, three-quarters of a per cent. for four months, and one per cent. for six months. As bank acceptances would probably have the lowest rate in the open market a customer for whose account the acceptance would be made would ultimately succeed in financing its needs at a cheaper rate through bank acceptances than by floating its direct paper in the market. He referred to our lack of facilities for financing imports prior to the war and told how an export of coffee originating in Brazil now financed in dollars through New York bank acceptances was formerly financed in pounds sterling. Through the facilities now offered through bank acceptances in financing importations of coffee in dollars the risk of rise or fall in exchange is not now so great because American exchange is now the most stable exchange. Acceptances for export would not be as much in evidence as acceptances for imports for the reason that the importer in the other country would most likely finance his purchasers as importers in this country through the use of their bank acceptances. At the present time export acceptances are in use in this country through arrangements with New York bankers because of the demand for American exchange. Another advantage in the development of bank acceptances in this country is that American banks will receive the benefit of increased deposits and the commission which formerly was paid to European banks. The Federal Reserve Board has made a very liberal interpretation of the power by banks to accept for export. The ruling gives banks the right to accept paper based upon material which is in process of manufacture and on raw material for which there is a contract for export. He referred to the use made of domestic acceptances and regretted the fact that the Federal Reserve Board did not give the power to national banks to make domestic acceptances. State banks in New York and New Orleans have authority to accept for domestic transactions. It had been thought that it was not wise to generally give the power of accepting based on domestic transaction as it would lead to an unwise expansion of credit. However, the general opinion now is that banks should be permitted to finance domestic transactions through bank acceptances. If limits are made upon the making of loans proper limits could be made upon the use of acceptances. A bank would zealously guard its credit which is extended through bank acceptances, for it would want to have an excellent name in the discount market of the country and would want its paper to have a ready market. If its paper did not have a ready market the customer for whom it accepts could not immediately make use of the acceptance. It seems an unfair discrimination that state banks of those states in which authority is given to accept for domestic transactions are given the same right in the Federal reserve banking system while national banks do not have the right. The trend of opinion at this time is that national banks should have the same right. The danger of an over-extension of credit is not so apparent when one realizes that a bank would exercise the same degree of carefulness in making an ecceptance as it would in making a loan to the borrower for whom it accepts. Referring to finance acceptances he spoke of the use of them by one bank upon another for finance purposes. Such documents usually have securities attached. They would be used to transfer funds and stabilize exchange rates. He told of the safeguards that would be used in the matter of making bank acceptances to prevent speculation and the use of funds represented by acceptances for permanent financing. Reference was also made to the regulation of the amount of acceptances as compared to the amount of capital and surplus, and referred to the making of acceptances by accepting houses in Europe to the extent of four or five times their capital and surplus. This was not thought to be out of proportion, for the reason that such houses do not carry a deposit such as is carried by banks in which the banks incur liabilities from five to ten times their capital and surplus. The bank acceptances would be eagerly sought by banks which have surplus funds and would be used to absorb surpluses which are being temporarily accumulated by business houses. Federal reserve banks would also buy them. A market for standardized bank acceptances is assured. The brokers are now seeking such acceptances and for a small percentage will arrange for their negotiation. He referred to the fact that bank acceptances have not generally made their appearance in the interior because of the existing plethora of funds. He considered them next to cash resources as to the availability of assets. As a general market would be created for them, it would be the most salable asset and the Federal reserve bank is prepared to discount at all times. No better secondary reserve could be had. The war created the situation which brought this paper into existence under the Federal Reserve Act. He spoke of the daily quotations and of the very low net income available to investing banks. Through the use of the bank acceptance America should eventually and permanently obtain that position in the financial affairs of the nation of the world to which it rightfully belongs.

Prof. Frederick C. Hicks also spoke and made formal announcement of the approval by the trustees of the Cincinnati University of the Scholarship known as "The American Institute of Banking Scholarship," which was created as an expression of an obligation which the Cincinnati University feels that it owes to the Cincinnati Chapter of the American Institute of Banking for the part it took in the development of the College of Commerce, Finance and Accounts of the Cincinnati University. A resolution of appreciation of the honor conferred upon the Chapter by the trustees of the Cincinnati University was unanimously carried in the open meeting.

DALLAS

By J. W. Youngblood

Dallas Chapter was the host of the Jefferson Club, a local debating society which is unique in that its sessions and procedure are modeled after the Senate of the United States, on the night of December 17th. "Woman Suffrage" was the chief subject of discussion. Gilbert Robertson and A. J. Priest, of the Jefferson Club, took the affirmative, and J. Barney Davis and A. B. Kendrick from our ranks pleaded the cause of the negative. The subject, though one debated many times before, proved to be a live one, and the audience manifested a great deal of interest. After long deliberation the judges finally made a decision in favor of the affirmative. Several prominent Dallas men honored us with their presence, among whom were Judge Geo. W. Riddle and Hon. Cullen F. Thomas, each of whom gave us a message of counsel and encouragement. We are truly proud of our law class. Our attendance continues to be large, and we feel sure that the year 1915-1916 is going to be a great success in an educational way.

DENVER

By Marsdon E. Weston

The big thrift campaign which has been started by the American Bankers Association is the subject of much interest among A. I. B. men here, and according to plans the local men expect to put Denver Chapter in the first division of the sixty-two Chapters which are to conduct the campaign in as many cities, as regards results shown.

The plan is very comprehensive, and furthermore, it is workable. To begin with, it has been initiated by a great and powerful organization, one which commands the highest respect throughout the world. Every banker and bank employee in America should read the outline of the plan as published in December issue of the JOURNAL-BULLETIN. It is so complete and scientific that the reader does not need to draw upon his imagination much in order to see the savings of Americans from every quarter of this country flowing in over the counters of our financial institutions.

The same intelligence that conceived the plan will be available for its execution. The obvious general benefit to humanity will add great potency to the campaign. A fortunate condition, as regards the attitude of American bankers, exists. As a class they will be found to be men of broad vision and in favor of the principle that the kind of banking which serves the best interests of the community at large is the best kind of banking for the banker himself in the long run.

A large part of this campaign will be in charge of the sixty-two Chapters, and never before in the history of the American Institute of Banking have its members had so tremendous an opportunity presented them. No Chapter can afford to pass it by. The bankers of the country have paid a great compliment to the young men of the Institute in delegating so important a work to them, and those Institute men who have thought about the matter at all are conscious of the great responsibility which has been placed upon them.

It is needless to say that the Institute men will make a big success of this work. Their mettle has been demonstrated by the manner in which they have developed the various study courses. This educational work, supplemented by the public affairs committee system, has put them in a fine condition of preparedness for the campaign.

One of the most important recent events in local circles was the establishment of an Alumni Association of Denver Chapter. So far as is known here, this is the first alumni association to be organized. At a dinner attended by fifteen or twenty graduates, A. E. Ferguson, cashier of the First National Bank of Englewood, Col., who was elected president of the association, delivered an address in which he dealt with the educational problem of the Institute and offered several methods of fostering the work through the alumni association activities. Mr. Ferguson argued that there was good reason for every banker, no matter how high he may climb, to continue his A. I. B. activities and boost its work along. An alumnus must, of course, be a member in good standing of the Chapter, and every one who has graduated from the standard study courses is eligible to membership.

Educational Director George E. Allen recently visited Denver Chapter. While here his counsel was extensively sought regarding the conduct of Chapter affairs.

President Daley will soon announce a dinner which, he hopes, will be attended by all Chapter committeemen for the purpose of discussing several important matters under consideration.

The Employment Bureau of Denver Chapter, of which Otto E. Kiene, of the City Bank and Trust Company of Denver, is chairman, is now well organized and is prepared to serve banks needing help or men seeking positions. The committee reports that its investigations of applicants are thorough and that it is prepared to offer efficient service alike to bank and applicant.

KANSAS CITY

By W. H. Potts

Our Chapter work for 1915-1916 started auspiciously, and we are greatly pleased that the interest manifested at the beginning of the season is being maintained. The class work is being kept up at as high a standard as the start and the attendance has not diminished, notwithstanding the hard work and extra time that the Kansas City bank men are putting in, owing to our favorable business conditions.

The Law Class is without doubt the most successful of any we have heretofore had. Harry B. Walker, our instructor, has shown himself to be a decidedly capable leader. Being a practical business man and banker, as well as a lawyer, his instruction is devoid of much of the technical work given by law instructors, he looks at a law point from the business side as well as the legal side.

The custom of giving out a number of law questions to be looked up for the following week promotes interest in the class, brings discussions and awakens interest. Everyone is keyed up to a high pitch through the entire meeting. The average attendance has been about one hundred.

The advanced class which has been studying the workings of the Federal Reserve Act and public speaking, as well as parliamentary practice has been very successful and we have had an average attendance of thirty-five. It has become the custom of the members of this class to have a weekly dinner at one of the cafes, and this has brought about a very close feeling of fellowship.

C. W. Allendoerfer, assistant cashier of the First National Bank of Kansas City and Joseph C. Jordan, assistant cashier of the Commonwealth National Bank of Kansas City, Mo., both former presidents of our Chapter are on the Committee of Schools of Finance and Economy of the Missouri Bankers Association. They report that through the efforts of this committee every one hundred Missouri bank men this season have taken advantage of the correspondence work of the A. I. B.

Kansas City Chapter is equally well represented in the Kansas Bankers Association, in work along the same lines, as E. W. Stillwell, cashier of the Commercial State Bank of Emporia, Kan., and L. Williams, cashier of the Citizens State Savings Bank of Kansas City, Kan., former members of our Chapter, are members of a committee active in the spreading of educational work among the Kansas bank men; an active canvass among bank men in county seat towns and towns of business importance throughout the state is being made with the view of promoting Institute work.

Townley Culbertson of the Commerce Trust Co., has been promoted from assistant secretary to vice-president. Mr. Culbertson is a former vice-president of our Chapter and has always been deeply interested in Chapter work, although he has not been actively engaged in the work the last few years. Mr. Culbertson's promotion in the Commerce Trust Co. represents the result of dillegent effort directly applied.

DETROIT

By Ernest F. Goodwin

At the last meeting of the Board of Governors E. F. Goodwin was appointed vice-president to fill the vacancy left by Fred Greig's resignation, and Eugene Fleming of the Wayne County and Home Savings Bank was appointed to fill the vacancy in the office of corresponding secretary left by Mr. Goodwin.

Detroit Chapter has been busy of late organizing a committee of bank officers to act with the Institute in the thrift campaign. Mr. Langdon, who has charge of the thrift campaign in the schools and is opening the school banks, reports excellent results, saying that in those banks that he has opened the deposits have far surpassed his expectations.

The members of the Debating Society have shown a great deal of enthusiasm in the work and have staged three debates to date, each of which has shown the excellent results obtained by Professor Koehler after but one season of instruction.

LITTLE ROCK

By Stanley M. Brannen

On the evening of September 28th, we had our opening meeting in the form of a smoker, which was attended by a surprisingly good number of our members, also several bank officials. The meeting was presided over by our president, R. E. Cornish, who briefly outlined the work that we were to take up this year.

H. H. Dillard, secretary of the Chapter, and who represented the Chapter at the convention in San Francisco last summer, gave a delightful talk on his trip, stating the hospitable manner in which the San Francisco and Oakland Chapters received the delegates to the convention. Mr. Dillard impressed the fact that the Institute was doing fine work, as shown in the interest taken by the delegates.

President Cornish introduced H. T. Harrison, attorney for the Rock Island Lines in Arkansas, who, in an instructive and understanding manner, told us what efficiency meant to a man in any walk of life. We had not selected an instructor for our public-speaking class, but as soon as we were given an example of such strong and impressive delivery in public speaking, we immediately requested Mr. Harrison to teach us the art. He complied with our request in a way that was very much appreciated. His services are rendered without charge. Nevertheless, that does not lessen the value of his instructions, as a personal interest for each member of the class is shown in the manner in which he has thus far conducted the class.

Wallace Townsend, another able attorney of this city, our instructor in the commercial law course for this term. Mr. Townsend thanked the Chapter for the privilege that had been given him and assured us that we would overcome any difficulty that might arise if we would all work together. In view of the fact that Mr. Townsend has been a principal in high schools for a number of years, it perhaps gives him an advantage over some instructors in that he has had a great deal more experience in that particular line and knows how to conduct a class; that is, asks questions, the answers to which need not require big words. All in all, we have derived a great benefit from the lessons because of the simple method Mr. Townsend is using.

Other interesting short talks were made by officials of the different banks. The main thought in these talks was that every member of the Chapter should become sufficiently interested to feel it a duty to himself and his employer to attend the class meetings regularly and to take up the Institute work with a resolve to become a more efficient employee.

The Chapter feels very grateful to the banks of the city and the clearing house association, as they have gladly pledged their support in every way possible. A surprising fact is that the officials of the banks have urged their employees to take the right kind of interest in the Institute work and as a result, we are having well-attended class meetings and well-prepared lessons.

LOUISVILLE

By V. F. Kimbel

The meetings of Louisville Chapter are entirely different from those of former years. Almost since the organization of this Chapter we have had a regular study class. This year, however, we are having a series of talks or speeches by prominent men of this and other cities.

The first meeting of the year was addressed by Edward L. McDonald, attorney of the Louisville Title Company, speaking on "Title Bonds," a subject with which he is probably more familiar than any man of this city. He explained very thoroughly and fully all the requisites and details leading up to the loaning of money on real estate.

S. B. Lynd, vice-president of the Citizens' National Bank, spoke at our second meeting on the subject of "The Commercial Statement." His explanation of how a commercial statement was dissected and the proper credit rating of the borrowing customer obtained was very interesting to everyone present, as all either occupied official positions, or aspired to that end, and knew that they should be thoroughly familiar with those details which Mr. Lynd explained. He insisted on three fundamentals in extending credit—character, capacity (or ability) and capital. He went into detailed explanation of what were considered quick assets, and why; what were considered "sweetening"; why mortgages were offset against real estate, and the proper percentage of debts to quick assets.

The third meeting was a discussion of "Tax Amendments" by Leon P. Lewis, a prominent attorney of this city, and teacher at the University of Louisville in its Law Department. This subject was very important at this particular time, as the people of this state decided at the election held this Fall that our obsolete tax laws shall be amended, and all men, without regard to political affiliation, felt that the passage of that amendment meant more to the future welfare of the state than any other result of the election.

At our next meeting, Henry D. Ormsby, vice-president and cashier of the National Bank of Kentucky, and one of the most loyal friends of the Institute, discussed "Currency." He gave a brief history of how and when coins came into use; why gold is the standard of the great countries; why silver and the baser metals are used in the smaller coins; and what is meant by free coinage.

A discussion of "Stocks and Bonds" by Marvin H. Lewis, a local stock-broker, occupied the attention of our members at the first meeting held during December.

Judge Arthur Peter, trust counsel of the Fidelity & Columbia Trust Company, and formerly judge of the Jefferson County Court, of this city, spoke December 14th on the subject of "Fiduciaries." He confined himself almost solely to a discussion of the duties and liabilities of a "Trustee." The way the subject was handled made it very instructive to all those present and especially interesting to trust company employees. He explained what, in his estimation, would be held by the courts to be proper investments for trust funds, according to the laws of this state; what commissions are allowed the trustee; what is properly income (or the share of life tenants) and what is properly principal (or the share of the remaindermen). Numerous citations from important decisions of the Court of Appeals of this state in cases affecting fiduciaries, added authority to the discussion.

The last meeting for the year was made memorable by the visit of Milton W. Harrison, secretary of the Savings Bank Section of the American Bankers Association, and assistant to the educational director of the A. I. B. If his heart to heart talk to the boys, advising, encouraging and pleading with them to work and to work hard is void of results, it will not be owing to any lack of personality on the part of the speaker or the great "sermon" which he delivered, but only to that trait of our great South—laziness on the part of the men themselves. Following his direct talk to the men on how to advance in the banking profession, Mr. Harrison outlined in a general way the reason for the nation-wide thrift campaign; how it will be accomplished; how it is to be properly advertised; and how we, as a Chapter, can help here in Louisville.

We were fortunate in also having with us at this meeting John E. Huhn, manager of the savings department of the German Insurance Bank of this city. Mr. Huhn spoke, in part, as follows:

"Never in the history of the United States has the time been as opportune as the present for the education of our people in the ways of 'Thrift.' We have suddenly been transformed from a Nation of Borrowers to a Nation of Lenders. Already there has been a cry for financial help from abroad and when the World War has ceased there is bound to come an even greater cry for capital to repair the terrible ravages. It makes one shudder to anticipate prosperity, founded on the calamity of our brethren across the ocean, but the opportunity is thrust upon us without our asking. If we are unprepared, we must suffer the penalty of 'Hard Times,' and when this war has ceased—God speed the day—we will not only be in such a position where it will be impossible to help alienate the sufferings of Europe, but our unpreparedness will actually add thereto.

"Since we have so suddenly been thrown upon our own resources, it will also be necessary for us to furnish our own capital to continue the financing of our industrial and public utility developments, and this without aid from Europe, to whom we have heretofore looked and who have always answered with a generous response. Then, since we are going after the trade of South America, we must also be prepared to finance their great enterprises and industries.

"That brings us to the problem, 'How are we to gather this vast amount of capital?' The source of capital is universal savings, and it is the duty of our banks to encourage the savings habit. The field is large, and that the surface has hardly been scratched is plainly seen from statistics, giving the number of savings depositors per thousand in European countries compared to the United States.

"In Switzerland 554 savers to each 1000 inhabitants; Denmark 442, France 346, Germany 317, England 302, United States 110. * * *

"It seems very strange that the spirit of "Thrift" has never been aroused in the South, and, comparatively, the Southern States make a very poor showing since there are only sixty savers out of each 1000 inhabitants against 600 to the 1000 in the New England States. The bankers of the South must begin to educate the people to the usefulness of banks. The people should know that their savings are used for carrying on the business of their community, and that as the banks flourish so does the community flourish.

"In Louisville we find the field for improvement greater than in cities near our own size. Considering cities of from 200,000 to 250,000 population, we find that Providence has bank deposits averaging $793 for each inhabitant; Jersey City, $268; Kansas City, $325; Indiapolis, $219; St. Paul, $301; Seattle, $270; Portland, $240; Denver, $323; and Louisville only $177. This comparison hurts. It is not satisfactory. There is something wrong.

"Our wage scale is fair, when compared to the cost of living—which is lower in Louisville than in other cities of its size. We have no army of unemployed, nor have we had. Is it because we have so few foreign inhabitants? Can it be that because we are a real American city we do not save? Is that also the reason the whole South shows up badly? If such be the case let us help find the cause or we are bound to suffer from the 'effect.'"

Mr. Huhn then gave a synopsis of his experiences from the opening of a savings department in his bank to the present, and concluded: "We have been fairly successful. However, we need co-operation. Every bank in the city should do its share. Let us all get together. Let us put our shoulders to the wheel and increase the present $39,000 deposits in Louisville to at least fifty millions. Remember our slogan: 'We can, we will, in Louisville!'"

MILWAUKEE
By H. G. Zahn

The entertainment committee of the Milwaukee Chapter has set aside the third Friday night of every month for an open meeting. On these occasions prominent men have been invited to appear before the Chapter to speak to the members on timely subjects. On the 17th of December Judge August Backus addressed the members. His subject was "Society's Duty to the Unfortunates." Judge Backus has made this his life's study and his long term on the bench and his many dealings with unfortunates make him very familiar with this subject. His talk was very impressive and in several instances he almost moved his hearers to tears as he narrated some particularly touching experiences. He showed that society owed a great duty to the unfortunates and aroused in all those present a proper appreciation of that duty.

The law class is meeting regularly with a large attendance.

The class in public speaking, under Professor Zavadil, still retains its popularity.

NEW ORLEANS
By Norbert B. Hinckley

It is with a great deal of pride and pleasure that we announce the election of Irwin L. Bourgeois as assistant cashier of the Hibernia Bank and Trust Company. Mr. Bourgeois is an ex-president of New Orleans Chapter, ex-treasurer of the National Organization and one of our hardest workers.

Another event in local Chapter doings was the visit of M. W. Harrison on December 16th. In the evening Mr. Harrison addressed us, outlining the proposed program for the celebration of the Centennial of the Savings Bank in America during 1916. Our public affairs committee is working on a plan to make this affair the success it deserves. We have arranged our program to extend over the whole year, and it is safe to assume that when the total results are summed up in December, 1916, we will be among the first. The *Times-Picayune*, our leading morning newspaper, is now running the thrift talks furnished by the American Bankers Association every Wednesday.

Classes are still well attended and our membership increasing.

Debate with Birmingham Chapter on January 15th, on "Resolved, That a system of branch banks would be to the interests of the United States," has stirred up a great deal of interest in local banking circles. We will defend the negative.

NEW YORK

By H. R. Kinsey

Much keen interest is being taken in the work of the Forum, as is evidenced by the large number of inquiries from prominent bank officials and by the actual attendance at the Forum meetings of a number of well-known authorities. On January 5th, Romaine A. Philpot of Lazard Freres will address the Forum on "After the War"; on January 19th, William A. Law, president of the First National Bank of Philadelphia, formerly President of the American Bankers Association, will speak on "By-Products of Banking"; O. Howard Wolfe, past president of the Chapter, now with the Philadelphia National Bank, and Charles F. Minor, vice-president of the Columbia Trust Company, another past president of the Chapter, will deliver lectures on "Practical Banking."

A new course in the "Principles of Accounting as Applied to Bank Work" will be started. This will be a complete course which ordinarily occupies sixty hours of time condensed for the benefit of banking men who are in a measure familiar with the fundamentals and are able to grasp the subject in the schedule of thirty hours.

Many important additions to the general courses have been announced for the second term work. Complete schedule of courses follows:

SCHEDULE OF COURSES—SECOND HALF YEAR

BEGINNING THURSDAY, JANUARY 27, 1916

Mondays—6 to 7.30 P. M., Public Speaking; 8 to 9 P. M., Spanish; 8 to 10 P. M. Accounting.

Tuesdays—7 to 8.30 P. M., Principles of Economics; 8.30 to 10 P. M., Credits, Bankruptcy, Investments; Standard Banking.

Wednesdays—8 to 10 P. M., General Forum, alternating with Savings Bank Forum.

Thursdays—7 to 8 P. M., Spanish; 8 to 10 P. M., Standard Law.

Fridays—7 to 8 P. M., Business English; 8 to 9.15 P. M., Economics and Elements of Practical Banking; Elementary Course.

Wednesday evening, December 22d, the first annual Christmas smoker was held in the Chapter rooms. There were over 300 members present. The speakers were: Prof. James C. Egbert, director Department of Extension Teaching, Columbia University, and Jason A. Neilson, past president of New York Chapter and manager of the Foreign Exchange Department of Brown Brothers & Company. Prof. Egbert took for his subject the relation of Columbia University to the City of New York in general and to New York Chapter in particular. The trend of his discourse was to the effect that here in New York City, the financial center of the United States, there should exist the greatest banking educational institution in the country, if not in the world. He pointed out that the arrangement which now exists between ourselves and Columbia University is a step in the right direction toward the founding of such an institution and he laid special stress upon the fact that this is New York Chapter's opportunity and that Columbia is ready to assist in every way possible to bring it about. He said that men taking the courses would be able to consider themselves not only New York Chapter men, but also Columbia men, and that their influence in the city would materially grow as the result of such connections. Probably one of the most interesting incidents of his address was when he brought out the fact that while Columbia was desiring to assist us in carrying on our courses, we were doing a most valuable service to Columbia by bringing them into close touch with active banking men and thereby instructing them as to the real needs of men in the business world, as distinguished from the purely academic students.

Mr. Neilson's address was a stirring appeal to all men of the Chapter to rise to the situation as presented by Professor Egbert and to take an active part in the development of New York Chapter ideals by spreading the news of the advantages offered and by assisting the officers of the Chapter wherever possible by actual service. The remainder of the evening was devoted to a general good time and the excellent entertainment program provided by the Seaside Section through its president, Mr. Saunders, is worthy of mention as the best that has ever been produced at the Chapter rooms. Thomas H. Coogan of the Bankers Trust Company and Birney Pettigrue of the Farmers Loan & Trust Company, accompanied at the piano by Charles Blienevens, rendered a number of solos, which were loudly applauded and most thoroughly enjoyed by all present. The one-act farce, "My Turn Next," put on by the members of the Seaside Section, made a decided hit.

The committee in charge of the coming banquet which will be held in the grand ball room of the Hotel Biltmore on Saturday evening, January 29th, reports that the reservations this year far exceed those of any previous year. The speakers committee is exerting every effort to secure the best possible after-dinner entertainers in the country and promise that those who attend are certain of a treat in this direction.

Roger P. Kavanagh has resigned his position of examiner in the New York State Banking Department to become associated with the Metropolitan Trust Company and will assume the management of the new uptown office upon the completion in about six weeks of its new building at 716 Fifth Avenue. Mr. Kavanagh was appointed an examiner on June 1, 1908, by the then Superintendent of Banks, Hon. Clark Williams. Prior to that time he was for many years connected with the Fifth Avenue Bank of New York. During the term of superintendent George C. Van Tuyl, Jr., he commenced to supervise the examinations of the large institutions located in the Metropolitan District, which includes the Greater City of New York, and is well known for his work in this connection. He was engaged in this branch of the service up to the time of his resignation. He has been active in the affairs of the American Institute of Banking since its inception, having been secretary for two years and president for one year of the New York Chapter. Mr. Kavanagh's long experience in the Fifth Avenue field particularly equips him for the character of service which it is the intention of the Metropolitan Trust Company to render to the patrons of its uptown office. Probably no man could be better equipped than Mr. Kavanagh to fill an executive position in a banking institution. Besides his long practical experience in the Fifth Avenue Bank, which was considerably broadened by his experience in the New York State Banking Department, he has always taken a deep interest in the educational side of banking questions.

OAKLAND

By P. T. Jones

The law class in Oakland Chapter has maintained its usual record of over eighty per cent. average attendance and from the reports made by both the instructor and the members of the class the progress and interest has been vying with that of former years.

It looks as if the Spanish class will continue their work for the next four months. Professor Artieda has given such a comprehensive course in the language that the men who are taking the work feel that they have the very best foundation for further study that could be afforded.

Paul E. Otey, a member of our Board of Governors, is now assistant cashier of the Central National Bank. J. Ernest Smith, our vice-president, is now assistant cashier of the Central Savings Bank. N. B. Campbell has been promoted to assistant cashier of the First National Bank of Oakland.

PHILADELPHIA

By Frank C. Eves

Philadelphia Chapter is having the biggest year in its history. Records have been broken, not only in membership, but in enrollment, average attendance and interest manifested in the educational classes. Public speaking and debating are being encouraged, and although the schedule has not as yet been completed, we expect to have more debating here this winter than ever before.

The public-affairs committee is co-operating with the Savings Bank Section of the American Bankers Association in the thrift campaign for 1916, and the following lectures will be delivered throughout the city by Chapter members: "The Ear-marks of a Wild Cat Scheme," Freas Brown Snyder; "Investments for Small Savings," Freas Brown Snyder; "Thrift and Commercial Banking," O. Howard Wolfe; "Building and Loan Associations," William S. Evans; "Insurance and Thrift," Carl W. Fenninger; "You and a Rainy Day," William A. Nickert.

While it is hard to determine the relative importance of the different branches of Chapter work, it would seem that the "Members' Night" meetings are especially valuable as they are being conducted this winter. Each of these meetings is led by a member who is an expert in his line, and an opportunity is given for all to take part in a general discussion of the subject under consideration. On December 17, 1915, a most interesting meeting of this character was held under the leadership of O. Howard Wolfe; subject, "Theory and Practice of Routing Checks."

At our regular December meeting, Eric A. Lof of the General Electric Company gave us an instructive talk, illustrated by slides and moving pictures on "The Panama Canal and Its Electrical Equipment." We were especially fortunate in having with us the same evening H. Parker Willis, secretary of the Federal Reserve Board, whose illuminating address on "The True Place of the Reserve Bank" was appreciated by all. Mr. Willis said:

> The question whether or not to have Federal reserve banks has been settled, and, I believe, settled permanently. The institutions have proven their utility, and I have the faith to forecast a period of continuous and uninterrupted usefulness for them. They have already rendered great service, a service which the sober second thought of the public will recognize. They are in position to render much greater service, a fact which will become more and more obvious as time goes on. I do not believe that the fundamental question to be considered now is the utility of the Federal reserve bank, but is rather that of the scope and functions which shall be accorded to them at the present time. I am the more inclined to this belief because of the fact that difference of view on this subject has existed throughout the whole history of banking legislation in the United States. Many persons have held from the beginning that it was not desirable to attempt to establish anything more than provision for exceptional and unusual conditions in the United States, and that, therefore, we could safely content ourselves with legislation providing for emergency currency, or emergency treatment of banking needs. This was the underlying idea of the Aldrich-Vreeland Law, a law which after lying dormant for some years, and being amended, served a valuable purpose during the stringency of 1914. It was supposed by many persons when the Federal Reserve Act was passed that the Federal reserve banks had been recognized not as emergency banks, but as permanent aids to sound finance in the United States, the co-operative expression of the best sense of the banking community upon general conditions

affecting all bankers in greater or less degree, and, as such, interesting to all. Now we have had a year's experience in the operation of the Federal reserve banks, and the older question has reappeared in a new form. The question is directly raised whether Federal reserve banks should be active institutions, playing a direct part in the financial life of the community, or whether they should be sporadic and occasional in operations called into play only when necessity requires. This question may be discussed from two standpoints. We may consider what the act itself has provided, and what effect it is wise and desirable, from the standpoint of banking theory, that it should have upon others than those who are charged with its administration. The Federal Reserve Act is clear and unmistakable on the first point. It provides for rediscounts to member banks as the first and primary function of the Federal reserve institutions. But it also provides for what are called upon market operations, the latter to be engaged in at the will of a reserve institution and as conditions seem to dictate. What was the object of the framers of the act in making this provision? There can be no doubt as to their essential purpose. They recognized that there would probably be times when, through lack of rediscount offerings, the banks would be unable to exert that direct effect upon the market which would be necessary if they were to perform their full functions as holders of the ultimate reserves of the country. It was the intention of the Federal Reserve Act to provide a means whereby the banks could make their rates of discount effective in the same sense in which that operation is performed by foreign banking institutions, such as the Banks of England and France. It was intended to vest them with the authority both to buy and sell from persons, firms, corporations and banks, other than their own stockholders, in order that at times they might extend the benefits of their discounting power to non-members, or in order that they might make provision against contingencies of the future, which member banks, although perfectly aware of, were prevented by the exigencies of competition from providing for. It was intended that they should compete with member banks, or with members of other Federal reserve banks if occasion demanded it, for the obvious reason that only by so doing could they in the highest degree serve both the interests of the public and that of the banking community as a whole, which, in the best sense, is synonymous with that of the public.

And in this view of the functions of the Federal reserve banks the Federal Reserve Act based itself firmly upon experience. There are, so far as I am aware, no banking institutions in foreign countries which deal only with banks, and are cut off from any communication with others. Either by direct dealing with the public at large and the continuous discounting of paper irrespective of its amount, provided it conforms to certain other requirements, or by direct dealing with specific classes of makers or owners of commercial paper, these banks exert the weight of their influence in the market and do what they can to stablize gold movements, render rates of discount uniform and fair to all, and at the same time make provision against future market developments that might otherwise be left to work themselves out according to circumstances. When the Federal Reserve Act was first taken under consideration it was suggested in influential quarters that the banks be given power to receive deposits from and deal directly with individuals. The matter was carefully considered and for a variety of reasons it was not deemed wise to take this step. Later it was suggested that the Government should practically supply the basic funds and operate the proposed new banks in order that it might fully and entirely control their dealings and their effect upon the market. This, also, after being considered, was laid aside, and in its place there has been substituted a system of co-operation between the Government and the banks in which the latter have control of their own funds, and can do with them as they please, notwithstanding that they are recognized as being vested with a public interest. Will they hesitate to see these funds used like the reserve funds of foreign countries for the purpose of bringing about a condition of stability and balance in the money market, or will they persevere rather in the view that emergencies are to be allowed to create themselves and that on such occasions, and then only, the combined power of the reserves of the country is to be brought into play?

I have heard the Federal reserve banks compared to many diverse objects. There are some who are fond of comparing them with a reservoir of water, and others with a set of fire engines, while still others choose to draw an analogy between a reserve bank and an extra dynamo in a power-house. To me the most correct comparison is that which regards them as being similar to what we know as a bank—the reserve bank is neither a reservoir, a fire-engine nor a power-house, but it is a bank; and in order to do its work with success, and to give the banking results which experience has indicated as necessary, the reserve bank must work on banking lines and guide itself by banking principles in the conduct of its operations. It, in fact, differs in no essential respect from the best type of bank as we know it to-day, save that it lays special stress upon maintaining the liquidity of its assets. In this connection let me call your attention to the language employed by the Federal Reserve Board in its first annual report, where the following statement was made:

"It should not, however, be assumed that because a bank is a reserve bank its resources should be kept idle for use only in times of difficulty, or, if used at all in ordinary times, used reluctantly and sparingly. Neither should it be assumed that because a reserve bank is a large and powerful bank *all* its resources should be in use all the time or that it should enter into keen competition with member banks, distributing accommodation with a free and lavish hand in undertaking to quicken unwisely the pace of industry. Such a policy would be sure, sooner or later, to invite disaster. Time and experience will show what the seasonal variations in the credit demands and facilities in each of the reserve banks of the several districts will be, and when and to what extent a reserve bank may, without violating its special function as a guardian of banking reserves, engage in banking and credit operations. The reserve banks have expenses to meet, and while it would be a mistake to regard them merely as profit-making concerns and to apply to them the ordinary test of business success, there is no reason why they should not earn their expenses, and a fair profit besides, without failing to exercise their proper functions and exceeding the bounds of prudence in their management. Moreover, the reserve banks can never become the leading and important factor in the money market which they were designed to be unless a considerable portion of their resources is regularly and constantly employed."

This statement covers the ground and clearly sets forth the purpose of the Reserve Act. We may sum up the functions of the reserve bank in biblical language by suggesting that, while the bank must be in the world, it does not need to be of the world; that is to say, if it is to be of service, it cannot withdraw itself like a financial hermit from the ordinary run of transactions. Neither can it be guided by the profit-making spirit and subordinate every other policy to that of the making of dividends. It is the wise and safe middle course that the reserve bank must follow, and through which it will attain its highest usefulness. In this it is essential to have the co-operation oi the member banks of the nation.

Aside from the more serious side of the work, two annual affairs have found their place in the life of Philadelphia Chapter—"Ladies' Night," and the "Annual Banquet." The first of these will be held at the Manufacturers' Club, January 28, 1916, the program consisting of a concert which will be followed by dancing. The annual banquet will be held at the Bellevue-Stratford, Saturday evening, March 4, 1916.

PORTLAND

By Helmer Pierce

The interest in our commercial law course is still maintained, the average attendance being excellent. The classes are conducted in accordance with a schedule prepared by T. H. West at the outset of the term. We find that the systematic plan of having a definite subject or chapter assigned for each class night and published ahead in our Chapter paper "The Tickler" dispenses with members having to ask one another what the lesson is for the next time, and consequently they are fully prepared to answer the questions of the instructor.

The subjects of study undertaken by the forum for this season include the history and evolution of banking in Europe, early American finance and also a brief course in accounting. The class in public speaking is progressing nicely and our embryo Daniel Websters and Henry Clays are preparing themselves to actively participate in the Thrift Campaign to be launched in Portland shortly.

At our Chapter dinner, December 26th, Russell Lowry, deputy governor of the Federal Reserve Bank at San Francisco, delivered a highly interesting address on "The Federal Reserve Law after One Year in Operation." A. L. Mills, president of the First National Bank of Portland, acted as chairman of this meeting.

PROVIDENCE

By H. C. Owen

The first open meeting of Providence Chapter for the season was held in the rooms of the Noonday Club on December 2d, President Marshall presiding. A goodly number of members and guests were present to greet the speaker of the evening, Frederic H. Curtiss, chairman of the Board of the Federal Reserve Bank, Boston, who talked on the subject of "The Workings of the Federal Reserve System." The talk was informal, and as there were no newspaper men present, Mr. Curtiss became quite frank and intimate, and his talk was closely followed by an interested audience. Those who had entertained illusions that the process of rediscounting and securing Federal reserve notes was bound up in a vast amount of red tape had their doubts dispelled, as the requirements are most simple and there need be very little delay.

Robert H. Bean, president of the American Institute of Banking, had expected to be with us, and speak on the "Purpose of the Institute." A change in his business relations, however, compelled his absence, and we were obliged to substitute salads and rolls and coffee and cigars. With all due respect to our worthy president, the substitute appeared to make quite a hit.

The Chapter study classes in Commercial Law and Business Economics are thriving, and continue to be well attended.

SACRAMENTO

By Harlan Fowler

Class activity is centered principally in law. Twenty-nine are enrolled and the average attendance is high. The Forum of fifteen law graduates are prepared to begin the course of study with the new year. It has been planned to hold two meetings each month, at which time two or more papers will be presented, after which the members will have discussions.

ST. LOUIS

By John V. Keely

St. Louis Chapter celebrated its fifteenth anniversary December 14th, in the Knights of Columbus Hall. An address of welcome was delivered by William McChesney Martin, vice-governor of the Federal Reserve Bank, the principal part of the entertainment consisted of stereopticon views of all the Charter members, past presidents and officers of the Chapter, including a representative from every bank in the city. The following Charter members are still active, and their pictures were shown on the screen—George Beimdick, John Weiser, Julius W. Meier, T. Stickel, Alex Miltenberger. A song written in honor of the occasion by R. L. Gurney, manager of the Savings Department of the American Trust Co., was sung by the guests to the tune of the "stein" song. After the entertainment, dancing was enjoyed by those present, to the Oriental tunes of Leo Terry's orchestra. Mr. Terry was formerly a bank clerk.

SAN FRANCISCO

By E. V. Krick

Not only has our Chapter escaped the demoralizing influences incident to the ten months of festivities occasioned by the Exposition, but our organization has shown a development through this period which is most gratifying. The membership has been constantly increasing and the early enthusiasm has in no way abated.

Again this month we have the pleasure of announcing the preferment of another of our Chapter members. Russell Lowry, deputy governor of the Federal Reserve Bank in this district and a member of our advisory board, will sever this connection with the Federal Reserve Bank the first of the year to assume his duties as president of the First National Bank of Oakland. Mr. Lowry's advancement marks the success of another of our Chapter's staunch supporters who for years has been closely identified with our growth and to whom the Chapter is deeply indebted.

Under the direction of Professor Flaherty the public speaking class has been digesting some of the fundamental requirements essential to this line of work. "The Principles of Success in Literature" by George

Henry Lewes is being used as a basis for the class work. This book is one which Professor Flaherty used in connection with his classes at the University of California and is of inestimable value.

The December meeting of the Forum held on the evening of the tenth had unusual merit. The topic "The Fundamental Differences between the English and the German and the French Banking Systems," developed into a consideration of their comparative values. This produced an animated discussion which called forth very pronounced opinions and well-taken arguments. Messrs. Paul Pflueger, W. J. Bevan, and D. A. Stivers were the speakers of the evening.

The Committee on Military Training, appointed by president Marcus, consisting of Messrs. M. P. Lilienthal, chairman, L. R. Cofer, John Clausen, John S. Curran, is actively engaged in gathering data, information and opinions relative to the advisability of organizing a company among the bank men.

At our general meeting on the evening of December 15th, we were forced to forego the pleasure of Hermann Schussler's illustrated lecture on the water supply of San Francisco, through his inability to be with us. However, we were fortunate enough to secure Alfonso Quinonez M., vice-president of Salvadore, who devoted an hour to instructing us in facts and figures pertaining to the Republic of Salvadore and to Latin America. He furnished us with much enlightening information relative to trade conditions and business methods. It is the opinion of Mr. Quinonez that San Francisco should establish a "Latin American Center" for the propogation of closer relations between the two Americas.

The Spanish classes chose the occasion to present to John Clausen, the instigator and founder of the Spanish courses, a fitting token of their appreciation and esteem.

Frank C. Mortimer, cashier of the First National Bank, Berkeley, and John S. Curran, assistant cashier, Humboldt Savings Bank, San Francisco, on the evening of December 2d addressed the Commerce Club of Berkeley upon the respective subjects, "National Banks" and "Savings Banks." This work is being conducted under the auspices of the Institute and seems to be meeting with considerable success.

SEATTLE

By Lester R. McCash

At the last monthly meeting Mayor H. C. Gill addressed the Chapter on "City Government." Mayor Gill's talk was very interesting and instructive. President Maine announced that the next meeting would be "ladies' night," and that the members would be required to bring their wives or sweethearts.

The first-year class weekly dinners are proving to be very popular. These dinners are held just before class work and a short talk is given along a certain line of business by some expert in that line.

The national thrift movement has met with a warm reception at the local Chapter. A committee on public affairs will soon be named and they will take the matter in hand, working with the national organization and the Seattle Clearing House Association.

SYRACUSE

By R. B. Porter

In placing John G. Bryant in the position of chief clerk, the First National Bank of Syracuse has given preferment to another certificate holder. It is a compliment to Mr. Bryant in that he is recognized as "not wanting" in perseverance and determination to make good. In this connection the members of Syracuse Chapter are delighted to read through the JOURNAL-BULLETIN how in other cities certificate holders rise to official positions. However, the closer home these things happen the more encouragement it gives to the local men.

An unusual interest is apparent in the Forum class. In Prof. Roman the class has an instructor who "puts the cookies" on the lower shelf, in such a way that every attendant the least hungry for the work can take advantage with a minimum of effort. The debate team is interested in their work and their efforts will become realized in the early part of February when they will defend the proposition "Resolved that National Banks should be given Trust Company privileges."

ST. PAUL

By A. E. Turnquist

"The second meeting of the St. Paul Chapter was held at the Golden Rule Tea Rooms, November 9th, with a representation of over a hundred members. We had with us that evening as speaker a former member of our Minnesota Legislature, James D. Denegre, now a practising attorney of this city, who chose as his subject, "Law Making or the Inside Workings of Our Legislative Body." He carried his subject in a very thorough and interesting manner and explained in detail the process of the bills from their presentation clear through until they become laws.

November 16th was set aside as a theater night, when the Chapter leased the Shubert Theater and the play "Marrying Money" was staged by the Fisher Players Stock Co. The Chapter realized quite a neat sum and the proceeds are to apply on the expense of carrying out the plans of our educational program for the year.

On the evening of December 8th our annual banquet was held at the St. Paul Hotel and we were very fortunate in having with us that evening as guest of honor and principal speaker Hon. John Burke, Treasurer of the United States. O. M. Nelson, vice-president of the First National Bank and "Father" of the St. Paul Chapter, acted as toastmaster. After a few introductory remarks by the toastmaster, Mr. Burke was introduced. Mr. Burke in his speech intimated that the United States stands in immediate danger of being drawn into the European war at any moment, but strict neutrality and preparedness are the things demanded by the American people. Mr. Burke also stated that success in carrying out these policies will result in greater prosperity for this country than ever before. He also mentioned that indications of increased prosperity are found in the demands for small currency and subsidiary specie made upon the United States Treasury.

Another speaker for the evening was our own Governor, W. S. Hammond, who delivered a very interesting and inspiring address. After expressing his views in favor and endorsing Mr. Burke's ideas, gave us practically the history of our banking system from the earliest days up to the Federal Reserve Banking System of the present time.

LOS ANGELES

By E. G. McWilliam

The most interesting event in Los Angeles during the past month was our regular open meeting, which was held on Tuesday evening, December 10th, at Blanchard Hall, this city.

The meeting began at seven o'clock with the regular law lecture by Mr. Tappan, and as both divisions of the law class met together at that hour, fully 400 persons were present.

Following the lecture President Thomson made a few happy remarks, in the course of which he stated that from the system inaugurated by President Bean, by which Chapter presidents exchange ideas and information, it had been ascertained that Los Angeles has the largest enrollment in its law course of any Chapter of the Institute. While we are conducting but the one course and this is our first year, which may in a measure account for our numbers, we are very happy that Los Angeles Chapter already stands so prominently for Institute ideals and we are determined that those ideals shall be maintained here.

After concluding his remarks President Thomson introduced Mr. J. Ross Clark, vice-president of the Citizens' National Bank and vice-president of the Salt Lake Railroad, who addressed the meeting upon the Sugar Beet Industry in California. Mr. Clark gave some very interesting and practical information in regard to this important industry of our state which wa deeply appreciated by every banker present.

Following Mr. Clark, John W. Wilson, Clearing House Examiner of the Los Angeles Clearing House, was introduced. Mr. Wilson, whom many Institute men have met in various parts of the country, is one of the most popular bankers of this city, and gave a most interesting talk upon the development of banking in and about Los Angeles. One of his strong statements was that any bank in this city could close its doors without the loss of a dollar to any depositor.

Since writing the last Chaptergram, President Thomson has appointed upon his Public Affairs Committee the following men: E. G. McWilliam, publicity manager, Security Trust & Savings Bank; J. R. Henderson, assistant cashier, Los Angeles Trust & Savings Bank; W. R. Morehouse, assistant cashier, German American Trust & Savings Bank; P. C. Turman, cashier, Kaspare Cohn Commercial & Savings Bank; Geo. A. J. Howard, cashier, Hibernian Savings Bank; A. L. Crandall, cashier, California Savings Bank; G. E. Reid, assistant cashier, Home Savings Bank.

This committee met and were unanimous in the opinion that if the school savings system could be operated in this city by the so-called Brooklyn system, it should be brought to the attention of the Board of Education. However, before doing so it was deemed advisable to secure the approval of the Superintendent of Banks. This was sought, but the Superintendent held that the school savings system could only be operated in this State in accordance with the letter of the law which states that said system may only be operated by constituting school teachers direct agents of the banks for the collection of deposits, which makes the banks directly liable to the children for all deposits. This the banks are not willing to assume, so that it would seem as though nothing could be done here in that direction until an amendment to the law is secured. However, the committee has other plans in mind and hopes to accomplish something for thrift along other lines.

It will be interesting to many Chapters to know that Los Angeles is about to organize a Board of Consuls for the better systemizing of its work. A committee composed of Geo. S. Pickrell, assistant cashier National Bank of California; T. P. Williams, Commercial National Bank; Geo. S. Greene, First National Bank, and Walter Bridwell, Citizens' National Bank, has been appointed to perfect an organization of the board.

MACON

By G. C. McWhirter

We had with us on the night of December 13th Milton W. Harrison, Secretary of the Savings Bank Section of the A. B. A., who in an address before a large number of Chapter boys and bank officers of the city outlined in an introductory way something of the Centennial Thrift Campaign planned for the New Year by the American Bankers Association. He also gave interesting testimony to the value of the Institute study courses. It is hoped that a local campaign for thrift may be organized in the new year.

Under auspices of the Chapter, an adding machine contest was held at the Hotel Lanier on the evening of December 14th, in which about fifteen bank men participated. Prizes were awarded to those making the best time, the best record having been made by Guy Huthnance, of the Macon Clearing House, for listing 250 checks on a Burroughs machine in three minutes and fifty-three and three-fifths seconds. Other prize winners were Raymond Redmond, H. P. Smith and Francis Stephens, the last named being a boy of twelve years of age.

The study class in commercial law is progressing nicely and hopes to complete the first volume in January. About twenty men regularly attend this course.

CHATTANOOGA

By Charles Tomlinson

Chattanooga Chapter enters the New Year with a knowledge that it has accomplished much in the old year and has still greater things in store for the new. The class in commercial law is doing splendid work. Professor Raymond is also doing good work with the class in public speaking. Hon. W. B. Swaney has completed his course on "Contracts," and Professor McClure is now finishing the first section of the regular law course.

The boys are also busily engaged in debates which they hope will develop some good material for the annual encounter with Nashville.

The Chapter had a short but very interesting visit from Mr. Harrison, the "Thrift Man."

We are much indebted to Jas. A. McCord, governor of the Federal Reserve Bank of Atlanta, for his splendid address recently delivered to the Chapter, his subject was "The Organization of the Federal Reserve Bank and its Operations up to the Present time." No bank, he declared, should risk the money of its depositors on long-time investments, where it could not readily be converted back into cash by the bank for the protection of its customers. He said, however, that such an institution, one to lend money for investment purposes, but not to receive deposits, was one of the great needs of the country, and would be as great a benefit as the Federal reserve bank is proving to be.

The speaker declared that the outbreak of the European war possibly saved this country from a serious business depression, due to the fact that the manufacturers had been operating at full tilt for some time and had over-run the country with their supplies, the farmers had produced a great deal more cotton, wheat, and other crops than there was a demand for, the banks had let out too much of their money that they could not get back very readily because of these conditions, and for various other similar reasons the Federal reserve bank, he said, with its reserve of gold, will have a tendency to lessen the causes of panics.

While the industries of the country are now prospering as a result of the large orders from Europe for supplies, McCord warned the members of the institute that this country would yet have to pay its share for the great destruction of life and property that is now going on in Europe. He said that it is and has always been the case that the entire world had to pay for the damage done by any part of it, and that it would be well for the bankers, as well as others, to expect a reaction.

In fact, he said, the country is now paying for some of it in the scarcity of dyestuffs and the high prices that are being asked for drugs and other things that are gotten from one or another of the belligerent countries. He advised the manufacturer who will get big dividends as a result of war orders not to take all of the profit out of the business and deliver it to the stockholders, because it will be expected again, and may be needed later for running expenses.

PITTSBURGH

By B. V. Stenger

Tuesday, December 7th, was the regular open meeting of the Pittsburgh Chapter. A. F. Maxwell, assistant cashier of the National Bank of Commerce in New York, and also a former Pittsburgher, was the speaker of the evening, and addressed the Chapter on the subject of "Credit Factors in Modern Commercial Banking." The subject of credit is quite a large one but it was handled by Mr. Maxwell in a creditable manner.

Our next general meeting will be held on the evening of January 11th, and the principal speaker will be Jason A. Neilson, manager of the Foreign Exchange Department of Messrs. Brown Bros. & Co., New York. His subject is especially attractive owing to present financial conditions.

Pittsburgh Chapter has never held a banquet, although the idea has been under debate for several years, and realizing with what success other chapters are carrying out this feature we will have our first banquet on the evening of January 18th, expecting to make it an annual affair.

The interest in our educational class is keeping up, not allowing for the busy holiday season. A class in Elementary Banking will open Tuesday evening, January 18th.

EL PASO

By Donald G. Hart

Under the tutorship of Fred C. Knollenberg, the work of El Paso Chapter in Commercial Law is progressing rapidly and the early part of the New Year will find us on Negotiable Instruments. Average attendance to date has been thirty and interest in the Chapter work increases as we go deeper into the study.

With peace in Mexico apparently not far distant it was deemed advisable by the Clearing House Committee and members of the Chapter to organize a class in Spanish and with S. Y. Esquival, formerly of Palmore College of the City of Chihuahua, Mexico, as instructor, such a class was started on November 20th and is making splendid headway. With the rush of business following the return of normal conditions in Mexico, the knowledge of this language will prove invaluable to the bank clerks of El Paso, which is the gateway to the republic south of us.

The Chapter had the pleasure of having Geo. E. Allen as our guest on November 27th. Mr. Allen spoke to a large crowd, his subject being "American Institute of Banking." Preceding Mr. Allen's address he was the guest of honor at a dinner given by the officials and executive committee of the Chapter at the West Ysleta Country Club.

The First Annual Banquet of the Chapter was held on November 20th at the Paso del Norte Hotel, at which covers were laid for seventy. Mayor Tom Lee was the speaker of the evening, his subject being "Preparedness." T. M. Wingo, vice-president of the Rio Grande Valley Bank and Trust Co. and chairman of the El Paso Clearing House A. I. B. Advisory Council spoke on "Co-operation," stating that the bank officials of the city were with the Chapter for the education and betterment of the bank clerks.

MEMBERSHIP CHANGES

REPORTED DURING DECEMBER, 1915

Alabama	Mobile	National City Bank taken over by First National Bank.
California	Chico	Bank of Chico in liquidation, membership transferred to Butte County Savings Bank.
Florida	Live Oak	Citizens Bank succeeded by Live Oak-Citizens Bank.
Georgia	Fort Valley	First National Bank in voluntary liquidation.
	Winder	Winder Banking Company converted to Winder National Bank.
Idaho	Fairfield	First National Bank, Soldier, Idaho, now Fairfield.
Isle of Pines	Nueva Gerona	Isle of Pines Bank closed.
Missouri	St. Louis	Broadway Bank in hands of State Banking Commissioner.
Montana	Geraldine	Farmers State Bank converted to First National Bank.
Nebraska	Clarks	First National Bank converted to State Bank of Clarks.
New York	Corona	First National Bank succeeded by Bank of Long Island.
	Saratoga Springs	Citizens National Bank consolidated with First National Bank as Saratoga National Bank.
North Carolina	Forest City	First National Bank consolidated with Farmers Bank & Trust Company.
North Dakota	Oakdale	First State Bank, now First State Bank, Killdeer, N. D.
	Towner	Farmers State Bank sold to First National Bank.
Oklahoma	Valliant	First National Bank in liquidation.
Pennsylvania	Homestead	Homestead National Bank taken over by Monongahela Trust Company and will be liquidated.
	Munhall	First National Bank taken over by Monongahela Trust Company, Homestead, and will be liquidated.
	Pittsburgh	Pittsburgh Bank for Savings closed.
	Wilkes-Barre	Peoples Bank of Wilkes-Barre merged with Miners Bank of Wilkes-Barre.
Texas	Dallas	Citizens State Bank & Trust Company merged with First State Bank.
	San Saba	Ward, Murray & Company, Bankers, succeeded by City National Bank.
	Texline	Bank of Texline succeeded by First National Bank.

NEW AND REGAINED MEMBERS FROM DECEMBER 1 TO 31, 1915, INCLUSIVE

Arizona	Oatman	Citizens Bank.
Arkansas	Marshall	Arkansas National Bank.
	Morrillton	First National Bank.
California	Los Angeles	Los Angeles Chapter, American Institute of Banking.
	San Francisco	Portuguese-American Bank.
	Torrance	First National Bank.
Colorado	Hugo	Hugo National Bank.
Georgia	Donalsonville	Planters Bank.
	Helen	Bank of Helen.
	Tallapoosa	Bank of Tallapoosa (regained).
Idaho	Plummer	State Bank of Plummer.
	Priest River	Citizens State Bank.
Illinois	Centralia	Centralia Trust & Savings Bank.

Illinois	Crystal Lake	Home State Bank.
	Edwardsville	Citizens State & Trust Bank.
	Hanaford	Hanaford Bank.
	Robinson	Crawford County State Bank.
	Tallula	The Tallula Bank.
	Woodstock	McHenry County State Bank.
Indiana	Fort Wayne	Peoples Trust & Savings Co.
Iowa	Breda	Farmers State Bank.
	Fort Dodge	Security Trust & Savings Bank.
	Sioux City	Farmers & Merchants Bank of Greenville.
	Swedesburg	Farmers Savings Bank.
Kansas	Sitka	Sitka State Bank.
Louisiana	Basile	Basile State Bank.
Massachusetts	Bridgewater	Bridgewater Trust Co.
	Worcester	Park Trust Company.
Minnesota	Ada	Ada National Bank.
	Detroit	Security State Bank.
	Duluth	East End State Bank.
	Madison	Lac Qui Parle County Bank.
	Minneapolis	Twenty-Sixth Street State Bank.
Mississippi	Beulah	Bank of Beulah.
Missouri	Barnett	Bank of Barnett.
	Brookfield	Wheeler Savings Bank.
	Chillicothe	Peoples Savings Bank.
	Dover	State Bank of Dover.
	Kansas City	Southwest Boulevard State Bank.
	Newtown	Bank of Newtown.
Montana	Ryegate	Farmers & Merchants State Bank.
Nebraska	Bayard	First National Bank.
	Bridgeport	First National Bank.
	Davenport	Jennings State Bank.
	Hemingford	First State Bank.
	Holdrege	First National Bank.
	Pender	First National Bank.
	Pierce	Pierce State Bank.
	Plainview	Security State Bank.
	Sidney	Sidney State Bank.
	Springfield	Farmers State Bank.
	Thedford	Thedford Bank.
	York	German-American Bank.
New Mexico	Carlsbad	National Bank of Carlsbad.
New York	Avoca	J. B. Sturdevant (regained).
Ohio	Wadsworth	Wadsworth Savings & Trust Co.
Oklahoma	Mutual	Farmers Bank of Mutual.
	Prue	Prue State Bank.
	Tyrone	Farmers State Bank.
South Dakota	Parker	First National Bank.
	Sioux Falls	Security Trust & Savings Bank.
Tennessee	Athens	Citizens National Bank.
Wyoming	Lyman	Farmers & Stockgrowers State Bank.
Mexico, Jalisco	Guadalajara	A. R. Downs & Son.