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## TOPICS OF THE MONTH

### CHANGING THE DISTRICTS

**D**URING January the Federal Reserve Board heard the petition for the removal of the Fourth District Federal reserve bank from Cleveland to Pittsburgh, and for the removal of the Fifth District Federal reserve bank from Richmond to Baltimore. The petition of the banks of northern New Jersey to be included in the New York district was also heard.

Elaborate arguments were presented by all the cities involved in the removal controversies. No efforts were made to conceal the bitterness which is felt. There is no indication of what the outcome will be, but no one has made a guess that either the Fourth or the Fifth District bank will be removed from its present location. It has been suggested frequently that the contesting cities be given branch banks. This might be a solution sentimentally satisfactory, but it would hardly contribute to benefit a situation in which one of the gravest problems is the multiplicity of reserve banks.

The New Jersey case was the more interesting because New York did not participate in it. Philadelphia so far recognized the merit of the New Jersey argument that its objection was based solely on the weakening of the Philadelphia reserve bank in case the banks of northern New Jersey were detached from that district. This contention of Philadelphia touched the manner in which the whole plan of districting was carried out at a vital point. If Philadelphia were to lose the New Jersey banks it would be necessary to take something from some other district to strengthen Philadelphia. This would necessitate a complete readjustment. The fact is there was not enough banking capital to make twelve strong banks and twelve strong banks were not made. The blunders of the Organization Committee are the subject of daily demonstration.

### REDISCOUNTING FOR PROFITS

When the rediscount rate of the reserve banks is below the commercial rate there is opportunity for member banks to rediscount for profit.

The condition which now exists in regard to interest rates would probably have been impossible if such extraordinary efforts to get emergency currency into circulation had not been made. It is plain enough now that the tax on the Aldrich-Vreeland notes did not increase rapidly enough. Officers of the Federal reserve banks are watching closely, and they will doubtless decline applications for rediscount where profit is the obvious purpose. An interesting phase of the situation is that the member banks could, if they chose, exhaust the resources of the Federal reserve banks and make money by doing so.

### WORK FOR CONGRESS

At the Richmond Convention of the American Bankers Association, Arthur Reynolds called particular attention to the enormous power invested in the Secretary of the Treasury by reason of his control over Government deposits. At the same time, Carter Glass, chairman of the House Banking and Currency Committee, agreed that it was a dangerous power, and pointed to the fact that, in the bill, as it passed the house, the Secretary of the Treasury was given no discretion in the making of these deposits.

In an address at the Union League Club of Chicago last month, Charles G. Dawes said this power was a menace to business.

Fortunately, the Secretary of the Treasury has not exercised this discretion in a manner to invite criticism, but it is still a subject for legislative consideration, despite the probability that presently there will be no Government funds to deposit.

*VIEWS OF THE RESERVE ACT*

The Federal Reserve System is still the matter of greatest interest to bankers. After ten weeks of operation it is the subject of as lively discussion as ever. What it is and what it has accomplished are nothing when weighed in the scale against the measure of its potentialities. What its ultimate influence will be on interest rates, whether or not a real market for commercial paper will be eventually created, to what extent exchange charges can be eliminated through new clearing facilities, and to what extent control will be had over the gold supply, are a few of the problems for future solution.

As a matter of fact, some of the accomplishments credited to the new system are not of its doing. Aldrich-Vreeland currency is still a disturbing factor. The gold pool and the cotton pool were extraordinary measures. It is not unfair to adjudge both pools as failures because of the presence of the Reserve banks.

In reality, however, about all the Reserve banks have done is to provide a safeguard against disaster and demonstrate defects in the mechanics of the Federal Reserve Act. The act is viewed favorably or unfavorably, as a rule, according to whether attention is given to its mechanical or economic form. Looking at it from the latter viewpoint John H. Rich, Federal Reserve Agent at Minneapolis, sees a future of great promise and splendid performance. Charles G. Dawes, president of the Central Trust Company of Chicago—one of the few big State institutions to seek membership in the new system—viewing the situation with the practical eyes of a banker, accustomed to dealing with hard facts and cold figures, says that the act must be radically amended. Considered in connection with many other opinions these seem to justify a conclusion that is astonishingly at variance with the enthusiastic predictions of political speakers. What the new system has done is to make a beginning in a very small way. What it will have to do is to develop by slow steps out of the lessons of daily experience.

While the question of check collections is considered complicated and technical, even that is working itself out as the result of experience already had. It is fortunate that this question so bristled with difficulties that no one had the temerity to attempt to bring it into ready-made existence. In many respects the law is still an experiment; in very few has it been brought to perfection. Its final success depends on the patience with which bankers, business men, and the Federal Reserve Board consider the questions that have still to be worked out.

The situation has been no better summarized than by Edward W. Decker, president of the Northwestern National Bank of Minneapolis, in an address to the Twin City Bankers' Club in Minneapolis last month. Mr. Decker expressed his views to this effect:

"I am convinced that this system is the beginning of what will prove to be an adequate means of handling the finance and commerce of this country.

"Doubtless amendments and changes will need to be made in the law from time to time, but with the co-operation of the national bankers and business men I feel certain that it will work out to the advantage of the whole country.

"There are several ways in which I think these banks are going to be of invaluable service:

"First—In carrying the reserves of member banks.

"Second—In issuing Federal Reserve notes when required to carry on the business of the country.

"Third—In re-discounting for member banks whenever necessary, in order that they may take the best of care of their customers.

"Fourth—In establishing a system of National bank examinations and inspection by districts, which will enable them to keep in close touch with all member banks and see that, as far as is possible, they are kept in clean, sound and solvent condition.

"All of these are vital needs and I believe that these twelve Federal Reserve banks are going to be able to bring them about.

"In addition to this, it may develop that they will be of service to the country in assisting in the collection of checks and in handling general exchange. This latter, however, I believe will take some time to work out on a satisfactory basis, and it can well wait until the other more important functions are fully developed.

"The business men in all lines and the bankers of the country should work together to make this system a success, and to keep it free from the politician who is looking out for himself rather than the interests of the country at large."

*THE WORLD'S CAPITAL REQUIREMENTS*

The foreign balance in favor of the United States last December was the greatest in its history. The indications are that the January trade has been even greater. It is due to the unprecedented demands by the nations at war that foreign trade has assumed such proportions. One result of this is that the need of maintaining the gold pool has vanished. It is apparent, also, that the cotton loan fund was of service only in exerting moral influence. The proportions of foreign trade could not be foreseen, and it was not therefore possible to foretell that the extreme emergency measures adopted to meet threatening as well as aggravated conditions would be followed by so speedy a re-adjustment.

In the light of the experience of six months, it becomes still more apparent that, had the new banking system been in operation on August first, it would have been unnecessary to adopt such extreme emergency measures as found favor under the pressure of a great exigency.

For instance, there would have been no subscriptions to a gold pool; the exact amount of gold needed would have been forthcoming; emergency currency to an exaggerated amount would not have been poured into banking channels and the cotton situation would not have been subjected to such false interpretations as to blight political records for sanity and soundness.

The great gains in foreign trade reviewed analytically, are less significant of great profits for American producers than of the imposition of a new obligation on American sources of capital. The small loans that have already been placed in this country are auguries of what is coming. There is a mutuality in all trade and all business relations involve reci-



procuity. It is impossible to sell to the world without making some returns.

Everyone who has studied the situation in all its aspects seems to have arrived at a common conclusion—that the United States must undertake to supply capital to foreign countries. By way of emphasizing this obligation, Great Britain has restricted its capital advances to the boundaries of its own empire.

It is going to be a matter of extreme difficulty for a country which has never produced capital enough for its domestic requirements to send capital abroad. There has been no diminution in the capital demands in this country; there has been some stay of desired activities by the employers of capital and there has also been careful scrutiny of contemplated security issues; but, of the demand for great amounts of capital, there is no doubt.

The great question, then, is whether in a time of lax business the American people can and will make the sacrifice and resort to the economies from which alone can come accumulations of capital.

Serious disturbances of commercial and industrial activity are invariably followed by the apparently contradictory conditions of unemployment and plentiful money, with low interest rates. The economies made necessary by the same conditions that produce unemployment, however distressful in themselves, make possible the accumulations on which business may draw. The problem now is whether business at home will not presently make such demands that the loaning of money abroad will become impracticable. On the other hand, Americans will have to bid against foreigners for what capital this country produces. It is the foreign, not the home, demand that has sent wheat to such a high price. Capital is in relatively the same position. Whether or not it is for the general good of the United States that wheat should sell at a dollar and a half or that capital should command high rates cannot be foretold.

The logic of the situation seems to be that this country will pass through a period of travail and, if it is able to rise to the opportunities, it will emerge into a period of commercial ascendancy and financial power. The travail has begun.

### INFLATION

Currency inflation has resulted from the application of the emergency measures. If the Aldrich-Vreeland law had been previously tested, the error of reducing the tax and raising the limit of currency issue would have been discovered.

As a remedy for the situation that existed, the law was entirely adequate; but, as a permanent remedial instrument, there can be no regret that it has been superseded.

The emergency notes have not been returned for redemption rapidly enough. While they are outstanding, the activities of the Federal Reserve banks are hampered.

The application of emergency measures, of course, halted business. The country thus reached an ultimate condition in which business was reduced one-third, or more, while the amount of currency in circulation greatly exceeded the demand in normal times.

As yet there has been no obviously bad effect. There has been only a demonstration of remedial enthusiasm. Reduced reserves and lowering interest

rates bespeak the stimulation which will precede credit expansion. The currency inflation without any corresponding credit expansion has made it difficult for the Reserve banks and has also made it difficult to interpret the full usefulness of these banks. As it is now, the Reserve banks are emergency institutions. They are merely guarantors of continued financial stability. They have, as yet, had no opportunity to demonstrate day-to-day rather than seasonal usefulness.

There are varying views as to their functions. It has been contended that, if they provide means for meeting emergencies, they need have no other duties. On the other hand, it is contended that they stand as permanent additions to the Nation's banking facilities and are for daily use.

The daily usefulness of these banks will continue to be impaired until the Aldrich-Vreeland note issues have all been redeemed. Banks will not send in notes for redemption when the interest against them is lower than the re-discount rate at the Federal Reserve banks. Undoubtedly the last of the emergency notes will soon be forced in by the increasing interest rates. But—even when all of these issues have been retired, it is doubtful if there will be any but a spasmodic currency demand that will cause re-discounting. It is becoming more and more obvious that there is to be no great elasticity in the currency for some time to come. In fact, in application, the new law will provide an immediate elastic currency only at the cost of inflation.

All the forms of money in circulation in this country total about \$3,700,000,000. Until the bond-secured national bank notes are reduced in quantity or unless Congress will provide for the retirement of greenbacks or silver, the only elastic element within the fixed currency media is gold; not until the demand rises above the \$3,700,000,000 will there be any elasticity from note issues.

In the face of business conditions to-day, it would be reckless to assert that currency needs are likely to rise above the maximum point reached by the fixed elements. The new law has provided a currency system that will stretch indefinitely toward expansion, but which has inadequate powers of contraction.

### COMPETITION

The tendency of the Federal Reserve banks to come into competition with their member banks is already marked. There are even expressions of resentment that the larger member banks are maintaining their old relations with country correspondents and the latter are getting their re-discounts as before.

It was not contemplated that the relations between the country and the reserve city banks would be destroyed. They will certainly endure as long as any portion of the reserve funds may be carried with correspondent reserve city banks. In fact, what time may elapse before each member bank does all the business it may with the Federal Reserve banks is a matter of conjecture.

Certainly, when reserve city banks are looking for loans, they will compete with the Federal Reserve bank. The latter will have no recourse but to wait until necessity directs the course of business to the institution with the greatest facilities.

The fact that these institutions have such facilities enables the member banks to extend their business to a point which they could not have approached under the old law.

There can be no real competition between banks so different in purpose and functions.

#### IMPROVED BANKING

In the middle-west, the Federal Reserve banks are performing a service more important than re-discounting—they are defining, for the country bankers, what constitutes good banking.

It has been the constant, and often justified, complaint of the country banker that the Federal Reserve system would be of no benefit to him. He has said that the proposition of re-discountable paper he receives in the ordinary course of business is negligible. This plea is constantly made to the officers of the Reserve banks in the districts mentioned.

In a great majority of cases, investigation shows that a proportion of re-discountable paper can be created, and it has been not infrequently discovered that there was considerable of it in the portfolio of the complaining bank.

The investigations have further disclosed that the ordinary country bank will be in a far more liquid condition and better able to discharge the service it owes its community, when it has such paper on hand. The greater the amount of re-discountable

paper in the banks, the sounder the banking situation throughout the country.

#### FEDERAL RESERVE BANK EARNINGS

In an address at the Union League Club in Chicago, E. D. Hulbert, Vice-President of the Merchants' Loan & Trust Company, expressed what is coming to be a common opinion—that it is immaterial whether or not the Federal Reserve banks make profits.

Trained up in the banking business, the officers and directors of these banks are likely to measure success by profits; if there are no profits, there will be no success.

It would be a miracle if the Reserve banks had already been placed on a paying basis. It is not usual for a new enterprise to make profits or even to pay its own way from the instant it is organized. But, while profits are not the matter of first importance with these banks, there is no doubt that their earnings will be large enough to pay expenses, assessments and dividends.

The officers of several of the banks have fretted a little under the restrictions imposed by the Federal Reserve Board. They see many opportunities for profit without overstepping reasonable bounds or coming into competition with their member banks.

It is a great novelty to have twelve banks whose first purpose is not profits. It will take some time for the country to get used to it.



## ARRANGEMENTS FOR THE SEATTLE CONVENTION

After careful investigation of climatic conditions through Government Reports extending back many years, the bankers of Seattle—where will be held the Forty-first Annual Convention of the American Bankers Association—recommended to the Administrative Committee of the Association that the week of September 6th be selected as the best time for holding the Convention. The Administrative Committee at a meeting held on January 29th confirmed this selection of date.

This will afford bankers who go across the country an opportunity to visit the Yellowstone Park, Glacier National Park and the Canadian Rockies, and no doubt these interesting points will be embodied in the various itineraries which will be prepared by the Trunk Lines. At the last Convention of the American Bankers Association, held in Richmond, Va., the Executive Council selected Seattle as the place for the next meeting; and gave full authority to the Administrative Committee of the Association to arrange all details for the Convention, in conjunction with the recommendations of the bankers of Seattle. As the hotels in Seattle are not large, the local bankers have decided that it would be wise to name as headquarters' hotels—the Washington, Washington Annex, Washington Apartments and the St. Regis, these hotels being conveniently located to each other—in fact, standing practically together.

All arrangements for hotel accommodations will be handled by the local Hotel Committee, of which F. Dickinson, 1307 Hoge Building, Seattle, Wash., is the Secretary, and applications should be made to him in due course. Among the Convention Committees

already named by the Seattle Bankers are the following:

**Committee on General Arrangements:**—Chairman, M. F. Backus, President National Bank of Commerce; Secretary, J. W. Spangler, Vice-President Seattle National Bank; N. H. Latimer, President Dexter-Horton National Bank; J. E. Chlberg, Vice-President Scandinavian-American Bank; G. V. Holt, Manager Seattle Branch Canadian Bank of Commerce. Finance Committee: Chairman, C. J. Smith, Vice-President Dexter-Horton Trust & Savings Bank; and the members of the Committee on General Arrangements.

**Auditing Committee:**—Chairman, E. Shorrock, President Northwest Trust & Safe Deposit Company; A. R. Truax, Assistant Cashier First National Bank; W. W. Scruby, Cashier Dexter-Horton Trust & Savings Bank. Publicity Committee: Chairman, N. B. Solner, Cashier Union Savings & Trust Company; M. J. Shaughnessy, Manager Mortgage Loan Department, Scandinavian-American Bank; Lester R. McCash of the American Savings Bank & Trust Company.

**Hotel Committee:**—Chairman, J. T. McVay, Vice-President Metropolitan Bank; Secretary, F. Dickinson, 1307 Hoge Building; Rollin Sanford, Assistant Cashier Union Savings & Trust Company; R. H. McMichael, Manager Bond Department, Dexter-Horton National Bank.

James D. Hoge, President Union Savings & Trust Company, and E. C. Wagner, Manager Seattle Branch Bank of California, have been selected as chairmen respectively of the Ball Committee and Golf Committee; other members of these committees, as well as additional committees will be selected later.

# Reserve Act a Menace, Says C. G. Dawes, Until Important Changes Are Made

Chicago Banker Calls Attention to the Competition Between Reserve Banks and Member Banks in Open Market Transactions.—Interesting Figures as to the Diminution of Banks' Powers to Meet Emergencies as the Result of Note Issues.—Particular Attention is Called to the Complete Power of the Secretary of the Treasury Over the Nation's Business as the Result of his Individual Control over Government Deposits.

"The Federal Reserve Bank Bill, as it stands today, injects the banking business into politics.

"Until it shall be radically amended I regard the bill as one of the greatest menaces which ever confronted the country. Unless it is amended I believe it will bring down the commercial interests of the country in chaos and financial ruin.

## A Dangerous Power.

"I have the greatest confidence in Secretary McAdoo, but the bill puts into his hands—into the hands of the secretary of the treasury, a political appointee—a greater power than should be given to any man.

"At his will he can deposit any or all of the funds of the United States Government in the Federal Reserve Banks. At his will he can withdraw any or all of these funds.

"It is in his power to deposit in the Federal Reserve Banks more money than all the National Banks in the country have deposited in the Federal Reserve Banks. It is equally in his power to withdraw all this money.

"The most important and the least discussed provision of the bill is that which permits the Federal Reserve Banks to compete for loans in the open market with the National Banks.

"Political clamor and the pressure of public opinion will force them to so compete. Then when the credits of the country have been greatly expanded will come the danger.

"The Federal Reserve Bill must be amended!"

## Politics Injected.

"The United States, for the third time in its history," Mr. Dawes said, "confronts the problem of adjusting the central banking idea to the politics and to the business of the country. Twice before, in the case of the First and Second banks of the United States, it has tried and failed, with disastrous consequences to the business of the nation.

"Seeking relief from the inelasticity of our currency and banking credits, we have passed a Federal Reserve Law which, while in most part conformable to sound economics, may, unless amended, again plunge us into widespread disaster. The Federal Reserve Banks are great credit creating devices,

using as a foundation money belonging to other banks, and in use by them already as a foundation of existing credits. They have not as yet to any extent expanded their credits, but if they did, and then for any reason should be compelled suddenly to contract them, business disaster must ensue.

## Not "Banks for Bankers."

"Whatever may be their present impression eventually the people will never consider the Federal Reserve Banks as 'banks for bankers,' but as banks to be operated primarily, as well as secondarily, in the public interest. This will result largely from two facts—first, that to exist and still preserve a reasonable capacity for public usefulness in times of emergency the Federal Reserve Banks must loan chiefly in the open market in competition with other banks; and, secondly, because the co-operation of the United States Government in the matter of public deposits is absolutely essential to make the Federal Reserve Banks effective factors in time of emergency.

"About the least discussed and yet one of the most important provisions of the Federal Reserve Law is that authorizing open market operations and allowing the Federal Reserve Banks to purchase domestic bills of exchange without the indorsement and guaranty of member banks. Nothing is easier than to change the form of ordinary commercial paper into domestic bills of exchange. Under this provision, either in its present or amended form, the Federal Reserve Banks, in normal times, must chiefly employ their funds.

## Note Issues and Interest Rates.

"Over a year ago I pointed out that in normal business times, banks will not pay a higher rate to borrow notes from Federal Reserve Banks than they now pay in open competition for the money of the depositing public—to wit: about 3 per cent. for time money and 2 per cent. for demand money. This is the reason why so few Federal Reserve notes have thus far been issued. If the Federal Reserve Banks should loan their money to the member banks at these low rates in normal times, they would employ so much of their resources to pay their expenses and dividends as greatly to impair their usefulness in times of emergency.

"Let me illustrate this and the very great part which the Secretary of the Treasury must hereafter play in the finances and commerce of the country, by referring to the Federal Reserve Bank of Chicago. After maintaining its 35 per cent. reserve on its deposits, it has without public deposits only a note issuing capacity, based upon its present business, of about \$64,000,000, while maintaining behind them a 40 per cent. gold reserve. An income of about \$700,000 a year will soon be necessary to pay its expenses, provide for dividends, and the accumulation of a proper surplus as a safeguard against losses. If it loans \$28,000,000 of notes at 2½ per cent. to member

banks to produce the \$700,000, it will have a note issuing capacity left for times of emergency of only \$36,000,000, unless the Secretary of the Treasury comes to its assistance with public deposits.

**Impaired Powers.**

"The inadequacy of this amount for a time of emergency may be judged by the fact that the deposits of the member National banks in the Chicago district alone total the great amount of \$1,005,234,535, and that during the financial crisis of this last fall the banks of the one city of Chicago required the use of \$43,000,000 in Aldrich-Vreeland emergency notes and clearing house certificates, the greater part of which were used by the National banks.

"If, however, the Federal Reserve bank would employ in normal times its funds in the open market at 4½ per cent. it would require only \$15,500,000 in loans to produce the needed \$700,000, and its note issuing capacity in times of emergency then would be \$48,500,000, without Government deposits.

**Note Issuing Capacity.**

"Let us now consider the note issuing capacity of the combined Federal Reserve banks, based upon their statement of December 24. After maintaining the 35 per cent. reserve upon their deposits they would have left \$170,890,900 gold as a basis for note issues, which under a 40 per cent. reserve would give them a note issuing capacity of \$427,225,000. A rough estimate of the annual expense, dividend and surplus requirements of the twelve Federal Reserve banks is \$4,500,000, and to produce this in normal times \$100,000,000 of its note issuing capacity must be used at 4½ per cent. in the open market, or \$180,000,000 in loans to member banks at 2½ per cent. If the first course is followed, \$327,000,000 of a note issuing capacity remains for a time of emergency and \$247,000,000 if the latter course is followed. And yet the aggregate net deposits of the National banks of the United States, to protect abnormal fluctuations in which this sum is designed, aggregate the immense sum of \$7,291,342,479, to say nothing of the deposits of the State banks of the country.

**Government Deposits.**

"This brings us to the enormous power over the business of the country given to the Secretary of the Treasury by the provisions of law, authorizing him, in his unqualified discretion, to deposit the general fund holdings of the United States Treasury in the Federal Reserve banks. Is it generally realized that if the Secretary of the Treasury should deposit all the present general fund holdings of the United States Treasury in the Federal Reserve banks he would have a larger amount to his credit than all the National banks of the United States put together?

"The reserve deposits in the twelve Federal Reserve banks now total \$249,786,000, while the Secretary of the Treasury would have subject to his check \$255,722,000. If he makes this deposit and if the Federal Reserve banks use it in their business, who will be the real power in the situation, the Federal Reserve Board or the Secretary of the Treasury?

"Suppose he should deposit this immense sum, \$99,700,000 of which is in gold and the bulk of the

balance in lawful money (which would release gold held by the Federal Reserve banks as a part of their 35 per cent. reserve on deposits to be used as a basis for note issues), and suppose \$400,000,000 of additional Federal Reserve notes would go into circulation upon the basis of the Government's deposit, upon what would depend the entire business and credit of the country?—certainly upon the discretion of the Secretary of the Treasury or the political administration of which he is a part.

"We have no need of additional circulation in this country in normal times; it has only been in crop moving periods and times of financial crisis that our present volume of currency has proved insufficient. We have been suffering from the inelasticity, not the dearth, of currency. In the meantime the public must be educated to the dangers of the law in its present form and efforts made in Congress for its correction. It is the most important question today before the American people."

**REGISTRATION AT OFFICES.**

The following visitors registered at the Association offices during the month of January.

- Bennett, W. H., Vice-President, American Exchange National Bank, New York City.
- Berg, P. C., Cashier, Farmers & Traders National Bank, Hillsboro, Ohio.
- Bogardus, J. H., Treasurer, Stamford Savings Bank, Stamford, Conn.
- Burgess, F. E., President, Howard National Bank, Burlington, Vt.
- Chamberlain, Edwin, Vice-President, San Antonio Loan & Trust Company, San Antonio, Texas.
- Clarabut, George G., Cashier, Farmers National Bank, Rome, N. Y.
- Cutler, Ralph W., President, Hartford Trust Company, Hartford, Conn.
- Farnsworth, Miss Mary, Detroit, Mich.
- Foye, E. Elmer, Vice-President, Old Colony Trust Company, Boston, Mass.
- Franklin, N. E., President, First National Bank, Deadwood, S. D.
- Galt, J. R., Treasurer and Manager, Hawaiian Trust Company, Ltd., Honolulu.
- Hoyt, Charles E., Secretary and Treasurer, South Norwalk Trust Company, South Norwalk, Conn.; Secretary, Connecticut Bankers' Association.
- Knox, Wm. E., Comptroller, The Bowery Savings Bank, New York City.
- Law, Wm. E., Vice-President, First National Bank, Philadelphia, Pa.; President, American Bankers Association.
- Paishley, James S., Teller, Central National Bank, Middletown.
- Teter, Lucius, President, Chicago Savings Bank & Trust Company, Chicago, Ill.
- VanDeusen, W. M., Cashier, National Newark Banking Company, Newark, N. J.
- Williams, Clinton L., Cashier Richmond Bank & Trust Company, Richmond, Va.



# Features of the Report of the Federal Reserve Board

## Proper Place and Function of the Federal Reserve Banks—Freer Extension of Credit—Clearing of Checks.

The Federal Reserve Board, in its recent report, says:

"What is the proper place and function of the Federal Reserve banks in our banking and credit system? On the other hand, it is represented that they are merely emergency banks, to be resorted to for assistance only in time of abnormal stress; while, on the other, it is claimed that they are in essence simply additional banks which should compete with the member banks, especially with those of the greatest power. The function of a reserve bank is not to be identified with either of these extremes, although occasions may arise when either of such courses may be imperative. Its duty plainly is not to await emergencies, but by anticipation to do what it can to prevent them.

"So also if, at any time, commerce, industry, or agriculture are, in the opinion of the Federal Reserve Board, burdened unduly with excessive interest charges, it will be the clear and imperative duty of the Reserve Board, acting through the discount rate and open market powers, to secure a wider diffusion of credit facilities at reasonable rates. . . . The ready availability of its resources is of supreme importance in the conduct of a reserve bank. Only then will it constantly carry the promise of being able to protect business against the harmful stimulus and consequences of ill-advised expansions of credit on the one hand, or against the menace of unnatural restrictions and unnecessary contradictions on the other, with exorbitant rates of interest and artificial stringencies. It should at all times be a steadying influence, leading when and where leadership is requisite, but never allowing itself to become an instrument for the promotion of the selfish interests of any private or sectional group, be their aims and methods open or disguised. . . .

"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 reserve, 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.

### Freer Extension of Credit.

"There will be times when the great weight of their influence and resources should be exerted to secure a freer extension of credit and an easing of rates, in order that the borrowing community shall be able to obtain accommodation at the lowest rates warranted by existing conditions, and be adequately protected against exorbitant rates of interest. There will just as certainly, however, be other times when prudence and a proper regard for the common good will require that an opposite course should be pursued and accommodations curtailed. Normally, therefore, a considerable proportion of its resources should always be kept invested by a reserve bank in order that the release or withdrawal from active employment of its banking funds may always exercise a beneficial influence. This is merely saying that to influence the market a reserve bank must always be in the market, and in this sense reserve banks will be active banking concerns when once they have found their true position under the new banking conditions.

"It would be a mistake, therefore, and a serious limitation of their usefulness, to regard the reserve banks simply as emergency banks. Regulation in ordinary times, as well as protection in extraordinary times, may be expected to become the chief service which these institutions will perform. . . .

"The vast and complex structure of modern banking and credit systems is one of extreme delicacy of balance and adjustments, and it must never be overlooked that it is highly sensitive to all manner of disturbances, as recent events have painfully demonstrated. The banking systems of the larger nations are closely related to one another, and financial distress or collapse at one point quickly permits shock to all others. Safety for us in critical times will depend on the confidence our system commands, the strength of its reserves, and its power to bring them into action promptly and effectively, if needed.

### Clearing of Checks.

"The Federal Reserve Act, in sections 13 and 16, provides in general language for the collection and clearing of checks without, however, undertaking to define more precisely the exact extent or character of these operations. It does, however, prescribe the character of the items that may be received on deposit by Federal Reserve banks, and clearly contemplates the performance of certain clearing functions by such banks for their members. It also contemplates clearings of undefined extent among the several reserve banks and authorizes the Board itself to act as a clearing house for the several reserve banks, or to designate one of these banks to perform this service."

# The Ninth District Reserve Bank.

## Its Beginning and its Opportunity

Digest of Address by John H. Rich, Federal Reserve Agent, Ninth Federal Reserve Bank, Before the Minneapolis Chapter, American Institute of Banking, Minneapolis, January 28, 1915.—Interesting View of the Bank as an Agent that will Contribute to the General Welfare.—The Northwest Seems to be a Country which can be Particularly Benefited.

So far as any single measure can, the new banking act satisfies the best judgment of banking experts, financiers and business men. It is not perfect. There are here and there defects which will undoubtedly be remedied, but they are of minor importance and in no way detract from the achievement of establishing at last, after sixty years of argument and debate, a discount market in the United States, and the mobilization of banking reserves. My view of the act, and the system of banking created under it, is a hopeful one. No sound and well managed member bank should hereafter fail. Panics have been made a remote danger. New credit facilities have been extended, through member banks, to business and agriculture generally over the country. A new agency for the promotion of sound development is at hand. These are accomplished facts. The Ninth Federal Reserve Bank is open and is transacting business. The degree in which it will help business depends wholly on the degree in which its member banks utilize the new rights it has extended to them. It is but sixty days old and is yet new to its work. I have no fear for the future. It will prosper and, as the months go by, its facilities will be more and more utilized in support of the activities of a thousand Northwestern communities.

### The Government's Position.

The banking system which has been established is unique. It is erroneous to take the view that the government has merely acquired a closer supervision over the banks of the country. The true situation is much more important and much better calculated to serve the people of the United States in a practical and beneficial way. The government was a supervising agency over all National banks before the Federal Reserve Act was adopted. It has now become not alone a supervising agency, but a partner of the member banks of the new system. Where the member banks have supplied approximately \$250,000,000 of funds now in possession of the Federal Reserve system, the government has in turn provided a degree of protection to all banks which was never before known in this country. Where the banks have, without option, contributed to the capital stock of the Federal Reserve Bank of their district, they have been given 6 per cent. cumulative dividends and the

federal government has, without reservation, released from their former hoards of dead cash an amount of money which is now entering the commercial field in the form of loanable funds, which makes it quite unimportant whether the Federal Reserve Banks ever pay their dividends. A profit to the member banks in interest upon what was formerly dead cash should be considered in the light of a dividend resulting from the establishment of the new system. I have no fear that the Ninth Federal Reserve Bank will not be fully able to meet its dividend requirements and its reasonable expenses, even in its first year. It was founded to perform a service to the public, and while it was in no sense created as a profit-making institution, it will at the same time take its moderate earnings in increasing proportion, as its practical serviceability to commerce, industry and agriculture is extended.

### Mutual Benefits.

The mutual relation between the federal government and the member banks should be of the greatest benefit upon both sides. Through closer intimacy with the business of thousands of banks, the government will come into a better and a more intimate knowledge of the practical requirements of business in this country. It was essential that the mutuality of this new relationship be recognized on both sides, and there is no doubt but that this has been successfully accomplished. It constitutes the best and surest safeguard for the success of the new system in the future. When the idea has been dispelled from the minds of bankers that their interests are antagonistic to those of the general government, and when the general government has appreciated that the greatest degree of public service can be rendered through close and intelligent co-operation with the commercial banks, there has been laid the foundation of an understanding which cannot fail to be of great practical benefit to every man engaged in commerce, in manufactures, and in agriculture.

### A Ninth District View.

Two important principles involved in the operation of the new Federal Reserve Banks have particular application to the banks of the Ninth Reserve district, comprising a part of Michigan, a part of Wisconsin, Minnesota, North Dakota, South Dakota and Montana. They are as follows:

1. The practical functions of the Ninth Federal Reserve Bank, in relation with its member banks, must be performed at all times in consideration of the nation-wide purposes which lie back of the founding of the new banking system, and cannot yield wholly to the influence of district, state or local conditions.

2. In such degree as the Ninth Federal Reserve Bank continuously exhausts its resources in meeting the requests of its own member banks or in attempting to stimulate activities local to its own district

or to the states or localities therein, it places itself in danger of impairing its serviceability in times of stress, danger or panic.

The purpose of the Ninth regional bank is not to unduly stimulate or accentuate agricultural and commercial prosperity. It must seek to afford safe and adequate protection to every member bank. The resources of the Ninth Federal Reserve Bank promises to be entirely adequate at all times to any reasonable demands of this district. While undue stimulation and the creation of an artificial prosperity must be avoided, it is the business of this bank to meet the fair and reasonable demands of its member banks and, while exercising necessary conservatism, it must offer to commerce, industry and agriculture such a degree of support as will serve as a substantial protection against high money rates, stringency, sudden or unusual stress, or panic.

#### Rediscountable Paper.

Of various banking criticisms that have been made, the most common is that Northwestern banks have no paper of the kind and character acceptable for rediscount. Those who hold this view should study the act. No impression could be farther from the truth. Member banks have only to select such paper as has been made for the conduct of current business (as distinguished from paper made for the purpose of employing the proceeds for investment), and which is of the required maturity, and present it to the Ninth Federal Reserve Bank, to find that it will be immediately accepted, and the proceeds forwarded in currency or placed to the credit of the applying bank. Paper which is based on agricultural, industrial or commercial transactions, of a non-investment character, is clearly within the act. The bulk of the paper held by Northwestern banks is necessarily of this general character. A large proportion complies fully and completely with the requirements of the act. No bank need feel apprehension as to the character of available paper. We are daily rediscounting for member banks, without delay, red tape or inconvenience. Such transactions fulfill a principal purpose of the Ninth Federal Reserve Bank, and are daily increasing in volume.

The Ninth Federal Reserve Bank was not founded to produce revenue for itself or create a surplus for the benefit of the government. It was founded to serve business through existing commercial banks. The method chosen is that of establishing a harmonious and co-operative relationship with its member banks. Through this it has been possible to provide new and much needed facilities for the better encouragement of business of all kinds. There should not be, in my opinion, any disposition to restrict or curtail member banks in the granting of just and reasonable accommodation. In no other way can the Ninth Federal Reserve Bank accomplish the constructive work that lies before it.

#### As to Cheap Money.

It is natural that those who have welcomed the founding of the new banking system have sometimes spoken of it with undue enthusiasm and credited to it possibilities which are outside of its real purposes.

The view that it is to produce cheap money is erroneous. Such a purpose has never been seriously considered since the Congress of the United States first undertook the formulation of the new system. It is a trite but effective answer to such an argument to say that "Money is worth what it is worth," and no artificial conditions produced in any locality of the United States or the nation as a whole can create an interest rate which is out of line and not in equitable relation to the money rates of the great financial centers of the world. The current rate in the United States cannot be wholly determined by the United States itself, as the recent conditions created by the great European conflict bear witness.

It is a reasonable view that the influence of the Federal Reserve Banks will at all times tend to preserve money rates at a level which is fair, reasonable and just, in view of all of the conditions in the United States and the relation of those conditions to circumstances, events and developments at other financial centers and in other parts of the world.

#### Benefit to Everybody.

While it may never be that the average man on the street will be able to point to any tangible, direct benefit to himself through the creation of this system, it will unquestionably prove true that every wage earner will find that the establishment of the reserve banks has so guaranteed the commercial safety of his employing concern, if it is conservatively managed, that he will be less exposed than before to violent fluctuations in the demand for labor. The salaried man has the same interest in the new system. Business men, big and little, have the assurance that so long as their enterprises are well and safely managed their credit will not be restricted. These are new and exceedingly valuable elements in the daily activities of the people of this Northwestern country. In such measure as the commercial banks are granted a line of defense to fall back upon, an added element of safety and protection has been passed along to all of their customers who are operating along conservative lines. These benefits pass in turn to those who are employed in such businesses, whether they be officers, salaried employees or wage earners.

While the Ninth Federal Reserve Bank is not authorized to transact any business with individuals it still has the ability to directly influence the growth and prosperity of every sound business by making it possible for every such business to obtain, from the commercial banks of the district, such credit facilities as it may be entitled to. The ability of business to obtain such facilities at all times is more important and is better calculated to serve the upbuilding of this Northwestern country in the long run than any direct and artificial stimulus or advantages.

#### What Has Been Done in Sixty Days.

To have accomplished so much within so short a period as that elapsing since the middle of last November is a compliment alike to those who are at the head of this new system and to those who are the executives of the numerous member banks. The Ninth Federal Reserve Bank is today meeting the requirements of its member banks in continually increasing volume. A recent statement of its loans and

discounts showed, that while its proportionate importance as compared with the Federal Reserve system as a whole is only about one-twentieth, that its then outstanding accommodations to its member banks constituted approximately one-eighth of the total loans and discounts shown on the consolidated statement of the Federal Reserve Board.

I wish to place great emphasis upon the public service which these banks are destined to perform. Merely to satisfy the technical requirements as indicated in the act will not entitle them to the full confidence of the public. Their purpose was not alone or primarily to make banking a safe business, but to provide and guarantee safe conditions under which the business man and farmer may continue their activities. It is not to be assumed that the creation of this system has made panics impossible, but it has at least done away with the characteristic and very dangerous form of panic which has been common in the United States, arising out of a disturbed condition of public confidence. Such panic periods as that of the fall of 1907 will not occur again.

Business in the Northwest does not need or demand any special favors or unusual advantages. To continue its very encouraging growth at an even more rapid rate than before it demands only to know that credit facilities will be proportionate to its increasing demands and adequate to the requirements of sound and constructive expansion. Such facilities the Ninth Federal Reserve Bank will provide.

#### SPRING MEETING OF THE EXECUTIVE COUNCIL.

As has been announced in the JOURNAL-BULLETIN, the Spring Meeting of the Executive Council will be held at the Hotel Chamberlain, Old Point Comfort (Fortress Monroe), Va., on May 3, 4 and 5, 1915. Arrangements have been made for officers, members of the Executive Council, Committees and Sections; in fact, for all who will officially have connection with this meeting; and these people will be communicated with in the near future as to the hotel accommodations they will require at that time.

#### DEATH OF HENRY W. YATES.

Henry W. Yates, President and founder of the Nebraska National Bank of Omaha, Neb., died in that city on Saturday, January 9, 1915. Mr. Yates was one of the best known among the old-time bankers of the United States, and was always held in the highest esteem by his associates in Omaha, Nebraska, and the West; as well as by all bankers through the country.

An attendant of the early conventions of the American Bankers Association and for many years active in its affairs; Mr. Yates was a member of the Executive Council 1894 to 1897, and also served as State Vice-President of the Association.

His opinions on matters financial were eagerly sought by those of the profession, and his loss will be a severe one.

#### JUSTICE TO GEORGE B. BURKE.

In the JOURNAL-BULLETIN for October, on page 230, among the items in the Protective Department was published an article relative to Mr. George B. Burke, formerly Vice-President of the Bankers' Trust Company, of Tacoma, Wash., which was based on a letter and request for publication received from an officer of that company. Mr. Burke has complained of this article and demanded a retraction. The JOURNAL is also in receipt of numerous letters from friends of Mr. Burke, all of whom are prominent bankers of the Pacific Coast, protesting against the article, and each and all speaking of Mr. Burke in the very highest terms. Upon receipt of these communications, we wrote the officer of the Trust Company who instigated the publication, but his reply gave no facts which would afford a basis for the publication in question. His letter upon which publication of the article in question was based, was dated September 12, 1914, and stated that Mr. Burke had been discharged from the bank about a year ago, etc. We are informed that Mr. Burke was an active officer of the Bankers' Trust Company until January 13, 1914, the date of the annual meeting of the stockholders, and we are also informed that he at that time voluntarily retired. It is not the policy of the JOURNAL to unjustly injure any one, and we therefore deeply regret the publication of the article referred to. Numerous items are constantly received from bank members which call for prompt publication in the Protective Department without time or opportunity for first investigating the facts, reliance being placed on the statement of the reporting member, and such was the course followed with the article in question. This explanation is published in justice to Mr. Burke, who has been prominent in banking affairs of the Pacific Coast for nearly twenty years, and was chairman of the Executive Council of the Washington Bankers' Association and chairman of the Legislative Committee of that Association, and largely through his initiative we are informed the first general banking law of the State of Washington was placed on the statute books. Mr. Burke was also Vice-President for Washington of the American Bankers Association for 1910. Our careful investigation shows that Mr. Burke is entitled to this full retraction and to this public apology by the editor of the JOURNAL-BULLETIN.

#### IDEAL POLITICS.

What I wish first to insist upon is essential worth, nobility, primary indeed, of the liberal pursuit of politics. It is simply the highest, the most dignified, the most important of all earthly objects of human study. Next to the relations of man with his Maker, there is nothing so deserving his best attention as his relation to his fellow-men. The welfare of the community is always more important than the welfare of any individual or number of individuals; and the welfare of the community is the highest object of the study of politics.—Whitelaw Reid.



## New Copyright Burglary and Robbery Insurance Policy of the American Bankers Association

Another Important Service Rendered by the Association Insurance Committee—Insurance that Insures Without Questionable Restrictions—Companies Ready to Write the New Form of Policy.

The work of the Insurance Committee of the American Bankers Association has been divided into four principal channels of activity.

First, securing ideal forms of insurance contracts for the use of the member banks.

Second, assisting in the adjustment of differences between the member banks and the insurance companies.

Third, influencing, so far as conditions may warrant, the rates or premiums paid by the banks for insurance.

Fourth, conducting a bureau of information for the purpose of furnishing opinions, information or any other insurance service that may be desired by the member banks.

Articles will appear in the columns of the JOURNAL-BULLETIN from time to time upon the various activities of the committee, and inquiries and other correspondence are invited upon any subject discussed therein, or upon any other insurance matter in which any member bank may be interested.

A careful investigation is being made of every burglary or defalcation occurring in member banks of which the committee has notice, and all member banks are urgently requested to advise this committee of any such loss. In such investigations it has been found that the insurance companies are usually prepared to settle promptly under the terms of the insurance contract in force. Most of the differences that have been found heretofore to exist between the member banks and the insurance companies have grown out of restrictive clauses contained in the insurance policy. This committee therefore early concluded that the compilation of improved insurance contract forms and their adoption for the use of the member banks were of great and immediate importance. This work involved much labor and study. Insurance laws of various States have been consulted. Rulings of insurance commissioners have been obtained. Court discussions involved in contested cases have been examined. The new insurance forms growing out of this work are meeting with the approval of attorneys for banks, and of State Bankers' Associations, the General Counsel of the American Bankers Association, many insurance commissioners and insurance authorities, and they are urgently recommended for use by the member banks of this Association.

The Copyright Fidelity Bond was discussed in the January issue of the JOURNAL-BULLETIN, and the purpose of this article is to outline to the member banks the advantages of the new burglary policy, known as the "1914 Copyright Bank Burglary and

Robbery Policy of the American Bankers Association."

In the opening lines of the new policy a radical departure is made from all forms of burglary insurance heretofore offered by the insurance companies. Burglary and hold-up insurance is based upon the character of the safes or vaults of the bank, their location in the bank building, maintenance or non-maintenance of a watchman and burglary alarm system, population of town, and police protection. A schedule minutely giving all these conditions appears in every burglary and robbery policy, and the information contained therein is furnished by the applying bank and its correctness is warranted by the bank and becomes a consideration upon which the insurance is issued. The new Copyright Policy of the American Bankers Association makes the only consideration of the insurance the premium paid or to be paid, and in order to insure that the schedule of information may not affect the validity of the policy a special disclaimer appears at the beginning of the schedule.

Again, all burglary insurance protection covering abstraction of valuables from safes or vaults has heretofore been limited to cases involving the direct application of "tools, explosives, chemicals or electricity directly thereupon." The new policy of the American Bankers Association requires entry into the safes or vaults by force, but eliminates the qualifying language as to tools, explosives, etc., except upon such equipment as is not locked by time-lock. This change is one never attempted before. Among other advantages of the new policy are the following:

1. The robbery or hold-up coverage extends throughout the entire twenty-four hours, and it is not made void if only one officer or employee is regularly at work in the premises.

2. The pro rata return premium is contemplated in all cases of cancellation instead of the usual short rate premium heretofore applying when the cancellation is required by the bank.

3. In the event of other insurance the liability of the insurance company is not limited to such pro rata part of the loss as the insurance policy bears to the total insurance in force.

4. The right of the company to inspect the premises is retained, but the right to suspend the insurance immediately in the event that such inspection is not satisfactory to the company is eliminated, the only provision for termination of the insurance by the insurance company being the five-day cancellation clause.

The policy is a shorter, simpler and more effective burglary and robbery contract than has heretofore been offered member banks and its use by member banks is urgently recommended. After a careful consideration of the whole subject the Burglary Association of America, through its banking committee, has approved the policy for the insurance companies holding membership in that Association, and licenses have already been issued to the list of companies

appearing hereafter. Licenses are being applied for by other companies and it is expected that practically all of the insurance companies of America writing burglary insurance will equip themselves to furnish this form of policy upon request:

- American Fidelity Company, Montpelier, Vt.
- American Indemnity Company, Galveston, Texas.
- Continental Casualty Company, Chicago, Ill.
- The Employers' Liability Assurance Corp., Ltd., London, England.
- Fidelity & Deposit Company of Maryland, Baltimore, Md.
- Frankfort General Insurance Company, Frankfort-on-the-Main, Germany.
- Globe Indemnity Company, New York, N. Y.
- Hartford Accident & Indemnity Co., Hartford, Conn.
- The Kansas Casualty & Surety Co., Wichita, Kan.
- Massachusetts Bonding & Insurance Co., Boston, Mass.
- Maryland Casualty Company, Baltimore, Md.
- N. J. Fidelity & Plate Glass Insurance Co., Newark, N. J.
- National Surety Company, New York, N. Y.
- Ocean Accident & Guarantee Corp., Ltd., New York, N. Y.
- The Preferred Accident Insurance Company, New York, N. Y.
- U. S. Casualty Company, New York, N. Y.
- U. S. Fidelity & Guaranty Co., Baltimore, Md.

The member banks are invited to direct any inquiries as to the provisions of this policy, or as to any other insurance matter in which the member banks may be interested, to the secretary of the committee, B. A. Ruffin, P. O. Box 139, Richmond, Va.

Oliver J. Sands, President American National Bank, Richmond, Va., Chairman; H. P. Beckwith, Vice-President Northern Savings Bank, Fargo, N. D.; Henry G. Parker, President National Bank of New Jersey, New Brunswick, N. J.; B. A. Ruffin, Richmond, Va., Secretary. Committee.

### WHY THE COTTON POOL FAILED

From N. Y. "Sun."

According to reports from Washington the total amount for which the \$100,000,000 loan fund has been tapped by cotton borrowers is \$10,000. This news does not surprise discerning observers. . . . The cotton loan fund was an extraordinary undertaking, involving the manipulation of private credit under Governmental direction and saddling on the Federal Reserve Board work which was expressly forbidden by the very law of its being. . . . Banking support was given to the McAdoo cotton pool on account of Washington and not on account of the real necessities of the cotton situation. It did not express banking judgment that the pool was practical or required from a

business standpoint. It represented, so far as bankers were concerned, a somewhat compulsory concession to the political considerations which were assumed to be influencing the Treasury, but it is doubtful if the subscribers believed that it would ever be a real factor in the restoration and recovery of the cotton market.

Speaking generally, the plan was always cumbersome if not absolutely unworkable. Speaking specifically, it was uneconomic in that it aimed to use private credit under governmental auspices to help establish the basis of prices for a staple commodity, whereas prices customarily provide a large part of the basis of credit. Moreover, even while the cotton pool was in process of completion it was being rendered superfluous by developments.

It was predicted at the time that with the reopening of the cotton exchanges an ample supply of credits for cotton would be provided in the customary fashion, and the explanation of the failure of the cotton pool is that the restoration of normal market facilities has led to a movement of cotton at rising prices from the grower to the consumer. To financing this movement the inauguration of the Federal Reserve banking system has contributed, but this also was foreseen when Mr. McAdoo was rounding up banking subscriptions for the pool.

### GROWTH AND SYSTEM.

Extensive changes and improvements have been made in the general offices of the Association, Hanover National Bank Building, 5 Nassau Street, New York City. The ever-increasing volume of work which is handled by General Counsel Paton made necessary the acquiring of additional space. Also, the growing activities of the library.

The Association has now a very complete suite of offices, well furnished and equipped for the transaction of its affairs. Members of the Association in visiting New York are urgently requested to call at the General Offices; make same their headquarters, and have their mail and telegrams sent to them there, if they desire to do so. As an evidence of the ever-increasing activity of the Association and its work, including its Sections and Committees, the following data will be interesting:

Seven years ago the Association occupied three rooms and had eight active officials and employees. Since that time the American Institute of Banking has been made a Section; and, to-day, thirty-three people (officers and employees) occupy a suite of twenty rooms. There is no waste space, and in the transaction of the Association's business all employees are kept busy at their various duties.

### OFFICIAL BADGES.

There are a few of the official badges left over from the Richmond Convention which will be sent to such of our members as would like them, on request in writing to the General Secretary. Until the supply is exhausted they will be sent out in the order in which applications are received.

## MORTUARY RECORD OF ASSOCIATION MEMBERS

Adair, J. H.—Vice-President National Bank of Commerce, Houston, Tex.  
 Arneill, William A.—Director First National Bank, Oxnard, Cal.  
 Baker, J. D.—Cashier Exchange National Bank, Canal Dover, Ohio.  
 Baldwin, Samuel W.—President Connecticut National Bank, Bridgeport, Conn.  
 Barker, Walter—President Commercial German National Bank, Peoria, Ill.  
 Bond, E.—Vice-President Old National Bank, Fort Wayne, Ind.  
 Branch, John Patterson—President Merchants National Bank, Richmond, Va.  
 Brown, George M.—President The George M. Brown & Son State Bank, Augusta, Kan.  
 Casterson, Ogden—Vice-President Citizens Savings Bank, Decorah, Iowa.  
 Cochran, O. L.—President First National Bank, Houston, Tex.  
 Cockey, Rollin H.—Cashier Bellville Savings Bank, Bellville, Ohio.  
 Cogswell, Edward R.—President Cambridge Savings Bank, Cambridge, Mass.  
 Collison, Fred—President First National Bank, Rantoul, and First National Bank, Thomasboro, Ill.  
 Funk, Absalom B.—President First National Bank, Bloomington, Ill.  
 Gammell, Robert Ives—President Providence National Bank and Director Rhode Island Hospital Trust Company, Providence, R. I.  
 Haun, John E.—President German State Bank, Hoyleton, Ill.  
 Huber, Otto—President and Director Peoples National Bank, Rock Island, Ill.  
 Hudson, Lytle H.—President Stockyards Bank, Louisville, Ky.  
 McLaughlin, Mark—Director First National Bank, Oxnard, Cal.  
 McLymont, James—President Del Rio National Bank, Del Rio, Tex.  
 Macy, Charles William—President First National Bank, Hudson, N. Y.  
 Massey, George B.—Director, and for many years President, Jefferson County National Bank, Watertown, N. Y.  
 Morris, John Vedder—Director First National Bank, Amsterdam, N. Y.  
 William D.—Cashier Central Bank and Trust Corporation, Atlanta, Ga.  
 Parker, Dr. James H.—Director Chatham and Phenix National Bank, New York City.  
 Pierce, S. W.—President Central National Bank, Junction City, Kan.  
 Putney, F. H.—Vice-President Waukesha National Bank, Waukesha, Wis.  
 Roberts, George H.—Director National City Bank, Brooklyn, N. Y.  
 Sperry, James A.—Trustee Dime Savings Bank of Williamsburg, Brooklyn, N. Y.  
 Steinmetz, George A.—Vice-President The Farmers National Bank, Pekin, Ill.  
 Stillman, Theodore—President Jersey State Bank, Jerseyville, Ill.  
 Truslow, John—Vice-President Dime Savings Bank, Brooklyn, N. Y.  
 Whisenand, J. D.—Vice-President Central State Bank, Des Moines, Iowa.  
 White, John M.—President Farmers Deposit Bank, Horse Cave, Ky.  
 Williamson, Lent A.—President Wells County Bank, Bluffton, Ind.  
 Wurzel, Jacob—Cashier Peoples Bank, Philadelphia, Pa.  
 Yates, Henry W.—President Nebraska National Bank, Omaha, Neb.

### JOHN P. BRANCH.

John Patterson Branch, President of the Merchants National Bank, and of the firm of Thomas Branch & Co., bankers, nestor of Richmond and Virginia bankers, died at his home in the city of Richmond, February 2, 1915.

Mr. Branch was in his eighty-fifth year. He was one of the well-known bankers of the United States, was prominent in church work in his home city and a well-known philanthropist. He served as a Staff Officer in the Confederate Army and had a splendid record.

Mr. Branch was born in Petersburg, Virginia, October 9, 1830, and came from a family of bankers, who established the Merchants National Bank of Richmond in 1870, and the private banking firm of Thomas Branch & Co. in 1838.

Mr. Branch was a member of the Executive Council of the American Bankers Association, 1893 to 1896, and State Vice-President, 1881 to 1884; and, while not a regular attendant at its conventions, there were many that he did attend and he was always interested in the activities of the Association.

On the occasion of the conventions of this Association held in Richmond in 1900 and 1914, he exemplified true Southern hospitality in opening his home and entertaining the visiting bankers. At the last convention of the Association, held in Richmond in 1914, he was called from the floor of the convention and made a few appropriate remarks and received a warm welcome.

His death will be a distinct loss to Richmond and Virginia, and his life, activities and philanthropy will long be remembered.

Mr. Branch was an uncle of Col. James R. Branch, who so successfully administered the affairs of the Association as Secretary from 1895 to 1907.

### INVITATION TO SALT LAKE CITY.

Members of the Association who will visit Seattle on the occasion of the forty-first annual convention of the American Bankers Association will be interested in the following resolution, passed by a unanimous vote of the Salt Lake Clearing House Association:

"That the secretary of the Salt Lake Clearing House Association extend to the members of the American Bankers Association, which meets in Seattle this year, a cordial invitation for them to stop off in Salt Lake City on their way to Seattle, assuring them a most hearty welcome on the part of the bankers and citizens of Salt Lake City.

"Salt Lake Clearing House Association,  
 "John Pingree, Secretary."

Salt Lake City is one of the interesting great cities of the Far West; is beautifully located and has many points of interest; a most hospitable people. Those who have not been so fortunate as to stop off at Salt Lake City, will have an opportunity to do so on their western trip or on their return home; and if they do make this visit they will not regret giving the necessary time.

# TRUST COMPANY SECTION

OFFICERS, 1914-1915.

PRESIDENT:

RALPH W. CUTLER, President Hartford Trust Co.,  
Hartford, Conn.

CHAIRMAN EXECUTIVE COMMITTEE:

UZAL H. McCARTER, President, Fidelity Trust Company,  
Newark, N. J.

FIRST VICE-PRESIDENT:

JOHN H. MASON, Vice-Pres. Commercial Trust Co., Philadelphia, Pa.

SECRETARY:

PHILIP S. BABCOCK, 5 Nassau Street, New York City.

## ATTITUDE OF TRUST COMPANIES TOWARD THE PROVISIONS OF THE FEDERAL RESERVE ACT GRANTING TRUST COMPANY POWERS TO MEMBER BANKS

Recent numbers of the JOURNAL-BULLETIN have contained accounts of the attitude of the Trust Company Section toward the Federal Reserve System as expressed by members of its Executive Committee and of its Committee on Legislation. Upon the request of the Federal Reserve Board members of the Executive Committee and of the Legislative Committee appeared before the Board in Washington, last month, and offered certain suggestions regarding the rules and regulations governing the admission of State banks and trust companies into the System, which matter was then being considered by the Board. A full account of this meeting is contained in the January number of the JOURNAL-BULLETIN. The Federal Board, at that time, requested the Legislative Committee to assist them in such further suggestions looking toward the formulation of more favorable rules and regulations, as well as suggestions toward amendments in the Act itself, as would make it more desirable for trust companies to join the Federal Reserve System, and this the committee is now engaged in doing. It is the belief of those most competent to judge, that the trust company is a purely State institution, having functions under the State laws which National banks do not have, and that such functions are necessary to the business of the country and can best be performed by State institutions. Many States throughout the country are recognizing this and have provided by law that only State chartered trust companies shall be allowed to exercise such functions. The banking law of the State of New York, adopted last year, prepared by a commission of recognized experts, takes this view and provides specifically as follows:

"Section 223. Prohibition against encroachments upon powers of trust companies.—No corporation other than a trust company organized under the laws of this State shall have or exercise in this State the power to receive deposits of money, securities or other personal property from any person or corporation in trust, or have or exercise in this State any of the powers specified in subdivisions one, four, five, six, seven and eight of section one hundred eighty-five of this article, . . . . etc.

"Section 185. General powers.—In addition to the powers conferred by the general and stock corporation laws, every trust company shall, subject to the restrictions and limitations contained in this article, have the following powers:

"1. To act as the fiscal or transfer agent of the

United States, of any State, municipality, body politic or corporation; and in such capacity to receive and disburse money, to transfer, register and countersign certificates of stock, bonds or other evidences of indebtedness, and to act as attorney in fact or agent of any person or corporation, foreign or domestic, for any lawful purpose.

"4. To act as trustee under any mortgage or bonds issued by any municipality, body politic or corporation, foreign or domestic, and accept and execute any other municipal or corporate trust not prohibited by the laws of this State.

"5. To accept trusts from and execute trusts for married women, in respect to their separate property, and to be their agent in the management of such property or to transact any business in relation thereto.

"6. To act under the order or appointment of any court of competent jurisdiction as guardian, receiver or trustee of the estate of any minor, and as depository of any moneys paid into court whether for the benefit of any such minor or other person, corporation or party, and in any other fiduciary capacity. To be appointed and to act under the order or appointment of any court of competent jurisdiction as trustee, guardian, receiver or committee of the estate of a lunatic, idiot, person of unsound mind or habitual drunkard, or as receiver or committee of the property or estate of any person in insolvency or bankruptcy proceedings; to be appointed and to accept the appointment of executor of or trustee under the last will and testament, or administrator with or without the will annexed of the estate of any deceased person.

"7. To take, accept and execute any and all such legal trusts, duties and powers in regard to the holding, management and disposition of any estate, real or personal, wherever located, and the rents and profits thereof, or the sale thereof, as may be granted or confided to it by any court of competent jurisdiction, or by any person, corporation, municipality or other authority and it shall be accountable to all parties in interest for the faithful discharge of every such trust, duty or power which it may so accept.

"8. To take, accept and execute any and all such trusts and powers of whatever nature or description as may be conferred upon or entrusted or committed to it by any person or persons, or any body politic, corporation, domestic or foreign, or other authority by grant, assignment, transfer, devise, bequest or otherwise, or which may be entrusted or committed



or transferred to it or vested in it by order of any court of competent jurisdiction, or any surrogate, and to receive, take, manage, hold and dispose of according to the terms of such trust or power any property or estate, real or personal, which may be the subject of any such trust or power."

The Federal Reserve Act in Section 11, Paragraph (k) authorizes the Federal Reserve Board—

"to grant by special permit to National banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds under such rules and regulations as the said board may prescribe."

The constitutionality of this power has been very seriously questioned by competent counsel and a request has been made to the Federal Reserve Board that the opinion of the Attorney General of the United States be asked for on this point. Committees of the section have raised the question with the Board, and within the past week practically all the trust companies in the State of Michigan addressed a telegram to the Federal Reserve Board, reading as follows:

"We are advised by our counsel that there is a serious question as to the constitutionality of Clause K, Section 11, of the Federal Reserve Act, under which your Board is authorized to give certain trust powers to National banks. In view of this, may we not have a hearing before your Board before any special permit is granted to any Michigan National Bank."

To this telegram the Board, through its secretary, H. Parker Willis, replied as follows:

"Gentlemen: Your telegram of January 18th was received yesterday and immediately laid before the Federal Reserve Board. In answer I am instructed to say that tentative regulations relating to the granting of certain trust powers to National banks have already been prepared and are under careful consideration. The Board, however, will be very happy to hear from you while the subject is still under study in a tentative way. It suggests that you file as soon as convenient a brief expressing your view in this matter.

"I have the honor to be, respectfully,

"H. PARKER WILLIS, Secretary."

Briefs for submission are being prepared, and the matter will undoubtedly be thoroughly considered by the Board. It will be noted that under the Federal Reserve Act this power will only be given to reserve members "when not in contravention of State or local law."

Attention of members of the Trust Company Section is called to this extremely important question and as the Legislatures of over two-thirds of the States are now in session, it would seem desirable for trust companies that consider this provision of the Federal Reserve Act inimitable to their institutions to endeavor to have their State laws so amended as to forbid a corporation not organized under the laws of respective States from doing a fiduciary business by taking advantage of this provision of the new Federal System.

#### Vice-Presidents.

Vice-Presidents of the Section have been elected as follows:

Alabama: E. J. Buck, President City Bank & Trust Company, Mobile.

Arizona: N. E. Plumer, President Southern Arizona Bank & Trust Company, Tucson.

Arkansas: W. L. Hemingway, Vice-President Mercantile Trust Company, Little Rock.

California: M. P. Lillenthal, Secretary Anglo-California Trust Company, San Francisco.

Colorado: John L. McNeil, President Durango Trust Company, Durango.

Connecticut: Robert Jay Walsh, President Greenwich Trust Company, Greenwich.

Delaware: L. W. Mustard, Director Sussex Trust Company, Lewes.

District of Columbia: Charles J. Bell, President American Security & Trust Company, Washington.

Florida: Fred W. Hoyt, President American Trust Company, Jacksonville.

Georgia: Asa G. Candler, President Central Bank and Trust Corporation, Atlanta.

Idaho: R. L. Sheppard, Secretary Idaho Trust Company, Lewiston.

Illinois: H. O. Edmonds, Vice-President Northern Trust Company, of Chicago, Chicago.

Indiana: Albert E. Metzger, Vice-President Fletcher Savings & Trust Company, Indianapolis.

Iowa: James F. Toy, President Farmers' Loan & Trust Company, Sioux City.

Kansas: Scott Hopkins, President Prudential Trust Company, Topeka.

Kentucky: John Stites, Vice-President Louisville Trust Company, Louisville.

Louisiana: L. M. Pool, Vice-President Hibernia Bank & Trust Company, New Orleans.

Maine: E. A. Butler, President Rockland Trust Company, Rockland.

Maryland: Richard H. Thompson, Vice-President Maryland Trust Company, Baltimore.

Massachusetts: Charles H. Keith, Vice-President Franklin County Trust Company, Greenfield.

Michigan: C. O. Patch, Vice-President Security Trust Company, Detroit.

Minnesota: J. W. Wheeler, President Capital Trust Company, St. Paul.

Mississippi: J. M. Hartfield, President Merchants Bank & Trust Company, Jackson.

Missouri: James E. Brock, Secretary Mississippi Valley Trust Company, St. Louis.

Montana: C. C. Swinborne, Treasurer and Secretary Daly Bank & Trust Company, Butte.

Nebraska: R. C. Peters, President Peters Trust Company, Omaha.

New Jersey: John B. Davis, Cashier Farmers Trust Company, Mt. Holly.

New York: W. B. Cardozo, Vice-President Farmers' Loan & Trust Company, New York.

North Carolina: James A. Gray, Vice-President Wachovia Bank & Trust Company, Winston-Salem.

Ohio: George F. Hart, Treasurer Guardian Savings Trust Company, Cleveland.

Oregon: Emery Olmstead, Vice-President Portland Trust & Savings Bank, Portland.

Pennsylvania: George H. Stuart, 3d Treasurer Girard Trust Company, Philadelphia.

Rhode Island: Aram J. Pothier, President Union Trust Company, Providence.

South Carolina: John F. Ficken, President South Carolina Loan & Trust Company, Charleston.

South Dakota: C. N. Herreid, President Citizens Trust & Savings Bank, Aberdeen.

Tennessee: Charlton Karns, President Knox County Bank & Trust Company, Knoxville.

Texas: Edwin Chamberlain, Vice-President San Antonio Loan & Trust Company, San Antonio.

Vermont: Albert W. Ferrin, Treasurer Montpelier Savings & Trust Company, Montpelier.

Virginia: E. L. Bemiss, President Richmond Trust & Savings Company, Richmond.

Washington: James C. Cunningham, Vice-President Union Trust & Savings Bank, Spokane.

West Virginia: E. W. Peterson, President Dollar Savings & Trust Company, Wheeling.

Wisconsin: Gardner P. Stickney, Vice-President Wisconsin Trust Company, Milwaukee.

# SAVINGS BANK SECTION

OFFICERS, 1914-1915.

PRESIDENT:

W. E. KNOX, Comptroller Bowery Savings Bank, New York City.

FIRST VICE-PRESIDENT:

N. F. HAWLEY, Treasurer Farmers & Mechanics Savings Bank,  
Minneapolis, Minn.

SECRETARY:

E. G. McWILLIAM, 5 Nassau Street,  
New York City.

## ANOTHER FORWARD STEP IN THE THRIFT CAMPAIGN

What is Believed to be the Longest Step Yet Taken Toward Directly Reaching a Class of Young Men to Whom it is Most Desirable to Bring the "Gospel of Thrift," Has Just Been Consummated After Some Months of Planning.

**I**N co-operation with Raymond P. Kaighn, one of the secretaries of the International Committee of Young Men's Christian Associations, a "Movable Thrift Exhibit" is in course of preparation, under direction of the Savings Bank Section, said exhibit to be shown in industrial communities largely, as Mr. Kaighn is especially in charge of Y. M. C. A. work among industrial workers. As this is something entirely new in connection with our thrift work, possibly a brief description will not be out of place.

The "thrift exhibit" will be composed of three distinct features. First, a series of sixteen large panels so constructed as to be readily joined together and which when so joined form a large folding screen with eight panels on each side of a central feature. Each of these large panels is an artistic cartoon in color, presenting some lesson in thrift or showing the evils of extravagance. For instance, one which is especially striking, is entitled "The race that kills," and shows a large railroad locomotive labeled "Ruin" approaching a crossing toward which a red automobile labeled "Extravagance" is rushing at great speed and a "smash up" is inevitable unless the warning of the flagman, who is waving the "thrift" signal, is heeded. Another, entitled "Stop the leaks," shows a wooden reservoir into which a stream of water labeled "Income" is pouring and leaking out of numerous crevices labeled with the names of various extravagances with which all are familiar. The picture is made still more effective by the figure of a man vainly trying to stop all the leaks at once. Other panels show the wonders of compound interest and how small amounts deposited regularly grow to large sums of money. Space will not permit a description of each panel but the above will give a comprehensive idea of their general scheme. The central feature is two miniature theatre stages back of proscenium arches arranged one above the other with electric lights alternately illuminating for fifteen seconds each—first the upper and then the lower. Above the upper arch is lettered, "Are you living for this?" and above the lower, "Or this?" And three different sets of contrasting pictures are presented by means of a revolving mechanism. The first shows in the upper group workmen depositing part of their pay

in a bank, while the lower shows other workmen being "good fellows" and treating everybody in a bar room. The next upper is entitled "To my credit," and shows a bank book having a healthy balance, while the lower, entitled "Or to theirs," shows the proprietors of the various places where money is wasted depositing same to their own credit. The last upper group shows an elderly couple enjoying their declining years in comfort, while the lower shows an elderly couple begging. These are not flat pictures, but each group is composed of little metal figures arranged in a stage setting. It is planned that this part of the exhibit will be placed in the entrance hall of each Y. M. C. A. branch to which it is sent, and in connection therewith as a little bit of added publicity a "personal account card" will be distributed. This card is arranged for one week and has space for the amount of wages, how it should be spent and how it actually is spent. The object of the card being to encourage industrial workers to give some thought to a matter which is overlooked by a large majority of that class.

The second feature of this exhibit will be the motion picture play, "The Reward of Thrift," which was produced under direction of the Savings Bank Section and is enjoying a very wide distribution at present. A copy of this play has been especially prepared for the Savings Bank Section by the Vitagraph Company, and will be exhibited at each branch of the Y. M. C. A. to which the thrift exhibit is sent.

The third feature of the thrift exhibit is one in which we trust every banker and member of the American Institute of Banking living in the towns visited by the exhibit will co-operate. It is desired to have talks by financial men just prior to each exhibition of "The Reward of Thrift" in the various Y. M. C. A. auditoriums. The object of these talks is not to advertise but to give practical information to practical people. Wherever Chapters of the Institute are located they will be advised when the exhibit is to visit their town and where no Chapters exist some banker will be asked to co-operate in arranging these talks with the Y. M. C. A. Secretary and it is hoped in either case that there will be a ready response.

Members of the Savings Bank Section need have no fear that their annual appropriation will be depleted to any extent by expenditures for this exhibit, for by special vote of the Executive Committee and approval of the General Secretary all expenses incident to the exhibit are to be defrayed from a special fund which was accumulated some years ago by the Savings Bank Section, and is carried to its credit upon the general books of the Association.

**FORMS FOR SAVINGS BANKS AND SAVINGS DEPARTMENTS IN COMMERCIAL BANKS AND TRUST COMPANIES.**

**O**RDERS for the above book are still coming in. It will be remembered that this book was published at cost to our members, and while it in no sense pretends to illustrate the best forms adaptable to every locality or to furnish an exhibition of forms, it does claim to present those forms necessary to the operation of each department of a savings bank or savings department, and that said forms are typical, containing the essential features, from which, if desired, bankers may construct other forms conforming to the local or legal conditions under which each operates. This book also contains certain information such as, for instance, typical sets of rules and regulations of both mutual and stock savings banks, five different methods of figuring interest to depositors, methods of proving daily transactions, etc., etc.

The price of this book, handsomely bound in black leather, and delivered, is but four dollars (\$4) to members of the American Bankers' Association and seven dollars (\$7) to non-members. All orders will receive prompt attention from the Secretary of the Savings Bank Section.

**PERSONAL.**

**W**ITH the completion of the copy for this issue of the JOURNAL-BULLETIN, the present Secretary of the Savings Bank Section relinquishes the reins of his office to accept the position of manager of the Publicity Department of the Security Trust and Savings Bank of Los Angeles, Cal., of which J. F. Sartori is President. The past three years during which the present incumbent has been privileged to serve the Savings Bank Section have been the most pleasant of his experience, which fact is due entirely to the very congenial environment in which he has labored; and if the work of his office has met with any degree of success during these three years, it is due entirely to the fact that he has had the constant co-operation not alone of the officers and committees of the Savings Bank Section but also of the General Secretary and his associates in the general offices in New York, for all of which he is deeply grateful.

The Savings Bank Section is an ever increasing factor in the constructive work of the American Bankers' Association and its years of greatest usefulness are at hand.

**DON'T BE "SOLD."**

It has recently come to the attention of the Secretary of the Savings Bank Section that at least in one instance an attempt has been made by a newspaper, which was on our mailing list and receiving the thrift talks which are issued from this office monthly for weekly publication, to sell these "talks" to other newspapers or banks in various sections of the country.

Said paper is no longer upon our mailing list.

This effort to capitalize something for which each of our members is directly paying and which was issued as part of the service they have a right to ex-

pect from this office is greatly resented, and the excuse which was given, namely, that the object was not a money making one, but to secure a larger publication of our talks will hardly hold water, when all that any banker or publication that desires these talks has to do in order to get them, is simply to drop us a line expressing that desire. The fact that only those "talks" which had been published were offered, is in no way an extenuation, but rather a further condemnation, as new talks are issued each month and it is fair to assume that those using these talks want the very latest.

Therefore, do not be "sold" by any such proposition, for we shall be most happy to send brand new talks each month to every banker or publication that will use them, free of charge.

We have not copyrighted these talks, as we are glad to have them copied and reprinted in order to give them the widest circulation possible; but if our members are to be subject to further attempts such as the above, it may be necessary to seek the protection afforded by copyright.

**HARD WORKERS.**

**By Thomas Dreier in "The Caxton."**

It really does not interest the world to know how hard a man is working. All the world wants to know is what he has accomplished or is accomplishing. Many an employee thinks himself deserving of special commendation because of the energy he expends each day. He goes home at night fagged out. He wears himself with his work. And the chances are, some day he will join the "Down and Out Club." He will no longer be able to serve. Perhaps right next to the man who is wearing himself out is another man who accomplishes twice as much in the same time. This other man comes to his work jauntily. He looks upon it with pleasure. He enters into it with the same spirit that he would enter a ball game. He works with the spirit of play. To him his work is not drudgery.

The man who wears himself out is not wise. He will be thrown aside like a juiceless orange when he wears out. The fact that he worked himself out will not save him. For his ignorance he will have to pay the penalty. He should have learned how to work wisely. He should have studied himself. The engineer understands his machine. The more an engineer knows about engines the better workman he is. The more can he get out of his engine with a certain amount of steam, the longer will his engine last. The man who understands himself, knows how to use power within him, will never be thrown aside. He will work and he will accomplish. He will do great things for his employer just because he is wise enough to know that at the same time he is doing great things for himself. He is wisely selfish. We call him altruistic. He looks upon his work as a game—as play. It is real fun to him. He is the man who is recognized by his employer, for when he knows himself he will increase his stock of ability, reliability, endurance and action. He will study to know himself, for he knows that when he truly knows himself the task of learning the business will be trivial. He never gets cast aside. He later works behind that door marked "Private." He is a success.

# CLEARING HOUSE SECTION

OFFICERS, 1914-1915.

PRESIDENT:

A. O. WILSON, Vice-President State National Bank, St. Louis, Mo.

VICE-PRESIDENT:

J. D. AYRES, Vice-President The Bank of Pittsburgh, N. A.,  
Pittsburgh, Pa.

CHAIRMAN EXECUTIVE COMMITTEE:

W. D. VINCENT, Vice-President Old National Bank,  
Spokane, Wash.

SECRETARY:

O. HOWARD WOLFE, 5 Nassau Street, New York City.

## "EXERCISING THE FUNCTIONS OF A CLEARING HOUSE"

In the tentative plan of clearing prepared for the Federal Reserve Banks by the Preliminary Organization Committee, due consideration was given to the broad possibilities of the last clause in Section 16 of the Act which provides that the Federal Reserve Board may require each Federal Reserve Bank "to exercise the functions of a clearing house for its member banks." The functions here contemplated are obviously intended to include only such as are generally incidental to the collection of checks, the term "collection" being here used to cover the entire process of presentation and redemption with the various mechanical details incidental thereto. While it is unlikely that the Board will relinquish any of its rights and powers as a court of last resort in the control of the system, attention may be directed to the fact that clearing houses find it necessary to lay down certain rules and regulations affecting the "exchange of checks and the settlement of balances resulting therefrom." Similarly the reserve banks, acting as clearing houses for their members, must be given this right to conduct the clearing function in an efficient and equitable manner. This policy is intimated in a single word in the first sentence of Section 13: "Any Federal reserve bank may receive from its member banks, etc." If it had been written "shall," it would have been difficult to prevent any member bank from making deposits when and how it pleased. In passing, we may again mention the fact that the "shall" in Section 16 refers to the word "pay" and not to "receive."

Reverting to the plan proposed by the Preliminary Organization Committee, the implied right of the reserve banks as clearing houses to fix rules was taken advantage of in two suggestions that were made in the interest of general efficiency. The first was that member banks should endorse items deposited with the reserve banks "cleared through the Federal Reserve Bank of ....." The use of this stamp would make it unnecessary for the reserve banks to re-endorse, thus saving an extra handling of the checks. Since checks cleared through the reserve banks will follow fixed channels and since the stamp proposed would include not only the name and number of the depositing bank but also the date, no confusion could arise as to the routing of any check. The second suggestion was that unpaid items should be returned direct from the member bank upon which drawn to the member bank originally depositing. Advice would be sent to the reserve bank which would, thereupon, make the

proper debit and credit records. There is no need to point out the saving of time and bookkeeping records that would result if this plan—successfully used in England since 1853—were adopted.

Both the suggestions above referred to conform to present clearing house customs. There is nothing radical or unsound in either of them. The old question of the legal status of collecting banks has arisen in connection with both, however. One of the things hoped for the new system by most transit men was that precedents might be established that would clarify the atmosphere with respect to the liability of banks under certain kinds of endorsement. The endless questions that have arisen when a bank has failed as to whether other banks had "taken title" to the checks on the failed institution or whether they were merely agents—these knotty points have never been settled uniformly by court decisions. Naturally, the reserve banks are proceeding carefully as they enter the check collection field, perhaps more cautiously than the circumstances warrant. A careful analysis of the Reserve Act reveals certain possibilities in the line of legal construction that might be put upon the clauses devoted to check collection.

For instance, the reserve banks may receive checks on deposit, which checks it may be presumed are to be passed to the credit of the member banks subject to the usual customs and restrictions common to the same class of business in ordinary banks. The reserve banks might then endorse the checks and collect them as do the average city institutions which specialize in transit business. If this program should be carried out, then naturally the reserve banks would do well to safeguard themselves against forged endorsements, bad checks, failed banks, etc., just as other banks do in protecting themselves against risks. They would use the same methods and systems of forms and records as are used by up-to-date reserve city banks.

But the Act goes further. It states in substance that the Federal Reserve Board may require each Federal reserve bank to act as a clearing house for its members. Acting as a clearing house, if it means anything, means putting into operation the well-known clearing principle the offsetting of debits with credits and the payment of the balance arising. Neither the Boston nor the Kansas City Clearing Houses actually "clear" country checks. They reverse the provision in Section 16 and require their clearing houses to act as banks for their members. True,



they clear the receipts for the country checks after they have been collected and remitted, but in all other respects as to credits, advices, records, etc., they merely act as one bank collecting for all.

Therefore, in order to comply with the provisions of the Act, to make effective the most economical method of collecting checks and to safeguard the reserve banks against avoidable risks, would it not be both timely and wise for the Reserve Board to create by precedent the rule of law that performing the functions of a clearing house is an operation differing in nature from the receipt of checks for deposit? In practical effect, as an accounting problem, checks would be handled as if deposited for collection and credit. Technically, however, assuming that the Reserve Board shall require the reserve banks to exercise the functions of a clearing house, there would be two distinct operations. First, the member banks would send items on other member banks in the same district to the reserve bank

as to a clearing house. This would establish a credit against which would be applied the debits consisting of all checks against that member sent in by other members of the district. The debit or credit balance resulting would then be applied to the reserve balance of each member bank. There is no more reason why the country bank should object to this plan than that a city bank could insist that all other banks in the same city should present checks at the counter to be paid for in cash less a charge for the expense of paying over the money at any rate such paying bank saw fit to impose.

If the clearing proposition is sound, then it would seem wise that the reserve banks should adopt the two suggestions as to endorsement stamps and returned items above referred to, not to mention the many other incidental economies in forms and systems that are possible. The difficulty lies in the fact that those in charge are apt to think in terms of city banks and country correspondents rather than in terms of clearing houses.



## CLEARING HOUSES SHOW INTEREST IN TOTAL BANK TRANSACTIONS

Two years ago this Section undertook the work of creating interest in the collection and publication of Total Bank Transactions in the hope that all clearing house associations would appreciate the value of these figures as an index of trade fluctuations. Favorable reports were received from many of our members. Some stated they would take the matter up at an early date, while others agreed to furnish the figures as soon as other clearing houses did likewise. About 30 clearing houses have been furnishing the figures for two years. Since this list comprised associations of various sizes and in practically every section of the country, we decided to go ahead with the plan and try it out with this list of representative cities. The results have been highly satisfactory in every way.

We are, therefore, renewing our efforts to have all clearing houses make these reports, especially since the value of clearings as a trade index is gradually waning. We are glad to note a general increase in interest, leading us to predict that it is now only a question of a short time before bank transaction reports will be an indispensable feature in published financial reports. Further, they are of use to every individual bank whether published or not. A comparison of check transactions with total deposits at different periods will show conclusively whether or not the accounts of a bank are becoming more or less active. These are days of scientific banking and exact methods; guesswork is no longer profitable or popular.

Some of the reasons why Bank Transactions are better than Clearings follow:

1. These figures, consisting of debits against all deposit liabilities whether by check, draft or charge ticket, indicate very accurately the amount of business done by check.

2. These figures are not affected by bank consolidations or by an increase in the number of banks in any given city.

3. Bank transactions include checks cashed at the paying teller's window, especially checks drawn for pay-roll purposes, which items are very important factors when calculating the condition of trade.

4. Bank transactions may be very readily secured from general ledger figures, at the close of any day's business. They require no additional calculations and in making reports, the clearing house does not publish the total figures for each member bank, but merely publishes the total for the city.

5. The figures are of a decided advantage to each individual bank itself, since by comparing figures from year to year and calculating the proportion of the check turn-over to the average line of deposits, the result shows whether or not the accounts of the bank are becoming more or less active as compared with other periods. Fluctuations in activity at different seasons of the year can also be determined in the same way.

6. The Federal Reserve Act authorizes the Reserve Board to require all member banks to make "Such statements and reports as it may deem necessary." At the present time, it is contemplated that member banks will be required to make weekly reports of certain items of condition, including the average amount of deposits and average weekly amount of check transactions against these deposits. This being true, it would seem wise to suggest that clearing houses publish the same figures as of their members, which will include both National and State banks.

Some of the reasons why clearings are inferior as a trade barometer are:

1. They are of little value in making comparisons between cities because scarcely any two clearing

houses have identical rules as to what may be passed through the exchanges.

2. Clearings are frequently inflated by passing through the exchanges drafts on other cities which have been traded between banks; or they may be inflated by the use of manager's checks used in the settlement of clearing house balances.

3. Clearings are of little value in comparing the business of any city with the business of the same city at a previous time on account of the changes in the number of banks in the clearing house. Bank consolidations reduce clearings sharply, or if several new banks are admitted, the clearings are increased proportionately without in either case indicating a decrease or increase in the amount of business done in that city.

4. On account of the fact that the largest banks and business houses carry more than one bank account with reserve agents, it happens that a turnover of money may, if the check is drawn upon bank No. 1, appear in the clearing house exchanges, whereas an identical transaction on a different date, being drawn upon bank No. 2, may not appear in the exchanges.

5. Certain cities which clear country checks naturally add such checks to their clearings; when remittances are made for these same checks and the drafts are put through the exchanges, it results in a duplication to that extent.

6. Experience in collecting total bank transactions proves that on an average less than 40 per cent. of checks used in any one city pass through the clearing house exchanges.

7. As soon as the Federal Reserve Banks begin to operate, they will send checks direct to member banks on which they are drawn. This will materially reduce the clearings of every city except the twelve cities where the regional banks are located. Clearing totals in the future, therefore, will be of no value in comparison with totals of the same cities at the present time.

Summarizing, it may be stated that the figures of clearing totals indicate the amount of business of the

clearing house and nothing else. The figures mean very little or nothing as an indication of the fluctuations of trade and commerce. The figures known as total bank transactions are subject to none of the flaws above mentioned.

#### NEW MEMBERS.

Three new members have joined the Clearing House Section since the last issue of the JOURNAL-BULLETIN. They are the Clearing House Associations of Dayton, O., Lima, Ohio, and Waterbury, Conn., making a total enrolment of 156 clearing houses.

#### A CORRECTION.

In last month's JOURNAL-BULLETIN we published a list of the transit numbers of the twelve Federal Reserve Banks. The number of the Federal Reserve Bank of Richmond was stated incorrectly. The correct transit number of this bank is 68-3.

#### KEY TO THE NUMERICAL SYSTEM.

Every bank using the American Bankers Association code will now find additional use for the Key to the Numerical System, since bank names can now be put into code by using the transit numbers instead of names, thus shortening telegrams in which names are mentioned from two to five words. The latest edition of the Key (1913) can be secured through the Clearing House Section at the publisher's price, \$1.50 per copy.

#### BOOK OF FORMS FOR NATIONAL AND STATE BANKS.

We still have some copies of the Book of Forms for National and State Banks which may be had by members of the Association at the original cost to subscribers, \$5 per copy. The book contains about 300 typical forms with some explanatory text where necessary.



# STATE SECRETARIES SECTION

OFFICERS, 1914-1915.

**PRESIDENT:**

W. W. BOWMAN, Secretary Kansas Bankers' Association, Topeka.

**FIRST VICE-PRESIDENT:**

HAYNES McFADDEN, Secretary Georgia Bankers' Association, Atlanta.

**SECOND VICE-PRESIDENT:**

GEORGE D. BARTLETT, Secretary Wisconsin Bankers' Association, Milwaukee.

**SECRETARY-TREASURER:**

GEORGE H. RICHARDS, Secretary Minnesota Bankers' Association, Minneapolis.

## LATIN-AMERICAN GOOD FELLOWSHIP

Banking Facilities and Trade Considered by the Illinois Bankers' Association—An Interesting Method of Advancing a Cause Believed of Vital Importance if We Are now to Act in Terms of World Commerce—Reserve Act Inadequate for Extension of Foreign Business—Co-operation, not Competition, Necessary.

Intimate good fellowship, as of a great family, was the keynote of the Pan-American meeting in the patio of the "Hacienda Illbanco" when official representatives of the twenty-one American Republics and many interested in foreign trade, joined the officers of the Illinois Bankers' Association at their annual good fellowship dinner January 20th.

This unusual feature is one of the developments of President Aisthorpe's policy in having the Illinois

Bankers' Association take the initiative in a national movement among bankers' associations for a broader view of their responsibilities in trade affairs.

The appointment of a Foreign Trade Committee was suggested by Mr. George Woodruff of Joliet, and the Association, in authorizing it, recommended that the spirit of "big brotherhood" prevail in the work of the committee.

After several months of investigation, the Committee concluded that the provisions of the Federal Reserve Act, either for the appointment of agencies in foreign countries or for branches of member banks, were entirely inadequate to meet the situation.

Having called attention to the apparent necessity for Federal Legislation permitting the formation of powerful foreign banking institutions in which the banks (to a limited extent), other corporations and individuals might invest, the Committee took advantage of the Annual Midwinter meeting to give the bankers and business men of Illinois an opportunity to get in touch with the movement on the basis of close friendship with all of the official representatives of the Latin-American Republics.

This Pan-American Good Fellowship Meeting was unique in that it combined the atmosphere of many of the best traditions of intimate Spanish hospitality in the beauty of the charming patio, with its garden and fountain, the menu, the music from the southern countries and the exuberance of enthusiasm with the serious discussion and strong addresses by representatives speaking for the guests and for this country.

The guests were seated at brilliant tables between the garden and the typical patio balcony, with twenty-one arches, one for each of the republics, each space having its appropriate decorations, under a large flag and emblem of the republic.

After a toast to Latin Americans, given by the Chairman, W. S. Rearick, and responded to by a representative acting in behalf of the guests, and a spectacular shower of "bombs of peace," the flag of each country was raised and saluted with an accompaniment of the national air and loud vivas shouted by the guests who stood while the spot light touched their flag, which was fluttered by a strong blower. The salute to the flags continued through the first part of the banquet, followed by incidental entertainment, strictly in harmony with the occasion—serenaders, character artists, singers, etc.

The Toastmaster, John J. Arnold, warmly expressed the affection and esteem in which the members of the great American family of republics are

## CONVENTION CALENDAR

Feb.	22.	Vermont .....	Burlington
March	26, 27.	Florida .....	Palatka
May	3-5.	Ex. Coun. A. B. A., Old Point Comfort, Va.	
"	4, 5.	Mississippi .....	Jackson
"	10-12.	Alabama .....	Birmingham
"	11-12.	Kansas .....	Independence
"	13, 14.	Oklahoma .....	Tulsa
"	18-20.	Texas .....	Waco
"	24-26.	Missouri .....	Kansas City
"	27-29.	California .....	San Francisco
"	27-29.	Georgia .....	Savannah
June	2.	Arkansas .....	Fort Smith
"	12.	Maine .....	Augusta
"	16, 17.	Idaho .....	Lewiston
"	19-21.	Wisconsin.....	Place not decided
"	22, 23.	Iowa .....	Davenport
"	25, 26.	South Dakota .....	Deadwood
"	29, 30.	Minnesota .....	St. Paul
"	(date not decided).	Joint Meeting New England Bankers' Associations—The Griswold, New London, Conn.	
Aug.	18-20.	Amer. Inst. of Banking, San Francisco	
Sept.	6-10.	Amer. Bankers Assn., Seattle, Wash. Washington .....	Seattle
Oct.	—	New Mexico .....	Roswell
Date not decided.		North Dakota .....	Bismarck
Date not decided.		Illinois.....	Joliet
Date not decided.		New Jersey.....	Atlantic City
Date not decided.		Louisiana .....	Alexandria
Date not decided.		North Carolina. Wrightsville Beach	

held in the Central West and read brief official messages from all the countries in which the plan of having American capital lead in the formation of strong financial institutions, was welcomed and endorsed.

His Excellency, Senor Fredrico Alfonso Pezet, Minister from Peru, made an address of unusual clearness and strength, supporting the plan outlined by the Illinois Bankers' Association for early action in the formation of strong banking institutions, at the same time showing the rapid progress being made by all of Latin America.

Dr. E. E. Pratt, Chief of the Bureau of Foreign and Domestic Commerce, in his address "Financing Foreign Trade," presented new facts and figures showing the effect of the war on international finance, the opening of a new era for American business due to the increased cost of capital and labor abroad, the loss of good will on the part of the belligerents, the future parity of commercial credit in Latin America as between this and European nations, the need for Federal Legislation making the joint participation of large banking and commercial units in this country possible to the end that they may co-operate in powerful institutions in the foreign field, his conclusions being expressed as follows:

"1. The United States is entering on a period of export capitalism and is now prepared to send her merchandise and her capital into the world's markets.

"2. The effects of the European war will be to place the United States more nearly on a parity with European nations than ever before, thus permitting us to compete more freely in foreign fields.

"3. There is a crying need for American branch banks in foreign countries, and the time is now opportune for their establishment.

"4. American banks in foreign countries, particularly in South America, will have as good a chance of success as the English or German banks.

"5. The establishment of extensive "over-sea" banks in which national banks might hold stock and the establishment of joint branch banks would considerably assist in developing not only our foreign banking, but also our foreign trade in general."

Among the souvenirs presented, with silk flags of all the republics to those present, were vegetable ivory from Ecuador, sisal from Yucatan, rubber from Brazil, chicle from Honduras, natural asphalt from Trinidad, cocoa beans from Costa Rica, hand work from Mexico, yerba mate from Paraguay and nitrate from Chile.

The samples of the natural products were used as an object lesson in financing Latin-American trade in which our European competitors balance the credits created by our imports by shipping to Latin America manufactured goods which we should supply.

A little ship placed at each plate bore the legend "If we are to think and act in terms of world commerce, we must have a merchant marine at least large enough to help the imagination."

The gayety of the occasion was enhanced by the fact that each of the two hundred guests wore a decoration bearing the gold seals of the twenty-one Pan-American Republics.

The meeting closed with moving pictures of the

principal South-American ports and many colored views, explained by Harriet Chalmers Adams, who came from Washington for the purpose.

George E. Allen represented the American Bankers Association at the banquet, and Dean David Kinley, the authority on Latin-American Finance, represented the University of Illinois.

### *Frank N. Briggs Tells Colorado Group Some Good and Bad Points in Reserve System*

In an address before Group I, Colorado Bankers' Association, January 14th, Frank N. Briggs, President of the First National Bank of Englewood, Col., and of the Interstate Trust Company of Denver, said that the Federal Reserve Bank system appears to have been "constructed and is now being administered largely for the benefit of big business and big undertakings. It has no functions thus far developed that appeal personally and directly to the small business man, small merchant, small farmer, small stock raiser, small manufacturer or plain ordinary citizen."

Mr. Briggs foresaw many difficulties in the way of production of rediscountable commercial paper in any quantity. Of cattle paper he took a more cheerful view, saying: "Cattle paper is also one of the classes of securities that can be rediscounted, and this is most important in this part of the country, but it is surrounded by so much 'red tape' that the average country banker will be obliged to study up carefully the provisions of the law before he can make available his loans of this character for rediscounting. There must be certain reports made and other requirements complied with, and the paper can run not over six months to maturity. Every banker should study up this Act, in order to, as far as possible, bring his paper within the standards required. This will be a good thing, as it will tend to systematize credits and loans throughout the whole country and make banking more uniform than it has ever been before."

Other subjects covered by Mr. Briggs follow:

#### **Concerning Exchange.**

In the matter of eliminating exchange on checks the new system proposes to have all such items on National banks paid through the Regional banks at par. Only one district (No. 10) has up to this time put this rule into effect. State banks and trust companies in this district must, therefore, waive exchange on all items upon which no exchange is charged by the National banks. State banks and trust companies should in fact waive all exchange and in every way co-operate, as I have already remarked, to bring the law and the system to the greatest degree of perfection and effectiveness. Whatever our opinions may be concerning the clearing of private checks at par through the Regional banks in different parts of the country, makes no difference at this time. That is the provision of the Act and the policy of the Board, and the banks without distinction should comply with the rules. Personally, I believe it will stimulate business and will certainly be a great saving to business men throughout the land. The banks will lose very



little if they permit all such items to pass through the Regional banks instead of collecting them themselves. There is at hand, however, a period of readjustment along these lines that will be far-reaching in effect and may materially affect balances and depositaries. These problems must be solved in the immediate future and with great care. I fear, however, that the new order will lead to abuses that will prove serious in the course of time.

#### Check Floating.

One of these might be the writing of checks by business men when they have no money in the bank with which to meet the checks, sending them away from home long distances and relying upon their ability to deposit the money in the bank before the check can make the rounds and get back to the bank. We might call this "check floating."

#### Check Kiting.

There is another possible abuse, and I will call it "check kiting." Some men who do not consider themselves dishonest and perhaps are not intentionally so, occasionally exchange checks even under present conditions, for the purpose of creating fictitious credit balances and floating their own checks on the strength of these fictitious credits. Every banker knows what "check kiting" means and realizes that it is a dangerous and almost criminal practice. This new system will encourage "check kiting" and may prove to be a source of danger and loss to the banks, as well as a demoralizing factor in commercial transactions. The brakes should be put on somewhere, but how, and by whom, I do not know.

#### Some Reasons in Brief.

There are many reasons why State banks and trust companies should act with great deliberation in reference to entering the new Federal Reserve Banking System, and I will undertake to mention a few of them very briefly.

First, the law is made for National banks only. Until it shall be so amended as to be helpful and not detrimental to State banks and trust companies, they remain out of the system.

Second, those entering the new system will probably be subject to double examinations, both State and National, double reports, conflicting laws, unusual expenses and a curtailment of privileges now enjoyed under State laws.

Third, at the present time State banks and trust companies are able to supply needs in their various communities for the development and promotion of business that can not be supplied by National banks. This, then, brings us face to face with the patriotic duty of maintaining a double system of banks for the best protection of the public and the fullest development of the country.

Fourth, it would be very dangerous to place the entire banking business of the country under the control of a Federal Board at Washington. No other free country that I know of has ever succeeded in forcing all banking institutions to come under absolute governmental control.

Fifth, while the Federal reserve system is almost perfect for big business and big cities, it is practically useless for assisting small business and small communities. Unfortunately or fortunately the great bulk

of our citizenship is outside the ranks of big business and big cities. These should be served as effectively, promptly and efficiently as large business, large individuals and large communities, and it is up to State banks and trust companies to perform this duty by maintaining their present position.

Sixth, it is not unwise to take on the risks and the obligations entailed by becoming members of the reserve system when it is not necessary to do so? While there are benefits and advantages to those banks that are members of the system, these are more or less counterbalanced at this time by the risks, curtailments of privileges, limitation of functions, added expenses and other disadvantages offered by the system.

Seventh, there should be and probably will be a desire on the part of the Federal Reserve Board and the managers of each regional bank to make the system of the greatest possible usefulness to the whole country. This can only be done by co-operating with the State banks and trust companies in the most generous and friendly manner and to the largest possible extent. In other words, the patriotic duty of the Federal Reserve Board and the regional banks ought to suggest that the Federal reserve system shall be made as helpful as possible to all of the banks in the United States and thus be made as helpful as possible to all of the people of the United States. At this time there are more people patronizing State banks and trust companies than there are people patronizing National banks. Any system that would undertake to oppress and harass member banks would be unpatriotic and disastrous to the business of the country. On the other hand, it is the obvious duty of all banks to assist in every possible way in the development and perfection of the new Federal reserve banking system to the end that ultimately, when it shall be made what it ought to be, all the banks of the country may find it advantageous to themselves and their patrons to join as members of the system.

#### All Banks Co-Operate.

This, then, should be the attitude of all the members of our association, viz., that we maintain, as heretofore, the most cordial and friendly co-operative spirit between the National banks and the State banks, trusting one another, helping one another, with a desire and a determination to bring both classes of banks up to the highest possible degree of efficiency, solidity and ability to serve the public.

### NEW ENGLAND BANKERS' JOINT MEETING IN JUNE

The New England State Bankers' Associations are planning a joint meeting to be held in New London, Conn., in June. The dates will probably be June 18th and 19th, but these may be changed.

The State Associations of New England are all within the first Federal Reserve District. Under the new banking scheme division by reserve districts is a natural one. There has already been some discussion about the advisability of a new grouping of bankers' organizations, so that discussions may be held in regard to the affairs of a Reserve District by those who have a common interest in them.

# LIBRARY AND REFERENCE DEPARTMENT

MARIAN R. GLENN, Librarian



## Index to References on the Federal Reserve System in Financial Periodicals for January 1915

During the discussion of the Federal Reserve Act, and since its passage, the A. B. A. Library has made a daily index of references to the new banking system in financial periodicals. It has been suggested that a monthly reprint in the JOURNAL-BULLETIN of references for 1915 might be welcomed by Association members. If you approve this feature write to the Librarian, as the Index will not be printed after the current month unless there is evidence of its being sufficiently useful to warrant giving space to it. Remember that the Library's card catalog contains thousands of references to the Federal Reserve System, that you can borrow articles and clippings about it from the loan collection, and that the Library is also maintaining a chronicle of press comment on the subject for the use of Association members.

### Acceptances.

Commercial and Financial Chronicle.—Details of amendment to the Federal Reserve Act which would permit Reserve banks to rediscount acceptances based on exports and imports. (In v. 100, p. 110, January 9, 1915.)

Eldridge, H. R.—Arguments in favor of use of the domestic acceptance; address before the New York Credit Men's Association. (In Commercial and Financial Chronicle, v. 100, p. 268, January 23, 1915.) Address in full. (In Market World and Chronicle, v. 9, p. 117, January 23, 1915.) (In American Banker, v. 80, p. 264, January 23, 1915.) (In Trust Companies' Magazine, v. 20, p. 25, January, 1915.)

Eldridge, H. R.—Favors allowing National banks to accept in connection with domestic transactions. (In Commerce and Finance, v. 4, p. 28, January 13, 1915.)

Glass, Carter.—Opposition to allowing National banks to accept in connection with domestic transactions. (In Commerce and Finance, v. 4, p. 28, January 13, 1915.)

New York Federal Reserve Bank.—Circular declaring a demand for bank acceptances. (In Financier, v. 105, p. 13, January 2, 1915.)

Paton, T. B.—Text of bill (H. R. 15038) relative to acceptances with comment regarding it. (In A. B. A. JOURNAL-BULLETIN, v. 7, p. 481, January, 1915.)

### Administration.

Chicago Banker.—The Federal Reserve Board is building up an elaborate credit bureau; this bureau will contain a collection of financial statistics which will fortify the system against discounting of weak paper. (In v. 39, p. 1, January 16, 1915.)

Downey, G. E.—All moneys obtained by the Fed-

eral Reserve Board through assessment of member banks must be deposited in a special fund in the Treasury Department and in charge of a special auditor of the Federal Reserve Board. (In Commercial and Financial Chronicle, v. 100, p. 270, January 23, 1915.)

Federal Reserve Board.—Regulation issued superseding an earlier rule that the reserve banks begin January 15th to require certificates as to the character of paper offered for rediscount. (In Financial Age, v. 31, p. 123, January 16, 1915.)

Lynch, J. K.—Changes in banking practice suggested by the operation of the Federal Reserve System. (In Trust Companies' Magazine, v. 20, p. 11, January, 1915.)

Paton, T. B.—Review of opinions, legislation and regulations relative to the Federal Reserve Act. (In A. B. A. JOURNAL-BULLETIN, v. 7, p. 480, January, 1915.)

Sprague, O. M. W.—The policy and operation of Federal Reserve banks. (In United States Investor, v. 26, p. 53, January 9, 1915.)

Williams, J. S.—Remarks concerning the Federal Reserve Act and what it is expected to accomplish for the finance and commerce of the country. (In Commercial and Financial Chronicle, v. 100, p. 18, January 2, 1915.)

Willis, H. P.—How the Federal Reserve works. (In Rand-McNally Bankers' Monthly, v. 32, p. 41, February, 1915.)

### Amendments.

Commercial and Financial Chronicle.—An amendment to the Federal Reserve Act which would permit Reserve banks to rediscount acceptances based on exports and imports was favorably reported to the Senate Banking and Currency Committee. (In v. 100, p. 110, January 9, 1915.)

Senator Hitchcock prevented the immediate consideration by the Senate of the proposed amendment relative to acceptances. (In Financial Age, v. 31, p. 53, January 9, 1915.)

A. B. A. JOURNAL-BULLETIN.—Editorial comment on the recent suggestions made by the Comptroller relative to an amendment to the banking law whereby he would secure the power to penalize all infractions and violations of the law and the regulations of his office. (In v. 7, p. 445, January, 1915.)

Paton, T. B.—Brief review of the bill (S. 6505) to amend Sections 11 and 16 of the Federal Reserve Act by permitting member banks to carry any portion of their reserves now required to be kept in their own vaults with the Federal reserve bank in their district. (In A. B. A. JOURNAL-BULLETIN, v. 7, p. 482, January, 1915.)

**Bank Examination and Supervision.**

Financier.—Editorial comment relative to the salaries paid to examiners. (In v. 105, p. 161, January 16, 1915.)

**Board.**

Federal Reserve Board.—The first annual report. (In Commercial and Financial Chronicle, v. 100, p. 357, January 30, 1915.)

Financial Age.—Photographs and short sketches of the governors and directors of the several Federal Reserve banks. (In Financial Age, v. 105, pp. 61, 73, January 9, 1915.)

**Capital.**

New York Federal Reserve Bank.—Call to the 480 member National banks to make the second payment to the subscription to the capital stock. (In Commercial and Financial Chronicle, v. 100, p. 270, January 23, 1915.) (In American Banker, v. 80, p. 269, January 23, 1915.)

**Clearing House.**

Hinsch, G. A.—Resolution recommending the establishment of an association to be known as the Federal Clearing House Association of the United States. (In Chicago Banker, v. 39, p. 19, January 2, 1915.)

**Comment.**

Bankers Magazine.—Editorial comment on statement made by Benjamin Strong, Jr. (In v. 90, p. 1, January, 1915.)

Borah, W. E.—Criticism of the Federal Reserve Act. (In Commercial and Financial Chronicle, v. 100, p. 178, January 16, 1915.)

Bush, I. T.—A business man's interpretation of benefits under Federal Reserve System. (In Trust Companies' Magazine, v. 19, p. 479, December, 1914.)

Dawes, C. G.—Dangers of Federal Reserve system. (In Rand-McNally's Bankers' Monthly, v. 32, p. 9, February, 1915.)

Geiger, H. M.—Financial readjustment necessitated by the new bank act. (In Bankers' Home Magazine, v. 9, p. 16, January, 1915.)

Governors of the Federal Reserve Banks.—Brief comment from each Governor. (In Financier, v. 105, p. 37, January 2, 1915.)

Lindbergh, C. A.—Remarks accusing the framers of the Federal Reserve Act of being influenced by the Money Trust. (In Congressional Record, v. 53, p. 2132, January 20, 1915.)

Lindbergh, C. A.—Resolution charging that the money trust is in control of the banking system of the country; special committee appointed to investigate. (In American Banker, v. 80, p. 134, January 9, 1915.) (In Financier, v. 105, p. 119, January 9, 1915.)

Lynch J. K.—Changes in banking practice suggested by the operation of the Federal Reserve System. (In Trust Companies' Magazine, v. 32, p. 11, January, 1915.)

United States Investor.—Reserve Act faults; editorial comment on a recent address by Mr. Dawes, former Comptroller of the Currency. (In v. 26, p. 177, January 30, 1915.)

**Commercial Paper.**

Paton, T. B.—Brief review of bill (S. 6398) intended to enable National banks to issue a larger

proportion of circulation based on commercial paper. (In A. B. JOURNAL-BULLETIN, v. 7, p. 487, January, 1915.)

Tregoe, J. H.—Open account system of credit and acceptance of commercial paper under Federal Reserve Act. (In Trust Companies' Magazine, v. 19, p. 409, December, 1914.)

**Country Banks.**

Bryant, L. J.—The country bank and the new system. (In St. Louis Banker, p. 16, January, 1915.)

Sams, O. N.—The Federal Reserve system and the country banks. (In Ohio Banker, v. 7, p. 3, January, 1915.)

**Currency.**

Commercial and Financial Chronicle.—New York Federal Reserve Bank received from Washington on January 21st the first shipment of \$50 and \$100 reserve notes. (In v. 100, p. 270, January 23, 1915.)

**Directors.**

Federal Reserve Board.—Salaries of the Federal Reserve Agents in the different reserve banks. (In Commercial and Financial Chronicle, v. 100, p. 353, January 30, 1915.)

Glass, Carter.—Confers with the Federal Reserve Board relative to the advisability of a director belonging to one of the three groups being elected legally to represent banks in another group. (In Financier, v. 105, p. 170, January 16, 1915.)

Reynolds, G. M.—Statement relative to the criticism made by Representative Lindbergh charging favoritism in the selection of those identified with the Federal Reserve Bank of Chicago. (In Commercial and Financial Chronicle, v. 100, p. 110, January 9, 1915.) (In Financier, v. 105, p. 109; editorial comment, p. 93, January 9, 1915.)

United States Investor.—Comment on the correspondence between H. B. Joy and Congressman Glass concerning recent accusations made by Congressman Lindbergh. (In v. 26, p. 130, January 23, 1915.)

United States Investor.—Comment on the recent criticism of Forgan and Reynolds; their critics are really assailing the directors of all Federal banks. (In v. 26, p. 92, January 16, 1915.) Editorial comment on letter written by Henry B. Joy in defense of Messrs. Forgan and Reynolds. (In Financial Age, v. 31, January 16, 1915.)

**Discount and Rediscount.**

Commercial and Financial Chronicle.—Boston Reserve Bank has notified member banks that it is prepared to accept notes for rediscount to their actual maturity and to assume the responsibility for collecting such notes. (In v. 100, p. 20, January 2, 1915.)

Commercial and Financial Chronicle.—Different rates in the Federal Reserve Banks. (In v. 100, p. 19, January 2, 1915.) (In Financial Age, v. 31, p. 20, January 2, 1915.)

Commercial and Financial Chronicle.—Discount rates of the Chicago, Kansas City, San Francisco, and Philadelphia Federal Reserve Banks on paper maturing in sixty days or less have been reduced to 4 per cent.; other changes noted. (In v. 100, p. 362, January 30, 1915.)

Commercial and Financial Chronicle.—Present

discount rates in the different reserve banks. (In v. 100, p. 183, January 16, 1915.)

Federal Reserve Board.—Excerpt from annual report. (In Commercial and Financial Chronicle, v. 100, p. 358, January 30, 1915.)

Federal Reserve Board.—Further lowering of discount rates declared in the Southern districts. (In Commercial and Financial Chronicle, v. 100, p. 270, January 23, 1915.)

Federal Reserve Board.—Tabulated statement giving the present rates of discount in each of the Federal Reserve banks; date of change of last rate given. (In Commercial and Financial Chronicle, v. 100, p. 109, January 9, 1915.)

Harding, W. P. G.—Statement to Representative Henry refusing request that the reserve banks in the South be allowed to accept for rediscount from member banks the six months' 6 per cent. notes of cotton farmers secured by warehouse receipts with the understanding that an additional six months be allowed. (In Commercial and Financial Chronicle, v. 100, p. 183, January 16, 1915.)

Martin, W. McC.—Advantages of discount facilities provided by Federal Reserve System. (In Trust Companies' Magazine, v. 19, p. 478, December, 1914.)

National City Co.—Announcement made that the business of discounting through the purchase and sale of bank acceptances has been undertaken. (In Commercial and Financial Chronicle, v. 100, p. 20, January 2, 1915.)

#### Expenses.

Federal Reserve Board.—Excerpt from annual report giving receipts and expenditures of the Board and salaries of the Federal Reserve Agents. (In Commercial and Financial Chronicle, v. 100, p. 358, January 30, 1915.)

#### Foreign Branches.

Johnson, A. B.—Urges need of establishing branches of banks of this country in the capitals of South America. (In American Banker, v. 80, p. 188, January 16, 1915.)

#### Investment.

Diamant, Rudolph.—Bank investments under the new law; address before Investment Bankers' Association at Philadelphia. (In Coast Banker, v. 14, p. 20, January, 1915.)

Federal Reserve Board.—Tentative regulations applying to the purchase of warrants. (In Commercial and Financial Chronicle, v. 100, p. 109, January 9, 1915.) (In American Banker, v. 80, p. 97, January 9, 1915.) (In Financier, v. 105, pp. 92, 95, January 9, 1915.) Editorial comment. (In Financial Age, v. 31, p. 54, January 9, 1915.)

#### Loans, Real Estate.

Federal Reserve Board.—Official interpretation regarding loans on improved farm lands by the member banks. (In Annalist, v. 5, p. 21, January 4, 1915.)

A. B. A. JOURNAL-BULLETIN.—Copy of circular letter sent out by the Comptroller of the Currency relative to the maximum of loans by National banks upon real estate. (In v. 7, p. 484, January, 1915.)

Mortimer, F. C.—Reserve Act and farm loans. (In his address before the California Realty Confederation. In Coast Banker, v. 14, p. 25, January, 1915.)

Sams, O. N.—Farm mortgages. (In his address, The Federal Reserve system and country banks. In Ohio Banker, v. 7, p. 4, January, 1915.)

Chade, Charles.—Cash reserves and farm loans. (In Northwestern Banker, v. 20, p. 25, January, 1915.)

United States Investor.—Difficulty in the way of interesting National banks of the East in farm mortgages of the West and South lies in the restrictions imposed in the Federal Reserve Act—no National bank is allowed to loan outside its own Federal Reserve district. (In v. 26, p. 89, January 16, 1915.)

Williams, John Skelton.—Rules limiting loans on National bank loans on real estate to one-third the time deposits at the time the loan is made, and not in excess of one-third of the average time deposits during the preceding year. (In Commercial and Financial Chronicle, v. 100, p. 19, January 2, 1915.) (In Financial Age, v. 31, p. 20, January 2, 1915.) (In Financier, v. 105, p. 30, January 2, 1915.)

#### Publications Federal Reserve Board.

List of circulars and regulations already issued and the disposition made of them; some will be dropped and others reissued. (In Commercial and Financial Chronicle, v. 100, p. 271, January 23, 1915.)

#### Regional Banks.

A. B. A. JOURNAL-BULLETIN.—Dates of the hearings of the various petitions for changing the location of Federal reserve cities. (In v. 7, p. 457, January, 1915.)

United States Investor.—Reserve district boundaries; general review of districts feeling discontent divisions made by the Organization Committee. In v. 26, p. 129, January 23, 1915.)

#### Baltimore.

Financial Age.—Baltimore protests in vain. (In v. 31, p. 122, January 16, 1915.)

Markell, C. F.—Claims submitted to the Federal Reserve Board protesting the selection of Richmond rather than Baltimore as a Federal Reserve center. (In Commercial and Financial Chronicle, v. 100, p. 111, January 9, 1915.)

#### Cleveland.

Commercial and Financial Chronicle.—Cleveland Reserve Bank has made its first important investment in the purchase of \$400,000 of New York City warrants. (In v. 100, p. 363, January 30, 1915.)

#### New Jersey.

Van Deusen, W. M.—Petition for alliance with the New York Federal Reserve Bank instead of the Philadelphia Reserve District. (In Commercial and Financial Chronicle, v. 100, p. 271, January 23, 1915.)

#### Richmond.

Financier.—National banks in two counties of West Virginia have asked the Federal Reserve Board to transfer them from the Richmond to the Cleveland district. (In v. 105, p. 19, January 2, 1915.)

#### Reserves.

Caldwell, J. E.—Thinks Federal Reserve banks should compete for business until reserves reach 60 per cent, when this reserve is reached the rate should be raised higher than the open market rate, thus shifting business to the open market. (In Commer-



cial and Financial Chronicle, v. 100, p. 366, January 30, 1915.)

A. B. A. JOURNAL-BULLETIN.—Regulation issued by the Comptroller of the Currency relative to the calculation of reserves by member banks. (In v. 7, p. 484, January, 1915.)

Paton, T. B.—Brief review of the bill (S. 6505) to amend Sections 11 and 16 of the Federal Reserve Act by permitting member banks to carry any portion of their reserves now required to be kept in their own vaults with the Federal Reserve Bank in their district. (In A. B. A. JOURNAL-BULLETIN, v. 7, p. 482, January, 1915.)

#### Savings Banks.

A. B. A. JOURNAL-BULLETIN.—Digest of opinions received from mutual savings banks in response to the circular letter sent out by the Savings Bank Section asking for suggestions toward making the Federal Reserve system more attractive to State institutions. (In v. 7, p. 468, January, 1915.)

#### Savings Deposits.

Federal Reserve Board.—Revision of the regulations on time deposits and savings accounts. (In Financier, v. 105, p. 241, January 23, 1915.) (In Commercial and Financial Chronicle, v. 100, p. 362, January 30, 1915.)

#### State Banks.

A. B. A. Savings Bank Section.—Digest of some of the suggestions received in response to the circular letter sent out by the Savings Bank Section. (In A. B. A. JOURNAL-BULLETIN, v. 7, p. 463, January, 1915.)

Howe, E. L.—Clearing of country checks and attitude of State banks and trust companies toward Federal Reserve System. (In Trust Companies' Magazine, v. 19, p. 471, December, 1914.)

Paton, T. B.—Opinion rendered regarding the withdrawal by State banks from membership of Federal Reserve banks. (In A. B. A. JOURNAL-BULLETIN, v. 7, p. 480, January, 1915.) Editorial comment. (In American Banker, v. 80, p. 166, January 16, 1915.)

Smith, W. H.—Pennsylvania State banks do not show desire to join the Federal Reserve system. (In American Banker, v. 80, p. 280, January 23, 1915.) (In Commercial and Financial Chronicle, v. 100, p. 363, January 30, 1915.)

Trust Companies' Magazine.—Conference of trust company and State bank representatives with the Federal Reserve Board. (In v. 19, p. 489, December, 1914.) (In A. B. A. JOURNAL-BULLETIN, v. 7, p. 461, January, 1915.)

#### Transits and Collections.

Federal Reserve Board.—Excerpt from annual report. (In Commercial and Financial Chronicle, v. 100, p. 353, January 30, 1915.)

Philadelphia Clearing House Association.—Favor free check collection for member banks in the Philadelphia Reserve District and with proper time allowances in other reserve districts. (In Commercial and Financial Chronicle, v. 100, p. 271, January 23, 1915.)

Strong, Benjamin, Jr.—Circular letter sent out to member banks of District No. 2 with the view of getting information upon which to base a decision re-

garding the extension of the reserve bank check facilities. (In American Banker, v. 80, p. 94, January 9, 1915.) (In Commercial and Financial Chronicle, v. 100, p. 111, January 9, 1915.) (In Financier, v. 105, p. 98, January 9, 1915.)

Van Deusen, W. M.—Check collection and clearing problems confronting the reserve banks. In Trust Companies' Magazine, v. 20, p. 14, January, 1915.)

Wolfe, O. H.—Clearing functions of the reserve banks in theory and in practice. (In A. B. A. JOURNAL-BULLETIN, v. 7, p. 448, January, 1915.)

Wolfe, O. H.—The universal numerical system; tabulated list of the transit numbers of the Federal Reserve banks. (In A. B. A. JOURNAL-BULLETIN, v. 7, p. 469, January, 1915.)

#### Trust Companies.

A. B. A. Trust Company Section.—Report of Legislative Committee giving views of conditions under which trust companies might join the Federal Reserve System. (In A. B. A. JOURNAL-BULLETIN, v. 7, p. 461, January, 1915.)

Cutler, R. W.—Discussion of the relation of trust companies to the Federal Reserve System and suggestions for greater uniformity in State laws. (In Trust Companies' Magazine, v. 20, p. 17, January, 1915.)

McCarter, U. H.—Trust Companies and the question of membership in the Federal Reserve system. (In Trust Companies' Magazine, v. 20, p. 7, January, 1915.)

Morrow, J. R.—The advisability of a trust company authorized under the laws of Pennsylvania becoming a member of the Federal Reserve System. (In Money and Commerce, Supplement, v. 25, p. 8, January 2, 1915.)

### FLATTERS THE BANKERS

*From an interview with John Skelton Williams by Roger W. Babson in the "Saturday Evening Post."*

If there is any secret society whose members can begin to hang together and swear by one another as do our bankers, I should like to know what it is. Let two or three prominent bankers in New York express their opinion on some subject and all the other bankers bow their heads in assent. Immediately the vice-presidents, cashiers and other employes loudly cry "Amen!" As though by magic, their individuality vanishes by mutual consent; and, with or without reason, they take the position outlined by Mr. So-and-So, president of such-and-such a bank in the City of New York.

And this is not all. The leading bankers of Philadelphia, Chicago, St. Louis and other cities go to New York for instructions. If you ask the average banker of Boston or Chicago for his opinion on some subject, you will not get his opinion, but rather that of the bankers of New York. And as the Boston bankers follow the New York bankers, so the country bankers follow the Boston bankers—until all are bound up as a unit and led by a few men in New York as though bound by a chain. Moreover, this applies less to New England than to some other sections of the country.

# LEGAL DEPARTMENT

THOMAS B. PATON · GENERAL COUNSEL

## Regulations and Circulars Issued by Federal Reserve Board

### ISSUANCE OF CIRCULARS AND REGULATIONS.

(Circular No. 1, Series of 1915, January 2, 1915, released for publication January 15, 1915.)

For the convenience of all concerned, the Federal Reserve Board has determined to revise certain of its circulars and regulations, and to reissue such of those as it desires to retain in force; the new series to be known as the "Series of 1915." It proposes hereafter to issue circulars and regulations each year in a new

series, and there is appended hereto a list of the previously issued circulars and regulations and the disposition made of them.

In this way, circulars and regulations of only passing interest will be dropped and only those of permanent importance reissued.

CHARLES S. HAMLIN,  
Governor.

H. PARKER WILLIS,  
Secretary.

(To accompany Circular No. 1, Series of 1915.)

### CIRCULARS.

Number of Circular.	Subject.	Date.	Disposition.
	Gold fund circular of September 21, 1914. Circulars and regulations prior to this issued by the Organization Committee.		No longer applicable.
No. 6.....	Suggested by-laws.....	Oct. 5, 1914	Do.
No. 6a.....	" (as amended).....	Oct. 21, 1914	Do.
No. 7.....	Proposed system of accounting for Federal Reserve banks.....	Oct. 14, 1914	Effective so far as applicable, but not to be reissued.
No. 8.....	Outline of plan of organization for Federal Reserve Banks.....	Oct. 17, 1914	Do.
No. 9a.....	Procedure for meeting of Reserve Bank officers and directors of October 20-21.....		No longer applicable.
No. 10.....	In regard to the deposit of reserves due November 2, 1914.....	Oct. 28, 1914	Do.
No. 11.....	Reports of committees of officers and directors of Federal Reserve Banks at Washington meeting of October 20-21, 1914	Not dated.	Do.
No. 12.....	Payment of first installment of stock subscriptions of member banks to the Federal Reserve Banks.....	Nov. 6, 1914	Do.
No. 13.....	Regarding commercial paper eligible for rediscount by Federal Reserve Banks.....	Nov. 10, 1914	Will be reissued in somewhat modified form.

### REGULATIONS.

Number of Regulation.	Subject.	Date.	Disposition.
No. 1.....	Procedure in appeals from decision of Reserve Bank Organization Committee.....	Aug. 28, 1914	Effective and will be reissued.
Nos. 2, 3, 4, 5 and 6..	Dealing with eligibility of commercial paper, accompanying Circular No. 13.....	Nov. 10, 1914	Effective and will be reissued in modified form.
No. 7.....	Definitions of "demand" and "time" deposits and of "savings accounts".....	Nov. 11, 1914	Will be reissued in somewhat modified form.
No. 8.....	Covering bonds of Federal Reserve agents.....	Nov. 23, 1914	Effective and will be reissued.
No. 9.....	Loans on farm lands.....	Dec. 31, 1914	Do.

**LOANS ON FARM LAND.**

(Regulation No. 9, December 31, 1914.)

Section 24 of the Federal Reserve Act provides that—

“Any National banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land, situated within its Federal reserve district, but no such loan shall be made for a longer time than five years, nor for an amount exceeding fifty per centum of the actual value of the property offered as security. Any such bank may make such loans in an aggregate sum equal to twenty-five per centum of its capital and surplus, or to one-third of its time deposits, and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same.”

National banks not located in central reserve cities may, therefore, now legally make loans secured by mortgages on real estate within the following limitations:

1. The real estate security must be farm land.
2. It must be improved.
3. There must be no prior lien; in other words, the lending bank must hold an absolute first mortgage or deed of trust.
4. The property must be located in the same Federal reserve district as the bank making the loan.
5. The amount of the loan must not exceed 50 per centum of the actual value of the property upon which it is secured.
6. The loan must be for a period not longer than five years.
7. The maximum amount of loans which a National bank may make on real estate under the terms of the Act, shall be limited to an amount not in excess of one-third of its time deposits at the time of the making of the loan, and not in excess of one-third of its average time deposits during the preceding calendar year; provided, however, that if one-third of such time deposits as of the date of making the loan, or one-third of the average time deposits for the preceding calendar year, shall have amounted to less than one-fourth of the capital and surplus of the bank as of the date indicated, in such event the bank shall have authority to make loans upon real estate under the terms of the Act of the extent of one-fourth of the bank's capital and surplus as of the date of making the loan.

In order that real estate loans held by a bank may be readily classified, a statement signed by the officers making a loan and having knowledge of the facts upon which it is based, must be attached to each note secured by a first mortgage on improved farm land, certifying in detail as of the date of the loan that all the requirements of law have been duly observed.

The Board calls attention to the closing paragraph of Section 24 of the Act which provides that:

“The Federal Reserve Board shall have power from time to time to add to the list of cities in which National banks shall not be permitted to make loans secured upon real estate in the manner described in this section.”

and gives notice that the foregoing regulations are subject to the authority of the Board to revise the

list of cities in which National banks shall not be permitted to make real estate loans in the manner above provided.

CHARLES S. HAMLIN,  
Governor.

H. PARKER WILLIS,  
Secretary.

**ACCEPTANCE OF STATEMENTS IN LIEU OF CERTIFICATES AS TO CHARACTER OF COMMERCIAL PAPER.**

(Circular No. 2, Series of 1915, January 12, 1915.)

The necessity of giving more time before regulation No. 3, of November 10, 1914, shall become effective is recognized by the Federal Reserve Board. The accompanying regulation is therefore issued as appended.

Regulation No. 4, of 1914, which was to go into effect January 15th, is hereby revoked and cancelled and will be replaced by a new regulation soon to be issued.

CHARLES S. HAMLIN,  
Governor.

H. PARKER WILLIS,  
Secretary.

(Regulation A, Series of 1915, superseding Regulation No. 3 of 1914.)

Whenever a member bank shall offer for rediscount any note, draft, or bill of exchange bearing the indorsement of such member bank, with waiver of demand notice and protest, the directors or executive committee of the Federal reserve bank may, until July 15, 1915, accept as evidence that the proceeds of such note, draft, or bill of exchange were or are to be used for agricultural, industrial, or commercial purposes (and that such notes, drafts, or bills of exchange in other respects comply with the regulations of the board) a written statement from the officer of the applying bank that of his own knowledge and belief the original loan was made for one of the purposes mentioned, and that the provisions of the act and regulations issued by the board have been complied with.

CHARLES S. HAMLIN,  
Governor.

H. PARKER WILLIS,  
Secretary.

**TIME DEPOSITS AND SAVINGS ACCOUNTS.**

(Circular No. 6, Series of 1915, January 15, 1915. See also Regulation E following.)

The Federal Reserve Board deems it advisable to amplify its regulation relating to time deposits and savings accounts issued November 11, 1914, and to define under the following headings those deposits against which the Federal Reserve Act requires a reserve of only 5 per cent. to be maintained:

1. Time deposits, open accounts.
2. Savings accounts.
3. Certificates of deposit.

It was clearly not the intention of the act to permit a reduction of reserve to 5 per cent. upon deposits which may ordinarily be checked upon, but in respect to which a bank, by a blanket provision in its by-laws, may at any time require a withdrawal

notice of not less than thirty days to be given. The reduction of the reserve to be carried against time deposits is intended to apply only to deposits under written agreement not to be withdrawn within thirty days from the date as of which the reserve calculation is made. Therefore, on the date of calculating reserve, under the definitions contained in the accompanying regulation, no deposit may be deemed a *time deposit*, whether on *open account* or on *certificate*—

(a) If it is payable within thirty days, because of the approaching end of the specified period for which it was deposited or because of receipt of notice of the date on which withdrawal will be made;

(b) If it may be withdrawn by check within thirty days, although the bank may have the right, by written contract or otherwise, to require a withdrawal notice of not less than thirty days.

Nor may any certificate of deposit be considered a time certificate if any part of the amount represented by it is subject to check or may be withdrawn without the presentation of the certificate for proper indorsement.

While savings accounts may at any time, by the action of the bank, be converted into time deposits, they are, nevertheless, ordinarily withdrawable on demand. In the absence of any statutory limitation upon the sum which may be received by a bank from any one individual as a savings account, the board has no authority, for the purpose of calculating reserves, to impose any such limitation, but it feels strongly that in the interest of both the member banks and the Federal reserve system, the broad provisions of the act in respect to time deposits, savings accounts, and certificates of deposit, should not be made the means of any large general reduction of reserves by a transfer to those forms of deposits which are in substance demand deposits; and it is the purpose of the Board to countenance or permit a reduction of reserves to five per cent. *only* on deposits which are, in fact as well as in form, entitled to such reduction within the spirit of the act.

Banks carrying savings accounts must record them in separate ledgers which do not contain ordinary checking accounts or other items. Open time accounts and time certificates of deposit should also be carried in separate ledgers, but if carried in the same ledger with current checking accounts they must be grouped together so as to be readily distinguished from the latter.

The board desires to make it clear that the act requires the full reserve, at the rate prescribed for demand deposits, to be carried against all savings accounts and all time deposits whether on open account or certificate, which are subject to check or which the bank has been notified are to be withdrawn within thirty days.

CHARLES S. HAMLIN,  
Governor.

H. PARKER WILLIS,  
Secretary,

(Regulation E, Series of 1915, January 15, 1915. Superseding Regulation No. 7 of 1914. See Circular No. 6 above.)

Section 19 of the Federal Reserve Act provides, in part, as follows:

"Demand deposits, within the meaning of this act, shall comprise all deposits payable within thirty days, and time deposits shall comprise all deposits payable after thirty days, and all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment."

#### Time Deposits, Open Accounts.

The term "time deposits, open accounts," shall be held to include all accounts, not evidenced by certificates of deposit or savings pass books, in respect to which a written contract is entered into with the depositor at the time the deposit is made that neither the whole nor any part of such deposit may be withdrawn by check or otherwise except on a given date or on written notice given by the depositor a certain specified number of days in advance, in no case less than thirty days.

#### Savings Accounts.

The term "savings accounts" shall be held to include those accounts of the bank in respect to which, by its printed regulations, *accepted by the depositor at the time the account is opened*—

(a) The pass book, certificate, or other similar form of receipt must be presented to the bank whenever a deposit or withdrawal is made, and

(b) The depositor may at any time be required by the bank to give notice of an intended withdrawal not less than thirty days before a withdrawal is made.

#### Time Certificates of Deposit.

A "time certificate of deposit" is defined as an instrument evidencing the deposit with a bank, either with or without interest, of a certain sum specified on the face of the certificate, payable in whole or in part to the depositor or on his order—

(a) On a certain date, specified on the certificate, not less than thirty days after the date of the deposit, or

(b) After the lapse of a certain specified time subsequent to the date of the certificate, in no case less than thirty days, or

(c) Upon written notice given a certain specified number of days, not less than thirty days before the date of repayment, and

(d) In all cases only upon presentation of the certificate at each withdrawal for proper indorsement or surrender.

CHARLES S. HAMLIN,  
Governor.

H. PARKER WILLIS,  
Secretary.

#### SIX MONTHS' AGRICULTURAL PAPER.

(Circular No. 4, Series of 1915, January 15, 1915.)

The appended regulation is issued to supersede Regulation No. 5, of November 10, 1914, which is hereby revoked and canceled.

CHARLES S. HAMLIN,  
Governor.

H. PARKER WILLIS,  
Secretary.

(Regulation C, Series of 1915, January 15, 1915. Superseding Regulation No. 5, of November 10, 1914.)

The word "bill" when used in this regulation shall be construed to include notes, drafts, or bills of exchange.

Each Federal Reserve Bank may receive for dis-



count bills which have a maturity of more than three but less than six months, in an aggregate amount equal to a percentage of its capital stock to be fixed from time to time for each Federal Reserve Bank by the Federal Reserve Board.

*Provided, however,* That such bills are drawn or issued for agricultural purposes or are based on live stock; that is, that their proceeds have been used or are to be used for agricultural purposes, including the breeding, raising, fattening, or marketing of live stock; and

*Provided, further,* That such bills comply in all other respects with each and every provision of Regulation B, series of 1915.

CHARLES S. HAMLIN,  
Governor.

H. PARKER WILLIS,  
Secretary.

**COMMERCIAL PAPER.**

(Circular No. 3, Series of 1915, January 25, 1915. Superseding Circular No. 13 of 1914.)

When Circular No. 13, bearing date of November 10, 1914, and the accompanying regulations were issued it was hoped that a period of two months would suffice to enable member banks to familiarize their customers with the requirements of Regulation No. 4 of 1914. It appears, however, that in many districts the needed readjustments of banking and business practice cannot be effected in so short a period. An extension of time was therefore asked by both member banks and their customers for the purpose of adjusting their methods to the new requirements and was granted by the Board (see Regulation A, accompanying Circular No. 2, Series of 1915).

In order to facilitate operations, particularly during the initial period, the requirements as to borrowers' statements have been modified. But while Circular No. 13, of November 10, 1914, is now superseded, the Board has not modified its views upon the general principles therein expressed as being of fundamental importance in the best development of the new system.

The Board has formulated in Regulation B, here to annexed (paragraph III), a new method for certifying the eligibility of bills for rediscount. While banks will not be required to comply with the provisions of paragraph III until after July 15th, the new method prescribed is made a part of this regulation in order that advance notice may be given to all banks, so that those which are equipped to do so may begin to operate under its provisions as soon as possible. The Board suggests, furthermore, that Federal Reserve Banks insist that the accompanying regulation be applied as promptly as possible to all so-called "purchased paper"—that is, paper bought through brokers or others with whom the purchasing bank has no direct business relations. Where such direct connections do not exist the requirement that statements, both as to business conditions and methods of borrowing, be furnished appears to be a matter of prudence and should not be postponed. In such cases as these, where borrowers' statements in the required form are not available until after the close of the business year, statements for the previous year may be accepted, pending receipt of new statement

in required form, even though such statements may not contain all the desired data.

While it has been thought best not to insist upon a written statement in the case of limited borrowings by depositors, when officers of member banks, from their own personal knowledge, certify to the eligibility of the paper for discount, it is urged, nevertheless, that member banks do their utmost to accustom their borrowers to furnishing such statements.

CHARLES S. HAMLIN,  
Governor.

H. PARKER WILLIS,  
Secretary.

(Regulation B, Series of 1915, January 25, 1915. Superseding Regulations 2 and 4 of 1914.)

The word "bill," when used in this regulation, shall be construed to include notes, drafts, or bills of exchange, and the word "goods" shall be construed to include goods, wares, merchandise, or staple agricultural products, including live stock.

**I**

**Statutory Requirements.**

The Federal Reserve Act provides that a bill, other than an acceptance (see Circular No. 5 and Regulation D, to be published shortly), to be eligible for rediscount by a member bank with a Federal Reserve Bank, must comply with the following statutory requirements:

(a) It must be indorsed by a member bank, accompanied by a waiver of demand, notice, and protest.

(b) It must have a maturity at the time of discount of not more than 90 days, except as provided by Regulation C, accompanying Circular No. 4, Series of 1915.

(c) It must have arisen out of actual commercial transactions; that is, be a bill which has been issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been or are to be used for such purposes.

(d) It must not have been issued for carrying or trading in stocks, bonds, or other investment securities except bonds and notes of the Government of the United States; but the pledge of goods as security for a bill is not prohibited.

**II**

**Character of Paper Eligible.**

The Federal Reserve Board, exercising its statutory right to define the character of a bill eligible for rediscount at a Federal Reserve Bank, has determined:

(a) That it 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 of the steps of the process of production, manufacture, and distribution;

(b) That no bill is "eligible" the proceeds of which have been used or are to be used:

(1) For permanent or fixed investments of any kind, such as land, buildings, machinery (including therein additions, alterations, or other permanent improvements, except such as are properly to be regarded as costs of operation). It may be considered as sufficient evidence of compliance with this requirement if the borrower shows, by statement or otherwise, that he has a reasonable excess of quick assets over his current lia-

bilities on open accounts, short-term notes, or otherwise;

(2) For investments of a merely speculative character, whether made in goods or otherwise.

### III

#### Method of Certifying Eligibility.

Any member bank applying for rediscount of a bill after July 15, 1915, must certify in its letter of application, over the signature of a duly authorized officer, that to the best of its knowledge and belief the bill was issued for one of the purposes mentioned in the above paragraphs and conforms to section 13 of the Federal Reserve Act and to this regulation.

It is recommended that every member bank maintain a file which shall contain original signed statements of the financial condition of borrowers, or true copies thereof, certified by a member bank or by a notary public, designating where the original statement is on file. Statements should contain all the information essential to a clear and correct knowledge of the borrower's credit and of his method of borrowing. A schedule specifying certain information, which it is desirable that such statements should include, is hereto appended.

Member banks shall certify in their letters of application for rediscount whether the paper offered for rediscount is depositor's or purchased paper, or paper rediscounted for other member banks, and whether statements are on file. When it does not appear that such statements are on file, except as hereinafter provided under (1), (2), and (3) below, the Federal Reserve Bank shall satisfy itself as to the eligibility of the paper offered for rediscount, and member banks will be expected to use such statement forms, identifying stamps, etc., as may be prescribed by the respective Federal Reserve Banks.

Any member bank rediscounting with a Federal Reserve Bank paper acquired from another member bank, with the indorsement of such member bank, may accept such member's certification regarding the character of the paper and the existence of the necessary statements.

Statements of the borrower's financial condition may be waived where bills offered for rediscount have been discounted by member banks for any of their depositors in the following cases:

(1) If the bill bears the signatures of the purchaser and the seller of the goods and presents prima facie evidence that it was issued for goods actually purchased or sold; or

(2) If the aggregate amount of obligations of such depositor actually rediscounted and offered for rediscount does not exceed \$5,000, but in no event a sum in excess of 10 per centum of the paid-in capital of the member bank; or

(3) If the bill be specifically secured by approved warehouse receipts covering readily marketable staples:

*Provided, however,* That the bank shall certify to these conditions on the application blank in a manner to be designated by the respective Federal Reserve Banks.

CHARLES S. HAMLIN,  
Governor.

H. PARKER WILLIS,  
Secretary.

### APPENDIX.

#### Information Desired in Credit Files of Member Banks.

The credit files of member banks, referred to in the above regulation, should include information concerning the following matters:

(a) The nature of the business or occupation of the borrower;

(b) If an individual, information as to his indebtedness and his financial responsibility;

(c) If a firm or corporation, a balance sheet showing quick assets, slow assets, permanent or fixed assets, current liabilities and accounts, short-term loans, long-term loans, capital and surplus;

(d) All contingent liabilities, such as indorsements, guaranties, etc.;

(e) Particulars respecting any mortgage debt and whether there is any lien on current assets;

(f) Such other information as may be necessary to determine whether the borrower is entitled to credit in the form of short-term loans.

#### PURCHASE OF WARRANTS.

(Circular No. 7, Series of 1915, January 26, 1915.)

In drawing Regulation F (attached), the Federal Reserve Board has been guided by the consideration that it is the primary purpose of the Federal Reserve Act to provide a banking organization which shall be responsive to the ebb and flow of commerce and trade.

Inasmuch as the funds of Federal Reserve Banks should be employed primarily in discount operations, purchases of warrants by such banks should be ordinarily limited to a relatively small proportion of their aggregate resources. This practice should be departed from only when general banking policy renders it advisable. In any and all cases the interest of the Federal Reserve Banks rather than that of the municipalities desiring to sell their obligations should be the primary consideration in making such investments.

In order to keep the assets of the Federal Reserve Banks in a liquid condition, investments in warrants, when made, should be made by preference in such as can be readily marketed, so that Federal Reserve Banks may be able to realize on them whenever it becomes desirable to enlarge their discounts of commercial paper.

In restricting Federal Reserve Banks to the purchase of such warrants as carry the definite assurance that the taxes and revenues will be actually in hand before maturity, the Board endeavors to follow the policy of the Act in restricting Federal Reserve Banks as far as possible to investments which are of short maturity and self-liquidating.

CHARLES S. HAMLIN,  
Governor.

H. PARKER WILLIS,  
Secretary.

(Regulation F, Series of 1915, January 26, 1915.)

#### Statutory Requirements.

Section 14 of the Federal Reserve Act reads in part as follows:

"Every Federal Reserve Bank shall have power—

(b) 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 revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage, and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Federal Reserve Board."

For brevity's sake, the term "warrant" when used in this regulation shall be construed to mean "bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months," and the term "municipality" shall be construed to mean "State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage, and reclamation districts."

#### Regulation.

The Federal Reserve Board has determined:

I. A Federal Reserve Bank may purchase such warrants as are issued by a municipality—

(a) In anticipation of the collection of taxes or in anticipation of the receipt of assured revenues. The taxes or assured revenues against which such warrants have been issued must be due and payable on or before the date of maturity of such warrants. For the purposes of this regulation taxes shall be considered as due and payable on the last day on which they may be paid without penalty;

(b) As the general obligations of the entire municipality; it being intended to exclude as ineligible for purchase all such obligations as are payable from "local benefit" and "special assessment" taxes when the municipality at large is not directly or ultimately liable;

(c) 1. Which has been in existence for a period of 10 years;

2. Which for a period of 10 years previous to the purchase has not defaulted, for longer than 15 days, in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it; and

3. Whose net funded indebtedness does not exceed 10 per centum of the valuation of its taxable property, to be ascertained by the last preceding valuation of property for the assessment of taxes.

As a definition of the term "net funded indebtedness" as used in I (c) 3, above, and in further explanation of I (c) 1 and 2, relative to the term of existence of and nondefault by the municipality, the Federal Reserve Board has adopted in substance the definitions and regulations of the board of trustees of the Postal Savings System, which, as printed hereunder as an appendix hereto, are made a part of these regulations.

II. Except with the approval of the Federal Reserve Board, no Federal Reserve Bank shall purchase and hold an amount in excess of 25 per centum of the total amount of warrants outstanding at any time and issued in conformity with provisions of Section 14 (b) above quoted, and actually sold by a municipality.

III. Except with the approval of the Federal Reserve Board, the aggregate amount invested by any Federal Reserve Bank in warrants of all kinds shall not exceed at the time of purchase a sum equal to 10 per centum of the deposits kept by its member banks with such Federal Reserve Bank.

IV. Except with the approval of the Federal Reserve Board, the maximum amount which may be invested at the time of purchase by any Federal Reserve Bank in warrants of any single municipality shall be limited to the following percentages of the deposits kept in such Federal Reserve Bank by its member banks:

Five per centum of such deposits in warrants of a municipality of 50,000 population or over;

Three per centum of such deposits in warrants of a municipality of over 30,000 population but less than 50,000;

One per centum of such deposits in warrants of a municipality of over 10,000 population but less than 30,000.

V. Warrants of a municipality of 10,000 population or less shall be purchased only with the special approval of the Board.

The population of a municipality shall be determined by the last Federal or State census. Where it can not be exactly determined the Board will make special rulings.

VI. Opinion of recognized counsel on municipal issues or of the regularly appointed counsel of the municipality as to the legality of the issue shall be secured and approved in each case by counsel for the Federal Reserve Bank.

VII. Any Federal Reserve Bank may purchase from any of its member banks warrants of any municipality, indorsed by such member bank, with waiver of demand, notice, and protest, up to an amount not to exceed 10 per centum of the aggregate capital and surplus of such member bank: *Provided, however,* That such warrants comply with provisions I and III of these regulations, except that where a period of 10 years is mentioned in I (c) hereof a period of five years shall be substituted for the purposes of this clause.

CHARLES S. HAMLIN,  
Governor.

H. PARKER WILLIS,  
Secretary.

#### Definition of "Net Funded Indebtedness."

The term "net funded indebtedness" is hereby defined to mean the legal gross indebtedness of the municipality (including the amount of any school district or other bonds which depend for their redemption upon taxes levied upon property within the municipality) less the aggregate of the following items:

(1) The amount of outstanding bonds or other debt obligations made payable from current revenues;

(2) The amount of outstanding bonds issued for the purpose of providing the inhabitants of a municipality with public utilities, such as waterworks, docks, electric plants, transportation facilities, etc.: *Provided,* That evidence is submitted showing that the income from such utilities is sufficient for maintenance, for payment of interest on such bonds, and for the accumulation of a sinking fund for their redemption;

(3) The amount of outstanding improvement bonds, issued under laws which provide for the levying of special assessments against abutting property in amounts sufficient to insure the payment of interest on the bonds and the redemption thereof: *Provided,* That such bonds are direct obligations of the municipality and included in the gross indebtedness of the municipality;

(4) The total of all sinking funds accumulated for the redemption of the gross indebtedness of the municipality, except sinking funds applicable to bonds just described in (1), (2), and (3) above.

**Definition of "Existence" and "Nondefault."**

Warrants will be construed to comply with that part of paragraph (c) of this regulation relative to term of existence and nondefault, under the following conditions:

(1) Warrants issued by or in behalf of any municipality which was, subsequent to the issuance of such warrants, consolidated with, or merged into, an existing political division which meets the requirements of these regulations, will be deemed to be the warrants of such political division: *Provided*, That such warrants were assumed by such political division under statutes and appropriate proceedings the effect of which is to make such warrants 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) Warrants issued by or in behalf of any municipality which was, subsequent to the issuance of such warrants, 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 10 years, will be deemed to be warrants of such succeeding political division: *Provided*, That during such period none of such political divisions shall have defaulted, for a period exceeding 15 days, 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 warrants were assumed by such new political division under statutes and appropriate proceedings the effect of which is to make such warrants 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) Warrants issued by or in behalf of any municipality 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 10 years, will be deemed to be warrants of a political division which has been in existence for a period of 10 years: *Provided*, That during such period, none of such original, succeeding, or consolidated political divisions shall have defaulted, for a period exceeding 15 days, in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it.

**WAIVER OF DEMAND, NOTICE AND PROTEST.**

(Circular No. 8, Series 1915, January 27, 1915.)

Section 13 of the Federal Reserve Act provides in part:

"Upon the indorsement of any of its member banks, with a waiver of demand, notice, and protest by such bank, any Federal Reserve Bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions."

Attention is called to the fact that the waiver of demand, notice, and protest by the bank procuring

the discount does not release the holder of the note or bill discounted from the duty to protest such note or bill in order that those indorsers who have not executed such a waiver may be held liable.

If the holder should fail to protest an indorsed note or bill at maturity, the Federal Reserve Bank might, in such circumstances, hold the member bank liable on account of the waiver executed, but other indorsers would be legally released.

Federal Reserve Banks are, therefore, cautioned to take all necessary steps to insure the protest of all maturing notes and bills which are in their possession or have been sent for collection through any correspondent bank wherever such notes or bills contain any indorsements not accompanied by a waiver of demand, notice, and protest. To insure this the bank or agent presenting any note or bill, held by the Federal Reserve Bank, at the place of payment at maturity should be instructed, if the same is dishonored, to immediately protest such note or bill and to have all necessary notices sent to the indorsers.

CHARLES S. HAMLIN,  
Governor.

H. PARKER WILLIS,  
Secretary.

**Recent Rulings of Internal Revenue Department Under the Emergency Revenue Act**

**BOOK TRANSFER OF STOCK, TITLE TO WHICH PASSED PRIOR TO DECEMBER 1, 1914, NOT TAXABLE.**

In reply to your letter of even date relative to the Act of October 22, 1914, you are advised that it is held by this office that where title to certificates of stock passed prior to December 1, 1914, stamps are not required, even though the transfer on the books of the corporation was not made until after December 1, 1914.

December 26, 1914.

**TWO CLASSES OF TAXABLE BONDS.**

This office has received a number of inquiries indicating that a construction not intended by this office has occasionally been placed upon T. D. 2060 dealing with the subject of bonds, and especially bonds accompanying mortgages.

In order to make plain the meaning of said Treasury Decision it may be stated that taxable bonds, under the Revenue Act of October 22, 1914, are divided into two distinct classes, having neither in form, purpose nor law any resemblance whatever to each other. They are:

First: Bonds issued as certificates or evidence of indebtedness, generally based upon mortgages or some other character of security founded upon real or personal property.

Second: Bonds of indemnity for loss, to secure the performance of the duties of any office or position, or for the doing of any other thing therein specified.

The first class is taxed under the law at five cents on each one hundred dollars of face value, or



fraction thereof, when issued by any association, company or corporation. If, however, they are issued simply by an individual, and based either upon his individual credit or property, and obligating him to pay a certain sum or sums of money at a specific time or times, with or without coupons simply marking and indicating interest due thereon, and whether or not based upon a mortgage of either personal or real property, they fall within the taxation imposed upon promissory notes, that is to say, two cents when promising to pay a sum not exceeding one hundred dollars, and two cents for each additional one hundred dollars, or fractional part thereof.

The second class, bonds or obligations of the nature of indemnity for loss, security, or guaranteeing official obligations, are accompanied usually by sureties either personal or corporate. When such bonds are executed only by persons without charge therefor in the nature of premium, they fall under the subdivision of class two, which the law designates as "bonds of any description . . . not otherwise provided for in this schedule, fifty cents." Such personal indemnity bonds, therefore, without premium are the only character of bonds within the revenue act subject to a fifty-cent tax. Indemnity bonds, issued by any person, association or corporation transacting the business of indemnity insurance, are taxable in all cases and for all purposes at the rate of one-half of one cent on each dollar, or fractional part thereof, upon the total amount of premium charged.

The first class of bonds are almost uniformly based upon mortgages of either personal property or real property, whereas the second class would rarely be issued in connection with a mortgage or other property used as security or collateral for the payment of a debt. The nature and purpose of the two bonds would fix their status for taxation, and not the extraneous facts as to whether they were issued with or without mortgages. Any inconsistent ruling heretofore made is modified in line with the foregoing.

January 4, 1915.

#### BONDS OF INDEMNITY TO BANKS AND OTHERS.

In T. D. 2072 this office ruled that

Every bond or obligation of the nature thereof, without regard to form sealed or unsealed, with or without sureties, made by any individual, firm, or corporation to indemnify any person, corporation or other entity for loss, damage or liability, or for the doing or not doing of anything therein specified, and all undertakings, proposals, or agreements of every character offering indemnity or guaranteeing validity to any person or thing, is subject to a fifty-cent tax, unless the sureties thereon, if any are offered, consist of persons, companies, or corporations transacting the business of fidelity, etc., insurance, when the rate of tax and the only tax required to be paid thereon will be one-half of one cent on each dollar or fractional part thereof of the premium charged.

This office has since been convinced, however, that while the definition implied by the quotation above is probably justified technically by the extended scope given to the meaning of the word "bond," by recent legislation and court decisions, it is yet too broad for practical application and more comprehensive than

contemplated by the framers of the Act of October 22, 1914.

T. D. 2072 is therefore hereby modified so as to exclude from its provisions such documents as applications addressed to surety and fidelity companies wherein the applicant agrees to indemnify the surety company in case of loss under the bond applied for, agreements executed by shippers undertaking to hold railroads harmless on account of any loss occurring by reason of the payment of claims against such railroad without the presentation of original bills of lading, etc., agreements executed by depositors of banks and institutions of a similar character agreeing to hold such institutions harmless on account of the payment to depositors of sums covered by pass books or checks and drafts, etc., which have been lost, and other papers of similar character and scope which, not under seal and without sureties, impose upon those executing them no liability other than that which would be automatically imposed upon them by operation of law.

It must, however, be clearly understood that the exemption from the provisions of T. D. 2072 provided above is in no case to be extended to any form of agreement of indemnification to which sureties are parties.

January 18, 1915.

#### SCHEDULE A—CONVEYANCES—RELATIVE TO DEEDS AND TRANSFER OF REAL ESTATE.

This office is in receipt of your letter of December 24, 1914, relating to the taxability of deeds, etc., under the provisions of the Internal Revenue Act of October 22, 1914, and in reply you are advised as follows:

The said Act provides that a deed, instrument, or writing whereby any lands, tenements, or other realty sold shall be granted, assigned, transferred, or otherwise conveyed when the consideration or value of the interest or property conveyed, exclusive of the value of any lien or incumbrance thereon, exceeds \$100 and does not exceed \$500 shall be subject to a tax of 50 cents; and for each additional \$500 or fractional part thereof in excess of \$500, 50 cents. For instance, where a property is sold for \$2,000, \$1,000 of which is received in cash and a promissory note for the balance the tax to be imposed upon the deed should be computed on the basis of the cash received and the said promissory note becomes subject to the tax imposed upon such instruments, i. e., \$1 on the deed and 20 cents on the note.

In the case of a deed which states that the transfer is made for a nominal consideration, or a consideration of \$1, the tax must be computed upon the actual value of the interest or property conveyed; the amount of any lien or encumbrance being deducted, and the person who executes the deed is required to affix stamps thereto, and becomes liable to penalty if stamps in a sufficient amount, based upon the actual value of the consideration given, are not so affixed.

A deed which is executed, dated and delivered prior to December 1, 1914, is not subject to tax under the provisions of the said Act, and, therefore, may be accepted for record subsequent to that date without having documentary stamps affixed thereto.

A deed which was dated prior to December 1, 1914, but was acknowledged before a notary public and delivered subsequent to that date is taxable.

Section 13 (Law paragraph 66) of the said Act provides that it shall not be lawful to record or register any instrument, paper or document required by law to be stamped unless stamp or stamps of the proper amount shall have been affixed and canceled in the manner prescribed by law.

Where a deed is presented to a recording officer and it appears probable that an insufficient amount of Internal Revenue stamps are attached thereto and he is not satisfied with the explanation furnished by the party offering the same for record, he should notify the Collector of Internal Revenue. It is not expected that the recording officer will institute an investigation to see whether there has been any violation of the law; nor is it thought that he should exact an affidavit showing the true consideration.

A contract for the sale of real estate which provides for the issuance of a deed at some future date upon the fulfillment of certain conditions is not subject to tax if executed by the owner of the land. If executed by a broker it is subject to a tax of 10 cents.

A partition deed which is operative in defining boundary lines or in showing by location each tenant-in-common's interest is not subject to tax.

A quit claim deed given for no consideration, or merely the nominal consideration of \$1 for the purpose of correcting a flaw in title, is not subject to tax. No tax is imposed upon an option for the purchase of real property.

Oil leases, leases of mining property, long-term mining leases, etc., which in themselves convey no title to, or interest in, real property are exempt from tax.

Deeds in escrow do not become subject to the said tax until the final delivery is made. Therefore, if delivery of such a deed is made subsequent to December 1, 1914, it becomes subject to the tax imposed upon conveyances.

Deeds of release and deeds of trust are exempt from tax under the provisions of the said Act.

Deeds issued by Masters in Chancery, sheriffs, etc., to cover transfer of property sold under a foreclosure or execution are subject to tax, the cost of which may be added to the court costs.

Deeds to burial sites which do not convey title to land, but only a right to sepulture, to erect monuments, etc., are exempt from tax.

A deed issued to cover a gift of property from husband to wife, or from parent to child, or from an individual to a municipality or other political subdivision, wherein the consideration named is "Natural love and affection and \$1," "Desire to promote public welfare and \$1," or "\$1 and other valuable considerations" is not taxable.

In the case of an exchange of two properties, the deeds transferring title to each are subject to tax, which should, in each case, be computed on the basis of the actual value of the interest or property conveyed, the amount of any lien or encumbrance being deducted.

A deed executed by a debtor covering an assignment of property to a trustee to be held for the benefit of a creditor is not subject to tax. When, how-

ever, the trustee sells or conveys such property, either to the creditor or any other person, the deeds executed by him are taxable.

A deed transferring title to property to a Building and Loan Association for the purpose of securing a loan on the property so conveyed, which property is immediately reconveyed to its owner is not subject to tax; the deed of reconveyance being likewise exempt.

A deed given by a husband and wife to a "straw man" who immediately executes a deed reconveying the property to the wife is not subject to tax if given for no valuable consideration, or merely the nominal consideration of \$1 and, likewise, the deed of reconveyance is exempt.

January 4, 1915.

Note.—See following decision.

#### CONVEYANCES OF ENCUMBERED REAL ESTATE.

With reference to the ruling contained in Treasury Decision dated January 4, 1915, it appears necessary, in order to avoid a misunderstanding of its provisions, to state that such ruling contemplates that the promissory note referred to in the example given in the second paragraph is secured by vendor's lien set forth in the deed and thus constituting an existing encumbrance on the property.

Where the purchaser receives a deed conveying the entire title to himself, even though it be conveyed under a specific agreement that a mortgage or lien thereon will immediately ensue, unless such mortgage or lien is evidenced in the deed as showing that its execution was a part of, or consideration in the original sale and transfer of title, the tax to be imposed under the provisions of the Internal Revenue Act of October 22, 1914, upon the deed should be computed on the entire amount of consideration given, or the value of the interest or property conveyed, and the said note or notes will be subject to the tax imposed upon such instruments under the provisions of the said Act.

In short, unless the mortgage given by a purchaser of real property, at the time of purchase, is specifically evidenced in the instrument of conveyance, the only encumbrances which may be deducted from the amount of actual consideration given, or the actual value of the interest or property conveyed, in computing the amount of tax to be imposed upon the deed, are those which rested upon the property at the time of its purchase.

January 11, 1915.

#### TAX ON A CONVEYANCE IS ON BASIS OF FULL CONSIDERATION EVEN THOUGH INSTALLMENT PAYMENTS WERE MADE PRIOR TO DECEMBER 1, 1914.

This office is in receipt of your letter of the 9th ultimo making the following inquiry:

"Where real estate has been purchased under contract, the larger portion of the purchase price having been paid prior to December 1st, must stamps be affixed for the full amount of the purchase price or for the amount paid subsequent to December 1st? For instance, if property worth \$10,000 has been purchased on the installment plan, and, prior to December 1st, all but \$500 of the amount due had been paid, should the deed bear a 50-cent stamp or a \$10 stamp?"

In reply you are informed that the tax is on the conveyance, computed on the basis of the consideration or value, without reference to the payments made on the installment plan prior to December 1st.

January 8, 1915.

**NO TAX ON GIFT OF REAL ESTATE.**

This office is in receipt of your letter of the 10th ultimo in regard to the stamp tax on a conveyance of real estate made as a gift.

In reply you are informed that a deed of this kind is not taxable. The language of the law is "realty sold." The word "sold" is used in its ordinary meaning and acceptance.

January 8, 1915.

**ACCEPTED DRAFT NOT TAXABLE UNLESS USED AS PROMISSORY NOTE.**

Drafts, whether demand or time and whether accepted or not, are not taxable as such under the Act of October 22, 1914. If, however, a draft is drawn and accepted for the purpose of use as a promissory note, it would be held taxable as such.

January 5, 1915.

**CANCELLATION OF STAMPS ON PROXIES.**

This office is in receipt of your letter of the 2d instant in regard to stamp tax on proxies and cancellation of the same.

In reply you are informed that where the stamp is affixed by an officer or employee of the corporation, it will be a sufficient compliance with the law if the stamps are canceled by writing thereon the initials of the officer or employee affixing the same, or by writing the initials of the corporation.

The regulations require that stamps of the value of 10 cents or more shall have three parallel incisions made by some sharp instrument lengthwise through the stamp after the stamp has been attached to the document: *Provided*, this will not be required where stamps are canceled by perforation.

January 8, 1915.

**TRUST COMPANY CERTIFICATES OF DEPOSIT OF STOCKS AND BONDS.**

Are "Certificates of Deposit" issued by a trust company when acting as depositary of stock or bonds in cases where committees or other similar bodies are organized for the purpose of reorganizing or taking other concerted action regarding the property or affairs of existing corporations subject to tax under Act of October 22, 1914?

You ask (1) whether certificates when so issued on deposits of bonds are taxable; (2) whether certificates so issued on deposits of stock are taxable; and (3) if in either case the instruments are taxable, whether the tax should be upon the issue of the original instrument, or only on a transfer thereof.

In reply you are advised that the certificates in question are not subject to tax when issued, but when certificates evidencing the deposit of stock are sold or transferred, they are subject to tax as sales or transfers of the shares of stock which they represent. Certificates evidencing the deposit of bonds are not subject to tax when transferred, as there is no tax on the transfer of bonds.

You are further advised that if, as understood,

the legal title to stock deposited is transferred to the depositary, this would be a transfer subject to the tax.

January 14, 1915.

**MONEYS BORROWED NOT INCLUDED AS TAXABLE BANK CAPITAL.**

Referring to your personal visit of this morning, relative to the protest of a constituent of yours against the following by this office of a ruling first laid down under the War Revenue Act of 1893 that, in arriving at the amount of tax due from bankers under the provisions of sub-division 1 of Section 3, Act of October 22, 1914, borrowed capital should be included in the basis upon which such tax is computed, I have the honor to advise you that this matter has been carefully considered by this office, and the conclusion is reached that the tax on Bankers due from incorporated companies engaged in the banking business should be measured by the total of the amount of *capital, surplus and undivided profits* used in such business, as shown by their books for the fiscal year preceding the period for which the tax is paid. Moneys borrowed, bills payable, rediscounts, and time certificates of deposit should not be included as a portion of the capital.

Regarding a bank, now engaged in business, and which was not doing business as such during the preceding fiscal year, the tax due should be computed on the total paid in capital, together with the surplus and undivided profits, (if any), used or employed during the month the bank opened for business.

Taking up the question of computing the tax due from a private bank, not having a capital stock represented by shares, such tax should be computed on the basis of the total of the actual capital used or employed in banking business, together with the amount of surplus and undivided profits.

January 15, 1915.

Note.—Prior to the above ruling of January 15, the Commissioner of Internal Revenue had ruled that "all borrowed capital used or employed as a part of the working capital of the banker must be included in the basis upon which special tax is computed." This was generally understood and construed as a ruling that besides a bank's capital, surplus and undivided profits, there would be additionally taxed all borrowed money used in the business.

General Counsel of this Association received a large number of letters from bankers protesting against this ruling and requesting that he use his efforts to have it changed. On January 7th, General Counsel addressed an argument to the Commissioner of Internal Revenue, the substance of which was as follows:

"In *Bailey v. Clark*, 21 Wallace 284, the Supreme Court of the United States under similar statute of 1866 held that the term 'capital' employed by a banker in the business of banking does not include moneys borrowed by him from time to time temporarily in the ordinary course of his business. Mr. Justice Field, voicing the opinion of the court, said: 'When used with respect to the property of a corporation or association the term has a settled meaning; it applies only to the property or means contributed by the stockholders as the fund or basis for

the business or enterprise for which the corporation or association was formed. As to them the term does not embrace temporary loans, though the moneys borrowed be directly appropriated in their business or undertakings. And when used with respect to the property of individuals in any particular business, the term has substantially the same import; it then means the property taken from other investments or uses and set apart for and invested in the special business, and in the increase, proceeds or earnings of which property beyond expenditures incurred in its use consist the profits made in the business. It does not, any more than when used with respect to corporations, embrace temporary loans made in the regular course of business. . . . We are satisfied that the term as used in the statute was intended to embrace only the fixed capital employed in the business of banking, as distinguished from deposits and temporary loans made in the regular course of business, and that no distinction is to be made in this respect between the capital of individual bankers and that of banking corporations.

"I would respectfully ask whether this decision is not to be regarded as controlling so as to exclude 'money borrowed' from taxation as capital. It seems to me the plain intent of the law, in case of a banking corporation, is to include only the fixed capital contributed by stockholders, with the surplus and undivided profits and not to include the money contributed, so to speak, by creditors and employed, until repayment, as a loanable fund, whether such fund be contributed by depositors or by other lenders."

A reply was received that the office was carefully considering the matter and would advise when decision was reached. Following this, came the publication by the Commissioner of his ruling of January 15th in the form of a letter to an unnamed correspondent in which he concludes that: "Moneys borrowed, bills payable, rediscounts and time certificates of deposit should not be included as a portion of the capital."

**AD-INTERIM BONDS ARE TO BE STAMPED.**

This office is in receipt of your letter of the 3d ultimo, in regard to requirements of the Act of October 22, 1914, with respect to the issue of bonds.

You inquire whether ad-interim bonds issued pending the printing or engraving of definitive bonds should have affixed the documentary stamps required by the aforesaid Act, and if so, whether the definitive bonds when issued should also be stamped.

In reply you are advised that the stamps are required to be affixed to the issue of ad-interim bonds and that the permanent engraved bonds when issued, in lieu of and in exchange for the ad-interim bonds, are not required to be stamped, but a notation should be made on each bond that the stamps had been placed on the ad-interim bonds.

January 14, 1915.

**INSTRUCTIONS REGARDING TEN-CENT STAMP TAX ON PROXIES.**

The following rulings have recently been made by the Department with reference to the stamp tax of ten cents, imposed under Schedule A of the Act of October 22, 1914, on a power of attorney or proxy for

voting at any election for officers of any incorporated company or association, except religious, charitable or literary societies or public cemeteries:

1. A power of attorney or proxy for voting at any election for officers of any incorporated company or association, and authorizing the proxy to act in such capacity upon all questions or matters presented at a stockholders' meeting, is subject to a tax of ten cents only; and when a power of attorney or proxy is granted for a corporate meeting held for purposes other than the election of officers, such power of attorney or proxy is not subject to any tax.

2. A power of attorney or proxy executed by a person residing in a foreign country to a person residing in this country, to vote at the election of officers of an incorporated company, is taxable, as the instrument is not operative and effective until accepted by the person in this country to whom it is issued. Powers of attorney and proxies executed by a person residing in the United States authorizing a person in a foreign country to vote at the election of officers of an incorporated company are not taxable.

3. Directors of a corporation are officers within the meaning of the clause imposing a tax on powers of attorney or proxies for voting at the election of officers of an incorporated company.

4. Powers of attorney or proxies executed and accepted before December 1, 1914, are not taxable, even though used subsequent to December 1, 1914.

5. A ten-cent stamp is required for each signature upon a power of attorney or proxy for use in voting at the election of officers of an incorporated company.

6. The stamp may be affixed and canceled either by the party who executes the proxy or by the party to whom the proxy is given.

January 19, 1915.

**INSTRUCTIONS REGARDING TWENTY-FIVE CENT STAMP TAX ON POWERS OF ATTORNEY.**

The following rulings have recently been made by the Department with reference to the stamp of twenty-five cents imposed under Schedule A, of the Act of October 22, 1914, on a power of attorney to sell and convey real estate, or to rent or lease the same, to receive or collect rent, to sell or transfer any stock, bonds, scrip, or for the collection of any dividends or interest thereon, or to perform any and all other acts not hereinbefore specified:

1. An assignment, for a *valuable consideration*, of debts, wages, mortgages, bonds, etc., ordinarily transfers to the assignee all the rights of the assignor and the remedies necessary for their enforcement, and, in the opinion of this office, the assignee acquires no further rights by the means of a power of attorney clause in the assignment than are conveyed by the instrument itself, and such pro forma power of attorney is therefore not taxable.

2. Where a corporation by resolution of its Board of Directors has empowered an officer thereof to sell, assign or transfer stock or bonds standing in the name of the corporation, or to perform any act in the name of the corporation, such authority is not taxable as a power of attorney for the reason that it is necessary for a corporation to perform its corporate acts through one of its officers. If, however, a person other than an officer of the corporation acting in his official capacity is given this authority, the power of attorney so granted would require a twenty-five cent stamp.

3. A general power of attorney granted by a Board of Directors to a person other than an off-



cer of a corporation acting in his official capacity for the purpose of representing the corporation in transactions of a like kind and nature, such as conveying land or acknowledging deeds, is considered by this office as specific authority for each individual transaction, and a revenue stamp is required on each instrument containing the power of attorney.

4. A certified copy of a power of attorney, such as is required to be filed on cards in the executive departments of the Government by various insurance and bonding companies, is not taxable.

5. A power of attorney executed by a person residing in a foreign country to a person in this country is taxable, as the instrument is not operative and effective until accepted by the person to whom the power is granted; and, for the same reason, a power of attorney executed by a person residing in this country to a person in a foreign country is not taxable.

6. A power of attorney embodied in a mortgage, authorizing and empowering the mortgagee to perform some act which, under the statutes of that State, is not a right inuring to the mortgagee through the instrument itself, such as a power of sale (see *Etna Coal & Iron Co. vs. Marting Iron & Steel Co.*, 127 Fed. Rep. 32) authorizing the mortgagee, himself, upon default, to make public sale of the property affected and to convey the title to the purchaser at such sale free from all rights or equity of redemption, thus avoiding the necessity of resorting to the courts for foreclosure is taxable in those States in which it is held valid.

In several of the States, however, the right to exercise a power of sale contained in a mortgage or deed of trust has been taken away by statutes requiring judicial proceedings for foreclosure in all cases. A power of attorney, therefore, embodied in a mortgage or deed of trust which contains no other right or power than that which the instrument itself or statute of the State, vests in the mortgagee, is not taxable.

7. A power of attorney authorizing a person to pay a State and County poll tax of an individual is taxable.

8. A power of attorney containing a power of substitution requires only one twenty-five cent stamp.

9. The appointment by a depositor of a deputy to have access to a safe deposit box is not regarded as a power of attorney.

10. Supplementing T. D. 2085, a pro forma power of attorney to transfer stock on the books of a corporation embodied in a detached assignment given in connection with the deposit of stock certificates as collateral security for money loaned thereon is not subject to tax.

11. The tax on a power of attorney is due when the instrument is executed and is made valid by acceptance, and not when the power is exercised.

January 23, 1915.

#### PAYMENT OF INTEREST IN ADVANCE TAXABLE AS RENEWAL OF NOTE.

In a letter to General Counsel, under date of January 30th, G. E. Fletcher, Deputy Commissioner of Internal Revenue, advises as follows:

"All renewals of promissory notes made on December 1, 1914, or subsequent thereto, are taxable the same as of original issue.

"As to what constitutes a renewal, you are advised further that any extension of a note to a time certain, either by formal notation, or the payment of interest in advance to a future date, is in effect a renewal.

"Acceptances of accrued interest or the allowing of a note to run, the holder neither losing nor postponing his right of action, constitutes a forbearance not subject to tax.

"The payment of interest in advance has been

held to be a renewal and is subject to tax. There would seem to be an implied contract that the borrower of a sum of money would be entitled to the use of the same, provided he had paid the interest for a given time. Therefore, under this contract the holder of such note would lose his right of action against the maker for the time stated and the note would be subject to renewal tax under the Act."

### *The Pomerene Bill Relating to Bills of Lading*

The Pomerene Bill, S. 387, relating to Bills of Lading, passed the Senate unanimously on June 9, 1914, and now rests in the House Committee on Interstate and Foreign Commerce, William C. Adamson, Chairman. The same bill passed the Senate unanimously in the Sixty-second Congress and was allowed to die in the above House Committee, without report to the House.

The great value and importance of this measure to the banks of the country, including the members of the Federal reserve banks, lies chiefly in the fact that it overturns the doctrine of the Federal courts that a bill of lading issued by the station agent of a railroad without receiving the goods imposes no liability upon the railroad to an innocent holder of the bill of lading for value. It is estimated that \$5,000,000,000 are advanced annually by banks on bills of lading. The banks cannot see the goods, they must rely on the truth of the certification by the authorized freight agent that the goods have been received. It has happened in numerous cases either (1) to accommodate a shipper or (2) by fraudulent collusion with a shipper, that untrue bills have been issued by freight agents upon which advances have been made with resultant loss and it is vitally important to the security of the banks of the country, including members of and the Federal reserve banks who discount or rediscount bill of lading drafts, that the carriers should be held liable for the truth of the representations of their authorized agents made in due course by men expressly placed in the position to make such representations. Some of the leading commercial States, among them New York and Pennsylvania, long ago refused to follow the doctrine of the U. S. Supreme Court and held the principal liable for the act of his agent, and the rule of non-liability has been overturned by statute in a number of States which have passed the Uniform Bills of Lading Act, now pending in Congress as S. 387.

Practically the entire shipping interests of the country as well as the banking interests are behind this legislation, although it is opposed by some, but not all, of the carriers. It has been indorsed by the American Bar Association and actively urged by the American Bankers Association.

It would seem regrettable that such an important and much-needed measure, so vital to the commercial and banking interests, and which will safeguard a great volume of security taken by banks, including those in the Federal Reserve System, should die of neglect, inattention or possibly disfavor of the controlling minds in the House Committee and repeat the history of two years ago, for there is no present intention to give consideration to the bill, much less

to report it out and place it on the calendar of the House. Chairman Adamson of the House Committee has taken the ground, in a communication to General Counsel, that "there is no occasion for further legislation by Congress" on the subject of Bills of Lading. Every effort has been made by our Committee on Federal Legislation and by General Counsel acting in its behalf and in co-operation with counsel for the various shippers' organizations to induce the House Committee to give consideration to this measure, but so far without avail. These efforts will be continued up to the close of the present Congress.

### No Protest Items

The following paper suggesting a proposed change in the method of designating "no protest" items in the correspondence between various banks has been forwarded General Counsel by a banker in Lynchburg, Va., and is published for the purpose of inviting such discussion as the subject may call out:

#### Proposed Method of Designating "No Protest" Cash Items.

Under the system now prevailing among banks in their instructions to correspondents as to protesting checks included in their cash letters, the majority of the banks have their cash letters headed somewhat like this:

"Do not protest items \$10.00 and under or those marked (X)."

Then, in filling up the letter, they make the cross mark (X) on the letter opposite each item over \$10.00 that is not to be protested. In some cases the item itself bears the words "No Protest" stamped on its face, but the banks are governed only by the instructions on the letter.

Sometimes an item which has passed through several banks bears, by the time it reaches its final destination, three or four stamps which were placed on it by as many clerks, each calling the attention of his correspondent to the fact that he will find on the letter special instructions regarding this particular item. However, as stated above, each correspondent is governed by the instructions on the letter, whether there are any on the item or not.

Now, a check payable in Pasadena, Cal., is deposited in Lynchburg, Va. On its way it will probably pass through at least four banks, say in Baltimore, Chicago, San Francisco and Los Angeles, not counting those in Lynchburg and Pasadena. It is safe to assume that in most cases the item is checked into each of these intermediate banks by one clerk and routed out by another, so that when we count the banks at each end of the line, at least eight or ten persons are responsible for the protesting or non-protesting of the item. All this trouble and responsibility is simply for the purpose of conveying perfectly simple instructions from the Lynchburg bank to the Pasadena bank to the effect that the check is

not to be protested in case there are not sufficient funds on deposit or if for any other reason it is not paid.

This is rather a long preamble and all these things are of course perfectly well known to anyone who is at all familiar with the working of the transit department in banks, but all the above facts must be borne in mind in considering what is to follow.

For a long time the writer has thought there must be some method of conveying the necessary instructions from the bank of original deposit to the paying bank which would relieve the clerks of the intermediate banks of all unnecessary responsibility and at the same time give the paying bank definitely to understand that the original depositor and his bank do not want an item protested.

And again we must remember that just this one desired result is the cause of all our trouble.

The adoption by the American Bankers Association of the numerical system has simplified, or can be made to simplify, a good many things in the correspondence between the banks.

The bank in which the writer is employed has its transit letters headed as follows:

"Do not protest items \$10.00 or under or those bearing this stamp N. P. 68-77 on face or back."

Each item that we do not want protested is stamped in this way—on the face if it is deposited by our customer; on the back if we received it for collection from another bank. Then no special mark whatever is placed opposite the item on the letter. Nevertheless we believe that, since in a case of this kind the number (68-77) may be taken as the signature of our bank, as we intend it, our correspondent will understand perfectly well our wish in the matter and govern himself accordingly.

Now, since this method conveys our instructions to our correspondent, why could it not as well convey the same instructions to the final paying bank, in California or elsewhere? It would only be necessary for each bank in the Association to have its transit letters headed thus:

"Do not protest any items \$10.00 or under or those bearing this stamp N. P. 68-77 or similar authority of a preceding endorser."

The transit number would of course be changed to suit the individual case and the "authority of a preceding endorser" would be determined by the fact that each bank through which an item passes now has its transit number on its endorsement stamp.

Then the bank in which the item is originally deposited will place its stamp N. P. 68-77 on the face of the item. The bank where the check is payable will know that the original forwarding bank does not want it protested. The item will bear only one "No Protest" stamp, by which all the banks will be governed. The clerks in Baltimore, Chicago, San Francisco and Los Angeles will be relieved of all responsibility in the matter whatsoever and THE DESIRED RESULT WILL BE OBTAINED.

## OPINIONS OF GENERAL COUNSEL

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

### BANK STOCKHOLDER'S RIGHT OF INSPECTION.

**Stockholder in National bank entitled to inspect books and papers of corporation.—Authorities examined with reference to question whether (1) right absolute or (2) only enforceable for proper purposes.**

From Pennsylvania.—Please advise whether a stockholder of a National bank has a right to look over the books of the bank and with the aid of an expert make extracts from them.

From Pennsylvania.—Kindly advise whether the stockholder of a National bank who is an officer of a competing institution has the right to demand the books, papers and documents of the bank for inspection or examination by himself and an expert accountant. Assuming his motive is to discredit the management, should his request be ignored?

At common law, a stockholder of a corporation is given the right to inspect the books and papers of the corporation when the inspection is sought at proper. However, it will not be refused simply because the states this right is expressly conferred by statute. In some states the statutory right is held to be absolute while in others, if the motive of the stockholder is improper, it will be denied. The right of inspection exists in the case of stockholders of banking as of other corporations and National banks being deemed citizens of the State in which they are located, are held in a number of cases to come within the purview of State statutes granting the stockholders right of inspection. The remedy of the stockholder where his demand for inspection is denied by the officer of the corporation is generally by writ of mandamus.

The State of Pennsylvania is among those jurisdictions whose courts hold the right of inspection is not absolute but rests within the sound discretion of the court and will be denied if the motive is improper. However, it will not be refused simply because the stockholder is interested in a competing corporation. I find no decision in Pennsylvania specifically relating to the right of National bank stockholders, but there are a number of cases passing upon the rights of stockholders in other classes of corporations and the doctrine of the courts would be equally applicable to National bank stockholders.

In *Phoenix Iron Co. v. Com.*, 113 Pa. St. 563, it was held that the books and papers of a trading corporation, though of necessity left in some one hand, are the common property of the stockholders; and unless the charter provides otherwise a stockholder has the right, at proper times, to inspect them personally, and with the aid of a disinterested expert to make extracts from them, for a definite and proper purpose. In the course of the opinion, the court said: "Such a right is, of course, not to be exercised to gratify curiosity, or for speculative purposes, but in good faith and for a specific, honest purpose, and where there is a particular matter in dispute, involving and affecting seriously the rights of the relator as a stockholder."

In *Kuhbach v. Irving Cut Glass Co.*, 220 Pa. St. 427, it was held that where a stockholder furnishes sufficient data to warrant the conclusion that there is mismanagement, and that the affairs of the company are not conducted in a proper manner and in the interest of the stockholders, he has a right to demand of the officers of the company permission to examine the books, records, etc., so that he may protect his interests by a bill in equity, or otherwise; and if the demand is refused and he makes application to the court to enforce it, a mandamus should be awarded. The mere fact that the relator in such a proceeding is a stockholder in a competing company, is not of itself sufficient to deprive him of the relief which he seeks by mandamus; nor is an offer by defendant company to buy relator's stock at a price fixed by the company a sufficient answer to his demand for an inspection of the books and papers of the company. See also *Neubert v. Armstrong Water Co.*, 211 Pa. St. 582, to the same effect.

However, the case of *Schondelmeyer v. Columbia Fire Proofing Co.*, 219 Pa. St. 610, demonstrates that the issuance of the writ of mandamus in such cases rests in the sound discretion of the court, and does not issue in course, and of course, to every petitioner who may happen to be a stockholder in a corporation as a matter of right. He must show to the court grounds which entitle him to the issuance of the writ.

In that case it was held that a stockholder of a corporation who has brought an action of trespass for deceit against the president of the corporation as an individual, for misrepresenting the value of the stock of the company sold to the plaintiff, has no standing to demand an inspection of the books of the corporation in order to ascertain the value of the stock. The court, in the course of the opinion, said: "It is laid down in the books that a stockholder is entitled to an inspection of the books of the company at reasonable times and for a specific and proper purpose. We have been referred to no case in which it has been held that an examination for any purpose, except such as affected the rights of the party as a stockholder, is a proper purpose. . . . We cannot see how in the present case the rights of the relator as a stockholder are in any way affected."

In *Hodder v. George Hogg Co.*, 223 Pa. St. 196 (following *Kuhbach v. Irving Cut Glass Co.*, 220 Pa. St. 427), it was held that a stockholder of a corporation has the right to inspect the books of the company at a proper time and in a proper way, even though his only object be to ascertain whether the business has been properly conducted; and the fact that he is interested in a competing company is not a good and sufficient reason for refusing.

Cases in other states specifically involving the right of stockholders of National banks to inspect the books and papers of the bank are the following:

In *Winter v. Baldwin*, 89 Ala. 483, it was held that National banks organized under the act of Congress are within the purview of the statute securing to stockholders in a private corporation the right to

inspect and examine its books, records and papers (Code, Sec. 1677); and the right, when improperly denied, will be enforced by mandamus.

In *People ex rel Lorge v. Consolidated National Bank*, 105 N. Y. App. Div. 409, a dealer in stocks and bonds, who owned stock in a National bank, was, at his request, shown the stock book at the bank, but was denied permission to make a copy of the list of stockholders, which he desired in order to negotiate for the purchase of stock. On application to the court, it was held: Both by Federal and State statute the bank is bound to keep its stock book open for the inspection of its shareholders, whose right of inspection includes the right to make such copies and memoranda and extracts from the book as will enable the shareholder to retain the information disclosed by the inspection. The court has power to withhold an inspection for an illegitimate purpose and may regulate the time when the inspection shall be made. But where sought for a legitimate purpose, and application is made during business hours, the right to inspection is mandatory. In this case the purpose of the stockholder was legitimate and he had a right to make a copy of the stock list.

It was held in *Matter of Tuttle v. Iron National Bank*, 170 N. Y. 9, that the Supreme Court of New York has power, in its discretion, to compel the directors and officers of a National bank in process of liquidation, after the expiration of its charter by limitation, to exhibit to the stockholders the books, papers and assets of the bank, and to permit them to examine and take extracts therefrom; and that the proper method of such compulsion is by peremptory writ of mandamus.

The court, in the course of the opinion, said: "The principle upon which a stockholder is allowed access to the books of a corporation is as applicable to the case of a banking corporation as it is to any other kind of corporation. It is his common law right, and, unless restricted by law or by the charter, the exercise of that right will not be denied him, at a proper time and place, when the circumstances are such as seem to the court to make that right available."

It was held in *People v. National Park Bank*, 122 N. Y. App. Div. 635, that a stockholder may enforce his right under section 29 of the Stock Corporation Law to an inspection of the stock book by mandamus. But the granting of the writ is in the discretion of the court and may be denied where the application is not made in good faith but for an ulterior purpose and to aid undisclosed persons in some undisclosed scheme against the corporation.

In *Harkness v. Guthrie*, 27 Utah, 248; 75 Pac. 624, it was held that an application by a bona fide stockholder of a National bank to examine its books, accounts, loans, etc., in order to determine the value of his stock, is not a visitation of the corporation, within Rev. St. U. S. §5241 [U. S. Comp. St. 1901, p. 3517], providing that no National banking association shall be subject to any visitatorial powers, etc., so as to prevent the stockholder from obtaining such relief under Rev. St. Utah, §329, declaring that all books of any corporation shall be subject to the inspection of any bona fide stockholder at all reasonable hours.

This case was affirmed in 199 U. S. 148 (*Guthrie*

*v. Harkness*), holding that the shareholder in a corporation has a common law right, for proper purposes and under reasonable regulations as to time and place, to inspect the books of the corporation of which he is a member; that the possibility of the abuse of a legal right affords no ground for its denial, and while an examination of the books of a corporation should not be granted for speculative or improper purposes, it should not be denied when asked for legitimate purposes.

In some states, as already stated, the courts hold that where the statute gives to stockholders the right to inspect the books and papers of the corporation, the purpose or motive of the stockholder making the demand for the inspection is not material and he cannot be required to state his reasons therefor. The courts in other states hold, to the contrary, that the right of inspection of corporate books and records conferred by statute applies only where the purpose of inspection is a proper one and will therefore be enforced only after an inquiry by the court into the merits of the application. It is not the purpose here to present the result of an extended examination of the authorities on both sides of this question but simply to indicate the law of Pennsylvania which, as above shown, conditions the enforcement of the right upon a proper purpose or motive of the stockholder as illustrated in the Pennsylvania cases above cited.

#### RIGHT OF DEPOSITOR TO INSPECT BOOKS OF BANK.

##### Opinion That Depositor, as Distinguished from Stockholder, Has No Right to Inspect Books and Records of Bank.

From Pennsylvania.—Kindly advise whether a depositor of a bank, as distinguished from a stockholder, has the privilege of looking over the books of the bank.

It is stated in a recent text book (*Michie on Banks and Banking*, Sec. 119 (4)) that "a bank is bound to exhibit its books to a depositor, on proper occasions, and the officers having charge of them are, *quoad hoc*, the agents of both parties." A single authority is cited for this proposition, namely, *Union Bank v. Knapp*, 3 Pick. 96, decided by the Supreme Court of Massachusetts in 1825. *Morse on Banking* (Sec. 294) also says: "It has been said that '*on all proper occasions*' a depositor has a right to inspect the books of the bank, and that for this purpose the officers having charge of the books (citing *Union Bank v. Knapp*, supra; *Watson v. Phoenix Bank*, 8 Met. (Mass.) 217) are agents of both parties. What would be regarded as '*proper occasions*' was not intimated; and certainly such a request, made without notice by the depositor or invitation by the bank, would not improperly be regarded by the bank officers as an unwarrantable intermeddling. The depositor not being in any respect responsible for the conduct of the affairs of the bank, not being a stockholder therein, or not applying to examine in that character, might reasonably be refused an inspection of all its private affairs. It must be supposed that the right to examine, if fully considered and passed upon, would



be confined to such portions of the books as relate to the accounts and dealings of the bank with the individual applicant; also that the 'proper occasions' would be very narrowly defined. If the depositor has reason to think that there is an error in his account, as shown on the bank-book, he may reasonably demand an inspection at the first convenient hour; but the reason of the privilege, and doubtless the privilege accordingly, should be confined to such an examination only as would suffice to prove or refute the suspicion of error, and could not extend to the accounts of other customers or to the general business of the institution. It might be highly injurious to the welfare of the corporation and to the interests of all concerned to have its condition and affairs subject to inspection, and therefore to publication and gossip. Indeed, the bank might be committing a positive wrong, for which it might be held to answer in damages, if it should allow one person to examine the accounts of others."

The two cases in Massachusetts decided early in the last century are the only authorities that can be found in support of the proposition that a depositor has any right to demand inspection of any of the books of the bank and in neither of these cases is the statement of the right more than an expression of an opinion by the court. If such a right exists it would at most extend to an inspection of the particular account of the depositor on the bank's books and would not extend to any of the other books or accounts of the bank. The conclusion seems warranted that a depositor, differing from a stockholder, has no such interest in the bank as entitles him on proper occasion and for a proper purpose to an inspection of its books and accounts. Viewing the relation of the bank as both debtor for the deposit and agent of the depositor to pay his checks it might be, in a proper case, that the depositor would have a right to demand of his agent, the bank, an inspection of the account which the latter kept for him; but clearly such would be the limit of the right, if it exists, and there is no reported case in which a depositor by mandamus has sought to compel the bank to allow him to inspect his account on its books. If the Massachusetts cases have any weight as authority, it can only be to this extent and there is no authority for the proposition that a depositor has a general right of inspection.

#### FORGED INDORSEMENT OF RAILWAY PAY CHECK.

**Purchaser of Check Having Forged Indorsement Must Refund Money Collected to Payor of Check.**

From Michigan.—We would appreciate very much an opinion concerning the payment of a check, \$8.64, issued by a public service corporation of Detroit to one of its workmen, from whom the check was stolen. The indorsement on this check was forged by the party who found the same and cashed through a merchant who does business with this bank. The payee was somewhat negligent in reporting the loss of the check to the makers of the same, consequently stop payment was not made on the same, and our depositor was not advised that this item deposited by him in our bank was returned unpaid until

about two weeks following. It so happens that this corporation issued a large number of checks to laborers, and recently forwarded us a letter in which they stated: "We will waive identification of the person presenting check for payment." Our customer refuses to accept this item claiming that he should have been advised sooner, and the makers of the check contend that they are not liable inasmuch as identification on these checks was waived to the bank only, and any other parties who might cash the same did so at their own risk. We would thank you to advise us in your opinion who should stand for this item, which at present is in the hands of this bank.

I think the loss in this case must fall upon your customer who cashed the stolen check under forged indorsement. The two weeks delay of the payee in reporting the loss would not debar him from looking to the company for payment of the debt for which the check was given nor would it affect the right of the drawee to recover the money paid upon forgery of the indorsement. The letter of the company waiving identification of the person presenting the check for payment cannot be availed of by your customer upon a plea that it estops the company from denying the validity of the payment and makes it chargeable with the amount. This waiver of identification is not on the check but in a letter addressed to a bank to whom the check might be presented for payment. It is available only to the bank to which addressed in case the check is presented to that bank for payment; it does not authorize a merchant to whom the check is negotiated to omit inquiry and identification as a necessary precaution against the risk of cashing the check upon a forged indorsement.

I would refer you to articles in the JOURNAL of the Association for March (p. 622), April (p. 680), and May, 1914 (p. 752), discussing how the cashing of pay checks of railroad, mining and other corporations can be safeguarded, in view of the virtual impossibility of identifying the laborers to whom such checks are made payable.

#### PAY-ROLL CHECKS.

**Suggestion of a Form of Pay-Roll Check Which Will**  
 (1) Safeguard Payor Bank from Risk of Identification; (2) Relieve Payee from Risk of Loss, and (3) Remove Saloon-Cashing Evil.

From Minnesota.—We have a pay-roll account of a large concern who find that about three-fourths of their checks are cashed in the saloons near their plant, and they have asked us if there is any way that their checks can be drawn as to be made payable at the bank itself, as they are dissatisfied with so many of the men getting the checks cashed as they do.

You inquire if there is any way that pay-roll checks drawn by a large concern can be drawn so that the payee cannot cash the same in a saloon, but must present the check to the bank.

I think the object you desire can be accomplished by eliminating the words "order of" or "or order" from the check so that it will read simply: "Pay to John Smith." Such a check would be non-negotiable and payable to the payee only and the bank would be justified in refusing to pay to any transferee of the payee.

But in this connection I would call your attention to the risk which many banks take in paying the pay-roll checks of railroads and other large corporations owing to the virtual impossibility of identifying laborers, many of them foreigners, who present such checks for payment or seek to have them cashed at banks other than the drawee. Numerous losses have resulted arising from the fact that checks of this character have been lost by or stolen from the true payee and cashed or paid under forged indorsement. Assuming that this same difficulty in the matter of identification would be experienced in the case of the pay-roll checks drawn on your bank I would invite your attention to a discussion in successive numbers of the JOURNAL (see JOURNAL, March, 1914, page 622; April, 1914, page 680; May, 1914, page 752) of a system which would relieve banks of such risks.

Evolved from the discussion was the practical suggestion that the check be drawn payable to "John Smith or bearer," as this would relieve the bank of payment or the bank cashing the check of the burden of identifying the payee while the insertion of the name of the payee in the check would be sufficient for the purposes of the drawer as indicating the employee whose wages were paid.

A further practical suggestion was a form of check payable to order of the laborer "for wages due to date" and on the back the following provision: "This check is for payment of wages due as indicated on the reverse side and must be signed by the party in whose favor same is drawn. If party cannot write must be witnessed by mark ....., Payee. Witnessed by ....., Paymaster." This form of check was said to work very satisfactorily in a town where between six and seven hundred men were paid by such checks semi-monthly. The check not being payable to bearer, the careless loser is protected and the bank which pays or cashes the check is not defrauded, for it is contemplated that the payee will indorse the check a second time and if his signature does not correspond with the signature witnessed by the paymaster the check will not be cashed. While, technically, the check is payable to bearer after the first indorsement still, the practice being established to require a second indorsement before cashing the check, this reduces the danger of paying money upon forged indorsement of a lost or stolen check to a minimum. This last stated system has been in vogue in a town in Missouri for over six years and has worked so satisfactorily that the bankers using it say it eliminates the risk from paying stolen pay checks under forged indorsement.

Your letter presents an additional problem in connection with a system of pay-roll checks, namely, the elimination of the evil of saloon-cashing. This evil can be removed, as stated, by omitting the order feature from the check, as above stated, so that it will be payable to the payee only. But at the same time the bank of payment must be safeguarded from the risk of identification in paying direct, for when the check is cashed at a saloon that risk is assumed by the saloonkeeper. One way of safeguarding the bank would be to have the drawer add to the check, "identification waived," or enter into a separate agreement waiving identification of all such checks. This would burden the drawer with the risk of loss

from payment of a stolen check under forged indorsement. A better way, probably, would be to adopt the Missouri plan last above outlined, modified by elimination of the order feature; that is to say, have the check drawn payable to the payee only and on the back print a receipt for wages to be signed by the payee and the signature witnessed by the paymaster and under such signature add another line for the payee's indorsement which he must make in the presence of the bank officer when presenting the check for payment. It would seem that such a system of pay-roll checks would best serve the interests of all three parties, drawer, drawee and payee. The drawer would be benefited because the check would be so framed that it could not be cashed at a saloon, but only at the bank; this would contribute to a higher standard of efficiency on the part of the employees. The drawee would be protected by having the true signature of the payee witnessed by the paymaster with the opportunity to compare such signature with the one placed on such check by the holder when presenting it at the bank; this would reduce the risk of erroneous payment to a minimum and protect the bank about as well as if the check was drawn payable to bearer, which latter form of draft would not obviate the saloon-cashing feature. The payee would also be protected in case he lost his check or it was stolen from him because, not being payable to bearer, it would not be paid upon a forgery of his signature which did not correspond with his true signature as payee.

#### STOLEN DRAFT.

**Where Draft Is Stolen from Payee Who Is Forced to Indorse the Draft, an Innocent Purchaser May Acquire an Enforceable Title and Therefore the Drawer Should Not Issue Duplicate to Payee Without Receiving Indemnity as Protection Against Liability on Original.**

From South Dakota.—On December 10th we issued our draft to a person leaving this State for Missouri. The next day or two we received a wire from a person at Kansas City advising us that the draft had been stolen. In a day or two we received a letter from the person who got the draft stating that the draft had been stolen from him and the person stealing same had forced him to indorse the draft. We immediately stopped payment on our draft, which was drawn on the ..... National Bank of Chicago, and a few days later were advised that the draft had been received and had gone to protest. The person to whom we issued the draft wishes a duplicate. We have heard nothing from the original draft since it was protested, and will be pleased to have you advise us the proper course to pursue in this matter.

It would not be safe for your bank to issue a duplicate for the stolen draft, assuming the original is not surrendered, unless you are tendered satisfactory indemnity to protect you against loss should the original draft prove to have been negotiated to a holder in due course. Where a draft is indorsed in blank by the payee and stolen from him, an innocent purchaser will acquire a good title and, as against such a purchaser, the fact that the indorsement was made under duress, would be no defense. Conse-

quently, although your bank stopped payment and the original draft was protested, there would still be a liability of your bank as drawer in case the draft before presentment had been acquired by an innocent purchaser for value; or even after presentment and dishonor it might be so acquired if there was nothing on the draft to show that it had been dishonored. It would not be safe, therefore, to issue a duplicate without receiving indemnity against liability should the original draft turn up in the hands of a holder in due course.

#### PARTNERSHIP ACCOUNT.

**On the death of one partner survivor may draw checks against partnership account.**

From Washington.—Will you kindly give your opinion on the following case: A and B decide to go into the grocery business. They open a bank account in the name of "The Star Grocery," subject to the signature of either A or B. In the event of the death of A, does B have full control of the funds in the bank account? Is the bank liable in any way to the heirs of A?

In the case stated I understand that A and B are partners, and the rule is that upon the death of one partner in a firm having an account at a banker's, the surviving partner has a right to draw checks upon the partnership account. *Backhouse v. Charlton*, 8 Chan. Div. 444; *Com. Nat. Bank v. Proctor*, 98 Ill. 558.

In the Illinois case cited it was held that a surviving partner has the right to use the firm name in which to transact his business, and that a check drawn on a bank by him, either in the firm name or in his own name as surviving partner, when paid will protect the bank.

It would seem to follow in the case stated by you that upon the death of A, B would have control and could check out the funds in the bank account, and that the bank would not be liable to the heirs of A for money paid on checks of the surviving partner.

#### INTEREST-BEARING CERTIFICATE OF DEPOSIT.

**Opinion That Holder of Interest-Bearing Certificate of Deposit in Oklahoma State Bank Protected by Depositors' Guaranty Fund the Same as an Ordinary Depositor.**

From Oklahoma.—Please refer us to Oklahoma decision (if any has been handed down) upon the following: Is the holder of an interest-bearing certificate of deposit in an Oklahoma State Bank, protected under the Oklahoma Guaranty Law, as an ordinary depositor?

I am not aware that the Supreme Court of Oklahoma has handed down a decision construing the Depositors' Guaranty Law with reference to the inclusion, as depositors, of holders of interest-bearing certificates of deposit, nor have I heard that the question has been presented for decision to any of the lower courts in Oklahoma.

The Oklahoma Banking Law (§46) provides that the Depositors' Guaranty Fund "shall be used solely for the purpose of liquidating deposits of failed banks

and retiring warrants provided for in this act." It provides for creation of the fund by assessment on the average daily deposits of the State banks, and further provides (§49) "No deposit in a State bank, otherwise secured, shall be protected by or paid out of the Depositors' Guaranty Fund created under the laws of the State of Oklahoma, nor included in the computation of average daily deposits as a basis for assessments. No deposit in any State bank on which there is a greater rate of interest allowed or paid, either directly or indirectly, than is permitted by the rules of the Bank Commissioner, shall participate in the benefits of the Guaranty Fund."

Assuming that the deposit represented by interest-bearing certificate is included in the daily average upon which annual assessment is levied, that it is not otherwise secured and that it bears no greater rate of interest than is permitted by the Commissioner, I am inclined to the opinion that the depositor is protected by the Guaranty Fund equally as if his deposit is on open account subject to check.

In certain of the states, statutes have been passed which prefer depositors to other creditors in the event of a bank's failure and the courts have sometimes been appealed to to determine whether holders of certificates of deposit come within the definition of depositors who are entitled to preference under such statutes.

For example, in *State v. Corning State Savings Bank*, 128 Ia. 597, the statute gave "depositors" preference in payment to general creditors, and it was held that in addition to depositors on checking account, all persons whose claims were based upon sums due to them as depositors, upon certificates of deposit issued by said bank for deposits of money in the usual course of business, were included. But on the other hand, persons or banks who became creditors of the insolvent bank by making it loans evidenced by promissory notes or certificates of deposit of the bank were held to be general creditors and not depositors within the meaning of the act. In *Taylor v. Hutchinson*, 145 Ala. 202, the constitution of Alabama gave depositors who had not stipulated for interest a preference in case of the bank's insolvency and it was held that the holder of a bank's certificate of deposit payable on a fixed date with interest, was a creditor of the bank on a loan made to it for a fixed period on which interest is stipulated for, and not a depositor, within the meaning of the constitution. But, here, the preference was confined to depositors who had not stipulated for interest and the case is different from the one under consideration. In one of the county courts in Pennsylvania (in re *State Bank*, 13 Pa. Co. Ct. Rep. 433) it was held that an interest-bearing time deposit was not a deposit within the meaning of the Banking Act of May 13, 1876, which provided that in case of insolvency of a bank, its depositors shall be paid first, but that it was a loan to the bank, a deposit being money placed in the bank to be drawn on at pleasure; especially as the act prohibited the payment of interest on deposits, but allowed banks to borrow money and pay interest thereon. But, here again, the payment of interest deprived the holder of the certificate of the character of a depositor in view of the fact that the act prohibited the payment of interest

on deposits while it permitted the bank to borrow money and pay interest, and therefore this case does not strictly apply to the question under the Oklahoma statute.

Aside from statutes creating preference, it has been held under a statute which forbids an officer of a bank, knowing it to be insolvent, to receive deposits, that the prohibition applies in case of money received for which a time certificate of deposit is issued, for the money is none the less a deposit within the meaning of the statute because it is evidenced by time certificate. *State v. Shove*, 96 Wis. 1.

Where a certificate of deposit represents a loan to a bank, the holder will be classed as a general creditor and not a depositor within the meaning of statutes granting preference to depositors over general creditors (*State Savings Bank v. Foster*, 118 Mich. 268; *State v. Corning State Savings Bank*, supra), but where the deposit is put in in regular course of business, as a deposit and not a loan and the depositor takes an interest-bearing certificate from the bank, instead of either a savings or commercial passbook, I think the holder of the certificate would be held a depositor entitled to protection of the Depositors' Guaranty Fund. At the same time, the question, so far as I know, has not come up for decision or been passed upon by the Oklahoma Courts.

#### PAYMENT OF CHECK ON HOLIDAY.

**Unsafe in present condition of law for bank to pay check upon a holiday—Saturday afternoon not a half holiday in Kansas, but in view of Negotiable Instruments Act relating to presentment for payment on Saturday, payment of check on Saturday afternoon except to depositor would be at risk of bank.**

From Kansas.—Where a bank pays a check on a legal holiday and receives notice on the following, or later on the same day not to pay said check, would the bank have a right to charge the check to its customer's account? Is Saturday afternoon considered a legal holiday?

In the JOURNAL for April, 1913, at page 654, I discussed at length the question whether payment of a check on a legal holiday or half holiday is premature and invalid so that, if a stop payment is received before or at the opening of business upon the next business day, such countermand will be in time to revoke the check before it is legally payable and hence prevent the charging of the amount paid to the customer's account, assuming that he had a good defense to the check in the hands of the payee. The question has never been specifically decided, so far as I know. The conclusion reached by me was that in the present condition of the law and in the absence of direct judicial precedent, payment of a check on a holiday or a half holiday would be of uncertain validity and at the risk of the bank should the drawer stop payment at the opening of business on the next business day.

You further ask whether Saturday afternoon is considered a legal holiday in Kansas. The Kansas statute declaring certain days to be legal holidays

does not include Saturday afternoons, and therefore such afternoons are not half holidays in Kansas. But so far as the payment of checks is concerned, the Negotiable Instruments Act contains a provision that "instruments falling due or becoming payable on Saturday are to be presented for payment on the next succeeding business day, except that instruments payable on demand may, at the option of the holder, be presented for payment before twelve o'clock noon on Saturday, when that entire day is not a holiday," and in view of this statute I think the bank would take a risk in paying a check on Saturday afternoon, except, of course, to the depositor himself.

#### HUSBAND'S CHECK ON WIFE'S BANK ACCOUNT.

**Where husband deposits money to credit of wife and states he has authority from wife to sign her name to checks, bank not safe in honoring such checks without proof of authority from wife—Question considered with especial reference to law of Louisiana where system of community property exists and where, also, husband has control of such portion of separate estate of wife as is dotal and not paraphernal.**

From Louisiana.—A husband, deposits \$100 in bank for account of B, wife, B having previously given A the \$100, instructing him to deposit it in her, B's name. Suppose A makes the deposit and he tells the banker that his wife has told him to sign all checks as follows "Mrs. B per A." Checks are drawn out accordingly. Suppose it afterwards turns out that A was never instructed to sign checks as represented, what will be the position of the banker in the premises? Should the banker take A's word or should he seek Mrs. B to see whether such instructions were given A, in regard to the signing of checks? What difference would it make if the man and wife were separate in property? If they had a community of property? The main point that we would like to have your opinion upon is, whether or not a bank is safe when it acts upon the representation of the husband, in re wife's bank account?

Generally speaking, wherever the wife has the right to control her separate property free from interference by her husband, if the husband deposits money to the account of his wife, the bank is not safe in relying on the husband's representation that he has authority from her to draw it out, and if the bank acts on such representation without proper proof of authority and permits the husband to withdraw the money without authority, the bank will be liable to the wife for the amount.

An instructive case illustrating the above is *Brown v. Daugherty*, 120 Fed. 526. In that case the wife, a Mrs. Brown, had inherited \$4,000 from the estate of her first husband, and her second husband, Joseph Brown, took the money to the bank and said: "I wish to make this deposit in my wife's name—Mrs. Brown; I will sign the checks." The money having been placed to the credit of Mrs. Brown and drawn out without authority by Mr. Brown, the bank was held liable and was compelled to pay the money over again to the wife. The court said:



"The legal effect of the transaction is that the cashier of the bank was advised that the \$4,000 was the money of the plaintiff. At the time of the deposit, Brown did not even state that the money was his, or that he deposited it as agent for his wife, or that he had any agency from her to withdraw it. The legal effect of the transaction of the deposit is that prima facie it established the relation of creditor and debtor between the plaintiff and the bank. The corollary of this proposition is that the bank could only discharge that relation by payment to the plaintiff in person or on her order, or to her authorized agent. The very fact that the husband made the deposit in the name of his wife was notice to the bank that the money, prima facie, was the property of the wife. It was in the nature of a caveat to the bank that no one could thereafter withdraw this deposit without authority from her. The books of the bank and the pass-book given in the name of the plaintiff constitute an admission and recognition by the bank that she was the depositor in fact and in law. The moment Joseph Brown stated that he was to withdraw this money on checks signed by him, the most ordinary business prudence would have dictated to the cashier the inquiry, 'Where is your authority to do so?' A more unbusinesslike course, on the part of a bank, to accept checks on a fund known not to have been signed by the depositor, and not even by Joseph Brown as her agent, is hard to conceive."

The court refers to *Bates v. First National Bank*, 89 N. Y. 286; *Kerr v. Bank*, 158 Pa. 305; *Honig v. Bank*, 73 Cal. 464 and *Armstrong v. Johnson*, 93 Mo. App. 492, as parallel cases.

The above being the law generally wherever a wife has control and management of her own property, the question arises whether the decisions referred to would hold good in Louisiana, from whence this inquiry comes. You ask specifically whether in Louisiana a bank is safe when it acts upon representation of the husband that he is authorized by the wife to withdraw a deposit in her name and whether it would make any difference if the deposit was the wife's separate property or if there was a community of property. The general principle which underlies the system of community property which prevails in some of the Southwestern and Pacific States, including Louisiana and Texas, is that all property acquired during marriage by industry and labor of either the husband or wife or both, together with the produce and increase thereof, belongs beneficially to both during the continuance of the marital relation. It is the general rule of the community system that the husband has the control and management of all the community property. *Boyer's Succession*, 36 La. Ann. 506, and he may in general sell and dispose of the same, provided no fraud be committed upon the rights of the wife. If, therefore, the deposit was community property, the husband might have the right of withdrawal.

But assuming the deposit is the separate property of the wife, it has been held in Louisiana that the dotal portion of the wife's separate estate is under the control and administration of the husband. *Lebean v. Jewell*, 9 La. Ann. 163, but over her extradotal or paraphernal property she may exercise entire control. See *Boulligny v. Fortier*, 16 La. Ann.

209, holding that all the wife's property which is not declared to be dotal is paraphernal, and the wife has the administration and enjoyment of it. In *Richard v. Blanchard*, 12 Rob. (La.) 524, it was held that the husband has authority to receive whatever may be due his wife for paraphernal property, when not proved to be under her separate administration and a payment to him discharges the debtor; but in *Stauffer v. Morgan*, 39 La. Ann. 632, it was held that when the wife deposits paraphernal funds in a bank of which her husband is a member and the account thus opened with the wife is kept in her name and subject to her exclusive order and control, without interference by her husband, this constitutes a separate administration by her.

In Texas, where a husband deposited his wife's money in a bank in her name and stated that it would be checked out by him, it was held, under a statute which provided that during the marriage the husband should have the sole management of the wife's separate estate, that the bank was authorized to cash checks which were presented by the husband and signed with the wife's name by the husband as agent. The husband being entitled to the sole management of the wife's separate property has the right to keep her money, and hence to deposit it in bank and draw it out, and the bank as in the case of a deposit by a trustee, should presume that his check is drawn in the proper discharge of his trust. *Coleman v. First Nat. Bank*, 94 Tex. 605.

In the light of the above authorities, it would seem that under the law of Louisiana, if a man deposits \$100 to the credit of his wife and informs the bank that his wife has instructed him to sign the checks, the bank would not be safe in relying upon the husband's word without proof of authority from the wife because if the deposit was her separate property and under her separate administration, the husband would have no right to draw it out and payment to him where he had not been authorized would not protect the bank; although if the deposit was community property or constituted a portion of her separate estate that was under the control and administration of her husband, the latter would probably have the right to withdraw the money without the authority of the wife. But when a deposit to the wife's credit is made, as the bank does not know whether the money is under the separate control of the wife or is a part of her estate controlled by the husband, it would seem that it would not be safe in any case to pay the deposit to the husband without first obtaining proof of his authority.

#### CERTIFICATION OVER TELEPHONE.

Oral promise over telephone by drawee to pay check not binding because acceptance must be in writing.

From Tennessee.—A customer of ours gave a check to B, who took it to a bank in another town. The bank called us over the phone, and asked "Is check of (mentioned drawer) good." We told the bank that the check was good if signature was genuine. This conversation over the phone took place early one morning just after bank opened for the day. About noon of

same day, the drawer of the check called us by phone and ordered us not to pay his check given to this party. We immediately called up the bank which had made the inquiry, and informed them that payment had been stopped on the check. In the course of three or four days the check came in the mail from another bank, other than the bank which had called. The check was returned protested. Today we received a letter from the bank where check was cashed informing us that if we did not pay the check and protest fees, they would hand same to their attorney for collection. Please advise us as to our liability in the matter.

It has been held in several cases under the Negotiable Instruments Act that a promise over the telephone to pay a check, made by the bank on which it is drawn, is not legally binding as the law requires an acceptance to be in writing. The decisions in which it has been so held are *Van Buskirk v. State Bank of Rocky Ford*, 35 Colo. 142; *Rambo v. First State Bank of Argentine*, 128 Pac. (Kans.) 182 and *Ballen and Friedman v. Bank of Krenlin*, 130 Pac. (Okla.) 539. In the JOURNAL for March, 1914 (page 623), I published the facts and the reasoning upon which these respective courts based their decisions.

It follows that when the drawer of the check stopped payment you were justified in refusing to pay and cannot be held liable to the holder of the check, although it was purchased on faith of your promise over the telephone to pay it.

#### FORGERY OF DRAWER'S SIGNATURE.

Where check is cashed by payee A in ignorance that it bears his own forged signature as drawer and is deposited in B bank and collected from C bank upon which drawn, A carrying an account in both banks, opinion that check is chargeable by drawee bank to A's account, he being estopped to assert forgery of his signature.

From Minnesota.—A customer of ours, who also has an account on another bank, deposited a check on said other bank for \$5.00 with us last September, which check bore a forged signature purporting to be that of himself. This check was cashed by him without his noticing that it purported to be signed by himself and he regularly indorsed it, deposited here, and we sent it to the other bank. They paid it, and our customer did not call for his vouchers until a few days ago when he repudiated the check. The party who forged his name cannot be reached and our customer raises the question as to who should be the loser legally.

The customer is the loser. He has advanced money upon a check upon which his own name as drawer has been forged; has received credit for the amount in his bank of deposit and the amount has been paid out of his account in the bank upon which the check is drawn. Ordinarily, the drawee bank which mistakes the signature of its customer and pays on the forgery thereof, can neither charge the amount to its customer's account nor recover it from a bona fide holder to whom paid. But obviously, this rule has no application where the customer's signa-

ture as drawer is forged upon a check payable to himself. By indorsing the check, he virtually adopts or pronounces his signature as drawer to be valid and even though this is done in ignorance of the forgery, he would be estopped to assert such forgery against the drawee bank. While it is generally held that the payee by indorsing does not warrant to the drawee the genuineness of the drawer's signature, this rule would not apply where the payee is also named as drawer. Clearly, it would seem, he is as much bound to know his own signature as is the bank upon which drawn. I should say, therefore, the check is chargeable to the account of the drawer by the payor bank.

#### FORGERY OF DRAWER'S SIGNATURE.

Reasons underlying the rule that drawee bound to know drawer's signature and cannot recover money paid to bona fide holder on forgery thereof—Effect of provision in check that "all indorsers guarantee that maker's signature is genuine."

From Kansas.—In an article in your JOURNAL of August, 1914, page 105, entitled "Payment of Forged Checks," it appears that the rule is settled that the drawee bank is bound to know the drawer's signature and cannot recover money paid on a forged check unless this rule is changed by statute as in Pennsylvania.

In the face of the above rule, it is a fact, nevertheless, that must be admitted by all who have had experience in paying checks, that a cleverly forged signature cannot be detected by the drawee bank, even with the greatest precaution. There are many well-authenticated cases where the party himself could not tell a forged signature of his, from his own signature, where he was compelled to rely on the signature alone.

I have been a country banker for thirty-five years, and I know it is impossible for a banker to tell the signature of his customer, it matters not how careful he may be; and one reason that a bank cannot tell its customer's signature is, that when the customer leaves the bank his signature, he writes it on a desk with a pen and ink, under favorable conditions, and when he signs checks, he signs them with a pencil and under very unfavorable conditions—when he is cold, with gloves on, no desk, on a fence rail or anything that happens to be around, and his signature on his checks is no more like the signature he gave the bank than his Jersey cow is like a race horse.

Well knowing that it is impossible for the drawee bank to know the signature of the drawer of a check, it seems to me, in all fairness, the rule should be where a bank pays a check with a forged signature, that such bank should have the same right to recover the money so paid on a forged signature from the presenter or indorsers of the forged check that a bank would have in case it cashed a raised check, for there is nothing in the contention that a bank can know its customer's signature when the signature is cleverly forged.

The person that takes a forged check from the forger is the one most to blame and should bear the loss, for if the person that first takes the forged check would refuse to take checks from strangers and irresponsible parties, the forger could not get his forged checks in circulation and would be out of business; and what I am trying to do is to find some way to make the

person who is the cause of getting the forged check in circulation liable for the loss. It has occurred to me that this might be accomplished by having the following printed in the face of the check:

"All indorsers guarantee that the maker's signature is genuine."

Would this be binding upon the indorsers, and would it in any way affect the negotiability of the check and would the drawee bank have the right to require the party who presented this check for payment, to indorse it, and if the party refused to indorse it, would the payor bank have the right, for this reason, to refuse payment?

I hope you will find time to reply fully to this letter, for forged checks are the nightmare of all bankers.

For a century and a half it has been the rule of the common law that a drawee is bound to know the signature of the drawer, and if he mistakes such signature and pays upon a forgery thereof, he can neither charge the payment to the drawer's account nor recover from a bona fide holder who has received the money. This is the rule which prevails generally throughout the country to-day, although in Pennsylvania the rule was changed by statute in 1849, and in a few other States the courts have modified it in exceptional cases as, for instance, where the holder of the forged check has been negligent in acquiring it from a stranger without inquiry or proper precautions, or where the holder has cashed the check previous to its collection it has been thought inequitable to transfer this loss to the drawee simply because the latter has mistaken the signature and paid him the amount in good faith. In one or two States also it has been intimated that the holder by indorsing and collecting the check virtually warrants to the drawee that the drawer's signature is genuine.

Generally speaking, however, the rule of the common law above stated prevails throughout a majority of the States, although I doubt if the courts would apply the rule in favor of a payee as distinguished from a holder by indorsement from the payee. The payee in most cases deals directly with the drawer, and must necessarily know when he takes a check whether it is genuine or not. Where, therefore, the payee presents the check to the bank in person and receives the money, I think the courts would hold him liable to refund, and the bank not bound by its mistake in such a case. Not many cases of this kind have come before the courts, but I believe it has been so held in Massachusetts. The case in which the rule is more generally applied is where a subsequent holder has acquired the check.

The generally ascribed reason underlying the rule that the drawee is bound to know the drawer's signature and cannot recover the money paid thereon from a bona fide holder is that, as between such holder and the drawee, the latter is in a better position to judge as to its genuineness. The drawee has the drawer's signature on file and sees it in numerous cases; the holder, on the other hand, is unfamiliar with the signature.

A further reason given by some of the courts is that the drawee bank should be regarded as the place of final settlement of the transaction of payment. This basis for the rule is well stated by the Supreme

Court of Minnesota in *Germania Bank of Minneapolis v. Boutell*, 60 Minn., 189, in the following language: "We may also suggest that perhaps the courts themselves have given the opponents of the doctrine an unnecessary vantage ground, by frequently placing it exclusively on the narrow ground of actual negligence on part of the drawee in not discovering the forgery, because he was bound to know the signature of his own customer or correspondent. It is undoubtedly true that he is in better position than a stranger to know his customer's signature, and that men have a right to deal with checks and drafts on that assumption; but it does not seem to us that the doctrine rests entirely on this narrow basis of actual negligence on part of the drawee. The money of the commercial world is no longer coin. The exchanges of commerce are now made almost entirely by means of drafts and checks. It was largely in deference to this fact that the recovery of money paid on paper of this kind, to which the drawee's signature was forged, was made an exception to the general rule as to the recovery of money paid under a mistake of fact. In view of the use of this class of paper as money, it was considered that public policy required that, as between the drawee and good faith holders, the drawee bank should be deemed the place of final settlement where all prior mistakes and forgeries should be corrected and settled once for all, and, if not then corrected, payment should be treated as final; that there must be a fixed and definite time and place to adjust and end these things as to innocent holders; and that that time and place should be the paying bank and the date of payment; and that, if not done then, the failure to do so must be deemed the constructive fault of the payee (payor) bank, which must take the consequences."

Your suggestion is that the payor bank be relieved of the responsibility of determining the genuineness of its customer's signature by having words printed on the face of the check: "All indorsers guarantee that the maker's signature is genuine." You ask whether this would be binding upon the indorsers and whether it would in any way affect the negotiability of the check. Being a stipulation on the face of the instrument, such a provision would bind the indorsers, and I do not think it would affect the negotiability of the check. Under the provisions of the Negotiable Instruments Act as it now stands, indorsers warrant genuineness to subsequent holders in due course, and such a provision would be simply extending the existing liability of the indorser to the drawee. I do not see that it would affect the negotiability of the instrument.

You further ask whether if the holder refused to indorse the instrument, the payor bank would have the right for this reason to refuse payment. At common law, the debtor could not require a receipt as a condition of payment, and it has been held by some courts that a bank cannot require the indorsement of the payee or the indorsee where the latter presents the check in person. But other cases have taken the view that, by custom, the bank is entitled to such indorsement and may refuse payment where the same is declined. You will find in the *JOURNAL* for February, 1913, at page 521, a collection of the cases on this subject.

# PROTECTIVE DEPARTMENT

L.W. GAMMON

MANAGER

## OFFICES OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.

ALABAMA, BIRMINGHAM.—Brown-Marx Building.  
CALIFORNIA, LOS ANGELES.—Walter P. Story Building.  
CALIFORNIA, SAN FRANCISCO.—First National Bank Building.  
COLORADO, DENVER.—First National Bank Building.  
ILLINOIS, CHICAGO.—Transportation Building.  
LOUISIANA, NEW ORLEANS.—Whitney Central Building.  
MARYLAND, BALTIMORE.—Munsey Building.  
MASSACHUSETTS, BOSTON.—201 Devonshire Street.  
MICHIGAN, DETROIT.—Dime Savings Bank Building.  
MINNESOTA, MINNEAPOLIS.—McKnight Building.  
MINNESOTA, ST. PAUL.—New York Life Building.  
MISSOURI, KANSAS CITY.—Midland Building.  
MISSOURI, ST. LOUIS.—704 Title Guaranty Building.  
NEW YORK, BUFFALO.—White Building.  
NEW YORK, NEW YORK CITY.—Woolworth Building.

OHIO, CLEVELAND.—Sweetland Building.  
OREGON, PORTLAND.—Yeon Building.  
PENNSYLVANIA, PHILADELPHIA.—New Stock Exchange Building.  
PENNSYLVANIA, PITTSBURGH.—Commonwealth Building.  
TEXAS, HOUSTON.—Union National Bank Building.  
WASHINGTON, SEATTLE.—Hinckley Block.

## FOREIGN OFFICES OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.

CANADA, MONTREAL.—501 Transportation Building.  
ENGLAND, LONDON, W.—Crown Chambers, 5 Regent St.  
FRANCE, PARIS.—16-17 Rue Auber.  
BELGIUM, BRUSSELS.—4 Passage des Postes, No. 6 Boulevard Anspach.

## CORRESPONDENT OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.

IOWA, DES MOINES.—The Gus. J. Patek Detective Agency, 515 Mulberry Street.

## Report of Protective Work During January

THE following is a report for the month of January, 1915, pertaining to the work of the Protective Department:

### WARNING.

ALBERT ANDERSON, alias Jack Anderson, succeeded in defrauding two member banks and a department store in Santa Fe, N. M., on December 28, 1914. Anderson was successful in his operations by depositing a check at one of the banks, obtaining a receipt for same, and on the strength of this receipt succeeded in having a check cashed at the other bank and the department store. He claimed that he was in Santa Fe for his wife's health and contemplated purchasing a hotel there. Anderson is still unapprehended. He is described as: Age, 35; height, 5 feet 11 inches; weight, 175; build, raw-boned; hair, black; eyes, brown; complexion, medium dark; beard, smooth shaven; high cheek bones; cheeks sunken; burn scar left side of face; wore black soft hat; dark gray sack suit; long black English melton overcoat; black Persian lamb fur collar.

A man representing himself as F. E. ARMSTRONG, left a draft in the sum of \$1,000, with a bank member, at Denver, Col., drawn on a bank member at Grass Valley, Cal., for collection and at the time attempted to have money advanced on the draft. However, he was unsuccessful. A few days later Armstrong visited Castle Rock, Col., and is said to have succeeded in defrauding a hotel and a warrant is held by Sheriff George Nickson at Castle Rock, for his arrest charging forgery. He is described as follows: Age, 35; height, 6 feet; weight, 180-190; build, good; complexion, good; eyes, blue; hair, light; smooth shaven.

Banks on the Pacific Coast are cautioned to be on the lookout for two alleged swindlers who recently

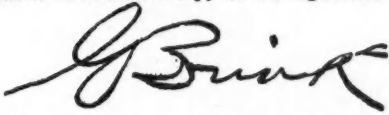
operated in eastern Oregon. These parties used the names of E. D. ARTHUR, alias C. Roberts, alias R. C. Dennison, and W. S. SCOTT, alias A. Ellsworth. Their method of operation is to induce farmers to have their photographs enlarged into portraits, and representing that they are sent out by the "Pacific Exposition Studio, of Oakland, Cal.," claiming that this studio has an official connection with the Panama-Pacific Exposition. They further represent to the farmers that these portraits will be displayed in the "Palace of Art," in the Exposition and under these pretenses secure sums of money, ranging from \$10 to \$60. They make their headquarters in a town, and each one of the operators opens an account at the bank. Through manipulating checks and deposits they succeed in defrauding the banks. A. ELLSWORTH is described as: 40 years of age; 5 feet 9 inches tall; weight, 160 pounds; hair, black; pompadour style; pronounced grey spots; smooth shaven; appearance, business man. C. ROBERTS is described as: 30 years of age; 5 feet 11 inches, or 6 feet tall; weight, 190 pounds; build, athletic; hair, light brown; complexion, light; two gold crowns; wears brown suit, brown cap and tan shoes. Below is a specimen of the writing which appeared upon one of their checks



G. BRINK, claiming to be a representative of the Interstate Business Men's Accident Association, of Des Moines, Iowa, operated against a membership bank of Baker, Oregon, during the latter part of December, 1914. His method of operation was to draw a draft against the above named firm, which later was returned dishonored. This company advises that G. Brink is not one of their employees, and they advise that this party has defrauded other banks by

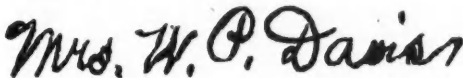


the same method. No description of this party is available. Below is a copy of his signature.



A man giving his name as J. A. DAVIS is said to be passing worthless checks in Milwaukee, Wis., and other cities in the vicinity, drawn on a member bank of Canton, Ohio. A definite description of Davis is not available at the present time.

On December 29, 1914, a membership bank located at Riverside, Cal., reported having been defrauded by means of a forged signature to a note by one W. P. DAVIS. This man came to the bank on December 11, 1914, and opened an account with a small amount, depositing cash. Later, he again returned to the bank with another deposit and requested the bank to wire a certain amount to his wife in Morenci, Ariz. The following day he returned to the bank and requested them to wire an additional \$100 to his wife in Morenci, Ariz., and tendered a note purported to have been signed by his employer who was well known to the bank's employees. The bank readily agreed to do this, owing to their business relations with this man's supposed employer. It was later discovered that the signature had been forged to the note. Following is a description of Davis: Age, 35 to 40; height, 6 feet; weight, 180 pounds; complexion, dark; dress, wearing a dark sack suit, dark hat, well dressed; gentlemanly appearance. A specimen of Davis' handwriting is reproduced below. The California Bankers' Association is co-operating with this association in this matter.



DR. H. J. DORST, alias J. Simon, alias W. S. Lang, alias W. T. Lane, alias Nap Cabel, who was reported through the columns of the JOURNAL-BULLETIN, July, 1912, page 31; September, 1912, page 133-85; October, 1914, page 230, has again been heard from at Gary, Ind., where he succeeded in defrauding a member bank and others by the use of fraudulent and forged checks. Members banks should be on the lookout for this man whose description is taken from the records of the Kansas penitentiary, to which institution he was sentenced in 1912 for an indeterminate sentence from one to ten years on a charge of forgery, and from which he was released December 20, 1913. Description: Age, 39; height, 5 feet 8½ inches; weight, 159 pounds; build, medium; hair, light brown; eyes, dark blue; complexion, medium; smooth shaven; occupation, dentist; walks with a limp; right limb two inches shorter than left. He has operated very extensively by representing himself as a dentist or doctor and selling invalids or cripples special made shoes.

B. FINKLESTEIN, also known as "Green," who is described as: 30 years of age; 6 feet tall; weighing

160 pounds; dark complexion; smooth shaven; succeeded in defrauding a member bank at Grand Forks, N. D., by means of a worthless check in the sum of \$29.30. Because of technicalities, the member bank has decided not to prosecute. However, our detective agents are engaged in locating this man in connection with another matter.



TOMMY GAFFNEY.

The above is a photograph of TOMMY GAFFNEY, alias Fred Thomas, who is the leader of a gang of alleged forgers who have been operating successfully against banks in Oregon, Washington and Idaho for some time. He and his gang use the well known "book trick," in securing the signatures on drafts of farmers, who are visiting away from home. Later they telegraph the bank on which the draft is drawn, from some nearby point, requesting if their victim's draft is good for a certain sum. In telegraphing they use the name of some fictitious real estate or live stock company and the unsuspecting bank invariably replies that the farmer's draft is good for a certain sum if the signature is genuine. The members of this gang then deposit the draft in the bank for collection, and in most cases the bank on which it is drawn remits before the farmer returns to his home city. Tommy Gaffney is known in a number of instances to have presented the drafts at the banks, and members should be on the lookout for him. He is at the present time in the State of Montana, and he is described as follows: 25 years old; 5 feet 5½ inches tall; weight, 130 pounds; complexion, medium; hair, black; eyes, dark grey; pug nose; typical "pug face."

A man using the name of SAM GREENBERG, and a woman calling herself BETTI WITTNER, called on a member trust company at Philadelphia,

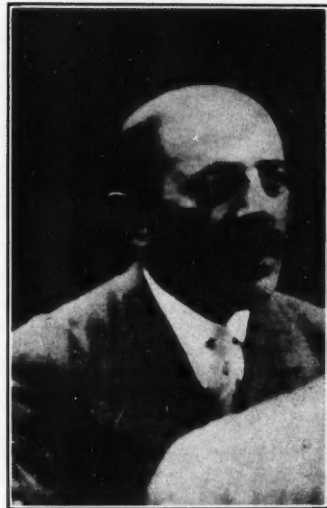
Pa., on December 8, 1914, the woman stating that she had an account with a member bank in New York City, and that she had a credit balance of \$2,200 in same. She deposited a check for \$1,500 on this New York bank and received against same a deposit book from the trust company, showing an entry of \$1,000, and a certificate of deposit for \$500. The next day the check was returned by the member bank to the member trust company marked, "no account." Greenberg is described as about 30 years of age; 5 feet 6 inches in height; 140 pounds in weight; black hair; dark complexion; Jewish features; untidy appearance. Betti Wittner's description is: 20 years of age; 5 feet 3 inches in height; 150 pounds in weight; dark hair; fair complexion; wore dark coat and red hat; rather attractive appearance. Greenberg handled the whole transaction and deposited a check on the member bank signed by both the woman and himself. This certificate of deposit is issued in favor of Betti Wittner, payable ninety days from date upon ten days' notice. A warrant has been issued for the arrest of these individuals and is being held at Philadelphia by the authorities.

On January 2, 1915, a membership bank at Pasadena, Cal., reported having been defrauded by means of a forged endorsement on a check which was drawn on the blank of one of the bank's depositors. This man entered the bank with a check and presented it for payment at the window. On the back of this check was the endorsement and "O. K." of the bank's depositor, also the amount of the check in figures. This check showed THOMAS GRIFFIN as payee and was also endorsed by Thos. Griffin under the "O. K." and signature of the doctor, whose name was forged. This man claimed the check had been endorsed by the depositor, a well known doctor, and it was later discovered that the check blank had been stolen by someone from the doctor's desk. The desk had been broken open and the signature had been cleverly written on the check as well as the endorsement on the back of the same. The forger's work was so cleverly done that it aroused no suspicion and the check was cashed without question. The bank lost the full amount, \$100. Upon payment of same, the party who cashed the check wrote his address on the back of the check, which was later discovered to be fictitious. No description of this man is available. A specimen of his handwriting is reproduced below. The California Bankers' Association is co-operating with this association in this matter.

*Thomas Griffin  
#25 Holly St.  
City*

On January 7, 1914, the district sales-manager of the Gulf Refining Company, New Orleans, La., went into a bank accompanied by a young man

who gave the name of CLAUDE HOWARD. The above mentioned official had previously received a telegram from the general sales-manager of his company which requested that Howard be introduced at the bank. Howard then deposited New York exchange for \$3,500, purporting to be drawn by the City National Bank at Evansville, Ind., on a national bank of New York City. Howard then went to the paying teller and presented a check for \$500 payable to "cash" and signed "Claude Howard." The paying teller knew that Howard had \$3,500 on deposit and consequently gave him the cash on the check which he presented. Other checks were cashed for him, after which he left the bank and was not seen in New Orleans thereafter. On January 11, 1915, the member bank above referred to, received a telegram from a New York bank, advising them that the exchange was absolutely worthless. The bank at Evansville, Ind., also advised that this man was entirely unknown to them. Claude Howard is described as: 28 or 30 years of age; 5 feet 9 or 10 inches in height; 130 pounds in weight; light brown hair, sallow complexion; large eyes; large forehead; slim build; smooth shaven; wore dark grey overcoat, and dark brown suit.



WOLK HERMAN.

Early in January, 1915, complaint was made by a member bank of New Kensington, Pa., to the Pittsburgh office of our detective agents regarding a bogus check operator whose correct name seems to be WOLK HERMAN. A photograph and specimen of handwriting of this operator are reproduced herewith. He solicits for Jewish publications. Wolk Herman, it seems, was arrested in Toledo, Ohio, not long ago and given a workhouse sentence at Cincinnati, Ohio. Herman is believed to have operated under the following aliases: Abe Goldberg; A. S. Lewis, and W. Herman. Member banks are warned to be on the lookout for him. Herman is described as follows: Age, 45 years; height, 5 feet 4 inches; weight, 150 pounds; build, medium; has broad shoulders and a

slight hump; complexion, dark; eyes, dark; hair, black; heavy black mustache; slightly hunchbacked and wore nose glasses with chain over ear; wore black hat, dark overcoat, knee length; black shoes; appearance, Hebrew.

*W Herman*

D. W. HOWARD, alias G. Dundas, alias A. Travers, of whom mention is made through the columns of the JOURNAL-BULLETIN, January, 1914, page 517, was again busy in Chicago the day before Christmas, when he succeeded in defrauding no less than eight or ten jewelers and prominent merchants on South State street by the use of forged and fraudulent Canadian bank drafts drawn against the First National Bank, Chicago. His description is given as about 45 years of age; height about 6 feet; weight, 200 pounds; complexion, florid; hair, dark brown wavy mixed with gray; sandy gray moustache, while a year ago he was smooth shaven and operated in Philadelphia, New York and Boston. Wears a large diamond on one of his little fingers. Has the appearance of American, but speaks with German accent; presenting his card as A. Travers, real estate, Montreal, Canada, and also carries letters of identification from the Canadian Bank of Commerce, which are forgeries.

F. H. LANPHEAR, commonly known as Fred Lanphear, recently operated at Harlan, Iowa, wherein a member bank was swindled by means of a check forged by him. This matter has been turned over to our detective agents, who are at the present time endeavoring to locate this man. Lanphear is described as being about 30 years of age; height, 5 feet 7 or 8 inches; weight, 175 pounds; dark eyes; dark hair; high forehead; parts hair in middle, which is very thin on top, but heavy on the back of his head; usually smooth shaven, but would have a very heavy dark beard if allowed to grow. Tattoo of cross hands on left arm. A fifty dollar reward has also been offered by Sheriff McMahon, of Harlan, Iowa.

JOHN H. LEECH recently secured \$755 from a bank member in Denver, Col., on the forged endorsement of the Lewis & Leech Cider & Vinegar Company, a Denver, Col., firm. The check in question had been stolen by Leech from the Lewis & Leech Cider & Vinegar Company, he having a relative connected with this company. He is described as follows: Age, 27; height, 5 feet 6 inches; weight, 130 pounds; eyes, dark; hair, chestnut; complexion, medium; smooth shaven, boyish face; fast talker; acts nervous. Leech is also wanted by the government authorities for having used the mails with intent to defraud.

On January 15, 1915, a membership bank located at San Pedro, Cal., reported having been defrauded by means of a worthless check, drawn and signed in part by one R. EMMET LUCAS. Lucas is an old offender, having been arrested several times for similar offenses. He is described as follows: Age, 60;

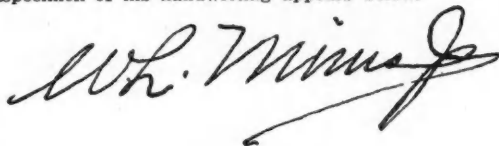
looks 50; height, 5 feet 4 1/2 inches; weight, 160; eyes, slate blue; hair, dark brown, streaked with gray; complexion, medium; teeth, poor; nativity, Ohio; scar on left side of face. He is a professional insurance order promoter and said to be an expert in this line. He is a smooth talker and under the guise of promoting lodges and insurance companies, manages to secure check blanks from various companies and lodges with whom he procures work as representative or solicitor. On one occasion while working for the Royal Order of Deer, he procured a number of check blanks and by forging the names of the president and secretary procured large amounts of money. The forgery in the above named case was committed by using the check blank of the Supreme Order of Bohemians (lodge), and by forging the name of the president and signing his own name as secretary, pro tem, he called at a bank where he is well known and where he still owed a small amount on a worthless check which they had cashed for him some time ago, and claiming to the bank to have been away from the city for some time and having just discovered that the check that he had given had, through some means, been returned by error and never paid, he tendered a larger check as payment of the former check, and received credit for the amount of the old check which he owed and the balance in cash. Later, it was discovered by this bank that the check was worthless. A specimen of the handwriting of Lucas is reproduced below. The California Bankers' Association is co-operating with this association in this matter.

*R. Emmet Lucas*

A membership bank at Berlin Heights, Ohio, recently reported to our detective agents that they had suffered a loss through a forgery perpetrated upon their institution by one STEVE MOJCENVIC, alias Joe Seler, who forged the name of one of their customers to checks which were later honored by the bank. Our detective agents are now endeavoring to locate Steve Mojcencvic, who is described as follows: Height, 5 feet 4 inches; weight, 150 pounds; hair, dark; complexion, dark.

W. L. MIMS, a former bookkeeper for a serum company of Kansas City, Mo., recently left the employ of these people several hundred dollars short in his accounts and began to pass forged checks on the company, being familiar with the method and handwriting of the official having authority to sign same. A membership bank in Kansas City, Mo., lost through this man's transactions and our detective agents are at the present time trying to locate him. Mims is described as about 30 years of age; height, 5 feet 9

inches; weight, 145 or 150 pounds; slender build; light hair; blue eyes, and light complexion. Mims has a peculiar stoppage in his speech and has a habit of flapping his hands together when talking, which appears to assist him saying what he desires. The last trace of Mims was in Flagstaff, Ariz., where he is also wanted for passing a forged check. Banks in that vicinity should be on their guard against him. Specimen of his handwriting appears below.



J. O. MUNSELL was successful in securing ten dollars by means of a worthless draft from a member bank at New Ulm, Minn. The draft was drawn against the First National Bank of Herington, Kan., which advises that Munsell has no credit balance there. He was last heard of in the vicinity of Herington, Kan.

P. W. Hall, secretary of the Iowa Bankers' Association, reports a person using the name of PAT O'BRIEN, who succeeded in defrauding a member bank of this and the Iowa Bankers' Association at Buffalo Center, Iowa, in the sum of \$38.65. O'Brien was employed as a farm hand, and by stealing the pass book belonging to his employer forged his endorsement, and in this manner defrauded the bank. He is described as follows: Age, 28 years; height, 5 feet 5½ inches; weight, 150 pounds; medium dark complexion; very dark bushy hair; walks erect; very talkative; slight Irish brogue.

A bank member at St. Peters, Mo., reports to the St. Louis office of our detective agents that they were defrauded on January 14th by a woman who forged the name of a well known farmer living in the nearby country. She is known under the names of MARY ORF and Frances Dickherber. Investigation develops that this is the same party who defrauded a membership bank at St. Charles, Mo., on October 22, 1914, in the same manner. This woman becomes familiar with the families in certain districts, then, in the attire of a farmer's wife, calls at a bank in a town some ten miles distant, where upon being questioned she shows familiarity with the surrounding district, and her check is cashed without further hesitation. This woman is described as being about 45 to 50 years old; 5 feet 3 inches; weight, 140 to 150 pounds; medium build; wore long black old-fashioned coat and black scarf.

Our detective agents received information on January 7, 1915, that one H. J. PAYTON, employed as a printer at Ovid, N. Y., had defrauded a number of merchants in that town by means of passing forged checks. Upon investigating this report, our detective agents learned that this is identical with R. E. MURRAY, reported in the December issue of the A. B. A. Journal, page 393. The method of this man is to secure employment, as a printer in small towns, usually on weekly papers. After working a short time, he

usually cashes checks for small amounts with forged signatures. All membership banks in small communities should be on the lookout for this swindler. Warrants for his apprehension are held by the authorities at Perry, N. Y., and Sheriff William H. Excell, Ovid, N. Y.

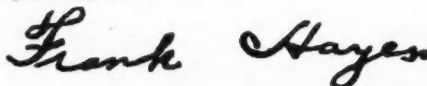
P. W. Hall, secretary of the Iowa Bankers' Association reports the forgery of \$12 by a person claiming to be W. G. REBBEKE, a cook. This Association and the Iowa Bankers' Association are jointly interested in securing the apprehension of this person.

CHARLES L. REVELLE, described as being about 47 years old; build stocky; sandy complexion; who represented himself to be a collector for a newspaper in Topeka, Kan., recently swindled a membership bank and several other parties in Newton, Kan., by raising checks which they paid him for subscriptions to his paper. He also forged the names of several persons who paid subscriptions to the paper. Later, it was found that he had no connection with the periodical, and did not turn in the receipts. Specimen of his handwriting appears below.



Our detective agents are endeavoring to apprehend one J. M. RIDDLE who defrauded a bank member of Lindale, Texas, by means of a bogus draft drawn on a bank member of Beaumont, Texas. This party claimed to be district manager for the American Insurance Union of Columbus, Ohio, and secured the acquaintanceship of the bank's cashier by making several drafts previous to this one, which later proved to be genuine. He is described as follows: Age, 52 to 58 years; height, 6 feet 2 inches; weight, 180 to 190 pounds; black round eyes; black hair; occupation, insurance agent; neat in appearance; posed as a very religious man; sings well, and wears gloves winter and summer.

A man named RICHARD J. ROACH and using the alias of Frank Hayes, recently defrauded a number of merchants in and about Cripple Creek, Col., by means of fraudulent checks. While in Cripple Creek, Roach displayed a check for \$150 drawn on the Miners' and Merchants' Bank at Bisbee, Ariz., and made payable to Frank Hayes. It is understood that he formerly resided in Virginia City and also Reno, Nev., where he was in the undertaking business. A description of this man is at present not available, but it is stated that he walks with a slight limp in his left foot, caused by being shot in the ankle, and apparently wears a steel brace. He, no doubt, will, sooner or later, show up in the vicinity of Reno, Nev., Truckee or Sacramento, Cal., and most likely in company with a woman. A specimen of his handwriting is reproduced below.





On December 17, 1914, a girl representing herself to be ANNA SMITH, defrauded a bank member in Kalamazoo, Mich., in the sum of \$40 with a check drawn on a Fort Worth, Texas, bank member. Investigation by our detective agents disclosed the fact that this operator is no other than Ada Tawber, alias Tawter, Tawler, Smith, St. John, Carrie Lohrman, etc., about whom articles have appeared in the A. B. A. JOURNALS for September, 1914, page 227; November, 1914, page 320, and December, 1914, page 405. This woman is exceptionally clever and members are again cautioned to be on their guard against her. She has operated in Detroit, Mich.; Grand Rapids, Mich.; Toledo, Ohio; Kalamazoo, Mich.; Dayton, Ohio; Milwaukee, Wis.; Chicago, Ill., and Nashville, Tenn., and is described as follows: 20 to 25 years of age; 5 feet 4 or 5 inches in height; 120 pounds in weight; blue eyes; blonde hair; fair complexion, and long nose. Wore velvet suit; small velvet or fur hat, very neat and good looking.

A bank member at Basin, Wyo., received, in the mail, a check for \$3,000, from one L. E. SMITH, of Kelton, S. C. This check purported to be signed by Smith Ward in favor of Laurie Smith and was drawn on a bank member in Charlotte, N. C. Smith requested that the bank member at Basin, Wyo., issue a certificate of deposit for \$2,400 and send him \$600 in cash. The Charlotte bank reported that the check was a forgery.

One MAY SINNOTT, also known as May Thompson, succeeded in defrauding a member bank in New York City by means of passing a check to which she had forged the name of Thomas Sinnott, a local hotel proprietor. She gave this check to a dealer in cigars in New York. It was later paid by the bank. May Sinnott is described as: 24 years of age (has the appearance of a woman of 32); 5 feet 6 inches in height; 140 pounds in weight; light complexion; light hair; plain dresser; good teeth; one gold cap, upper left; is fairly good looking. A sample of her handwriting is inserted below.

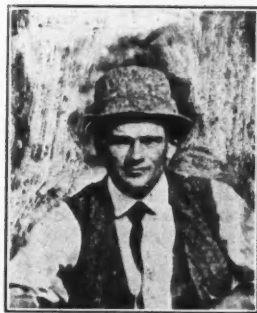
*May Sinnott*

For several months past, raised checks payable to "bearer" have been presented to member banks for payment and numerous member banks have been defrauded. The checks bear the genuine signatures of banks' depositors and are so cleverly raised as to show no erasures, discolorations or other evidences of having been raised, but the payee's name is usually obliterated and the word "bearer" substituted, which enables the holder of the check to secure payment without identification. It has been found upon investigation that in every instance, the hall letter box of the firm to whom the check has originally been mailed has been robbed and the check secured in this manner is raised, made payable to bearer and cashed by men of different descriptions. Two members of this gang of letter box thieves have recent-

ly been sentenced to the penitentiary on other charges and nearly a hundred checks stolen from letter boxes were found in the cell of one of these members of this gang. It was believed that possibly the brains of the gang had been sent away in the person of one of these men, but on January 8th, a man representing himself to be JOSEPH STERN cashed two of these raised checks at a member bank in West Hoboken, N. J., securing nearly five hundred dollars on checks which had originally been issued for small amounts. Stern is described to be about 25 years of age; 5 feet 2 inches in height; weight about 155 pounds; muscular build; sandy hair; smooth shaven, and wearing soft brown telescope hat, with pleated hat band; salt and pepper overcoat with collar of same material. He chewed gum vigorously while in the bank and seemed to be slightly nervous. His face was covered with pimples. We reproduce below specimens of the handwriting inserted on these checks. It is suggested that any checks for large amounts made payable to "bearer" and signed by depositors who have hitherto always made checks payable to a particular person presented to member banks for payment be carefully scrutinized if you have the slightest cause to suspect the validity of such checks, the person presenting same should be detained until the maker of the check can be communicated with. Bank members should make every possible effort to co-operate with our detective agents to break up this gang of check raisers and hall letter box thieves.

*Bearer*

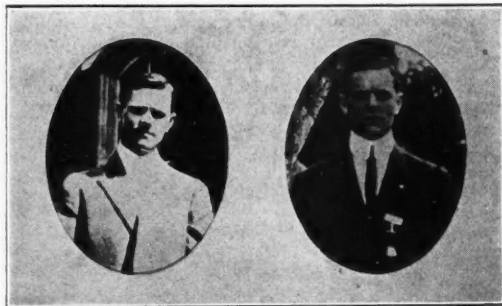
On October 21, 1914, a bank member in Fayetteville, N. C., cashed a sight draft on a bank member at Reedsville, Ga., which was signed by L. TIPPINS. The draft was for \$8 and was refused by the bank at Reedsville, Ga. L. Tippins represented himself to be a well-to-do farmer of Reedsville, Ga. It has been ascertained that he formerly lived in Tattnall County, Ga., and practiced law there and at Glennville, Ga.



GEORGE VEILLER.

A member bank in San Francisco reports cashing six checks purporting to have been drawn in favor of GEORGE VEILLER by the Vantrent Mining Com-

pany, Vantrent, Placer County, Cal., which firm maintains a checking account at the bank. Photograph of Veiller is above reproduced. These checks were drawn on a specially printed form, and had been torn from the back of the check book in use by the Vantrent Mining Company. Our detective representatives report that George Veiller is known under the names of George Reed and George Hannay, the latter being his true name, and formerly resided at Nanaimo, B. C., and that he has a wife living at that place. He is also wanted by the Crown to give evidence at the Special Assizes at New Westminster, B. C. His description is: 35 years of age; 5 feet 9 inches in height; 160 pounds in weight; dark complexion; smooth shaven; hazel eyes; eyes are deep set; narrow slit and case or light defect in one eye; claims to be a mining expert and states that he has a black sand saving process. He is accompanied by a woman who gives the name Miss A. Daly. George McAulay, sheriff of Placer County, Auburn, Cal., holds felony warrant. The California Bankers' Association is co-operating with this Association in the investigation of this case.



CHARLES ROBERT W. ELLS.

CHARLES ROBERT W. ELLS, who has defrauded a member bank at Indianapolis, Ind., and also Chicago, Ill., and who was formerly employed as an insurance adjuster in the city of Indianapolis, where he succeeded in purloining several of the insurance company's checks and these he scattered promiscuously through Indianapolis during the first week of January. It appears that Ells succeeded in securing about \$2,000 by his speculation with these worthless checks. It is expected that he has gone to the Pacific Coast. He is also known as Charles Elrod, and is of the following description: 32 years of age; 5 feet 10 inches in height; 160 pounds in weight; dark brown hair; wears glasses and talks in a low, earnest undertone, in a confidential manner. Photograph of this man is reproduced above this article.

P. W. Hall, secretary of the Iowa Bankers' Association, reports a forger using the name of M. E. WHITEHEAD, who succeeded in defrauding a member of both this and the Iowa Bankers' Association by the use of a forged check in the sum of \$50. Whitehead was trailed by our detective representatives to Chicago, but at this writing has not been

located. He is described as follows: Age, 35 years; height, 5 feet 9 inches; weight, 180 pounds; complexion, florid; hair dark. Usually wears large black Fedora hat, representing himself to be a stockman.



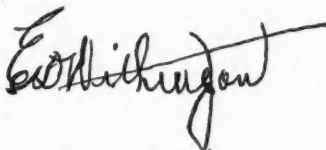
BOB WHITE.

A member bank of Buffalo, N. Y., reported to our detective representative on December 24, 1914, that they had sustained a loss by means of a forged endorsement on a cashier's check which they had cashed. At a subsequent investigation made by our representatives it was determined that one BOB WHITE had forged the endorsement and had left Buffalo for parts unknown. Bob White was employed as a cook on board the Steamer Signess, plying the Great Lakes. His description is 29 years of age, looks 20; 5 feet 4 inches in height; 100 pounds in weight; very slight build; light complexion; blue eyes, and has light hair. A warrant has been issued, charging him with forgery and same is held by the Buffalo police department. Photograph of Bob White is above reproduced.

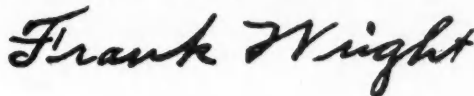
Thieves entered the establishment of a reputable business concern of Boston, Mass., recently and stole the following securities: \$1,000—North Texas Electric Company collateral trust 5's due 1940. No 742. \$1,000—Danville, Champaign & Decatur Railway & Light Company Consolidated & Refunding Collateral Trust 5's, due 1938. No. 0317. \$1,000—Elmira Water, Light & Railroad Company first Consolidated Mortgage 5's, due 1956. No. 2449. \$1,000—Consumers' Power Company of Minnesota, 6 per cent. notes, due May, 1917. No. 401. Forty-two shares American Telephone & Telegraph Company; No. M65060; \$120 per share; only negotiable through transfer. Should any party

endeavor to dispose of the above securities through your bank, notify the nearest office of our Detective Agents.

E. D. WITHINGTON, described as being about 27 or 28 years old, 5 feet 9 or 10 inches tall, weighing about 145 pounds, dark wavy hair, light complexion, gray eyes, recently swindled a member bank at McAlester, Okla., by means of a forged check in the sum of \$85. He is also said to have passed several worthless checks in New Orleans and other towns. This matter was referred to our detective agents who are at the present time trying to locate this man. Specimen of his handwriting appears below.



A member bank at Porterville, Cal., reports cashing three forged checks payable to the order of one FRANK WRIGHT, alias Wilson, a local painter and decorator by trade. Immediately after procuring the cash upon the three forged checks Wright, alias Wilson, left for parts unknown, and the matter is now being investigated by our detective representatives. He is described as follows: Age, 35 years; height, 5 feet 8 inches; weight, 145 pounds. Has quick step and drinks some, Roman nose; complexion, fair; build, medium; mustache, black, small; occupation, painter and paperhanger; teeth, poor; wore a brown suit, soft fedora hat, black laced shoes, size seven; dark grey sweater, soft shirt, white collar, neat dresser. The California Bankers' Association is co-operating with this Association in the investigation of this case. Below is shown sample of Wright's handwriting.



Bank members in Boston and vicinity are warned against the acceptance of checks presented by an individual representing himself to be EDWARD M. BARRY and E. M. BARRY. Thus far this party has confined his bogus transactions to private individuals and merchants. Barry is described as follows: Age, 35-40 years; height, 5 feet 7 inches; weight, 160 pounds; complexion, medium dark; smooth shaven; hair, medium dark; dark overcoat and black derby hat.

A young man posing as a deaf mute is now visiting towns in Oregon and Washington, soliciting funds to assist him in making his way through school. He calls at banks and business houses, and confines his operations to the vicinity of the banks. Our Detective Agents have good reasons to believe that he is the advance agent or "spotter" for a gang of yeggs, or bank burglars, who have recently blown a number of safes in the State of Washington. This party is de-

scribed as being 22 years of age; 5 feet 9 inches tall; weight, 140 pounds; hair, very light brown; eyes, blue; complexion, fair; appearance, neat; dresses well. Peculiarities: Walks slow, carries left arm as though it had been injured. His companions number a mulatto Negro, and two men who appear in the town peddling coat-hangers. Banks should be on the lookout for these parties, and should they appear in your city, notify the Chief of Police and have them questioned as to their true identity.

On December 17th a man giving the name J. CHARLES BARNES cashed a draft drawn on a manufacturing concern in Cleveland, Ohio, at a membership bank in Burns, Kans., after securing the endorsement of the hotel proprietor to same, in the amount of \$6. It is also reported that this man also secured money on worthless checks from the hotel proprietors in Eureka and Augusta, Kans. The manufacturing concern in Cleveland, Ohio, also advised that several drafts drawn by this man have been presented to them lately and that they have no knowledge of his identity. He is described as being about 26 or 27 years old; 5 feet 6 or 7 inches tall; weight, 140 pounds; build rather slender; complexion, dark; hair, black; nose rather sharp, and rather stylishly dressed. Specimen of his handwriting appears below.



A member bank at Fayetteville, Ark., was recently swindled in the sum of \$20 by FRED O. BROWN, who cashed a draft at their bank on a bank at Birch Tree, Mo., where he is well known and has frequently drawn drafts. He is at the present time said to be working for a school-book house in Chicago, Ill., and he carried a deposit book and check book from the bank at Birch Tree, Mo. We have not as yet secured a description of this man.

On December 23d a man using the name of JACOB COHEN passed a worthless check on a jewelry store in Kansas City, Mo., in payment of some jewelry. This check was drawn on a member bank in Fredonia, Kans., in the sum of \$23, and was returned to the jewelry store with the notation that this man held no funds in that bank. He is described as about 25 years old; 5 feet 8 inches tall; weight, 130 to 135 pounds; dark, shallow complexion; black hair; eyes, small, black; wore a good suit of clothes and had a dressy appearance.

CHARLES M. EDWARDS recently defrauded an individual at Boston, Mass., through the cashing of a check drawn on a bank member in that city, which later proved to be bogus. Edwards is described as follows: Age, 26 years; height, 5 feet 6 inches; weight, 140 pounds; smooth shaven; complexion, light; hair, light; dress, dark grey suit and dark grey overcoat, brown soft hat.

A member bank at Jerseyville, Ill., reports of cashing a check made payable to one FRED ELMORE

for \$60, which proved to have been raised from \$6. This check was given Elmore presumably as salary, and was drawn on a bank at Carrollton, Ill. It is claimed that Elmore has gone back to Kansas, but at this writing we have no description of him.

HARRY GAMMEL was arrested in St. Paul recently by local authorities, charged with having defrauded several merchants by means of forged checks ranging from \$5 to \$25, drawn on different banks throughout the country. It was also reported that he had uttered forged checks in Kansas City, Mo., also in Nebraska. This man is described as 28 years of age; 5 feet 6 inches in height; 155 pounds in weight; sallow complexion; chestnut hair; medium build; smooth shaven.

HENRY GIESCHEN, alias Henry Gordon, alias James Gleason, bogus check operator, is alleged to have been defrauding hotels and merchants throughout the State of Minnesota by means of worthless checks drawn on a St. Paul member bank. Gieschen was apprehended in Chicago, Ill., by the local police and has been since returned to Redwood Falls, Minn., in connection with defrauding a hotel at that place. Gieschen is 20 years of age; 5 feet 5 or 6 inches tall; weighs 130 pounds; very light complexion; yellow hair; blue eyes; slender build; German, talks with slight accent.

A man using the name JAMES S. GORDON, who is described as about 23 years old; 5 feet 9 inches tall; weight, 150 pounds; hair, sandy; face, smooth, and having the appearance of a farmer, on December 18th passed two checks on mercantile houses in Kansas City, Mo., in the sums of \$12 and \$25, purported to be drawn on a non-membership bank in Moreland, Okla. These checks were returned with the notation that he had no funds in that bank.

J. H. HARPER, who is described as about 35 years old; weight, 175 pounds; 6 feet tall; hair, black; build, stout; eyes, dark; smooth shaven; very heavy dark eyebrows; wearing a black suit and overcoat, and a salesman by occupation, recently swindled a non-membership bank at Bedford, Mo., by means of a forged check which he cashed at this bank. The check was drawn on a food company of Pleasant City, O., the name of the manager of the firm being forged to it. This company advised that its office was broken into on the night of October 30th, and eighteen of the company's blank checks stolen, and that these checks have been coming in from different sections of the country. Specimen of Harper's handwriting appears below.



W. F. GRIDLEY, also known as Edwin J. Tanner and Frank Pomeroy, who defrauded two Detroit hotels by means of worthless checks during December, 1914,

is now using a check drawn on a Battle Creek, Mich., bank member. He was last heard of in Kansas City, Mo. A report concerning this man's operations appears in the January issue of the JOURNAL-BULLETIN, page 503.

The police of Elizabeth, N. J., are in receipt of a warning circular advising that a dangerous forger by the name of FRANK K. HARRIS is headed their way after having left Akron, O. At Akron this man Harris secured a pad of the Northern Ohio Traction Company's pay roll checks, filled them out for various sums and passed them. He is said to have obtained \$1,800 by that means. He is described as 28 years old; 5 feet 11 inches in height; 160 pounds in weight; light hair and complexion; blue eyes and wears nose glasses.

H. HARRIS, described as about 5 feet 6 inches tall, 35 years old; weight, 160 pounds; brown hair, light complexion, gray or blue eyes, round full face, thick neck and red cheeks, recently passed a number of worthless checks on mercantile houses at Kansas City, Mo., drawn on a membership bank in that city, in which he had formerly carried an account, checking all of his money out except twenty-five cents. When the bank learned that he was working bad checks they promptly remitted a cashier's check to him covering his balance.

FRED I. HART, also known as Edward Carter, of whom mention is made in the JOURNAL-BULLETIN of January, 1915, page 502, for drawing worthless checks in Chicago, has been sentenced to the Federal Penitentiary for a year and one day.

Our Detective Agents at St. Louis, Mo., have been advised that a man using the name H. S. HARTMAN succeeded in passing a worthless check for \$25 at Cairo, Ill., the check being drawn on a bank at Sikeston, Mo. It is believed that this party left Cairo for Murphysboro, Ill., and as far as known now he has not defrauded a bank member. Hartman is described as follows: Age, 60 years; height, 5 feet 10 inches; weight, 160 pounds; weak eyes, wears glasses, lower lid of one eye hangs down; smooth shaven; mouth inclined to sag at one corner.

Bank members in Boston and vicinity are warned against the acceptance of bogus checks drawn on the Cosmopolitan Trust Company of Boston, Mass., signed Austin E. Murry and Murry E. Austin, and to the order of THOMAS B. HOWARD. The presenter of these checks is described as follows: Age, 30 years; height, 5 feet 7 inches; weight, 150 pounds; smooth shaven; complexion, dark; hair, black; dress, black overcoat and derby hat.

Our Detective Agents received information that an alleged swindler using the name of P. E. HUGHES, posing as an agent for the Guth Chocolate Company, succeeded in defrauding merchants and hotel keepers at Shinglehouse, Pa., and Bolivar, N. Y., during the latter part of December. At a subsequent investigation made by our Detective Agents, it was proven



that this man is none other than E. L. ROBINSON, alias C. E. Johnson, who was arrested by our Detective Agents at Cleveland, O., on November 12, 1913, and afterwards returned to Attica, N. Y., where he was convicted and given a suspended sentence upon the promise of making restitution for defrauding a membership bank at that time. A warrant for this man's arrest is in the hands of Chief of Police John McDermott, Bolivar, N. Y. This man is described as follows: Age, 25 years; height, 6 feet; weight, 160-170 pounds; hair, brown; smooth face.

A man using the name FRED JOHNSON recently passed a number of worthless checks on a non-membership bank in Cimarron, Kan. He was last heard of working in the vicinity of Topeka, Kan. No description of this man or specimen of his handwriting has as yet been secured. All banks are warned to be on the lookout for this man.

A clever worthless check operator using checks drawn on a San Diego, Cal., member bank made payable to J. JOHNSON, and signed by the California Irrigation Company by C. O. Westerhaus, Treasurer, has succeeded in defrauding merchants in Minneapolis, Minn. He ascertains the name of someone having an account with a retail store and then calls with a large check to pay a small sum upon this account, receiving a large amount of cash in return. He has been successful in defrauding one Minneapolis merchant by this means out of approximately \$650 in the latter part of December. No description is available.



JOHN H. KLINE.

A man who for the past seventeen years has operated in nearly every State in the middle west, and who by his mode of operation has secured at least \$200,000, and who in each instance avoided the officers, met his Waterloo at the hands of Deputy Sheriff John Sullivan of Waukesha, Wis., January 13, 1915, where he was arrested on complaint by a real estate agent when trying to borrow \$200 on a farm. At the time of his arrest he gave the name of John Albright. Later he was identified by Chief of Police D. C. McKay of Waukesha, Wis., as John W. Kline, who is wanted throughout the entire middle west, and for whom the police and detectives of the entire country have been looking for all of these years. He has used the alias names of John H. Kline, Kansas City, Mo.; Wm. Fungler, Clinton, Ia.; G. M. Beck, Musca-

tine, Ia.; John H. Cline, Fond Du Lac, Wis.; John Hoover, Rockford, Ill.; John H. Snyder, Council Bluffs, Ia.; John L. Butler, Quincy, Ill.; Chas. Neuman, Sioux City, Ia.; John C. Lutz, Princeton, Ill.; George H. Snyder, Tiffin, O.; George W. Walters, Delevan, Wis.; George W. Walters, Waukegan, Ill.; John H. Hoover, Dubuque, Ia.; H. G. Fisher, Chillicothe, O.; Geo. Folroy, Kenton, O.; Wm. Saddler, Baraboo, Wis.; Geo. Fesler, Jackson, Mich.; Sam'l L. Hatcher, Nevada, Mo.; Henry Snyder, Winona, Minn.; H. G. Fisher, Fremont, Neb.; Franklin Miller, Anderson, Ind.; Henry Becker, Meadville, Pa.; Wm. Hoover, Wooster, O.; George L. Butler, Racine, Wis.; Samuel Kramer, Ionia, Mich.; Jacob L. Miller, Macon, Mo.; Phillips H. Garrick, Kalamazoo, Mich.; Geo. L. Kramer, Ann Arbor, Mich. He is also known to have used other alias names, and to have operated very extensively by representing himself as being the purchaser of a fine farm, clear of encumbrance and then contracts to pay cash for it; usually stating that he is a widower and has a married daughter and expects to make his home on the farm with his daughter. He usually operates at some town near the county seat, and uses some subterfuge by which he secures a notary public seal. Using this notary seal he makes an acknowledgment of a contract between the grantor of the farm and himself. With this information he manufactures a forged deed under the notary seal and bringing it to a broker's office secures a loan in cash. This is always modest in comparison with the value of the farm, and he states that he wishes to make a few improvements on the farm and to stock same. This is the excuse given for wanting to borrow on the farm he is supposed to have purchased. This man, to our knowledge, has never operated against a member bank. Following his arrest at Waukesha, Wis., he confessed his identity to a representative of this agency and others, but would give no further information regarding himself. It is expected that a great many detainer warrants will be lodged against him. If you are interested kindly lodge a detainer warrant with the sheriff of Waukesha County, Waukesha, Wis.

DEL A. KNUDSON, a farm hand, recently forged his employer's name to a check drawn on a membership bank at Harlan, Ia. Knudson was located by the local authorities there and returned to Harlan for trial. He is described as about 19 years of age; height, 5 feet 8 inches; weight, 140 pounds; build, medium; complexion, fair; hair, brown; eyes, gray brown.

HARRY LA-VALLE, mentioned in the January issue of the JOURNAL-BULLETIN, page 503, was arrested in Petoskey, Mich., during December by the local police.

About December 20, 1914, HARRY J. LIDDELL, who attempted to defraud several Detroit bank members, and who is described in the January issue of

the A. B. A. JOURNAL, page 498, was arrested in Windsor Ontario, Can., while attempting to defraud a Windsor bank. This man was arrested by the Windsor police and in his possession was found a certificate of deposit and several savings account books, issued by Detroit banks. The loss sustained was less than \$10 to the Detroit banks.

SAM LEVI, a cigar clerk, was arrested in San Francisco, December 19, 1914, by the local police department, and was returned to Memphis, Tenn., where he is accused of having passed a forged check for \$300 on a member bank. Levi is described as follows: Age, 45 years; height, 5 feet 4 inches; weight, 185 pounds; complexion, florid; eyes, brown; build, stout; hair, black; nose, large, Roman; clean shaven; occupation, hack driver and cigar clerk.

A man giving the name M. J. McCONNELL recently entered a furnishing store in Kansas City, Mo., and purchased a suit of clothes, giving a check for same and ordering the suit sent to one of the hotels in that city. Before delivering the suit, it was discovered that the check was worthless, but on investigating at the hotel no trace of the man could be found. This man is described as follows: Age, 28 years; height, 5 feet 7 inches; weight, 140 pounds; build, medium; hair, dark sandy; complexion, florid; smooth shaven. At the time of calling at the store he wore a blue serge suit, dark overcoat and dark soft hat.

A party using the name of J. A. McNORRIS, alias J. W. Wilson, defrauded a non-member bank of Paris, Tex., by means of a forged check, the name of a depositor of this bank being used to further the ends of this operator. Our Detective Agents have established under general investigation that this same man under the name of J. W. Wilson defrauded a member bank at Paris, Tex., one year previous, but no report was made. J. A. McNorris, alias J. W. Wilson, is described as follows: Age, 40 years; height, 5 feet 11 inches; weight, 180 pounds; dark hair, eyes and complexion; wears glasses; occupation, insurance agent; has the appearance of a Mexican.

Secretary P. W. Hall of the Iowa Bankers' Association reports that a member of that association at Pomeroy, Ia., was recently defrauded by G. N. MARTIN, alias Albert Jones, who worked as a farmhand in that locality and securing his employer's pass-book, forged his name to the endorsement on a check. Martin is described as about 28 years of age; height, about 5 feet 9 inches; weight, about 150 pounds; dark complexion.

A man using the name of W. F. MARTIN recently came to Los Angeles, Cal., registered at a high-class hotel, and becoming acquainted at the desk, cigar stand or other similar place, he made small purchases and tendered checks in payment, receiving cash for the balance. These checks, drawn on a bank in Forrester, Tex., were stamped, certified and signed by the cashier. They all proved to be worthless and the certification of the bank's cashier was learned to be a forgery. No bank has suffered as a result of his

operations. He is described as 35 to 40 years of age, 6 feet in height, 160 pounds in weight, dark hair, streaked with gray, dark eyes, dark complexion, innocent features, southern accent; good dresser and talker.

Early in January, a report was received by the Pittsburgh office of our Detective Agents from a member bank of Sutton, W. Va., that they had been defrauded in the amount of \$13.20, by means of a forged check. Correspondence, however, developed the fact that the member bank would probably not sustain any loss. It seems that one O. B. MAYSE, and who has a confederate whose name is not known at the present writing, has been passing forged checks in the vicinity of Sutton and Buckhannon, W. Va.

THOMAS MORAN, who is described as about 36 years old, 5 feet 6 inches tall; weight, 145 pounds; build, medium; complexion, fair; hair, light; eyes, blue; occupation, clerk, and a Canadian by birth, was arrested in Joplin, Mo., on December 24, 1914, by the local police as he was leaving a clothing store, where he attempted to cash a forged check for \$42.30, drawn on a member bank of that city, to which he forged the name of the manager of a lumber company. He is at the present time in jail awaiting trial.

On January 8, 1915, a young man who used the name of M. M. MORELAND registered at a hotel in Detroit, Mich., and the same day perpetrated a swindle upon the American Express Company. He obtained in Chicago a cashier's draft for \$5 and this he raised to \$5,000. He telephoned the express company requesting them to deliver \$5,000 in travelers' cheques, which they did. He represented himself as an agent for a large automobile firm and forged their endorsement and after obtaining the cheques he disposed of several at Detroit hotels and then left town. He was traced via Buffalo and Cincinnati to Jacksonville, Fla., where on January 14, 1915, he was arrested while trying to dispose of some of the cheques. Our Detective Agents co-operated with the Detroit police and express company in this matter. Moreland will be returned to Detroit to face trial.

On January 14th a bank member at Flint, Mich., reported that a man by the name of JUDSON R. OSBORNE had cashed a check for \$75 on January 4th on the indorsement of a customer. It later turned out that this check was worthless. Upon investigation it was found that Judson R. Osborne's photograph appears in the Rogue's Gallery in the police department at Detroit, Mich., and that he is wanted in that city at the present time for burglary.

Our Detective Representatives have been advised by a member bank at Central Square, N. Y., that one GEORGE OSTROM, also known as George Atkin, Arthur Andrews, William A. McGee, C. A. Whittaker, Thomas W. O'Brien and Riley Shaw, has been drawing bogus checks in amounts of \$1 to \$25 upon their bank. This man has been heard of from Scranton, Pa., and Long Island City. He is 30 years of age, 5 feet 7 inches in height, 155 pounds in weight, medium build, medium chestnut hair, blue eyes, light com-

plexion, smooth shaven face, cast in one eye, three fingers off left hand.

A man whose true name is believed to be F. H. PARRENT on December 16, 1914, tried to swindle farmers living near Brooklyn, Mich., representing himself as a prospective buyer of the farmers' property. While in Brooklyn he succeeded in having a small check cashed by a local business house, but so far has not attempted to defraud any banks.

HARRY PERKINS, an Englishman, has been operating in Missouri and Kansas recently. He goes into a town, locates an English family, arouses sympathy by means of a plausible war story and gains admission to the family. After living with the family several days, he is introduced at one of the local banks, where he leaves a draft for collection and pretends to make that city his home. He then succeeds in obtaining money from his benefactor and departs. We have been unable to secure a description of this man.

Our Detective Representatives were advised on January 16, 1915, by a member bank at Buffalo, N. Y., that a man representing himself as C. A. PRENTISS had drawn a number of bogus checks on their bank in \$20 amounts and succeeded in cashing same upon a number of merchants on Main street. This man poses as a member of the firm of J. I. Prentiss & Co., wholesale grocers, Buffalo, N. Y., and upon making purchases presented bogus checks and received currency in exchange. All checks were made payable to the order of C. A. Prentiss and supposedly signed by A. H. Prentiss, treasurer. This operator is described as 32 years of age, 5 feet 10 or 11 inches in height, 170 pounds in weight, medium build, fair complexion, dark eyes, black hair, close cropped black mustache.

HARRY QUICK, with a number of aliases, who has been reported through the columns of the JOURNAL-BULLETIN September, 1913, page 218; August, 1914, page 117; October, 1914, page 236, was recently arrested in Philadelphia, Pa., and returned to Nashville, Tenn., for prosecution. In each instance previous he has succeeded in having these forged and fraudulent checks taken care of, and has in this manner thwarted justice and escaped prosecution. It is presumed that the same tactics will prevail in this instance.

#### GENERAL.

HENLY REEDY, mentioned on page 389, December, 1914, JOURNAL-BULLETIN, recently visited Boston, Mass., and succeeded in cashing a worthless check at the establishment of a jewelry merchant in that city, said check being drawn on the Spokane State Bank of Spokane, Wash. Reedy is described as follows: Age, 40 years; height, 5 feet 11 inches; weight, 210 pounds; build, heavy; smooth shaven; complexion, medium dark; hair, dark.

NATHAN RUDA recently defrauded a merchant at Boston, Mass., through the medium of bogus checks drawn on a member bank of that city. Through the

efforts of our Detective Agents, Ruda was arrested at Baltimore, Md., on December 9, 1914, and returned to Boston, Mass., for trial. On January 15, 1915, Ruda was sentenced to serve 18 months in the House of Correction, Deer Island, Boston, Mass. He is described as follows: Age, 21 years; height, 5 feet 6 inches; weight, 160 pounds; build, stocky; complexion, light; smooth shaven; hair, reddish; peculiarities, nose broken—not noticeable; occupation, tailor.

An old offender by the name of T. C. SEARS forged a check on a member bank of New Orleans, La.; no bank being a loser, by reason that the last endorsement was genuine. Sears is believed to have served a term in the penitentiary, and is described as follows: Age, 50 years; height, 5 feet 8 inches; weight, 180 pounds; hair, brown, turning gray; occupation, railroad man; prominent nose.

A customer of a member bank at Fort Lee, N. J., was defrauded by accepting a bogus check tendered by a man who claimed to be DR. A. SHULZ. This check was drawn on the Corn Exchange Bank, Plaza Branch, New York, N. Y., and was signed, "William Radano Chemical Company, A. D. S., President." Dr. A. Shulz is described as 5 feet 8 inches in height, medium build, wears hair extremely long in back, though bald in the front; is of fair complexion; wears long mustache and is a good talker. Derives his degree of doctor from the use of languages.

A man using the name J. B. SIMPSON and Sherwood has recently succeeded in defrauding individuals by means of forged cashiers' checks for good amounts drawn on the New Waverly State Bank, New Waverly, Tex. This man is 26 years of age, 5 feet 6 or 7 inches in height, 145 pounds in weight, slender build, dark hair and eyes, medium complexion; is married; a good dresser; has the general appearance of a consumptive.

M. B. WHEELER, described as about 34 years of age, 5 feet 10 inches tall, 160 pounds in weight, slim build, dark complexion; eyes, probably brown; black curly hair; very talkative; who represented himself to be a representative of the Home Mutual Life Insurance Company of Topeka, Kan., recently passed a worthless check on a non-member bank in Meriden, Kan., purporting to be drawn on a bank in Waco, Tex., but the check was returned with the notation that he had no funds in that bank.

A party claiming to be W. E. WILLSON was recently arrested by the police department at Deming, New Mex., on a charge of defrauding a member bank at Alamogordo, N. M., out of \$15 on a bogus draft. Willson has been returned to Alamogordo and will be prosecuted on a charge of obtaining money under false pretenses. The police advised our Detective Agents that Willson is a smooth individual and that he has evidently operated elsewhere. The attention of member banks is called to this party's operations and if anyone has been defrauded by him they should call same to the attention of our Detective Agents. Willson is described as follows: Age, 35 years; height, 5 feet 11 inches; weight, 150 pounds;

dark hair, blue eyes, smooth shaven; rather rosy complexion.

At about 9:30 a.m., Wednesday, December 30th, a man entered the office of a firm of bank stationers in Baltimore, Md., presenting a card and claiming to be the assistant cashier of a membership bank in Evansville, Ind., and wanted to buy some drafts. He also presented a letter purporting to be from the bank in question, in which it stated that he was in Baltimore on business and should look into the matter of buying drafts, the letter being signed with the correct name of the bank's cashier. Also the name this man used was in reality the name of the bank's assistant cashier. After selecting a steel plate draft he asked for a price on five thousand and the earliest date of delivery, then said he would telegraph the bank and advise later just what to do. About 12:15 p.m. he telephoned that the order be started at once, at the same time requesting that they make two hundred printed drafts for him to take with him the next day, for the bank's immediate use. This being an unusual request, and it being against the rules of the company to deliver such stationery to anyone but the bank, when the party returned again at 1:15 with his copy he was advised that the printed drafts would be finished the next day and sent direct to the bank at Evansville. At this the man cancelled the order for the printed drafts, advising that he would have them made at home, but for them to get up the sketch for the engraved drafts as soon as possible. The copy he submitted was written in ink and drawn on a New York City bank. The next morning, December 31st, the stationers received a letter from this party requesting that they not go ahead with the order until they heard further from him, as he wanted to take the matter up with the bank. The salesman who took the order then called at the hotel and learned that this party had registered under the same name on December 29th and left on December 30th, his destination unknown. This party is said to be about 38 years old, 5 feet 9 inches tall, smooth shaven; wore brown suit, derby hat, light overcoat, and glasses.

**ARRESTED.**

Note Correction: On page 505 of the January, 1915, JOURNAL-BULLETIN there is published an article concerning the arrest of one Frank L. Chapin which states that a photograph of Chapin is reproduced above the article. The photograph shown over the article is not that of Chapin but is the photograph of BOB ANDREWS, whose arrest is reported in the first article on page 505. Chapin's photograph was not reproduced.

At the instance of a member bank at Birmingham, Ala., who was defrauded by means of a check purporting to have been signed by a member of a firm of Birmingham, ROBERT L. BREMER, a civil engineer, was arrested on the forgery charge on December 22, 1914. This arrest was brought about by our Detective Agents with the assistance of the police of Galveston, Tex. Bremer is also wanted in Tuscaloosa and New Iberia, La., at which places warrants have been issued. He states that his home is in Charleston, S. C. Recently he took a trip through the South

and by means of forged and worthless checks drawn on Charleston banks, lived handsomely at the expense of his former schoolmates.

A member bank in Kansas City, Mo., was recently swindled out of \$75 by means of forged checks, the name of one of their depositors being forged, which was not noticed until she had her bankbook balanced. Our Detective Agents were immediately notified and apprehended a woman named MRS. GRACE BROWN on January 12th, who confessed to having forged these checks. She is at the present time in the county jail awaiting trial. She is described as about 20 years old, 5 feet 6 inches tall; weight, 133 pounds; build, stout; complexion, medium; hair, medium brown; eyes, chestnut brown; talks very rapidly.

Nine years of faithful service in the employ of a plastering concern at New Orleans, La., was considered sufficient to hold WILLIAM L. CAMUS free from suspicion at the time when an investigation was being made to learn the identity of the party who had forged the employer's name to two checks through which a member of this Association at New Orleans, La., was defrauded. One by one, the suspects in this case were given their opportunities to prove themselves free of implication in the matter, until the last one had been interviewed and the guilty party was still unknown. Surely it was needless to consider Camus, the faithful employee. As a last hope, however, our Detective Representatives, on January 11, 1915, assisted by the police of New Orleans, brought Camus to headquarters to question him. But Camus did not leave headquarters that night. Before many moments had passed, enough information and evidence was obtained to lay full responsibility for the passing of the forged checks upon him. The cashier of the member bank who had cashed the checks was then brought to headquarters and this official positively identified Camus as the man to whom he paid the money on the forged paper. At the present time Camus is held awaiting trial. He is a negro and described as follows: 28 to 30 years of age, 5 feet 9 or 10 inches in height, 145 pounds in weight, medium build, copper-colored complexion, small black mustache, good appearance.

During December, 1914, a member bank of Stuart, Fla., lost a sum of money through fraudulent check transactions perpetrated by one J. A. DANIELS, also known as J. H. Day, J. A. McRay, G. E. Gay and J. A. Day. The matter was placed in the hands of our Detective Agents, who immediately sent out a representative in pursuit of Daniels. On January 20, 1915, this representative caught up with his man as he was closing out a deal with a number of Worth County planters for a select herd of cattle. With the assistance of the police authorities of Ashburn, Ga., Daniels was placed under arrest. He waived extradition papers and will be returned to Florida. He is described as 5 feet 11 inches in height, 175 pounds in weight, iron gray hair, smooth shaven, gold teeth in front of mouth, plausible talker, had general appearance of a farmer.

MILTON EARLY, a resident of Clarion County, Pa., was arrested on January 16, 1915, by a representa-



tive of the Pittsburgh office of our Detective Agents for obtaining money from a member bank of Clarion, Pa., by means of a bogus check. Complaint was made to our Detective Agents on January 14, 1915, Early's arrest having been brought about in two days. Early's case at this writing has not yet been disposed of, but will be reported upon in a later issue. Milton Early is described as follows: Age, 45 years; height, 5 feet 4 inches; weight, 150 pounds; build, medium; complexion, sallow; eyes, not noted; hair, dark—probably streaked with gray; style of beard, dark mustache; peculiarities, talks slow, sort of drawl; dress, wore cap, brown or khaki-colored lumberman's coat (short), felt boots; appearance, farmer. A specimen of his signature is reproduced herewith.

*Milton Early.*

One LEO EDWARDS was recently arrested and positively identified by two officials of a member bank at Salt Lake City, Utah, and a number of witnesses, as the man who perpetrated a holdup on September 28, 1914, whereby the above-mentioned bank lost \$1,500. The case against Leo Edwards has been set for the February term of court. At the present writing he has been returned to the penitentiary on parole violation.

THOMAS J. FITZ, colored, was arrested by our Detective Agents at Pittsburgh, Pa., on January 20, 1915, on a charge of passing a bogus check and obtaining money under false pretenses, Fitz having presented on or about November 11, 1914, a bogus check to a member bank in Washington County, Pa. The case was not reported to the Pittsburgh office of our Detective Agents until January 6, 1915, at which time an investigation was immediately started and which resulted in the arrest of Fitz, who made a confession and pleaded guilty before a Justice of the Peace of Canonsburg, Pa. He was held for the next term of court at Washington, Pa., and was sent to the Washington County, Pa., jail in default of \$1,000 bail to await trial. Thomas J. Fitz, colored, is described as follows: Age, 26 years; height, 5 feet 6 inches; weight, 150 pounds; build, medium; complexion, very dark; eyes, black; hair, black; smooth shaven; appearance, laborer.

On January 9, 1915, HENRY GEYER was arrested by our Detective Agents, assisted by the police authorities of Council Bluffs, Ia., and charged with having defrauded a member of this Association at Mt. Vernon, Ia., by means of a forged check. He was placed in jail and is at the present time awaiting trial.

LOUIS W. HARTLEY, also known as Charles H. Rhinehart, Paul Walker, Tom Woods, Thomas R. Woods, Louis H. Hartman, H. Kaufman, George Hamilton, of whom mention was made through the columns of the JOURNAL-BULLETIN, January, 1915, page 500, was on Tuesday, January 5, 1915, arrested through the alertness of Cashier Cooper of the Illinois Trust Company, who had received information

concerning the forgery operations of this young man. When he presented himself at the bank, Cashier Cooper detained him until the police officers were notified and took him into custody. He is now awaiting trial in Cook County Jail, Chicago, Ill.

BERT HEATON was arrested in Bingham, Utah, for holding up a member bank in broad daylight on the afternoon of December 28, 1914. He succeeded in securing approximately \$18,000 of the bank's funds and locked three of the bank employees in the vault. Through the good judgment used by Cashier Earl Randall, who had placed two screw-drivers in the vault for that purpose and the fortunate fact that one of the employees had a knife, which was used to cut the bond that the man had tied them with, they released themselves in a short time from the vault and gave the alarm. Cashier Randall telephoned to different points up and down the canyon, which led to the arrest of Heaton and also the recovery of the money he had taken from the bank. Heaton is described as being: Age, 40; height, 5 feet 7 inches; weight, 140 pounds; build, medium; complexion, florid; smooth shaven; hair, black; eyes, dark brown.



D. A. SCHAPPER.

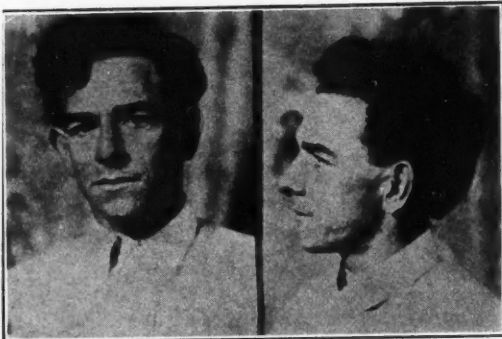
On the night of January 15th a member bank at Andale, Kan., was entered by yegg burglars and an attempt made to enter the safe, the vault having been blown with nitroglycerine. Several shots were



THOMAS STANFIELD.

fired which awakened citizens of the town and a fight followed between the citizens and the burglars. The

burglars succeeded in getting out of Andale, but the authorities of Wichita, Kan., had been notified and the following day attempted to arrest four men who were walking into Wichita by the railroad route. Another fight then took place, but this time three of the yeggs were captured, the fourth making good his



PEYTON SCHAPPER.

escape. Our Detective Representatives at Kansas City, Mo., immediately took this matter up in behalf of the bank. On the 21st the fourth burglar was captured by local authorities at Pratt, Kan., and all four are at the present time waiting trial for their crime. Photographs of these men are herewith reproduced. When taken into custody, they gave their names as



FRED HEMBREE.

GEORGE F. HOWARD, also known as H. Ansel Schapper, R. T. Shaw and "Blackie"; THOMAS STANFIELD, who has used the names Tulsa, "Whitey," Fred Harvey, and George B. Thompson; PEYTON SCHAPPER, believed to be a brother of George F. Howard, and FRED HEMBREE, Howard was recently released from the Huntsville, Tex., penitentiary, where he had been serving time for burglary, and Stanfield has a record at the Arkansas State Penitentiary for the same offense.

JOHN A. HOWARD, Sergeant, first-class, connected with the Quartermasters' Corps at Fort Ethan Allen, near Burlington, Vt., recently forged the name

of his superior officer to United States army checks, while acting in the capacity of clerk to the lieutenant in charge of regimental funds. He was said to be in the habit of taking checks to a member bank in Burlington, Vt., and when he appeared with the check of large denomination he was not questioned; the check was immediately paid, as the signature appeared to be regular. Shortly thereafter it was discovered that the signature on this check was a forgery. The matter was reported to our Detective Agents at their Montreal, Can., office, who learned that Howard had evidently gone to Chicago, Ill. He was traced to this point and there it was learned that he had only remained a very short time and had departed for Winnipeg, Manitoba, Can. A telegram was sent forward from Chicago to our detective agents in Winnipeg, who succeeded in having him apprehended on January 6, 1915, and he will be returned to Burlington, Vt., and prosecuted.

ROWLAND JOHNSON, who has previously been reported in the columns of the JOURNAL-BULLETIN, has recently defrauded a Watford, N. D., member bank by means of a bogus draft. We are advised he is now under arrest in Montana and is being returned to North Dakota for trial. This individual has been arrested on previous occasions but was able to avoid prosecution in each instance because of the influence of relatives. His operations are mentioned on page 50 of the July JOURNAL-BULLETIN, also on page 406 of the December, 1914, issue.

QUENTIN QUIGLEY is said to have been defrauding banks and merchants by checks drawn against a member bank at Watertown, S. D. Through the promptness of this bank's officials, who instructed by telegraph that Quigley be arrested, his apprehension was brought about January 2d at Ottawa, Ill. Subsequently he was returned to Watertown, S. D., where he awaits trial.

On December 29, 1914, our Detective Agents, assisted by the local police, arrested one HARRY STONE in New York City and charged him with having passed forged checks in Boston, Mass., through which a member bank of that place had been defrauded. When his case was brought before the court, it was stated that Stone was not a first offender, he having been arrested at New York City on September 12, 1907, on the charge of forgery, to which he, at that time, pleaded guilty and was sentenced to one year in the penitentiary. He is described as 45 years of age, 200 pounds in weight, 5 feet 10 inches in height, slightly gray hair, smooth and ruddy complexion, wore gray suit and black derby hat.

On January 12th, about 3 o'clock in the afternoon, two unmasked men entered a membership bank in Terlton, Okla., and compelled the cashier, his assistant and two customers of the bank to hold up their hands while they helped themselves to all the money that was in sight. They then compelled the above men to accompany them and carry the money, which amounted to something over twenty-two hundred dollars, to the outskirts of town, where a third robber

was waiting with their horses. In the meantime a posse had formed, led by Deputy Sheriff Moore of Terlton, and in the shots subsequently exchanged Moore was shot and killed by the robbers. Two of the robbers were afterwards captured by the posse and proved to be JAMES SPESS and WM. ALLEN INHOFE. Spess is a well-known character about McAlester, Okla. Inhofe has been located at Tulsa. Our Detective Agents immediately took this matter up and through information secured by them and the local authorities at Terlton the third robber, ALONZO CLARK, commonly known as "Buzz" Clark, was arrested at Tulsa. All three of these men have been positively identified and are at the present time awaiting trial at Pawnee, Okla.

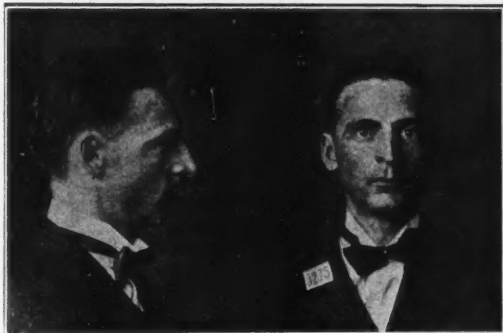
One BERT THATCHER, of whom mention is made in the JOURNAL-BULLETIN of January, 1915, was apprehended in Winnipeg, Manitoba, by the police officials, assisted by our detective representatives. The arrest was made on information furnished by the chief-of-police of Kokomo, Ind. A bank member of Kokomo was recently defrauded by accepting a forged check from Thatcher. Thatcher at first denied his identity, but under a thorough grilling he finally confessed and agreed to return to Kokomo, Ind., without requisition. On the way back, Thatcher escaped from the train at Staples, Minn. On January 14th he was recaptured and safely returned to the scene of the crime's committal.



JOSEPH WALSH.

Upon information furnished by our detective representatives, JOSEPH WALSH, alias Joseph Rogers,

was arrested on January 19th in a member bank at Stamford, Conn., by the local police, when he attempted to have a raised check cashed. The bank's cashier was anticipating a visit from this man (our detective agents having advised him a week previous to be on the lookout for Walsh) and when the check was handed into him, he immediately called in the police. Walsh, alias Rogers, is a confederate of a gang of New York letter-box thieves, whose operations are fully reported in a Warning article of this issue. Above is reproduced his photograph and his description follows: 25 years of age; height, 5 feet 5 3/4 inches; 131 pounds in weight; sandy complexion, sandy hair; blue eyes; bricklayer by occupation and keeps well dressed.



JOSEPH A. WILLS.

Member banks, hotels and merchants in numerous cities have suffered as a result of the operations of the man whose photograph is above reproduced. Our detective representatives first received reports on this man in the month of July, 1914, since which time his checks have been taken up in surprisingly large numbers. To assist him in his operations, Wills had stamps made to read "Certified," also bearing the names of banks. He would then forge the cashier's name of the particular bank which his stamp proclaimed had certified his check, after which little difficulty was experienced in having the check cashed. On November 29, 1914, at Columbus, Ohio, he was arrested and charged with having defrauded a hotel in Utica, N. Y. His arrest brought warrants from all over the country requesting that Wills be held. At the present time he is still held at Columbus awaiting trial. He has used the assumed names of John D. Wilkins, J. D. Wilson, J. J. Willette, Frank C. English, John D. Wilson, J. W. Wilson and Joseph A. Wills. He is described as: 26 years of age; 5 feet 9 1/4 inches in height; 149 pounds in weight; slender build; light chestnut hair; gray blue eyes; medium complexion; large nose. He gives Brooklyn, N. Y., as his birthplace, and is a bookkeeper by occupation. His Bertillon measurements are: Height, 76; O. A., 80; Tr., 91.5; H. L., 19.9; H. W., 15.2; R. E. L., 6.2; L. F., 25.6; L. M. F., 11.6x; L. L. F., 8.9x; L. F. A., 48.1.

A Filipino sailor aboard the U. S. S. Albatross was arrested by our detective representatives at Ala-

meda, Cal., on January 11th, and charged with having defrauded a member of this association at Sausalito, Cal. This man's true name is RAMON VILLANUEVA, and he has used the assumed names of Justo L. Sumobra, Pablo dela Cruz, Pedro dela Cruz and Jose L. Castro in his worthless check operations. He is now confined in the county jail awaiting trial. JOURNAL-BULLETIN, December, 1914, page 389.

REMOVED.

LOUIS BISHOP, alias "Frank," alias "Slim," was on December 29, 1914, sentenced to the State Penitentiary at Folsom, Cal., to serve four years. Bishop was charged with having defrauded a member bank at San Francisco, Cal., by means of a forged endorsement.

WILLIAM T. DAVIS, charged with having perpetrated a mortgage swindle through which a member bank at Yuma, Col., was defrauded, succeeded in having the complaint against him reduced to a petit larceny charge. A fine was imposed upon him which was paid by his brother and Davis was released.

GILBERT EDWARDS has been released on the charge of having held up a member bank at Salt Lake City, Utah. He was released on the grounds of insufficient evidence to convict. November, 1914, JOURNAL-BULLETIN, page 320.

HARRY KRELEBERG, alias Harry Williams, was held in the city of St. Louis, Mo., on four charges of forgery in the third degree. He pleaded guilty to two charges on March 11, 1914. The other cases were dismissed. He was sentenced to the Missouri State Penitentiary for four years, two years on each charge to which he pleaded guilty. In the January, 1914, JOURNAL-BULLETIN, page 520, a photograph and description are given of this man.

F. A. LAMBRIGHT, arrested August 11, 1914, for forgery committed against a member bank at Belleville, N. Y., was on October 5, 1914, sentenced to the New Jersey Reformatory at Rahway, N. J.

ROBERT LONG who was indicted in Cape May County in connection with embezzlement and forgery on a member bank in Wildwood, N. J., and whose arrest was announced in the JOURNAL-BULLETIN of December, 1914, page 402, was tried during the last week in December in Cape May County, pleaded guilty to the indictment for embezzlement, and was sentenced to the reformatory at Rahway, N. J., where he now is. He also pleaded guilty to the forgery charge, and was convicted on trial, but sentence was not imposed on the latter charge.

PERCY G. MAYHEW reported through the columns of the JOURNAL-BULLETIN, November, 1914,

page 312, and who was arrested at Auburn, N. Y., and was returned to Grand Rapids, Mich., has been nolle prossed by the prosecuting attorney on account of the fact that Mayhew's mother, whose name he had forged, refused to testify against him, and it was impossible to convict him without her testimony. Mayhew was returned to Aurora, N. Y.

We have been advised that the case against MARGARET KELLY, arrested for forgery with EARL MILLER, at St. Louis, Mo., is still continued, but that Miller has been released. See JOURNAL-BULLETIN for November, 1914, page 322.

GEORGE MORRISON, regarding whom an article appears in the January, 1915, JOURNAL-BULLETIN on page 506, on January 5th pleaded guilty and was sentenced to serve two years in the Missouri State Penitentiary at Jefferson City, Mo.

HAROLD W. PRESTON, whose arrest was published in the December, 1914, JOURNAL-BULLETIN, was found guilty at Boston, Mass., on January 15, 1915, of having defrauded a bank member of that city through the medium of a forged check. Owing to his youth he was placed on probation for a term of six months.

JULES C. RABINER, whose arrest was reported in the September issue of the A. B. A. Journal, page 181, was turned over to the Cleveland authorities during October and was released. He afterwards returned to Buffalo, N. Y., was rearrested and during December, 1914, he secured his release by settling the various bogus checks he cashed in Buffalo and later returned to New York.

As the authorities refused to stand the expense of extraditing LEO RAMSEY from Mitchell, S. D., to Carlisle, Ind., the case against him at Carlisle has been dropped. See JOURNAL-BULLETIN, November, 1914, page 322, and October, 1914, page 226.

On January 7, 1915, MRS. M. SCHULER pleaded guilty to a charge of forgery in the Juvenile Court of San Francisco and was granted parole.

JACK WALTERS, whose right name is John Reifsnider, of whom mention is made on page 313 of the November, 1914, and page 507 of the January, 1915, JOURNAL-BULLETIN, pleaded guilty to the charge of forgery on December 28th, and was sentenced to a term of from one to twenty years in the Nebraska State Penitentiary.

L. E. WOLF, of whom mention is made through the columns of the JOURNAL-BULLETIN, following his arrest October 29, 1914, at Champaign, Ill., was released on account of insufficient evidence.



AWAITING TRIAL, EXTRADITION OR SENTENCE, JANUARY 1, 1915.

ALLEGED FORGERS, ETC.

- Andrews, Bob, December 12, 1914, arrested; swindle Ramseur, N. C.
- Bach, Edward, November 17, 1914, arrested; forgery New York, N. Y.
- Bazzell, Charles, February, 1914, arrested; swindle Pryor, Okla.
- Berry, Aurelia Mildred, July 7, 1914, arrested; forgery New Orleans, La.
- Bingemer, C. T., November, 1914, arrested; forgery, Tulsa, Okla.
- Blass, Aline Davis, September 25, 1914, arrested; forgery New York, N. Y.
- Bobnich, Robert, October 10, 1914, arrested; forgery Choteau, Mont.
- Bonchea, Benjamin, July 30, 1914, arrested; swindle Philadelphia, Pa.
- Braun, F. A., July, 1914, arrested; forgery San Antonio, Tex.
- Bremer, Robert L., December 22, 1914, arrested; forgery Birmingham, Ala.
- Brown, Mrs. Grace, January 12, 1915, arrested; forgery Kansas City, Mo.
- Bundy, H. C., August 7, 1914, arrested; forgery San Francisco, Cal.
- Bush, J. A., May 29, 1913, arrested; forgery Wematchee, Wash.
- Camus, William L., January 11, 1915, arrested; forgery New Orleans, La.
- Cantrell, T. M., March 16, 1914, arrested; swindle Claremore, Okla.
- Carter, C. C., August 15, 1914, arrested; forgery Birmingham, Ala.
- Catherman, Laura, December 19, 1914, arrested; forgery Rosedale, Kan.
- Chapin, Frank L., December 7, 1914, arrested; forgery New Britain, Ct.
- Cooper, C. S., March 7, 1914, arrested; swindle Cordell, Okla.
- Cox, Charles, September 23, 1914, arrested; forgery Bellhaven, N. C.
- Curtis, Edwin A., December, 1913, arrested; forgery Stryker, Ohio.
- Cuyle, W. G., October, 1914, arrested; forgery Chillicothe, Mo.
- Daniels, J. A., January 20, 1915, arrested; forgery Stuart, Fla.
- Early, Milton, January 16, 1915, arrested; swindle Clairon, Pa.
- Farlow, A. P., April 1, 1914, arrested; forgery Columbia, S. C.
- Fisch, Abe, December 12, 1914, arrested; forgery Houston, Tex.
- Fitz, Thomas J., January 20, 1915, arrested; swindle Houston, Pa.
- Frich, Tona, October 10, 1914, arrested; forgery Choteau, Mont.
- Fuentes, Frank San Elmo, July 30, 1914, arrested; forgery Philadelphia, Pa.
- Geyer, Henry, January 9, 1915, arrested; forgery Mount Vernon, Iowa.
- Goelitz, G., September, 1914, arrested; forgery Chicago, Ill.
- Guy, Ray, September 10, 1914, arrested; forgery Oxnard, Cal.
- Hardman, Carl, September 2, 1914, arrested; swindle Vincennes, Ind.
- Hartley, Louis W., January 5, 1915, arrested; forgery Stevens Point, Wis.
- Heild, Jessie, September 25, 1914, arrested; swindle New York, N. Y.
- Howard, John A., January 6, 1915, arrested; forgery Burlington, Vt.
- Johnson, C. H., December 17, 1914, arrested; forgery Albuquerque, N. M.
- Johnson, Rowland, January, 1915, arrested; swindle Watford, N. D.
- Kelly, Margaret, October 11, 1914, arrested; forgery St. Louis, Mo.
- Kelly, Robert M., June 8, 1913, arrested; swindle Bishopville, S. C.
- Kirlin, Loretta, August 15, 1914, arrested; forgery Annapolis, Md.
- Klarch, George, October 10, 1914, arrested; forgery Choteau, Mont.
- Konvalinka, Louis, November 17, 1914, arrested; forgery Brooklyn, N. Y.
- Larson, John B., October 27, 1914, arrested; forgery Juneau, Alaska.
- Loundsberry, R. F., December 3, 1914, arrested; forgery Pueblo, Col.
- Lundlin, Carl, September 26, 1914, arrested; forgery East Grand Forks, Minn.
- McDuffy, John, December, 1914, arrested; forgery Twinsburg, Ohio.
- McKay, D. H., November 11, 1914, arrested; forgery San Francisco, Cal.
- McKellop, Tom, March 20, 1914, arrested; swindle Holdenville, Okla.
- McKellop, William, March 20, 1914, arrested; swindle Holdenville, Okla.
- McKinley, Maynard, March 10, 1914, arrested; forgery Idabel, Okla.
- Mellis, Charlie, July 16, 1914, arrested; forgery Decatur, Ala.
- Messinger, Andrew, October 21, 1914, arrested; forgery Bath, Pa.
- Nathan Hugo, December, 1914, arrested; forgery Little Rock, Ark.
- Norwood, H. W., December 4, 1914, arrested; forgery Cumberland, Md.
- Parmeter, Oren, September 15, 1914, arrested; swindle Albion, Ind.
- Posselt, Charles A., July, 1914, arrested; forgery Worcester, Mass.
- Quigley, Quentin, January 2, 1915, arrested; forgery Watertown, S. D.
- Richason, M., January 1, 1913, arrested; swindle Kansas City, Mo.
- Rich, L. M., October 27, 1914, arrested; forgery Topeka, Kan.
- Riche, A. L., October 16, 1914, arrested; swindle Boston, Mass.

Rivera, Jose Vagras, December 7, 1914, arrested; forgery New York, N. Y.  
 Rogers, C. R., August, 1912, arrested; forgery Cordele, Ga.  
 Rowland, William, May, 1914, arrested; forgery Hartman, Ark.  
 Ryan, Jack, October 20, 1914, arrested; forgery Ortonville, Minn.  
 Scrlus, Nellie, November 2, 1914, arrested; forgery Heavener, Okla.  
 Smith, Clarence Clark, November, 1914, arrested; forgery Tulsa, Okla.  
 Smith, D. K., September 22, 1914, arrested; swindle Huntsville, Ala.  
 Smith, J. T., February, 1914, arrested; swindle Purcell, Okla.  
 Spencer, H. E., January, 1914, arrested; forgery San Francisco, Cal.  
 Stevens, E. M., March 10, 1914, arrested; swindle Millertown, Pa.  
 Stone, George, December, 1913, arrested; forgery Lindsay, Cal.  
 Stone, Harry, December 29, 1914, arrested; forgery Boston, Mass.  
 Stuart, Clarence B., November 25, 1914, arrested; forgery Houston, Texas.  
 Sturgis, R. E., July 3, 1913, arrested; swindle Jennings, La.  
 Sullivan, C. E., August 15, 1914, arrested; forgery Ensley, Ala.  
 Sullivan, Charles, September 7, 1913, arrested; swindle Munfordville, Ky.  
 Thatcher, Bert, January 14, 1915, arrested; forgery Kokomo, Ind.  
 Travis, C. L., November 7, 1914, arrested; forgery Colorado Springs, Colo.  
 Villanueva, Ramon, January 11, 1915, arrested; forgery Sausalito, Cal.

Vojvodic, Kajo, October 10, 1914, arrested; forgery Choteau, Mont.  
 Walsh, Joseph, January 19, 1915, arrested; forgery Stamford, Conn.  
 White, Della, November, 1914, arrested; forgery Kansas City, Mo.  
 Wills, Joseph A., November 29, 1914, arrested; forgery Atlantic City, N. J.  
 Wise, Tessie, January 7, 1914, arrested; forgery San Francisco, Cal.

**BURGLARS AND HOLD-UP ROBBERS.**

Clark, Alonzo, January 14, 1915, arrested; hold-up Terlton, Okla.  
 Dropp, B. W., February, 1914, arrested; attempted hold-up Tacoma, Wash.  
 Edwards, Leo, January, 1915, arrested; hold-up Salt Lake City, Utah.  
 Heaton, Bert, December 28, 1914, arrested; hold-up Bingham, Utah.  
 Hembree, Fred, January 16, 1915, arrested; burglary Andale, Kan.  
 Howard, George F., January 16, 1915, arrested; burglary Andale, Kan.  
 Inhofe, William Allen, January 12, 1915, arrested; hold-up Terlton, Okla.  
 King, Alex, September 18, 1914, arrested; burglary Lincoln, Ala.  
 Powells, John, September 28, 1914, arrested; burglary Lincoln, Ala.  
 Schapper, Peyton, January 16, 1915, arrested; burglary Andale, Kan.  
 Spess, James, January 12, 1915, arrested; hold-up Terlton, Okla.  
 Stanfield, Thomas, January 16, 1915, arrested; burglary Andale, Kan.

**STATISTICS OF THE WORK OF THE PROTECTIVE DEPARTMENT.**

**AS REPORTED TO THE PROTECTIVE COMMITTEE.**

From September 1, 1914, to January 31, 1915.

New York, N. Y., February 1, 1915

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

	Awaiting Trial, etc., September 1, 1914.	Arrested since September 1, 1914.	Arrests in January, 1915.	Total.	Convicted.	Discharged or Acquitted.	Escaped, Fugitive, Dead, or Insane.	Awaiting Trial.
Forgers.....	92	111	16	127	96	34	4	85
Burglars.....	3	4	4	8	8	2	2	6
Hold-up Robbers.....	3	5	5	10	2	1	2	6
Sneak Thieves.....	1	1	1	1	1	1	1	1
	95	121	25	146	101	37	6	97

# AMERICAN INSTITUTE OF BANKING BULLETIN

## INSTITUTE ADMINISTRATION

### EXECUTIVE COUNCIL

1915—ROBERT H. BEAN (*Chairman*), Old South Trust Co., Boston, Mass.; C. W. ALLENDOERFER (*Vice-Chairman*), First National Bank, Kansas City, Mo.; H. J. DREHER (*ex-officio*), Marshall & Ilsley Bank, Milwaukee, Wis.; T. H. WEST (*ex-officio*), Ladd & Tilton Bank, Portland, Ore.; T. R. DURHAM, Chattanooga Savings Bank, Chattanooga, Tenn.; Q. B. KELLY, Citizens State Bank, Bingham Canyon, Utah; L. H. WOOLFOLK, Scandinavian-American Bank, Seattle, Wash.

1916—WILLIAM S. EVANS (*ex-officio*), Henry & West, Philadelphia, Pa.; W. O. BIRD, Colorado National Bank, Denver, Colo.; EUGENE J. MORRIS, Madsyunk National Bank, Philadelphia, Pa.; GEORGE H. KEESSE, Merchants National Bank, Richmond, Va.

1917—FRANK C. BALL, Mississippi Valley Trust Co., St. Louis, Mo.; FRANK B. DEVEREUX, National Savings & Trust Co., Washington, D. C.; R. S. HECHT, Hibernia Bank & Trust Co., New Orleans, La.; JOHN W. RUBEKAMP, Corn Exchange National Bank, Chicago, Ill.

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## ORGANIZED EDUCATION

THE AMERICAN INSTITUTE OF BANKING Section of the American Bankers Association is devoted to the education of bankers in banking and the establishment and maintenance of a recognized standard of education by means of official examinations and the issuance of certificates of graduation. To qualify students for official examinations for Institute certificates, which are termed final examinations, the Institute provides a standard course of study in the form of serial text-books and collateral exercises. No additional text-literature is required. Such study course is divided into two parts. Part I is entitled "Banking and Finance." Part II is entitled "Commercial and Banking Law." The fact is recognized that average students get little benefit from text-books or lectures without collateral examinations. Text-literature and lectures are educational food. Examinations are the process of digestion. The mind as well as the body requires exercise, and the student who ducks or dodges examination is like the dyspeptic who bolts his food or the athlete who side-steps his training. The fact should be appreciated that examination is something more than measurement and certification. Students who realize that they are to be examined pay closer attention to their lessons. The process of examination also corrects omissions and misconceptions otherwise inevitable in any system of study. Examination is a fundamental necessity in practical education and not a scholastic superfluity as some persons suppose or pretend to suppose. In suitable cities bank employees are organized in chapters for educational work in accordance with the class method of instruction. Students outside of city chapters are associated in the Correspondence Chapter and provided with instruction by mail. Chapter organization and education are thus made uniform and universal.

## AMERICAN INSTITUTE OF BANKING

Five Nassau Street

New York City

## METHODS OF EDUCATION

### CITY CHAPTER CLASSES

**I**N suitable cities students of banking are organized in chapters. Such organizations should be regarded as schools and not as social clubs. Practical experience has demonstrated the fact that chapter success depends upon adherence to the constitutional objects of (1) educating bankers in the theory and practice of banking and such principles of law and economics as apply to the banking business and (2) establishing and maintaining a recognized standard of banking education by means of official examinations and the issuance of certificates of graduation. The Institute course of study is the basis of all chapter work. Miscellaneous lectures and debates are valuable adjuncts, but when such features are made paramount the best educational results are not attained. General meetings consisting of addresses and discussions on banking and kindred subjects should be held monthly from September to May, inclusive, and class work in the Institute study course should be conducted weekly during the same period, except, perhaps, during weeks in which general meetings are held. Chapter class work is merely the adaptation of ordinary school methods to the particular subject of banking. Each class member is supplied with a set of

the serial text-books and instructors are expected to conduct examinations prescribed in connection with each lesson. Such examination questions may be elaborated to suit local circumstances, and thus form the basis of general discussion among class members under the guidance of the class instructor. It may be assumed that the collective knowledge of the class is sufficient to cover any knotty point that may arise, but should any question remain in doubt, it is suggested that the matter be assigned to one or two members of the class to be investigated and reported back to the class at the next meeting. Credit is given severally for final examinations successfully undergone, but Institute certificates are issued only to students who have passed final examinations in both "Banking and Finance" and "Commercial and Banking Law." Members of study classes in City Chapters are supplied with serial text-books and instructions as to their use at rates depending upon the method of conducting the final examination. Chapter classes that meet weekly from September to May, inclusive, should complete Part I of the Institute Study Course the first year and Part II of the Institute Study Course the second year.

### CORRESPONDENCE CHAPTER

**O**UTSIDE of study classes in City Chapters, equally effective instruction is provided by the Correspondence Chapter. In correspondence instruction each student is supplied with the serial text-books and collateral exercises. The exercises in connection with each lesson are to be submitted to instructors whenever done. The work of students thus produced is corrected and returned with such criticisms and suggestions as may be helpful in each case. Average students get little benefit from books alone. What most of them need is a teacher to direct and encourage them. The usefulness of a teacher is not so much to impart specific information as to stimulate the ambition and interest of students and to systematize and verify their work. The correspondence method of study lacks the inspiration of social contact, but the personal relationship established between students and instructors stimulates ambition, and the fact that all lessons must be written insures thought and thoroughness. So far as actual acquirement of knowledge is concerned the advantages of the

correspondence method of instruction fully offset its disadvantages. To individual students the cost of correspondence instruction thus provided, including lesson pamphlets and all serial as well as final examinations, is \$15 for Part I pertaining to "Banking and Finance" and \$15 for Part II pertaining to "Commercial and Banking Law." Payments for each of the two parts may be made separately. One-third reduction from such rates is made to individual students who are employees of institutions that are members of the American Bankers Association. Correspondence Chapter students of average ability and industry should complete the course in "Banking and Finance" in about eight months and the course in "Commercial and Banking Law" in another eight months. Credit is given severally for final examinations successfully undergone, but Institute certificates are issued only to students who have passed final examinations in both "Banking and Finance" and "Commercial and Banking Law."

### COMBINATION INSTRUCTION

**A** COMBINATION of class and correspondence methods of instruction is provided for students who are able and willing to work together in classes under the leadership of some one of the class members. Such plan provides that (1) each student shall be supplied with serial text-books; (2) each student shall write the collateral exercises in connection with the first lesson and submit them to the class leader; (3) the class leader shall forward ALL of the exercises thus submitted to the Correspondence Chapter; (4) the Correspondence Chapter shall correct ONE of the sets of exercises thus submitted and return the same to the class leader, together with all of the uncorrected sets of the same exercises; (5) on receipt of the exercises thus returned the class leader shall assemble the members of the class and distribute their respective sets of exercises

among them, whereupon each class member shall compare the set of exercises written by himself with the set of exercises corrected by the Correspondence Chapter. When the first lesson is finished in accordance with the foregoing plan, subsequent lessons in their regular order are to be studied and corrected in the same manner until the exercises in connection with the several text-books are all completed. Thereupon final examinations in review will be furnished to EACH CLASS MEMBER INDIVIDUALLY with regulations governing their conduct. Under the combination class and correspondence method of instruction thus described the tuition fee for each of the two parts of the Institute Study Course is \$15 for the first student and \$7.50 for each additional student less one-third to students employed by institutions that are members of the American Bankers Association.

### AMERICAN INSTITUTE OF BANKING

Five Nassau Street

New York City



# INSTITUTE FORUM

## DOLLAR CREDITS

*What is the meaning of the term "Dollar Credits" and what method will be pursued by banks in extending such credits in connection with the importation and exportation of goods?*

We have submitted this question to the National City Bank of New York, and we are indebted to J. A. Carter, Assistant Cashier of that bank, for the following explanation. Mr. Carter submits a sample Bill of Exchange in connection with his letter:

SAN PAULO COFFEE CO.	No. 1393 EXCHANGE for \$1,368.75
	SANTOS, 3rd October, 1914
	At ninety days sight pay this FIRST of Exchange (Second and Third of the same tenor and date not paid) to the Order of The London and River Plate Bank, Ltd., the sum of .....
	One thousand three hundred and sixty eight dollars & 75 cents, United States Currency. Value received of same, and place to account against shipment of 125 bags of coffee
	per DRAWN UNDER CREDIT 4614
	s.s. WASCANA to NEW YORK as advised.
	SAN PAULO COFFEE COMPANY
	To THE NATIONAL CITY BANK
	NEW YORK
	..... Treasurer

Across the face of the draft is written:

ACCEPTED
OCT 27, 1914, DUE
Payable through the New York Clearing House
THE NATIONAL CITY BANK OF NEW YORK
NEW YORK
By JOHN E. GARDIN
Vice President.

Under the new banking law member banks of the Federal Reserve System are authorized to accept time drafts if drawn under the conditions named in the following extract of the law:

"Any member bank may accept drafts or bills of exchange drawn upon it and growing out of transactions involving the importation or exportation of goods having not more than six months sight to run; but no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half its paid-up capital stock and surplus."

Under this authorization the National City Bank of New York has been extending to its clients the fa-

cilities for opening what will be known in the future as "Dollar Credits." The power of accepting is general with all European banks, and we are now placed on a par with them and can facilitate the exportation and importation of merchandise in a more scientific and satisfactory way than prevailed previous to the passage of this Act.

Under ordinary circumstances the privilege of accepting by European banks was used almost entirely against Letters of Credit which they issued authorizing drafts of various tenors but mostly 90 days sight, the most popular of which is the credit on London, the operation of which is quite familiar to exporters and importers. However, as the Dollar Credit is a new thing, there does not seem to be a thorough understanding as to the method of procedure. It is very simple, however, and is exactly the same as the London credit.

For the purpose of illustrating the London credit let us take an importation of coffee from Brazil as an example: The broker here wires to his principals in Brazil that he has sold coffee to a certain firm against reimbursement on London by a 90 days sight draft, giving in his code message the name of the bank in London on which the draft is to be drawn and for whose account (the issuing bank in every case).

The buyer of the coffee goes to his bank here and causes to be opened a 90 days sight credit on London in favor of the Brazilian shipper. His bank will issue to him an original letter of credit as well as a copy. The original is intended to be forwarded to the beneficiary in order to show them that they have the power to draw and that they may exhibit it when they offer their drafts for negotiation while the duplicate is held in the files of the importer.

The draft will be negotiated in due course in the Brazilian market, will find its way to London for acceptance, the documents being forwarded to the bank in America opening the credit, and they in turn hand them to their customer under a trust receipt if proper arrangements have been made on the basis of the standing of the firm. Eventually the draft which was accepted by the London bank will become due and ten or twelve days before maturity the importer in America is expected to reimburse his bank in New York with a draft on London, in order to meet the maturing 90 days sight obligation.

The same method of operating applies to Dollar Credits and with the added advantage that there is no risk of exchange to be taken into consideration. The firms in Brazil are to draw on New York just the same as they previously drew on London, and the Dollar Credit gives the importer the benefit of the usual ten or twelve days interest. His contract is made in Dollars, his Letter of Credit is opened in Dollars and is payable only in Dollars on the actual date of its maturity.

These credits when issued are carried on the liability side of our statement, and the total amount outstanding is reported to the Comptroller under the head of "Letters of Credit."

As a practical illustration of a bank acceptance we enclose herewith a bill accepted by The National City Bank. Any form of draft payable at a future date, when accepted in writing by the drawee, becomes an acceptance. With reference to this particular bill, John Smith of New York wished to buy coffee in Santos and the San Paulo Coffee Company wished to realize immediately upon the sale. John Smith, therefore, arranged with the National City Bank of New York to issue a commercial letter of credit in favor of the San Paulo Coffee Company. This credit provides that the National City Bank will honor drafts to a certain amount drawn on it by this concern within a certain time when accompanied by the documents specified in the credit. A certain charge is made John Smith for issuing this credit.

The San Paulo Coffee Company, after loading the 125 bags of coffee draws a draft on the National City Bank, attaching thereto the documents called for by the letter of credit and discounts the draft with the London and River Plate Bank, Ltd., at the current rate of exchange for 90 day sight drafts on New York, the bank paying them the Santos equivalent, thus giving the San Paulo Coffee Company their money immediately.

The London and River Plate Bank, Ltd., then forwards the draft to its New York correspondent for the purpose of presenting it to the bank upon which it is drawn and obtaining its acceptance when the documents are surrendered to the accepting bank. The London and River Plate Bank, Ltd., may have requested its New York correspondent to discount the bill, in which case it is probably sold in the market and held by some investor until maturity, when it will be presented to the National City Bank and paid by them.

The shipping documents mentioned above were all endorsed in blank in order that all intermediary banks dealing in the matter might be properly secured by the merchandise. When presented to the National City Bank for acceptance, the documents were detached from the draft and delivered to John Smith against a trust receipt for the coffee stored in a warehouse and withdrawn as John Smith makes sales, the proceeds being turned into the bank as sales are made.

The accepting bank is secured by the general credit of John Smith, as well as by the value of the merchandise covered by the documents attached to the bill. The purchaser of the bill looks first to the acceptor for payment, after which he has recourse to the endorsers and then to the drawer of the bill.

### STUDYING THE FEDERAL RESERVE ACT

*In view of the fact that a knowledge of fundamental economics and banking history is necessary to the proper understanding of the Federal Reserve Act, how is it that the Institute publishes a copy of the Act with comment thereon in the opening pages of the first pamphlet on Wealth and Banking ahead of the two subjects mentioned?*

The Institute acknowledges this question to be a just criticism under ordinary circumstances. There is, however, a good reason for this apparent violation

of sound educational methods. The Institute in its capacity as an educational institution has to deal with a unique kind of student. The average bank man believes he can learn all the banking he needs to know by experience in his own work. So he can—in about forty years. The problem is to convince him of the fact that this process can be shortened considerably, especially if he begins at the beginning and masters the fundamentals first. The establishment of the Federal Reserve Banks has opened the mind of the younger generation of bankers to the truth of this statement. They see the folly of attempting to comprehend the Federal Reserve Act, merely through the experience they will get in doing business under that Act. They want to know about it now. In characteristic fashion, they want to begin with the study of the Act itself rather than with the conditions that have led up to it. They want to know how the rediscounting function will operate before they have grasped the principles of credit extension and interest rates; they want to know how to calculate reserves on the new basis without first learning why reserves are necessary; they want to know how Federal reserve notes are to be issued without having a comprehensive knowledge of the functions of money and the principles of bank note issue. But no matter as to that; their minds are at least open.

The Institute would indeed be shortsighted if it did not prepare to take advantage of the great educational stimulus provided by the Reserve Act. All the chapters are doing better work than ever before in their study classes, many of the students having undoubtedly been attracted by the fact that the Federal Reserve Act is presented at the very outset. Meanwhile, the taste for study is being developed and they will shortly begin to realize of their own accord the truth of the statement that they must study the science of banking and commercial law, the principles of which are illustrated in provisions of the Federal Reserve Act.

Putting the Act first in the pamphlet on Wealth and Banking is equivalent to stating a hypothesis or theorem at the beginning of a problem in geometry.

### GOLD CERTIFICATES NOT LEGAL TENDER

*Why is it that Gold Certificates are not Legal Tender?*

In practical effect gold and silver certificates are legal tender in that they may be used as bank reserves and they are receivable for all taxes, customs and other public dues. Technically, however, they are not legal tender, whether by accident or design it is difficult to determine. A diligent search through authoritative references will reveal but little information. A study of the currency debates in Congress from the earliest days will disclose with what reluctance legal tender qualities have been given to any form of money except specie. The Constitution of the United States expressly prohibits any State from making any money except gold and silver coin legal tender. The wordy war that raged over the legal tender qualities of United States notes made so deep an impression upon all currency thought that

the notes themselves have become universally known simply as "legal tenders," as if it were necessary to recur constantly to the term to remove the element of doubt on this point. It may be said that legislation is invoked to give to money the qualities of a legal tender only when there may be some reasonable doubt as to its acceptance as such. Evidently such a question has never arisen with respect to gold certificates.

It is conceivable that the Secretary of the Treasury in order to conserve the supply of gold in reserve in the Treasury vaults might refuse to reissue gold certificates except upon deposit of gold coin—as he has the legal right to do—but such a possibility could not affect the status of the certificates now in circulation. They occupy a unique place in our money supply. In common with silver certificates they are nothing more than warehouse receipts. They bear fewer words on their face than any other form of currency, yet they are eloquent of the economy they make possible. On account of the inexorable operation of Gresham's Law, it is impossible to maintain the gold standard unless gold in coin is kept at a parity with gold bullion. This can be done only by giving to smooth and worn gold coins a legal tender value in proportion to their weight. Unfortunately, gold wears out if handled just as shoes or any other commodities wear out when used. This wear and tear on the precious metal can be avoided by storing the coins away and using the receipts—the gold certificates—instead. Yet this preference for "hard money" persist to such an extent that in some sections of the country, as for instance, California, people will insist upon destroying a certain percentage of gold through use, and thus to an extent jeopardizing the maintenance of the gold standard, rather than use its paper equivalent. Ignorance of the operations of Gresham's Law and the true meaning of coinage

has even led some bankers to the belief that the government is not acting in good faith if it refuses to redeem a smooth gold coin at its full face value. Perhaps this shortsighted prejudice against "paper money" would be somewhat removed if gold certificates were by law designated a legal tender.

It is significant to note that the notes of the Bank of England which are substantially the same as our gold certificates, are legal tender in any amount above five pounds. The subject is one of great interest, and so far as can be learned has never been given the attention it deserves. Comment and discussion are invited.

### DIFFERENT STAGES OF EDUCATION

*What is the reason for the difference in methods pursued in post-graduate and under-graduate work of the Institute?*

In under-graduate work students have text-books and examinations prescribed to them for the reason that in this stage of education they are not supposed to have fully acquired the habit of investigation or the desire to investigate. Completion of the standard Institute study course, however, is supposed to have developed sufficient ability in students to enable them to proceed in a more elective manner. Hence the post-graduate course consists simply of a list of books with a syllabus suggesting features of particular interest. The Institute charges no fees in connection with post-graduate work. All post-graduate students have to do is to get the books and study them in their own way. If they choose to write a competitive thesis they are at liberty to do so, but the writing of a thesis is not compulsory.



### POINTS MADE BY PROF. SPRAGUE BEFORE MASSACHUSETTS BANKERS

The same slow progress which characterized the period of preliminary organization has marked the development of the reserve banks since they were opened and may be expected to continue. Some disappointment at this slow progress has been expressed here and there and may perhaps increase in the near future; but it is without good cause. To make the new banks a vital part of our banking system is a most difficult task, and if it is to be carried through at all must be accomplished without involving sudden and revolutionary changes in existing banking practice.

Fears that the Reserve banks would be so handled as to result in dangerous credit inflation were frequently expressed while the Federal Reserve Act was passing through Congress, and certainly the system contains possibilities of inflation if unwisely handled. This danger is, however, clearly recognized by the Federal Reserve Board, finding expression both in its circular concerning the general policies which should govern the banks and in its course regarding discount rates.

It is the expressed policy of the Reserve Board to maintain discount rates slightly above market rates

for paper of the best quality. In adopting this policy the board is following the well tested practice of European central banks. By this means the danger of inflation through the Reserve banks is removed, but it should also be noted as a further consequence that under this policy the Reserve banks will only very slowly secure any considerable amount of rediscounting business. They will only do so after the member banks come to rely upon rediscounts at the Reserve banks as their main resource in meeting unusually large temporary requirements either for cash or for loans on the part of their customers. Here the Reserve banks must compete with the call loan market in the case of the city banks and loans by reserve agents in the case of country banks. It will be a long time before the Reserve banks come to be regarded as a more certain and in other respects more satisfactory resource than these familiar means of adjusting the reserves of banks to varying requirements.

These regulations concerning commercial paper are, in my opinion, a serious and indeed insuperable obstacle to the development of the practice of relying upon the Reserve banks by the banks generally, which is necessary if they are to secure a moderate amount of rediscounting business in normal times.

# Some of the Financial War Problems of America

Fred I. Kent, Vice-President of the Bankers' Trust Company of New York, Tells Chicago Chapter How Acute Conditions Were Overcome—Care of American Tourists and Protection of American Credits—Evils of Logic Based on Misstatements—False Gods of Commercial Jealousy and Militarism.

Even though the tragedy of the world's war is unspeakable, it nevertheless behooves us to draw from it through careful analysis every lesson that would seem to have an effect upon the welfare of man. The United States of America within its own commercial and political life has exemplified mental narrowness and selfishness, which has not been exceeded by the point of view of any coterie of men who may have been involved in bringing about the great catastrophe which is at the moment influencing the lives of every man, woman and child upon the face of the earth. Our writers and speakers, and it is commonly supposed that they represent more or less of public opinion, have been teaching us selfishness, and we find that while our country is exalted above the other countries of the world, that parts of this country are inflamed against other parts, so we have in natural sequence the feeling often mis-called "patriotism," which leads men to pit their own country unfairly against other countries, their State against other States, their city or town against other cities or towns, their families against other families and themselves against the world. Humanity demands just the opposite point of view. Man should aim, if he would take his proper place in the world, to spread from himself through his family, his State and his country, all that is right and noble. The politicians and newspapers of the baser sort, for their own benefit, according to their standards, keep the people at war with each other, and it is only because the people allow their baser passions to be stirred through such means that the success of the unworthy is possible. To help forward the play upon passions misstatement of fact is spread and used as a basis for logical argument, which must of necessity fool those who have no means of determining the facts. We have a great public forum, and its proper use is as vital to the welfare of our people as any action of man that has been or can be controlled by law.

## Logic Based on Falsehood.

No one can deny that logic based on false statement, if accepted by the people, is detrimental to them, and in this country, due to such methods, our statute books are filled full of laws representing class legislation that have placed an unnecessary tax burden upon our people that is beyond comprehension. The great majority, consisting of readers and listeners, commonly allow themselves to be led astray through the misstatement of the minority, consisting of writ-

ers and speakers. Have not this majority as great a right to demand truth as the minority to demand free speech? No man should be allowed to place before other men by means of the great public forum that our people have established through the education of the masses in the art of reading, logic based on false statement, and any system which will prevent them from doing so would not be a curtailment of the right of free speech. Until responsibility is placed upon those who constitute themselves as leaders of the public mind, every country will continue to be at war with itself and all nations with each other, and there will be periodic outbreaks, when the strain of such wars will result in men killing men wilfully and deliberately. The financial condition of our own country before the beginning of the present war was one of strain, and our business life was filled with unnatural problems largely brought about through logic based on false statement, which fooled the multitude and played upon their passions. We are constantly being told that the people, the individual persons in our communities, should be able to rule directly, but at the same time those who pamper their personal pride with such statements say nothing about protecting such individuals from false witness, and we are often led to wonder if the popular praise of individual judgment is not the sheep's clothing that covers the wolf of knowledge that such public opinion may be swayed and controlled by logic based on falsehood.

Let us look this matter squarely in the face and start a campaign aimed to place responsibility upon those who would make use of our public forum, and so protect ourselves from the wolves of misrepresentation. If we do not we shall surely see our people engaged in a war just as bloody and inhuman as that being carried on today by peoples with the same education and intelligence, and with longer years of experience in government than we in the United States of America. That some of those who would destroy our institutions are honest, though ignorant, because they have read and believed the false, is little in our favor, and we have seen the South played against the North, and the West and South against the East, when all should hold together for our common welfare.

## Conditions and Consequences.

Because of conditions which men cannot control, wheat can be grown in certain States, cotton in others; coal is found in certain places, copper, iron and gold in others; towns and cities are formed at points of vantage to meet these conditions, other cities and towns at other points of vantage to carry on the trade made by these conditions. Each has its place in the great economy of the country, and each, if allowed to do that which it is best fitted to do, works for the good of the whole. One city on our eastern coast is in a premier position, because of its natural surroundings and geographical situation, to play cer-



tain important parts in our commercial life. It has grown not because man wished it to grow, but because the needs of the country demanded that it should grow. To it have been sent representatives from every point of this broad land, selected not by votes obtained from strangers, but because their previous experience seemingly fitted them for the duties that they were called upon to perform. Others not so elected attracted by opportunities offered them followed, and a little United States—or it might even be said a little world—has grown up that contains men of all classes of thought. The big business, however, upon which the welfare of this country depends in great measure is controlled by men who have largely been selected because it was thought that they were fit. Such fitness required integrity as well as ability. It takes neither integrity nor ability, however, to misrepresent in a manner that is plausible and hard to counteract the way in which men carry on their life's duties. Because of the political war which had been fought against that city and the industries which center there for economic reasons, when the great world's war broke into action, it found our nation unprepared. The great railroads of the United States were fighting for their very lives, having been taxed and legislated against until bankruptcy stared them in the face. Capital in this country had become fearful and was withdrawing from many fields of endeavor, and business was on a severe decline. The money reserves of Europe had been invested in our securities to a tremendous sum estimated around six billions of dollars. Such investments, because of our legislative action, were gradually being liquidated, and just before the war they were returned to us in millions of dollars, and resulted in shipments of gold from this country of \$44,000,000 in July, 1914, and would have resulted in further unknown millions having to be shipped if our stock exchanges had not closed and our greatest clearing house had not stopped the shipment of gold. If there had been no uneasiness concerning our securities on the part of European investors, it would have been their natural inclination, in so far as they could have done so, to have retained their investments in this country in case of a great European war, for their protection would have been far greater than to have imported gold into a country that might be overrun by an enemy. There would also have seemed a better chance for them to have continued to receive their dividends and interest than might be true if investments were changed into securities of countries at war. One great financial problem was therefore thrust upon us before the war started, and it found us unprepared to meet it. Unlike many of the other financial war problems, our own legislative and financial history aggravated the situation to a tremendous extent. While this was one of our most serious problems, in general they were caused by the outbreak of the war.

#### Troubles of American Tourists.

The various causes which brought home to us the fact that we are a vital part of the world's commercial organization were as follows:

Moratoria declared by the nations of the world with whom our trade is greatest.

Interrupted communication, both by mail and

cable, due primarily to mobilization and later to the requirements of War Departments.

Disruption of commercial and banking organizations, due to the withdrawal of men to serve in the armies.

Laws passed by the warring nations preventing the direct or indirect trading of citizens with belligerent aliens, and the general curtailment of trade.

The immediate effect of these restrictions upon normal activity was to jeopardize the persons of American tourists and the commercial standing of American business interests. The tourist had to be looked after first, as commercial interests could form their own temporary moratoria while studying their necessities. For self-protection tourists could not remain in the war zone, and yet it was impossible to determine where the war zone might not be. It was also impossible to foretell what length of time food supplies might be available in any part of Europe, and it became advisable for from two to three hundred thousand people to return to America at once. In order to do so they must have money for transportation from the points where they were found at the outbreak of the war to a port, and in thousands of cases from such port to the United States. Their difficulties consisted in obtaining both money and transportation, and the result was great anxiety on the part of thousands and actual suffering in the case of many other thousands. The refusal of America to ship further gold at the immediate outbreak of the war sent a sudden fear throughout Europe as to the redemption of American credits of all kinds, and subjected them immediately to question. Added to this were the moratoria which made bank balances in some countries unavailable, and which led in all countries to uncertainty on the part of many individuals as to what action it was safe for them to take. Many of the men ordinarily engaged in passing upon such credits were also withdrawn from their positions to serve in the armies, and that tourists would meet with some preliminary friction in obtaining money under such circumstances was inevitable. As a matter of fact, credits of all kinds were turned down in some places at some time. It is quite possible that each company engaged in protecting its credits might think that it was giving a better service than anyone else, but in reality while Travelers' Cheques proved most useful, yet they were all refused at some time or other. In some place one Travelers' Cheque would be accepted and not another, at the same time that the exact reverse was true in some other part of the same town or city or some other town or city adjacent. Such conditions were due in a large extent to the uncertainty of arrival of advices that new funds had been placed with bankers on top of the moratoria which prevented the use of previous deposits. There were other reasons also, but taken all in all the amount of money that was actually paid to tourists by European bankers and hotels was enormous, and showed conclusively that the good-will of the American tourist is greatly valued by European nations.

One other reason, however, was strongly instrumental in bringing about such payments, and that was the fact that almost immediately after the news went through Europe that no more American gold would be shipped, a special announcement was made

that the United States cruiser "Tennessee" was to sail with nearly five million dollars in gold, which was to be used exclusively to protect American credits. The knowledge that such shipment was being made was telegraphed all over Europe, and confidence in travelers' paper was immediately restored.

#### Protecting American Credits.

It so happened that the Bankers' Trust Company, which protects the Travelers' Cheques of the American Bankers Association, anticipated the conditions which might arise in Europe, and made a large shipment of gold on the steamer "St. Louis," which sailed Friday, July 31st. It was consequently in position to protect Association cheques without regard to the "Tennessee" shipment. While separate arrangements were immediately made by the Bankers' Trust Company to protect such cheques throughout Europe, and while they were protected at all times, with exceptions due to causes already mentioned, yet as its officers recognized the condition in Europe as being one requiring that America act for Americans, it joined with all other issuers of American credits in an effort to protect every American citizen, without regard to what sort of credit he might carry. The result was that a committee was formed in New York, which acted through a committee in London as its representative, that made a shipment of three million dollars in bankers' gold on the "Tennessee" that was used to honor American credits. It was not necessary to ship the actual gold to all countries, for in some cases exchange could be bought and in others guarantees furnished to local banks, who in turn guaranteed other banks in their countries, so that all in all bankers throughout Europe were given to understand, as rapidly as communication made it possible, that American bankers and issuers of credits intended to stand back of those credits. That this was not passively done through mere statements, but actively through the actual shipment of gold, purchases of exchange and giving of guarantees, undoubtedly resulted in the payment to tourists of the millions of dollars that they received in the various European countries.

There was another phase of the tourist difficulty, however, that could not legitimately be met by bankers, even though they were in position to protect their own credits. It is the custom of great numbers of Americans to go abroad with return transportation paid and just sufficient money to enable them to make such round trip as they had planned. As thousands of such tourists had transportation upon steamships which did not sail, they were met by a very serious situation almost immediately. Having no credits which they could cash, and their transportation being useless, they were entirely dependent upon charity or upon obtaining funds from friends or from America. If there had only been a few such persons they could have been taken care of, but as there were thousands of them, it was necessary for our government to step in and make an appropriation that could be used to get them back to America. Congress acted upon this matter quickly, and \$300,000 was appropriated for this purpose and sent to Europe on the "Tennessee." As soon as it was assured that these funds were on the way, money was borrowed in

Europe anticipating its arrival, and destitute Americans were thus enabled to return to this country on the first steamship available, without piling up further debts in Europe. The quick action of the government in this matter undoubtedly saved great suffering to many Americans.

Taken all together, it would seem that the financial problem to America involved in taking care of tourists was satisfactorily and quickly solved, and even though there were many cases of suffering that were severe, yet such suffering was minimized as much as was possible under the circumstances, and it must be borne in mind that the natives in many places had just as great difficulty as tourists, and that in some localities where tourists actually did get money, those who lived there were unable to do so temporarily. The principal friction to travelers, both as regards money and transportation, was during the time of the mobilization, for all means of transportation were not only taken by the government, but the telegraph lines as well were held for war purposes.

#### Financial Problems.

Aside from the difficulties of tourists, the principal problems that American business men had to solve were caused by:

The maturing obligations of all kinds represented principally by commercial paper, short term notes and commercial Letters of Credit falling due in Europe.

The refusal of drafts drawn against goods which were on ships that were held as prizes or detained because goods were going forward to belligerents.

The stoppage of goods destined for America that were required to fill orders, and later the inability to obtain credits or to market goods that made it unsafe or impossible to continue our ordinary exports.

The amount which we must pay Europe from the outbreak of the war, August 1st until December 31st, was known to be several hundred million dollars. Most of these obligations had been timed to mature at this period, in order that advantage might be taken of the exchange made by our exports of agricultural products, particularly of cotton. A chain of circumstances was built up upon the opening of the war that curtailed our exports almost beyond belief. Taking England, for example, we find that the English private banks or accepting houses had many of them accepted bills for tremendous amounts for account of belligerents. Laws passed for the purpose of preventing financial aid being extended to belligerents on both sides in the controversy made it impossible for the English accepting houses to collect the money due them from clients in belligerent nations. The moratoria existing in many countries also postponed payment due them in allied or neutral countries. These accepting houses were not only in the habit of giving acceptances for imports to Great Britain, but as well for exports. As it was known in America that the acceptance houses were going to be unable to collect, at least for a long period of time, funds that they would require in order to meet their acceptances, American banks were not justified in buying bills upon them until their future position was determined. In the case of cotton, even if American bankers would have taken the bills of the English acceptors, there could still have been no export of this commodity to

England until the spinner could find a market for his goods, and so be able to use cotton that he might import. England exports in yarns and cotton cloths about three-fourths of the raw cotton which it imports. Demand all over the world for these goods fell off immediately on the declaration of the war, but added to this was the fact that such orders as still came forward could not be financed until the acceptor's position was straightened out. The various proclamations of the English Government, under which the acceptor's liability could be extended until after the close of the war, and under which extension endorsers of foreign trade bills were released at maturity, made it possible for these houses to continue business. Until this situation had been worked out and the English Government had in effect assumed the outstanding liabilities through its guarantees to the Bank of England, there was a stoppage of our foreign trade that no one would have believed possible. England having financed both our exports and imports, as well as those of many other countries in the world, and having funds due its accepting houses held up, was obliged to stop and study the situation before business could go forward.

There will undoubtedly be criticism of every action taken in England for many years to come, and other plans will be advanced, whose sponsors will claim that they would have been more effective. This is always true after any great national crisis, for it is always easier to look backward than forward, but the fact remains that the action of the English Government started up trade, broke the deadlock and has successfully carried forward to the future outstanding debts that could not be paid until after the war. Theorizing as to what action should have been taken is well enough for the purpose of analysis, but criticism is out of place, for no other system can now go back and take the place of the one put in effect, nor can anyone tell whether any other system, even if theoretically sound, would have succeeded as well. In every crisis the men of the hour are obliged to act on the knowledge and with the ability which they possess at the time, and while there will always be those who can look back and tell how things should have been done, yet they never seem to be in sufficient evidence at the time to save a situation. We should remember, therefore, in our future study of the financial questions brought up by the war that each action taken represented the composite opinion of the men who had sufficient force to have their ideas prevail, and that there is no place for theoretical criticism by those whose ability lies chiefly in telling what might have been. Just as we have been told again and again by those who did nothing at the time, that the panic of 1907 could have been handled in a much better way, so will England be told that its system of proclamations, and all that it carried with them, was clumsy and cumbersome and unnecessary. The fact remains, however, that trade, which was absolutely strangled, has been resumed, and while further developments in the war may easily disarrange everything that has been put in order for the moment, yet trade is increasing and financial conditions are becoming as near normal as possible while the war lasts.

#### Action of American Interests.

The various actions of American financial interests in meeting the situations which confronted them were also effective, and while some of them were of temporary and possibly sentimental value only, yet the fact that they did their work is sufficient answer for them. We will now consider some of these operations in connection with the English position. During the days that our foreign trade was stopped, no one could tell with certainty when it would be resumed, but all who knew the facts could say positively when our foreign obligations fell due. When we stopped our gold shipments, foreign financial interests were inclined to criticize America severely. They said that we were the one great neutral country which could depend upon itself, and that we should meet our obligations and protect the world in so far as our own particular duties were concerned. Their own troubles were so great that it was quite natural that they should consider ours as nothing in comparison, and as they could not see into the future, it was easy for them to believe upon first hearing of the stoppage of gold shipments from America, and of the rise in foreign exchange to five and six dollars a pound, which meant in itself a curtailment of their exports, that America was going to repudiate its obligations. But repudiation was the last thing thought of by American business men, as their actions proved beyond possible doubt. There was every reason to believe that Europe would require tremendous sums in value of our goods, such as wheat, clothing, leather and war materials, and that such demands would soon result in exports from our country, which would more than meet all our obligations. Even so, Americans were not satisfied to stand idly by and await developments, allowing the world to think in the meantime that they might default. Instead, at great expense they arranged for gold shipments long before their maturities were due, and put themselves upon record before the world as not only intending to pay those obligations, but as having found a means to do so, and as having accepted it without regard to cost. This very fact should, as time goes on, pay for all costs involved. These operations naturally centered largely on England, as the English banking houses are the acceptors for the world's business, and under normal conditions London has been the arbitration money center of the world.

Eighty odd millions of New York City warrants became due in London and Paris between September 1st and January 1st. New York financial interests were not content to have the financial integrity of their city in doubt for a moment, and instead of allowing time to pass and these maturities to be taken up as they became due, arrangements were made which assured the world that they would all be paid, regardless of what might happen in the exchange market, and so the eighty million gold or exchange pool became an historical fact. While this had an easing tendency on exchange and relieved the difficulties due to sentimental fear, which in actual operation meant that balances were released that might not otherwise have been, still the exchange was so far above normal that it represented a heavy tax on trade. It was then that the one hundred million dollar gold

pool was formed, only ten million of which had to be made use of. This measure carried another message to the world that the financial interests of America were going to meet their obligations with gold, if they could not do so with goods. In this it was of great value. It also brought home to thousands of our citizens how closely our interests are bound up in those of the rest of the world. While only ten million was actually used, yet every importer knew that the cost of exchange could not exceed the cost of transporting the gold to Ottawa and receiving credit in England while the fund lasted and the strains of uncertainty, which are the greatest hindrances to trade, were removed. If the orders of foreign governments for goods had come a little later, or not have been as great, further amounts of the gold fund would have been used. As it was, it served its purpose and protected the exchange market until our goods could take the place of gold.

In order for America to be able to do this, it was necessary at first for her to assume control of the gold situation. The closing of the stock exchanges, and the action of the New York Clearing House in stopping gold payments, except as authorized, resulted in obtaining the necessary control. Without such action European interests could have continued to sell American securities to us, for which we would have had to pay in gold at the time. To have allowed a continuation of such sales would have been as serious for Europe as for this country, as payment for all that might have come forward would have been an impossibility, and it would have been foolish to have allowed such purchases to go on until bankruptcy would be the result. Our securities were purchased abroad for investment, and we were under no obligation to buy them until they fell due. It was a perfectly legitimate operation, therefore, in arranging machinery that would prevent a further transfer of American securities from Europe to America, even though the temporary stoppage of gold shipments, while control of the outgo was being obtained, seemed drastic at the time. In case of a war of such proportion as the present conflict, business men cannot wait to see what is going to happen, but must, if they would be in position to meet every condition as it arises, act upon warning and watch afterwards.

#### Intricate Operations.

It would be quite impossible in one evening to cover in detail the many interesting and intricate operations which have had to be met in order to carry on commercial transactions, but a few others are of sufficient importance to require mention. There is, for instance, the cotton situation. The drop in the price of this commodity, because the world's markets were largely closed to it for a time, caused many interesting situations which could be developed at great length. The effect upon our foreign trade in its relation to other countries is also a matter of great moment to this country. At present we are trying to replace the certain markets which we had in Europe for uncertain markets in South America. If there were no war, there is some doubt as to whether such a change would be beneficial to this country. Germany, for instance, has undoubtedly been able to buy more largely of our goods, because it was supplying

its own to South America. We could not expect to take away Germany's trade in South America and still have our exports to Germany continue on the same scale, other things being equal. As the war has stopped our trade to Germany, however, to a great extent, we are obliged to go to South America for an outlet for our goods, and South America may have to come to us, should the war continue. We consequently have no real choice, but we must not forget that if we take away from a country its trade, we cannot expect to sell that country our goods to the same extent as before. That does not imply that we should not extend our trade in every legitimate way possible, but rather that we must consider the lines of least economic resistance. We may be able to supply South America with many goods while the war lasts that England and Germany may be better able to sell them after the war is over. Such trade we cannot hope to keep, and it would be an economic waste for us to do so. Competition will ultimately decide which countries supply other countries of the world with certain goods, but such competition should only be based upon natural ability and resource of manufacture and production, and not upon force. The world must come to such condition ultimately, and each country will give that which it is best fitted to give and receive that which it is least able to produce. While we must all strive for the world's markets in a legitimate way, we must not forget that there will be a sure reckoning if we attempt to override such markets. This country cannot have prosperity to the detriment of the whole world, but the whole world can have prosperity to the great benefit of this country. We must get away from the narrow position that we have assumed among ourselves and among the nations, if we would be the great country that we all desire. The present war is partly the outburst of commercial jealousies, in which we should take no part, and is a warning to us that we can best strive for ourselves by striving for our fellow man, and by not attempting to build our own castles upon his degradation. Militarism has its life in and is founded upon commercial and political jealousy. While the idea of self-protection may have had much to do with its growth, yet self-protection would be unnecessary in our present day if it were not for commercial jealousy. Men can work side by side competing for the same business, and still be friends, and commercial war while general is not necessary. Honorable and able competition causes the admiration of competitors, who are only able to successfully meet such competition and maintain their positions by being honorable themselves. Commercial wars merely mean competition carried on with bitterness and unfairness, and it is doubtful if militarism can be controlled until the nations compete in a proper spirit.

#### Fate of False Gods.

The Niebelungen Lied tells of the destruction of the Gods, who unfairly tried to obtain the Rheingold, and closes with the burning among the rainbows of Walhalla, their wonderful castle, and of their annihilation. These Gods may be likened to the power of the commercially and politically jealous of to-day, as exemplified in the militarism of the nations. The symbol was strangely impressed upon me one evening



in July when in the waters of the midnight sun. All nature seemed to be awaiting the unknown. Slowly, but with unseen power, the heavens turned to shining gold until all was abaze that was visible to man. Through this fire of gold on the eastern sky a rainbow built itself, until its circle reached from the ocean toward the zenith and back to the ocean. Soon another rainbow appeared in the blazing light and strengthened and grew until it also was a full bow. Once again the wonderful color started from the sea bound for the highest part of the heavens, but it failed, and suddenly darkness came upon the waters and the dusk of the Gods had fallen. And so may it

be with the militarism of this world wherever it may be found. These Gods have striven for the power of gold, and have blinded the nations with their glittering air-castles built upon the heart-throbs of men and women. Think not that these Gods are those who may have been chosen to represent their peoples, for they are but the spirit of jealousy in each of us, and the taking of life will not serve to destroy them. Instead, we must carry the fight to our own souls, and if this tragedy now upon the earth leads us to cast back our false desires into the waters of the Rhine, the dusk of the Gods of our discontent will have come upon us.



## ESTABLISHMENT OF BRANCHES BY NATIONAL BANKS IN THE FOREIGN COUNTRIES

Address by A. H. Titus, Assistant Cashier of the National City Bank of New York, Before the Pittsburgh Chapter of the American Institute of Banking.

**T**HE magnificent financial organizations of the great European nations with many years of constructive history behind them have led those who have been students of our own banking endeavors to hope for the time when we could take our place alongside of those great banks and share proportionately in the world's business. It would be useless, of course, for us to attempt to compete in a large sense for business in the capitals of Europe or its colonies, for the British, German and French institutions are too firmly entrenched, and are serving their clients too well, as a rule, to warrant it; and so it becomes necessary for us to look to other countries where there is a greater dependence on foreign capital for our opportunity. The great continent to the south of us, with its vast natural resources but slightly developed and its ability to consume great quantities of manufactures which it must look to other nations to supply, at once attracts our attention as a logical starting point for our efforts. It will be conceded that our ability to establish and maintain prosperous branch Banks in any country must rest largely upon the needs of commerce between that country and our own, and therefore our all-important effort should be to encourage international trade. Twenty-five years ago a Pan-American Congress started an agitation which has had a great deal of attention ever since. During this period the growth of the South American nations has been remarkable and our trade with them has grown, but not in proportion to the growth of the countries. In 1912 the latest statistics show total imports into South America of nearly one billion dollars, of which this country supplied about 150 millions, or about one-sixth of the total, while in that same year we purchased about one-eighth of the total exports of raw materials emanating therefrom, and these raw materials are of great value and importance, consisting chiefly of grain, coffee, cocoa, hardwoods, beef, horses, sheep, wool, hides, gold, silver, copper and nitrates.

During the recent years which have been fraught with a wonderful development in our own country, we have needed our capital at home, and this fact combined with our inability to maintain foreign branches under our existing Banking Laws prevented actual operations along this line, but the passage of the Federal Reserve Act admitting the establishment of foreign branches gives us the opening we have so long looked for. It is a significant fact that the insertion into that piece of legislation of the clause permitting foreign branches, which is of the widest importance, produced little discussion during that period when everyone interested in the subject was debating the relative merits of practically every feature of the bill. It was generally admitted that the provision was wise and necessary if the commerce of our nation is to receive the impetus it should have from a well-rounded financial measure. Section 25 of the Federal Reserve Act entitled "Foreign Branches" reads as follows:

"Any National banking association possessing a capital and surplus of \$1,000,000 or more may file application with the Federal Reserve Board, upon such conditions and under such regulations as may be prescribed by the said board, for the purpose of securing authority to establish branches in foreign countries or dependencies of the United States for the furtherance of the foreign commerce of the United States, and to act, if required to do so, as fiscal agents of the United States. Such application shall specify, in addition to the name and capital of the banking association filing it, the place or places where the banking operations proposed are to be carried on, and the amount of capital set aside for the conduct of its foreign business. The Federal Reserve Board shall have power to approve or to reject such application if, in its judgment, the amount of capital proposed to be set aside for the conduct of foreign business is inadequate, or if for other reasons the granting of such application is deemed inexpedient.

"Every national banking association which shall receive authority to establish foreign branches shall be required at all times to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand, and the Federal Reserve Board may order special examinations of the said foreign branches at such time or times as it may deem best. Every such National banking association shall conduct the accounts of each foreign branch

independently of the accounts of other foreign branches established by it and of its home office, and shall at the end of each fiscal period transfer to its general ledger the profit or loss accruing at each branch as a separate item."

**Foreign Branch Banks.**

And now with legal sanction we take the step, realizing that unless we can persuade American buyers, producers, and manufacturers to enter these foreign markets determined to get their share of the trade, our efforts will be futile because Great Britain and Germany have been successfully operating in the field for so long that their banks and banking houses have become thoroughly established. The branch bank systems of those countries have grown to enormous proportions:

43 English banks have	5,582 branches
37 Colonial banks have	4,176 "
9 Irish banks have	683 "
9 Scottish banks have	1,225 "
<hr/>	
98	11,666

The German banks also have many branches established in all the important cities of South America, and with this array of talent already firmly entrenched it will be no small task to obtain and keep a foothold.

**Trade Difficulties.**

In addition to very serious thought on the subject at home we have done considerable actual research work by having special representatives visit foreign fields and feel out the conditions and necessities of commerce. We have found in our investigations that there have been a number of reasons for the failure of many American houses to successfully introduce their goods in South America. Many of our exporters are not willing to give the long credits demanded by foreign buyers and which the English and German merchants have been educated to recognize as part of the trade. They have been helped to do this through the discount markets of England and Germany, and here again the Federal Reserve Act has given another great incentive to our foreign trade in allowing the rediscounting of foreign bills drawn against actual commercial transactions, and coupled with that allowing member banks to accept time bills so drawn. This immediately establishes a discount market here and enables us to greatly facilitate the financing of foreign trade.

We have been handicapped because our merchants have not understood the business characteristics of the peoples with whom we have attempted to do business, no doubt because they have not been willing to take the time necessary to inform themselves. We are in a hurry for results and rarely allow social features to be considered a part of any trade; but we are told that in Latin-American countries it is necessary to pay considerable attention to the social amenities. Imagine a hustling American salesman taking the time to secure an introduction to his proposed customer before approaching him and further developing a personal acquaintance before suggesting business at all. And yet, this is what our Latin-American neighbors seem to want and our English and German competitors give to them.

**Credit Information.**

We have found from experience that the British and German banks in foreign countries bend every effort to develop trade expansion with their home countries and having complete mastery of the banking situation have been able to supply information of great value to their own friends and to the disadvantage of the American exporter endeavoring to enter the field.

For this reason it has been very hard for our merchants to obtain credit information of any value or dependability through these banks. The foreign banker hesitates to recommend a South American house to a dealer in this country. I have in mind an instance of a large European bank which wrote to us asking if we would give them credit information on some cotton houses in this country they desired to know about. We replied that we would be glad to do so and asked them to send their list of names. They did so—about 650 of them—and we carefully and with considerable trouble gave them the best we had and could get in reply. Not long afterward we desired some information regarding about a dozen South American merchants, and knowing that bank to be interested through branches there we asked them for it. Their reply, long delayed, was to this effect: "Our directors feel that it is unwise for us to obtain information of the character you require, for the reason that we are directly interested, and no doubt the information would be used in competition. We would say, however, that we have in our files some information regarding two of the firms mentioned which was obtained by us some time ago, and if it will serve your purpose you are welcome to it."

Any business man in these days must be satisfied to extend suitable credit to his customer if he believes that customer to be reliable and honest and able to pay when his obligation matures, and it is the universal custom to rely on banks and banking houses for that information. The standards of credit information are different. The Latin American is sensitive and secretive, and he resents inquiry; he rarely gives a statement as we know it, and objects to showing his books. It is difficult to obtain the kind of information desired by American banks and merchants. There is little or no co-operation at present in this respect among banks in South America. R. O. Bailey, former Assistant Secretary of the Treasury, who represents our bank in the institution of our South American branches, writing from Buenos Aires a short time since said: "There is perhaps less unity of understanding among the banks here than almost anywhere else in the world. The principal ones are foreign owned, established to develop the trade of the particular country of their origin, and all keen competitors. This fact is well illustrated in the practice of extending credit. It is no uncommon thing for a firm entitled to a line of credit, of say \$50,000, to be able to obtain that full line in at least five banks at the same time."

**Overcoming Prejudice.**

The American exporter to South America has no small task before him in overcoming the prejudice against us because of the fact that heretofore we have, with some exceptions of course, gone into

those markets as a result of an over-production of something we could not sell here, and have attempted to use them as a dumping ground, leaving them severely alone when our local markets could assimilate our entire output. The Latin American has quickly discovered this and their British and German bankers have not been slow to press that knowledge home to the advantage of the exporters of their own nations. One or two instances of recent occurrence have been noted by our men in Buenos Aires. One of the largest department stores there, in fact the largest in South America, had such an experience not long ago, and since the arrival of our representatives the manager of a large industrial plant (brewery) brought in some samples of raw material (malt and hops) received from the United States that were so inferior or in such a poor condition that they could not be used, although he stated that he had ordered from samples. Their condition was not due to anything that occurred in transit either. The result was that a valuable standing order for periodical shipments was cancelled, and the manufacturer, fearful of risking further loss and inconvenience, is for the present strongly prejudiced against the materials from the United States, and is seeking another source of supply. The necessity for the shipment of goods up to the standard of samples and strict compliance with instructions cannot be too strongly impressed upon our manufacturers who have not made a special study of export trade. We are told of a dealer there who ordered a lot of men's socks. He gave specific instructions as to how they should be packed. They were to be tied up in bundles. It was a high class of goods. The manufacturer thought they were good enough to be put up in fancy boxes, instead of being tied up in bunches like common socks, as per his instructions. When they arrived, the dealer refused to accept them because the customs tariff on the fancy packages amounted to as much as the duty on the socks themselves. Another manufacturer of a very well-known article found when he sent his own representative there to establish a local branch that someone upon the arrival of the first shipment of his goods in Buenos Aires had registered his trademark, and demanded a large sum from the real owner for the privilege of using it. There are so many little details of importance in connection with every line of goods, that large houses can well afford to send the best of men to new foreign markets to prepare the way for the introduction of their merchandise. Manufacturers who have not the capital to do this, and to incur a large expense at the start, must be contented with doing what little business they can do through responsible commission houses or through local firms of good standing who are able and willing to push for all they are worth the lines they are handling.

#### Transportation Facilities.

The American merchant has been at a great disadvantage through the terms and prices of his trades becoming known to his European competitors, presumably through the handling of the bills of exchange covering the shipments. Another drawback to the trade development with South America has been the distance from our ports, the long time consumed en route, and the generally supposed lack of transportation facilities.

It takes about 18 days from New York to Rio Janeiro, and 24 days to Buenos Aires. From Buenos Aires it is 48 hours by rail to Asuncion Paraguay, 16 hours by rail to Bahia Blanca, 36 hours by rail to Santiago and Valparaiso, Chile. Transportation facilities, while not of the highest and speediest class, are continually improving, and it is expected that an active trade with the United States will greatly increase the present facilities or those available before the inception of the present European war.

#### Financing Trade.

Another great impediment to the American merchant's trade relations with South America has been the way in which it was necessary to finance the trade. Heretofore when he sold a bill of goods abroad through his own agents or through some commission house it became necessary for the purchaser to establish a credit in London for the payment of the bills. True, some local commission merchants trade direct with South American houses and finance the immediate payment for the goods by collecting a sufficient charge for commission to allow for this, but usually the payment is made through London, and the American merchant suffers in the conversion of the funds. The American dollar has been at a decided disadvantage in comparison with the pound sterling as a basis for trade. It is seldom quoted except in its relative value to the sterling, and it is claimed by foreign exchange experts that the dollar is usually at a disparity of from 1 to 2 per cent. either way. In addition to that, the comparatively small amount of American business makes it unnecessary for South American banks to keep any substantial balances in New York, and thus the merchant is able to buy exchange or credit on London cheaper than he can purchase exchange on New York. The establishment of American banks in South America will do much to overcome this. The breakdown of the exchange of the world owing to the existing conditions of war in Europe will help this along just now. The American merchant has an opportunity which ought not to be wasted. The European merchant is unable to take orders at present and will be for a long time to come. The terrific expenditure of capital for war purposes, and the mobilization of the best manhood of all the warring nations must mean an immense decrease in production, and while there is considerably less purchasing power in South American countries owing to the great reduction in available capital, the demand will no doubt greatly exceed Europe's ability to supply, and we can get the benefit of it if we act quickly with the realization that it is an obligation upon us to help supply the needs of the rest of the world out of our abundance. The great advantage Europe has had over us in being able to produce at less cost than we do, owing to a much lower scale of wages, will not be as apparent after the war as it has been heretofore.

When Great Britain and Germany again enter the world's markets with their products it will be at a much greater cost of production. The number of skilled laborers will be greatly lessened and probably higher priced; the necessity of paying the war debts will cause a wide increase in taxation, and this no doubt will tend to increase emigration to other

shores. All these things will help the American manufacturer to place his products on a more nearly equal basis in competition, and it seems that now is the logical time to enter fully the great field that is open to us.

Our British friends seem to take it for granted that the activities of their German competitors in South America and other places had been effectively blocked for a time if not permanently, and that it will be very difficult for them to regain the foothold they have enjoyed. The British will always be strong commercially in South America. They have invested more money in development and permanent improvements than any other foreign nation. They exercise a strong control over affairs, and must be reckoned with.

#### Uncle Sam's Welcome.

We have been fearful that they might look upon the North American in his efforts to establish himself in South America as merely an unwelcome substitute for their bitterly hated German rivals. But thus far we have not discovered any evidence amongst the better class of Englishmen of such a feeling, although the "Yankee drummers" and North Americans of that type as well as the English "bounders" do not hesitate to express their contempt for each other. I do not believe that it is a frank reflection of the feeling entertained by the higher class Englishmen any more than the Yankee drummers' views are those of the more substantial North American. It may be that the British business men do not as yet regard our plans as warranting serious consideration; some of them representing large interests say they are glad that the United States are coming into South America, and that there ought to be American banks there; that now is the time for us to start if we are to help them capture the German trade. Those who have produce to ship, and particularly the wheat and cattle raisers, all express the hope that there will soon be a line of American ships. One British banker frankly remarked that he would be very much interested in watching the experiences of the new banks the first year or two, that there were many people they had turned down waiting for us with their business propositions. They all agree that a conservative policy for two or three years, while we get our bearings, will put us in an enviable position, but that to expect too much, or to try to press matters at once will result in disappointment. The South Americans so far have been very cordial, and more or less voice the sentiments of the Britishers, who they undoubtedly realize have been so instrumental in enabling them to develop the resources of their country. They, of course, are glad to see new capital come into their country, and while they will extend a hearty welcome to anyone who brings it, will doubtless, so long as British influence in South America is so strong, be more or less guided thereby.

#### City Bank Branches.

In announcing our intention to open branches early this year and before the opening of the European war, we secured from all available sources names of American manufacturers who either have traded or do now trade in South America, also those whose

products could be sold in those countries but have not yet been introduced. We wrote to all asking a free expression of opinion as to the difficulties they met or feared in South American trade, and their opinions as to the needs for American banks there. The responses were generous and enlightening, and so in instituting our branch service we have the advantage of knowing what is needed and some of the things to avoid. We appreciate the difficulties that confront us; we are pioneers, results will probably be slow, and we must move carefully, realizing that we expect to stay.

The directors of our bank on June 30th last decided to apply to the Federal Reserve Board for permission to establish branches in Buenos Aires, Argentine and Rio de Janeiro, Brazil. Because of the delay in organizing that board until August, it was September 2d before the required permission was given; meanwhile, about July 1st, R. O. Bailey, former Assistant Secretary of the Treasury, and J. C. Martine, a former employee of our bank who had more recently represented us in Havana, Cuba, left for Buenos Aires to arrange the preliminaries. They travelled by way of London and arrived in Buenos Aires just about the time the European war broke out. This, as you know, caused moratoria to be declared in the principal South American countries and the difficulties which confronted them on this account were many and complicated; however, the preliminary work was accomplished and our branch in Buenos Aires opened for business on November 10th under the management of a corps of men from our New York office, many of whom have seen foreign service. Our first day's deposits amounted to \$877,000, and have greatly increased since then. Our next effort will be in Rio de Janeiro, to be followed by Valparaiso and other cities in the order of their commercial importance.

Our branches will be prepared to perform all the usual functions of a bank in this country as far as is allowed by the Federal Reserve Board, including the receipt of deposits, handling of collections, transferring of funds and dealing in Foreign Exchange. We believe we will be able to establish a dollar market which will do away with the necessity of financing American trade through London and save the trader the cost of one conversion of the amount.

We will have in each branch a credit department supervised by a representative from our own Credit Department, thoroughly familiar with the quality of credit information American banks and merchants require, who will obtain such information, sending a copy of everything to New York.

We will also have in each branch a trade representative corresponding to the commercial attache in the foreign diplomatic services, whose duties will be to study local trade conditions and customs and familiarize himself with shipping and import requirements. He will make acquaintances among the local merchants and be prepared to properly introduce American trade representatives; in short, he will be the guide for our American friends who desire to trade in his field. He will watch trade opportunities continually and keep our foreign trade department at New York alive to these opportunities so that they in turn may post our customers in this country. He



will furthermore be in a position to make special investigations regarding particular articles in his markets; for instance, we have been asked to have our representative purchase and send here certain articles of foreign manufacture so that our local exporters might study the manufacture, quality, preparation, labelling, packing, etc. In short, the trade representative in each branch will be a very important factor in the situation and the right man has a wonderful opportunity to become not only of great use, but indispensable in such a position.

#### South American Wealth.

To give you a little idea of the growth and development of these countries: Take Argentina; in 1895 the land area under cultivation was 12,000,000 acres, and in 1913 it was 57,000,000 acres. In 1900 the total exports of the country were \$154,000,000, valued in the gold peso; in 1913 they were \$485,000,000. The imports in 1900 were \$113,000,000, and in 1913 \$421,600,000. Since 1895 the population has grown from 4,000,000 to 8,000,000 and that of Buenos Aires alone from 663,000 to 1,585,000.

The Buenos Aires & Pacific Railway system, which in conjunction with the Chilean Transandine system provides a transcontinental road, in 1904 operated 791 miles of road; in 1914 its mileage had increased to 3,473. Its gross receipts in 1903-4 were \$4,795,000; in 1913-14, \$24,405,000.

Argentina ranks ninth in the countries of the world in the matter of railroad mileage, having at the present time 23,000 miles of road in operation and from 4,000 to 5,000 miles projected and in process of construction.

The city of Buenos Aires is a revelation to anyone visiting it for the first time. It is a big, grand, modern metropolis. The water front, docks, warehouses, streets, boulevards, shops, residences and public buildings all indicate the importance of its standing. Its population is approximately 1,585,000. The citizens are rightfully proud of their city and jealous of its importance. They are up to the minute in all things and ahead of some of the other important cities of the world in many.

Our manufacturers in entering the Buenos Aires market with their goods must bear in mind that their purchasers will insist on the best and newest. For instance, the shop displays of ladies' dresses and hats, of jewelry and of men's apparel are always the very latest from Paris and London, and as the spring season is several months ahead of ours, the new things appear on the streets of Buenos Aires months before we see them in New York. It is said that Paris costumers arrange to have their product appear in Buenos Aires coincident with its first display in Paris, and goods of American origin have been frequently

discredited in the past because we have endeavored to sell them articles out of date, as to style of which they are earlier informed than we, or not up to standard in quality.

#### United States' Opportunities.

Our representatives in Buenos Aires advise us that there is a distinctly favorable sentiment toward our efforts to stimulate trade with the United States, and while conditions do not warrant very large buying at present, as stocks decrease there is more interest displayed and representatives of American manufacturers on the ground are all enthusiastic as to the prospects. Owing to the general world situation there is no inquiry for articles of luxury but plenty for the necessaries. The government of Argentina is actively interested and is apparently willing to do anything to give goods from the United States an equal opportunity with others, if not to favor them. It was not until a comparatively recent date that nothing but German or English cement could obtain the approval of the government engineers, but about a year ago one of our leading brands of cement secured the necessary sanction to permit of its use in public works, and there is a probability that the approval will now be extended to all that meet the official requirements.

Next to Argentina in relative importance is the great republic of Brazil, which produces more coffee than all other countries of the world combined, although the quality is not generally up to the standard of that which comes from Mocha on the Red Sea. The principal coffee port is Santos, where modern methods for handling great quantities of coffee prevail. There is block after block of huge warehouses in which sacks of coffee are stored and they have all the newest devices for storing, conveying, and shipping their product. The carrying and loading is all done by machinery, and the docks are all concrete and of latest method of construction.

Along the Brazilian coast north of Rio Janeiro are huge banks of white sand, which look at a distance like snow. These are rich in radium and thorium deposits and the shipments of these precious minerals to Germany have aggregated over a million dollars a year. It is stated that the whole supply is controlled by two individuals under an agreement with the Brazilian Government to pay into the National Treasury a certain percentage of the profits obtained in its exploitation for a period of fifteen years.

Argentina is on a gold basis, the unit of coinage being the peso, worth about 96½ cents United States money.

Brazil also is on a gold basis, the unit being the milreis (1000 reis), value 54 6-10 cents United States money.



## REGULATION OF PUBLIC UTILITY SECURITIES AND ITS EFFECT ON INVESTMENTS

Summary of Talk by Paul A. Sinsheimer, Bond Expert of the Railroad Commission of California, Before the San Francisco Chapter of the American Institute of Bankers.

I FIND so often that there is a basic misconception as to the nature of a public utility enterprise that I propose at the beginning to indicate where in the public service corporation is a distinct and special species. I take it that most of you here, by reason of your experience, are familiar with the sharp division between public utilities and ordinary commercial corporations. It is with you gentlemen a matter of everyday business habit to regard a public utility in the light of its responsibilities and its obligations. You are always conscious of the peculiar legal status of the utility and you automatically measure any problem that relates to a utility in accordance with its legal environment.

The unthinking, and occasionally we find the unthinking man in both your business and mine, is prone to fall in an appreciation of the positive differences that prevail, separating the public utility into a special phase of our present day industrial life. These men have been known to censure harshly members of the State Railroad Commission for their assumption to accord a different treatment to public utility affairs than is granted in everyday commercial life to the average industrial corporation. They are one with the railroad magnate who cursed the commission because God had created the ocean.

You gentlemen, connected as you are with banking institutions, work constantly in the realm of regulation. You do not resent this regulation. On the contrary, you deem it wise. Such differences as may arise deal only with the administration of that regulation. Your banks are under public regulation, State and National, by reason of the fact that they are the depositaries of the funds of the people. In extending to the banks the privilege of receiving deposits, government assumes the responsibility of regulating their use of those deposits. To sum it up in a word, the regulation of your banks springs from a degree of public interest therein. And that is the identical inspiration of the regulation of public utilities—the degree of public interest therein.

The public's interest in the bank lies in the fact that the public money is in the keeping of the bank. The public interest in the utility lies in the fact that it is wholly dependent upon that utility for certain necessities of our present day civilized life. The distribution and sale of water is a public utility enterprise. The degree of public interest therein is vital. In lesser proportion, but nevertheless controlling, is the public interest in transportation by railroad or street railway, communication by telephone and telegraph, the service of gas and electricity for light and for fuel.

Out of our complex civilization has emerged the large corporate entity dedicated to the service of the public. As in the case of the banks, government has

extended a privilege and assumes the responsibility of regulation.

This regulation divides naturally into three forms: the regulation of rates, the regulation of service, and the regulation of finances.

### Regulation of Finances.

For the present purposes we shall be concerned primarily with the subject of regulation of finances.

It might well be asked, as it is now urgently asked in the Congress of the United States, "Why should a State assume to regulate issues of securities of its public utility corporations?" The answer is plain. In order to regulate properly rates and services of these utilities, it is necessary to exercise a jurisdiction over their issue of securities, for, very obviously, a utility heavily overburdened with debt and under the necessity of devoting all of its revenues to the payment of interest upon that debt cannot and will not give to the public the degree of service which the public should demand. And it must be equally obvious that to pay interest upon an excessive indebtedness, the utility must collect from the public excessive rates.

You who are familiar with the public utility situation in San Francisco need not seek afar for a type of corporation overburdened with debt and unable, therefore, to render the service demanded. A high credit is a first essential to utility service. I have in mind also a utility corporation in the southern part of this State which, through a peculiar alchemy of finance, permitted its shareholders to transfer their stock into bonds, and has since been staggering under the burden it assumed.

The regulation of public utility securities is intended to grant a three-fold benefit: first, to the public; second, to the investor; and third, to the utility itself. The public is protected by an insurance that service shall not be impaired nor rates raised merely to pay interest on excessive debt. The investor is, of course, protected by a more careful safeguard of the securities which are issued. And the utility itself, that is, its shareholders, are benefited by the pressure of an outward force to keep its debt down and its property intact.

In regulating public utility securities the State assumes no direct obligation. Its authority is merely permissive. The proposal for the issue springs from the utility. The State, through its commission, merely passes judgment upon the application presented. The purposes for which securities may be issued are limited, but the corporation retains its freedom to contract indebtedness as it pleases.

The responsibility has not changed with regulation. It rests entirely with the utility. The spirit of the law contemplates that the Commission shall give its authority under certain circumstances, even though it may believe the enterprise doomed to failure. While, of course, the Commission will insist upon certain safeguards, it cannot assume authority, nor a right nor should it pretend to a superhuman wisdom to require absolute safety.

And I think it will not require much argument in these piping days of finance to persuade you that that much-hunted bird, absolute safety, like the jugger-wasp, does not exist. Nor would it be a wise law that contemplated that all investments should be free from doubt. Economic force is stronger than law, and such a law would only defeat itself. Therefore, I would issue a warning to investors and to the public that Commission authority for the issue of securities under the California statute must not and cannot be accepted as a declaration of the Commission's belief in the safety of those securities. There is reasonable restriction and there is insistence upon fair dealing, but it does not lie in the power and in the capacity of any man to say, "This I pronounce good, and this I pronounce bad." Today there should be, by the investor and by the public, the same scrutiny of securities that was accorded in the past. Nor should they be beguiled into doing what otherwise they would not by the symbol, "Approved by the Railroad Commission of California."

Securities have always been issued under the authority of the State. The corporation is a creature of the State. Today we only safeguard more closely the authority which the State previously gave more liberally.

This, I believe, though, and I think the bankers of the State uniformly agree with me—that regulation by commission has served to improve and to elevate the standard of the public utility securities of the State of California.

#### Regulation and Protection.

But if the State has no direct legal obligation toward the securities which it may approve, it has at least a duty toward the utility which it regulates. How unjust it would be to supervise our large public service corporations in all of their activities and then at random to turn them over to the mercies of every possible competitor. If the State regulates, so must it protect. And it is on this theory that there has grown up here and elsewhere a doctrine that would protect a utility in its field of operation so long as that utility accords to the public a service as satisfactory, at rates as fair as any competitor could furnish.

Strangely enough, in our struggle to adjust our economic problems, we are pressing forward along two lines as directly opposed as the poles of the universe. Our States declare, through their various commissions, for utility protection—monopoly, if you please. Nationally, we declare for competition, and we invoke the penal provisions of the Sherman Act against the corporation which assumes to do aught that would stifle competition.

In California we have been given two striking examples of this contrary policy. You will recall that the Attorney-General of the United States attempted by suit, and, in fact, is now attempting by suit to dissolve the merger of the Central Pacific and the Southern Pacific. And you will recall in a decision affecting these two carriers, the Railroad Commission of California declared against the severance of these lines, on the ground that it would impair the efficiency of what is now a strong and unified transportation system.

You may have observed also that it has been the policy of the Railroad Commission of California to permit the Pacific Telephone & Telegraph Company, in certain instances, to absorb smaller independent companies. This has been done in the interest of a vastly improved service and a correspondingly decreased rate. At the same time the National Government, through the Department of Justice, has entered into an agreement with the American Telephone & Telegraph Company, the parent corporation of the Pacific Company, which would prevent such consolidations and contemplates a dissolution where consolidations have occurred. Certainly both policies cannot prevail. We have come to understand in America that economic force persists despite preventive legislation. Apparently, however, the understanding is not unanimous.

It is with such basic thought in mind as I have now outlined that a commission undertakes to pass upon public utility securities. And I shall sketch briefly some of the considerations which enter into its conclusions. But there is a primary consideration above all others, one that may not be acquired by rule or law. It is that same viewpoint which enables one man to purchase a fruit crop from the blossoms on the trees, and another to purchase unerringly the beef from the cattle on the hoof. It may be called intuition, or knack or horse sense. In importance it outranks all other considerations.

#### Tests for Investments.

There has come to my notice recently the statements of two very practical and very efficient bond men who have summed up in a few words the essential tests for public utility investment. The first one covered the ground with these five topics:

- (1) Earning power.
- (2) Management.
- (3) Physical condition.
- (4) Location.
- (5) Prospects.

The other gave a summary of six topics which I have abbreviated to this form:

- (1) Earnings more than ample to pay interest or dividends.
- (2) Assets equivalent for securities outstanding.
- (3) Franchises extending beyond the maturity of the bonds.
- (4) Diversity in revenue sources.
- (5) A territory both growing and diversified.
- (6) Safeguards for additional issues of the same security.

While these cover tersely the essential points, I have undertaken to group them differently and to add some elements that appear of importance.

The first standard is the physical one; that is, the plant. An inquiry into any security issue naturally goes to the nature of the business and to the type and condition of the operating system. The physical elements are fundamental.

A second standard is legal. At the very outset we are presented with the problems of the franchise; the mortgage, special agreements and contracts, and all that relates to taxation and investment status. Here, indeed, a volume might be written. The very

subject of the franchise is so great that I shall not attempt to go into it, merely mentioning it and leaving it again. The subject of the mortgage is also of importance sufficient to warrant a special inquiry in itself. In any mortgage, however, I would direct your attention to two features; first, the percentage of additions and betterments against which bonds may be issued, and, second, the earnings required as prerequisite to the issue of escrow bonds.

It is in the field of special agreements and contracts that we are apt to wander into uncertainties of corporate securities. Many a fair-looking bond has been faulty at core, through subjection to a burdensome and inequitable contract. Some of you perhaps are familiar with certain water and power contracts of long standing, either so high or so low as to be dangerous on the one hand or onerous on the other.

#### Financial Standards.

The third standard is financial. I have chosen to divide the financial aspects of public utility securities into two divisions, the first representing the theme of valuation and the second concerning itself with earnings and expenditures.

There is perhaps no economic subject of present day importance more misunderstood than the subject of valuation. In 1898 the United States Supreme Court, in the celebrated case of *Smyth v. Ames*, laid down the rule that in fixing rates on public utility properties, the rate making body should allow a reasonable return upon the fair value of the property. And ever since that day, courts and commissions, public utility presidents and lawyers have been arguing and debating on the meaning of that phrase "fair value." And their theories vary from a belief that fair value means nothing, all the way to infinity and, I might say, back again.

One of the important duties devolving upon the California Commission has necessitated a determination of the value of public utility properties. It is urged by some earnestly upon the Commission that the value of a thing is not what it might have cost, but what it would have cost to get something else just as good. We have been told, for instance, that the value of Spring Valley is what it would cost to build Hetch Hetchy. And I suppose conversely it might with equal reason be argued that the value of Hetch Hetchy is what it cost to build Spring Valley.

Thus we have a fine cycle of reason which, like the jitney bus, starts where it pleases and terminates nowhere.

Again we have it urged upon us that fair value is determined by the earnings. And again we have the cycle that fair value determines earnings and that earnings determine fair value.

The effort in finding value has been and must be to determine reasonable cost, and I think much of our trouble would be avoided if we held that fact in mind.

The fourth standard that I would suggest as applicable to public utility securities may be called the commercial standard. It relates to the market for the securities; to the value of the security as collateral for loans; to its convertibility and current price.

The fifth standard should be termed somewhat roughly the territorial. This, of course, relates to

the nature of the territory served; the condition of monopoly or competition; the diversity of the territory, its growth and possibilities.

Finally, but by no means last in importance, is the sixth standard which I refer to as the managerial. This relates primarily to the type, efficiency and personnel of the management. It goes to the policy of that management; to its public relationship, to its general fitness. In the past too little heed I fear has been paid to the high importance of lofty and efficient managerial standards. There has been an effort to exploit rather than to develop. Here in our own city we have seen the type of public utility management evolve and change. The old day is passing and the new is dawning.

The public utility securities of California are passing into a new stage. They are passing into the third stage. The first period was a period of promotion. We have been passing through a period of development and we have now come to the third period of permanence. Each era served its special purpose. Those utilities which are now undergoing the process of financial reorganization should emerge upon a solid basis for future progress.

There is still much room in California for development, and any regulating commission that has the good of California in mind, as every commission must have, will recognize the necessity of a broad-minded and liberal attitude toward the issue of securities for these new projects. The public utility work of the State must be done and the people of the State should be and I know are willing ungrudgingly to pay an equitable price to have that work done.

The California Commission has given its approval to \$400,000,000 of new securities. It has a fixed policy to encourage the honest utility that undertakes to develop and not to exploit.

In conclusion let me place before you three lines of endeavor which have particularly marked the course of the California Commission in its regulation of stocks and bonds.

First, proper provision for supplementary financing. The initial financing of California utilities was through the medium of bonds alone. The California Commission has endeavored to work out a system of supplementary financing through the medium of a well-fortified investment stock. The effect of this will be to relieve the utility of the burdensome and growing fixed charges, and will enable it the more readily to weather periods of financial stress.

Second, an insistence upon the truthful balance sheet. There has grown up a practice among utilities of inflating their plant and property accounts by abnormal sums, in some cases in California running as high as \$75,000,000. What would you think of a bank that listed, for instance, "rights and franchises" at \$10,000,000? It is of course inconceivable. Still, today that is done by our utilities. The feature of all this that surprises me most is the utter indignation of some of our foremost utility proponents, when requested, to remove from their balance sheets these huge sums which represent nothing more tangible than the zephyrs of today and the rainbows of tomorrow. The beginning has only been made on the honest balance sheet. There will be resistance, but



there will be no abandonment of the Commission's policy.

Third, the elimination of illicit profits. The controlling interests of our California utilities, as elsewhere, have not uniformly come to the view that theirs is a trust and not a special privilege for profit. We have instances here in this State in which the controlling interest of the utility has sought, by diversion of funds, to sap the revenue of that utility for its own personal benefit. These practices may take the form of a bold diversion of a million dollars or so, or they may take the more subtle shape of a highly inflated salary allowance or contract privilege. In the

hurry and rush that its work imposes, the California Commission is not able to accomplish in a day what it eventually hopes to do. These illicit profits have been curtailed, but there still remain many to be eliminated. In due time they will be eliminated.

I hesitate to venture into the realm of prophecy, but if I may be permitted to judge from the signs of the day, I hazard the opinion that California public utility securities will become more and more attractive as investments. And I venture the hope that they will, in time, with our climate and our sunshine, serve to attract those who would come to dwell among us.



## DEDUCTIONS OF A CREDIT MAN IN ANALYZING BUSINESS STATEMENTS

Address Before Baltimore Chapter by William H. Kniffin, Jr.—Qualities of a Credit Man—Mechanism of a Credit Department—Character and Relationship of Assets and Liabilities.

**N**O department of business administration offers a broader or more inviting field than the credits; for in the administration of a credit department, all that a man may know of men, business and business methods can be applied in full measure. The credit department is a department of opportunity and applied knowledge. The credit man meets the executives and his work is executory. Whatever he accomplishes is quickly noticeable and his work gains immediate recognition. It therefore is attractive from the standpoint of its possibilities. Inasmuch as one of the fundamental functions of the bank is to loan money, and its profits come from loaning money safely, the credit department becomes largely responsible for the success of the institution.

### Qualities of a Credit Man.

The individual who presides over this department must have certain qualities that are essential. First he must have due regard for system, for the information must be so arranged as to be quickly obtainable and complete when it is wanted. He must have a broad knowledge of business methods and practices. He must know the terms of business and the state of business. He must know trade secrets—not to give them away, but to use. He must be somewhat of an accountant, for unless he has the analytic mind that accountancy develops, he cannot make proper deductions. He must know how books are kept and how to keep books. He must be a surgeon—able to dissect, and a physician—able to prescribe.

He must have the "credit sense"—the detective's instinct, to quickly perceive a clue that may begin with a button and end in a conviction. He must know something of law—the law of collections, of negotiable instruments, of bankruptcy. Like a good trial attorney, all that he may know will come into play

some time and somewhere. His work is not like much of the work in a bank, a daily grind; for while each day has its duties, and each day its problems, today will not be a yesterday, nor will tomorrow be another today.

### The Credit Man's Tools.

The tools with which a credit man works have become quite as much standardized as the carpenter's saw and hammer. First, of course, his brains: While every workman needs a proper proportion of gray matter, the credit man needs a generous supply, for in many instances he will have no one to tell him what to do. And the gray matter should be well polished by study and well nourished by exercise. He can acquire much of the needful in his calling by tutoring under the slow but thorough schoolmaster, experience.

The deductive ability of the credit man will be used in various ways, but principally in analyzing men and figures. Here he can "use his head" to advantage. He must know men. He must know human nature. He must know that certain classes of men are good or poor risks, and why. He must know what men, as a class, do under certain conditions. He must be a good mixer and a good artist at painting mental pictures. He must be a good tailor and able to take correct measures. It would seem that the collar and the tie, the jewelry and the clothes, had nothing to do with credit; yet the credit man will tell you it does. The man careful and tasty about his dress will be likely to be careful about other things. He who is reckless in spending money for pleasure may be reckless in spending money in business. Big traits manifest themselves in little things.

The next in the list of tools is the recognized agency reports. Not that they are more important than other tools, but they are the foundation for much of the credit work. These agencies are so well established and cover the field so thoroughly, that they are used everywhere by banks and business houses as commonly as the fountain pen. The two leading agencies classify and rate practically every business house in the country, and, supplemented by

the agencies that report on the more personal side of individuals, they afford the beginning of every credit investigation. To the published ratings are added special reports, that go into minute details regarding the person, his habits, his record, and other information concerning the moral and financial standing of the applicant.

Supplementing this still further are the reports of banks, and firms in the trade, which have intimate knowledge of the party, experiences in lending money and dealing in general with him, and can state with authority the habits of pay.

Next comes the published reports of mortgages, judgments, bankruptcies and failures, assignments, etc., which are all important as danger signals.

Then there are those underground channels of information, gossip, bits of information gathered from various sources, all bearing upon the credit risk.

Lastly and by no means the least important, is the statement of condition, which, unless made by an independent audit, has well been termed "the borrower's estimate of himself." This may be the beginning from which all other sources of information radiate, or the focal point to which they all gather. But whether the beginning or the end of the inquiry, the statement is the one factor that is coming to be given its proper place in the credit scheme. All the above finds lodgment in the credit department files as tools for the credit man's work.

Whether the credit department is a finely organized part of the bank, with its chief, its clerks and its files, or one of the many nooks in the brain of a busy bank official, the purpose of the credit department is twofold; (a) to assemble information, and (b) to use it.

#### The Deductive Process.

The first deduction which the credit man will insist upon being satisfactorily established is that the applicant is honest. This may seem a trifle threadbare; but it is a truth that is admitted by all who understand credit science, and is recognized an essential, if not the essential element. This honesty does not necessarily mean that the applicant shall have all the Puritanistic virtues of the ethical code of long ago, go to church and say long prayers—for some credit men prefer that he should have his religion on the inside and not as an adornment. But he must be a man of strict integrity, as integrity goes in business, deal fairly, and, to quote the great commentator Blackstone, "live honestly, harm nobody and render every man his due." He must give full measure, do no tricky thing, fail only because there is no other way, and have that reputation as a business man as stamps him worthy of his citizenship.

In the second place he must be able as well as honorable; he must be a man who can. Thirty per cent. of business failures are due to lack of ability. The art of management is a fine one and all cannot acquire it. Business cannot run itself; there must be the "know how" behind it; and this know how cannot be learned at the bank's expense. It must preferably be learned in the school of experience as an underling, else as a superior he may lose his own capital and that of others while acquiring the ability to administer.

Thirdly, there must be the assurance of adequate capital, for thirty per cent. of the business failures are due to lack of capital, this cause contributing as many failures as lack of ability. How much that capital should be is a credit deduction to be determined from the facts. It must be enough. Business can run on credit for a time, and in a limited way, but there must be the backbone of invested capital to support the credit structure, or it will collapse under strain. Capital is like the underpinning of a building—it gives support to the structure while the work is being carried on. Credit makes a beautiful structure; but it needs the stability of capital to insure lasting qualities. And every business must of necessity have its adequate capital investment or it fails.

#### "The Three C's of Credit."

For tonight's purposes we must assume, for lack of time, that the three C's of credit—Character, Capacity and Capital are in evidence in each of the problems under review. In just what proportion is not essential for the time being, it being enough that they exist in a measure sufficient to pass the test.

How this is ascertained depends upon the loan, whether local or foreign. If the applicant is a depositor, we will have his average card to judge the quality of his bank account; he may be known personally; we may get a report on him; we may inquire among the business houses where he trades. If the borrower is not known, as most of the borrowers in the open market are not, we ascertain the moral standing by communicating with the banks and trade connections given as references. But being satisfied on the essential points suggested above, the proposition gets down to an analysis of the statement, in order to ascertain the probability of the loan being paid from the property worth, irrespective of its moral setting; for ultimately the loan must be paid from the earnings and assets of the business; if there be honesty and ability but no resources, the former qualities, however much in evidence, will make a poor paymaster. From the business as a business, buying and selling, trading and taking trading profits, the loan must be paid, and it is now to inquire if, in the probabilities of business, the applicant will, in the course of time, be able to make good on his promise. This is the purpose of the statement.

We shall therefore take four representative statements—actual statements, in different lines of business: (a) Meats, because of the liquidity of the assets and their quick convertibility; (b) groceries, because of their wide demand, and likewise quick convertibility; (c) millinery, because of its seasonable character and risky qualities; (d) a manufacturer of brass beds, to illustrate points found only in manufacturing statements. By dissecting these statements we shall unconsciously apply many credit principles, and not only endeavor to arrive at proper conclusions, but understand the logic by which they are obtained. For every deduction there is a reason, the reason being better understood by applying a principle than merely talking about it.

#### Essentials in a Credit Statement.

Forming as it does the foundation of the credit man's deductions two things are essential in a state-

ment: (a) That the statement be an authentic summary of the borrower's financial condition. It should be accompanied by a profit and loss statement to show the progress of the business as the statement shows its position. This statement should preferably be made by an independent auditor, whose sole purpose is reliability and conservatism; for if made by the borrower or under his direction, it is not only apt to be biased in his favor, but overstate the assets and understate the liabilities, human nature being prone to make allowances for itself. If it is certified by a recognized firm of public accountants, so much the better; if not, all that the credit man may know concerning the integrity of the would-be borrower will be opportune.

It has been well said that it is not the crooked borrower who is most to be feared, but the deceived borrower—the one who is himself misinformed as to his condition, and who passes the deception on to his bank. A crooked borrower may be a good window dresser, but a deceived borrower is a false window dresser. He mistakes wax figures for human beings, and papier mache for oak. He does not know the real from the false. (b) The statement must be of recent date—six months should be the limit, for much can happen in a few months, and semi-yearly statements are none too frequent. In the analysis of a credit statement the first things to be noticed are:

(1) The line—whether staple or seasonal; a novelty or a necessity. Obviously the broader the market, the more steady the demand; and the nearer it approaches the absolute necessities of life the better. We can get along with last year's bonnet, but we cannot live on last year's bread.

If the application is from an out-of-town borrower—commercial paper, it should not be in the same line as the loans that predominate in the home trade. Thus a bank loaning largely on lumber should not buy lumber paper; and the one that loans on cotton should not buy cotton paper. Scatter the eggs rather than scramble them. A bank like an individual thrives best under a varied diet.

(2) The ratio of quick assets to quick liabilities.—It is apparent that maturing debts can be met only by maturing credits. The assets must turn into money to meet the maturing obligations, and unless there is a sufficiency of assets, they may shrink before realization to the danger point. Book accounts are never worth their face. The shrinkage depends upon the character of the business, the care used in the credit department, the efficiency of the collecting system and the state of trade; but there must be a margin for safety.

Credit men differ as to the proper proportion of quick assets to quick liabilities, but the ratio should run from  $1\frac{1}{2}$  to 3 to one, depending upon the nature of the business. A quick asset like meat will require less margin than a slow asset like a stock of rare drugs. This ratio is quickly determined, the standard statement giving the quick assets and quick liabilities segregated, so that comparison is quickly made. This being satisfactory, we are prepared to make other deductions looking to the desirability or undesirability of the extension of credit. We will take, first, the statement of a wholesale meat concern.

STATEMENT No. 1.  
The Packing Company.  
November 1, 1914.

Assets:			
Cash .....	\$164,000		
Accounts receivable .....	242,000		
Merchandise .....	423,000		
			\$829,000
Plant .....			373,000
			<hr/>
			\$1,202,000
Liabilities:			
Bills payable .....	\$391,000		
Accounts payable .....	41,000		432,000
			<hr/>
Net worth .....			\$770,000
Capital .....	\$5,000,000		
Surplus .....	271,000		
Sales .....	7,500,000		

Ratio of quick assets to quick liabilities: about 2.

Comment on Statement No. 1.

First, we note the class of business—meats. These obviously are in constant demand, have no seasons, can be turned into money in a few days at the long-est, and are steady in price and the value certain. Meat, like wheat, is as good as gold.

Next the date—recent. Good. But it is uncertified. The firm, however, bears a good reputation among the trade, are well regarded by their own banks, and the reports are all favorable. (Information obtained from the credit files, through correspondence with the banks where they keep account and among the wholesale meat trade.)

Ratio of quick assets to quick liabilities, about two to one. It is considered in the meat trade that one and a half to one is sufficient for reasons above noted; and this firm qualifies with a margin considerably over the standard set by credit men.

Cash, \$164,000. We find that by dividing the annual sales by 300 (the number of working days in a year) that they sell about \$25,000 a day. Inasmuch as they sell for cash, they should buy for cash and must have an ample balance. The cash on hand amounts to six days' purchases and owing to the short term of credit this is sufficient. Therefore the cash balance, while seemingly large is not too large for a cash business. The firm has no bills receivable. Accounts receivable are, next to bills receivable, the quick assets of a firm. They represent merchandise gone out of stock. They are merchandise turned into cash. The volume of accounts receivable indicates the credit operations of the firm. If the terms of credit are thirty days, they should not, at the most, have more than one-sixth of the total sales on their books, and this would be extending the period of credit unduly.

The accounts receivable must not be overdue for long, properly sealed, and none due from affiliated concerns. There must be proper allowance for bad debts. If the proportion is too large, it indicates slow collections, large sales just before statement is taken off, or other causes that should be investigated.

For this reason the annual sales are necessary to determine the proper volume of accounts receivable.

In this case we assume that the credit terms are

not over 10 days, cash at the end of the week, most likely, and there is therefore about ten days' sales on their books, a normal amount.

Merchandise in this case represents meats and other food products that are essentially as good as cash. This does not always obtain in merchandise accounts as will be noted subsequently; but in this instance we pass the merchandise item with but a single deduction, i. e., that they have about two weeks' supply on hand. The plant, while it may be valuable for its terminal or water-front location, is worth the ground value only, the buildings being little suited for anything else. We discard it entirely.

Bills payable, \$391,000; accounts payable, \$41,000, or less than two days' sales. The firm evidently borrows in the open market on its single name paper and with the proceeds buys cattle for cash, and the statement so indicates. They have borrowed about one-half their net worth, and from every standpoint this statement presents a healthy condition.

They do not and should not have many accounts payable on their books. They borrow to pay cash and this firm no doubt does, the \$41,000 representing accounts in process of audit.

Capital, \$5,000,000. Whatever this is, in the present case it means nothing, for the net worth is \$770,000 and they do not show assets to balance the statement if capital be included. You may loan them or buy their paper with assurance that it is good.

The surplus in any corporate statement simply represents the difference between assets and liabilities at the values stated. It is not a cash surplus unless the assets realize their listed value, being merely an adjustment to make the statement balance; and the surplus might be eliminated through a shrinkage in merchandise valuation. Reversely it might be created by an overvaluation of merchandise. But in a packer's statement it would be nearly a cash surplus, although in this case it might be represented in part by the overvaluation of plant.

STATEMENT No. 2.

Brown & Jones, Wholesale Grocers.

October 1, 1914.

Assets:			
Cash .....	\$410,000		
Accounts receivable .....	1,021,000		
Merchandise .....	1,301,000		
			\$2,732,000
Real estate .....	\$297,000		
Machinery and fixtures.....	62,000		
Good will .....	2,000,000		2,359,000
			\$5,091,000
Liabilities:			
Bills payable .....	\$930,000		
Accounts payable .....	61,000		
Dividend payable .....	45,000		
			1,036,000
Capital .....	\$3,500,000		
Surplus .....	555,000		4,055,000
Net worth (eliminating good will).....	\$2,055,000		\$5,091,000
Ratio of quick assets, 2.6.			
Sales, \$10,360,000.			

Profits, \$252,000.

Dividends, \$190,000.

Certified to by the Accountancy Co., as per their audit, October 10, 1914.

Comment on Statement No. 2.

First, the class of trade—food stuffs, in constant demand, profits small but sure, terms reasonably short, and the merchandise quickly turnable into money. Not so quickly, however, as meat, but within a short period. Therefore the goods are essentially money, if well selected and staple, rare articles being handled only on order.

We note that the statement is certified; therefore it is from an independent source. The auditing firm is well known for its knowledge of the grocery business, and give particular attention to inventory. We therefore accept it with confidence.

The ratio of assets to quick liabilities is 2.6—a goodly ratio in this business and therefore we start off well. Two to one would be ample. Cash, \$410,000, enough to pay nearly half the bills payable, or six times the accounts payable.

We find the sales to be \$10,360,000, or about \$850,000 a month. The accounts receivable are equal to about five weeks' sales and this shows that they are close in their credits and collect promptly. The terms in the grocery trade are not over thirty days, cash in most instances and a week's credit in others. The merchandise is equal to about six weeks' sales and this is another good omen. They are turning over the stock frequently.

Against total quick assets of \$2,732,000 they owe only \$1,036,000. Their liabilities are in the main for money borrowed on their notes—probably single name paper sold through brokers. Their accounts payable amount to but \$61,000. This is as it should be. They borrow—or ought to, in order to take trade discounts. The statement indicates that to be the case. It could be certified by communicating with the trade. They should not have accounts payable in large volume on their books. These are doubtless in process of payment, and may be eliminated from the debts. The dividend is probably accrued to the time of the statement and is properly listed as a liability, although not necessarily quick.

The capital and surplus represent the net worth—over four million (two million, eliminating the good will), and their debts are but one-quarter of the net worth.

As to slow assets and supporting the quick, we have real estate of \$297,000. This is probably in the wholesale district, well located for business purposes and if properly scaled or conservatively appraised, is allowable at that figure.

Machinery and fixtures, \$62,000, may well be eliminated; for such is special machinery, and would be scrapped in case of liquidation. But it is not a large item, and may be disregarded.

Good will, \$2,000,000. Good will has been defined as "the tendency of trade to follow established lines." It may be that this firm has valuable trademarks, brands of canned goods, coffees, etc., or taken over such from other concerns, issuing stock therefor, and it depends altogether upon what this good will account represents whether it is inflated or not. The



good will of Ivory soap, Uneeda biscuit, and other widely advertised articles is enormous and may well be capitalized. This firm may be in the same class.

The firm has earned about 7 per cent. on the capital; paid dividends of about 5½ per cent. and added \$62,000 to its surplus.

But aside from all other considerations, we have over three millions of good assets and debts of only a million, and therefore this firm has borne the acid test and is good. Buy their paper without hesitation.

STATEMENT No. 3.

Doe & Co., Wholesale Milliners.

July 1, 1914.

<b>Assets.</b>			
Cash .....	\$56,000		
Bills receivable .....	15,000		
Accounts receivable .....	209,000		
Merchandise .....	204,000		
			\$484,000
Machinery .....	3,000		
Advances .....	40,000		
Other assets .....	90,000		133,000
			\$617,000
<b>Liabilities.</b>			
Bills payable .....	\$75,000		
Accounts payable .....	9,100		
Deposit of money .....	1,000		
Commissions .....	17,000		
Loan .....	50,000		152,100
			\$464,900
Net worth .....			\$464,900
Ratio of quick assets to quick liabilities, 3.18.			
Sales, \$2,489,000.			

Comment on Statement No. 3.

I have next selected a millinery statement because of its highly fashionable atmosphere, its seasonal buying, and the deductions that it invites. Here we find a ratio of 3.18—a goodly proportion—and well we might. I do not know the exact terms in millinery, but such goods are bought for two seasons, the spring and fall. The popularity of a certain style may suddenly change, if some Parisian model appears at the races with a new creation that will set all the world of fashion agog, and place millinery houses on the anxious seat, wondering if their advance orders will be cancelled and a season's work in a large measure discounted.

Such goods are sold to large and small dealers all over the country, and the terms of credit cannot be rigid, depending upon the weather in a large measure.

While the profits in retail millinery are large, they must necessarily be so, for the busy season must pay for the dull. How risky is a stock of millinery may easily be understood. If the fashions change, or the women do not take to the styles of the house, or the buying has been without good taste, the stock may be unsalable at any price.

We note that the statement is as of July 1st, when the buying season is over, and the statement should therefore show merchandise reduced, accounts receivable large, but maturing rapidly, the cash running up, and the debts running down. We should have a

statement at the height of the season and one at the ebb, to determine the true condition at the present time. At the beginning of the season the stock will be large, cash reduced, accounts receivable cleaning up, bills and accounts payable large, or just the reverse of the condition at the end of the season.

Here we find that there is no comparative statement, and so we do the best we can with the one in hand.

Sales were about \$2,500,000. This cannot be spread over months, for they are as aforesaid, seasonal. Allowing four months of slack seasons, we have eight months of activity, and the sales would then average \$300,000 a month. The merchandise is less than a month's sales, and has probably been cleaned up pretty well and the profits taken. The accounts receivable are not large in comparison with sales, but one-twelfth. Bills receivable are not large and should not be, such goods being sold on book account and not on notes of hand. If larger these might be investigated to ascertain if they are for old accounts. They might be for borrowed money. Inasmuch as the merchandise is last season's stock, we eliminate it largely and cut it down at least one-half.

Merchandise is generally the one asset that will bear investigation. Of what is it composed? How inventoried? When and by whom? Perhaps there is no item in the whole list of assets as difficult to properly value as this. Is it seasonable, staple, in steady demand, or a novelty?

The picture was recently painted in court of a prominent merchant compelling his bookkeeper to go over the inventory and mark up the goods until the statement showed a profit, whereas it actually showed a loss. This is why we want a certified audit.

The merchandise must be properly inventoried or all sorts of frauds are possible. It is agreed that the inventory should be recent, and conservative; what is conservative depends upon the business. A prominent firm of certified public accountants advocate this formula: If the goods are salable at more than cost, then cost should be inventoried; if below cost, then selling price, less the usual profit. Thus if the goods are marked to sell at \$1.50, and the usual profit is 301/3 per cent., then they should be inventoried at \$1. If they will sell for \$1, and cost \$1, they should be inventoried at \$1, less the usual profit—33 1/3 cents.

No careful credit man will loan on a statement showing assets largely in merchandise. It is not goods on the shelves that pay debts, but goods sold to good customers represented by book accounts; and while the stock should be ample, it should not be all stock, with little cash or accounts receivable. How quickly merchandise can be turned into money depends entirely upon the goods. Groceries can be turned into cash in a very short period; a stock of trimmings for my lady's dress in a time that is doubtful. Salable goods—that is the crucial point. It is said that the United Cigar Stores keep only a few boxes of each brand of cigars at each store. But they keep ordering as fast as the stock goes down, and the sales sheet of one day is the order sheet for the next. They know how to turn stock. This is a business asset.

The late Benjamin Altman was recognized as a great merchant. His secret was to mark merchandise down until it sold. At the end of each week all sea-

sonable articles were reduced systematically until sold. He kept no dead stock. This is the secret of merchandising in all but staples.

Reducing the stock by half, we then have net quick assets of \$384,000, and allow \$50,000 for shrinkage in collections. Against this we have bills and accounts payable of \$84,000, commission of \$17,000 probably due salesmen and therefore quick liabilities, and a loan of \$50,000. This should also be investigated to see to whom it is due, and when. There is also the deposit of \$1,000 from employees, probably, and if larger this would be an element to consider; but even so, for debts of \$152,000 we have twice that amount in liquid assets and this makes a good statement. But the character of the goods makes care necessary, and the point to be emphasized is the season. This stock may be wholly unsalable next season, and if so, it is a dead loss. A ratio of three to one is not therefore unduly large for safety's sake.

**STATEMENT No. 4.**  
**The Brass Bed Company.**  
February 1, 1914.

<b>Assets.</b>		
Cash .....	\$411,000	
Bills receivable .....	271,000	
Accounts receivable .....	712,000	
Merchandise .....	1,547,000	
		<b>\$2,941,000</b>
Real estate .....	\$1,254,000	
Machinery and fixtures.....	1,072,000	
Investments .....	134,000	
Patents .....	1,376,000	
Other assets .....	88,000	
		<b>3,924,000</b>
		<b>\$6,865,000</b>
<b>Liabilities.</b>		
Bills payable .....	\$1,187,000	
Accounts payable .....	36,000	
		<b>\$1,223,000</b>
Capital .....	\$4,000,000	
Reserve .....	252,000	
Surplus and profits .....	1,390,000	
		<b>5,642,000</b>
		<b>\$6,865,000</b>
Ratio quick assets to quick liabilities, 2.4.		
Net worth, \$4,266,000.		
Sales, \$6,150,000.		
Profits, \$550,000.		
Dividends, \$306,000.		

**Comment on Statement No. 4.**

We note first that the firm has taken considerable notes from its customers. If it issues paper on the market, these should be in its possession, for two kinds of paper (single name and receivables) should not be on the market at the same time. It evidently sells both on book account and note; but the bills receivable should be investigated to ascertain if they are good, if given for old accounts or renewed. A statement might be asked for giving the maturity of these, classified into thirty, sixty, and ninety days, and whether for old or new invoices.

While bills receivable are notes received by the firm in payment of bills, it depends altogether upon

the nature of the business whether they should be in evidence. In a department store selling for cash or on charge account, we should find but few, if any, of these items, for if so they have been taken for accounts hopeless of collection by the regular methods. If the concern were a lumber company, an agricultural machinery company, which sell largely on these instruments, we may expect to find them in large volume and properly so; but not in a cash or semi-cash concern.

For instance, in raw silk the terms are six months note, and we may expect to find receivables in quantities, and it becomes needful for the credit man, as aforesaid, to know the terms of business in order to pass upon these items intelligently.

Receivables should never be for borrowed money, for why should a firm lend and borrow at the same time? They may be given by the partners, or interested parties, and if so they are doubtful; at any rate, they are not a good asset.

Are any of these items past due?

The accounts receivable are about one-ninth of the sales, and the two items—bills receivable and accounts receivable—represent about two months' sales, showing that these items are not unduly large, the terms in furniture being upwards of two months.

Merchandise, \$1,547,000. This will also admit of test. Is it raw material, or manufactured articles, or both? When was it inventoried? By whom? This is a large item, and amounts to one-quarter of a year's sales. It is probably brass or iron tubing, metals of other kinds, and therefore has a value as raw material in itself. But merchandise being so uncertain in its valuation, such a large item would bear investigation before placing much faith in it.

We then have real estate—the plant, of one and a quarter millions. This doubtless is valuable for its location, but should have been appraised by an independent appraiser and properly scaled down to at least its market value, irrespective of its value as a factory for a particular purpose. Credit men do not lay much stress upon real estate, and especially factories.

Machinery and fixtures, \$1,072,000—another large item. This is special machinery and has little value except for its particular purpose. We therefore discard it entirely from our calculations. Patents, \$1,376,000. These may be very valuable and may be properly capitalized. How long have they to run? Is there any litigation concerning them that may cost the firm heavily if adverse decisions are rendered?

Investments and other assets, \$232,000. These should be scheduled before accepting, to ascertain what they are, for they may be of doubtful value in the statement. Bonds of allied concerns and the like are questionable at times, but often valuable for the business they control.

We note on the liability side that the firm has borrowed \$1,187,000 presumably on its paper in the market. The accounts receivable are not large, \$36,000, and it quite likely takes advantage of the cash discounts. It has cleaned up its bills as rapidly as could be expected. But eliminating all slow assets, we have quick assets of \$2,941,000 to meet quick liabilities of \$1,223,000, and it is in a healthy condition, able to stand considerable strain, with ample cash on

hand, and allowing all assets at their listed amount, a net worth of over five millions, or five to one of liabilities.

Of course in the credit files there will be letters from banks which have accounts with these firms, letters from the trade connections, stating whether they take their discounts steadily or not, their general habits of pay, and the moral standing of the members

of the various firms, their living habits and general reputation in the community.

In the brief scope of a paper suited for a magazine article on such a vast subject, only the surface can be skimmed in reviewing the credit man's mental processes as he glances over a statement; but I have in a small measure endeavored to indicate his train of thought as he passes judgment on a statement.



## INSTITUTE CHAPTERGRAMS

### ALBANY.

By Alfred L. Taylor.

The last regular meeting of Albany Chapter was held Thursday evening, January 21st, at which the members listened to a very interesting and instructive lecture on the "Credits of a Bank," by Reuel C. Adams of the credit department of the National Commercial Bank. Mr. Adams spoke of the different forms of credits and illustrated his lecture by the stereopticon. He showed on the screen the different forms used and explained how they were filled in. Mr. Adams also showed different statements and analyzed them for the benefit of the members and picked out the good and bad points in them. Among some of the items of interest shown were the opencard statements for firms, corporations, individuals and the comparison statements. Every member was deeply interested in the lecture and at its close, the Chapter voted Mr. Adams a rising vote of thanks for his kindness in presenting so interesting a topic.

The study classes are well attended. The schedule for February is as follows: February 4, 1915, Bonds and the Securities Market; February 11, 1915, Clearing Houses; February 18, 1915, The Regular Meeting; February 25, 1915, Clearing Houses.

Mr. Rockwell, our president, was chosen by the Chapter to represent it at the group meeting of the New York State Bankers' Association, to be held in Albany, January 30, 1915.

### ASBURY PARK.

By L. R. Hetrick.

Asbury Park Chapter of the American Institute of Banking held its first annual banquet at the North End Hotel on Friday evening, January 29th. One hundred and twenty-five persons were present at the reception and banquet that followed and by all was acclaimed a huge success.

Mayor Hetrick of the city of Asbury Park extended the invitation to the Institute through President Evans, who was present, to hold the 1916 convention in Asbury Park. The Mayor declared that the City Commission would grant any appropriation necessary to get the 1916 convention of the American Institute of Banking for this city.

The speakers of the evening were Mayor Hetrick, Cashier E. R. Slocum, of the First National Bank, Long Branch; James F. Ackerman, Vice-President of the Seacoast National Bank, of Asbury Park; Presi-

dent William S. Evans of the Institute; County School Superintendent John Enright, of Freehold, N. J.; Congressman Campbell, of Kansas; Ex-Governor of New Jersey Edward Casper Stokes, and Dr. A. E. Ballard, President of the Ocean Grove Association.

President Evans made a strong impression with his forceful explanation of the purposes and aims of the Institution. He was vigorously applauded.

The banquet committee was composed of William C. Rogers, William T. Sherman, J. H. Davis, Jr., F. F. Schock, William S. VanBrunt and L. R. Hetrick.

Asbury Park Chapter held its first public session Friday evening, January 8th, and counselor Benjamin B. Smith gave an address on "Negotiable Instruments." Mr. Smith is an interesting talker and covered in detail the subject of acceptance and protests. Following Mr. Smith, J. G. Hollingshead of New York gave a very interesting and instructive talk on counterfeits. He explained the making of United States currency and showed how, by a study of the genuine bills, one could detect a counterfeit at sight. Mr. Hollingshead held his audience for two hours. A request by the business men to have the lecture repeated has been received.

### ATLANTA.

By Vaughn Crowley.

Joseph A. McCord, Governor of the Federal Reserve Bank of Atlanta, addressed the chapter on Tuesday evening, Jan. 5th. He said: "The Reserve Banks have passed the experimental stage. We have been in operation less than two months and there is much yet to be done, but results are already noticeable. The day the system was put in operation the interest rate in New York dropped one per cent. and in less than two weeks to two per cent. Member banks are creating their exchange by depositing with us the currency which they have been shipping to New York, and by an agreement with The Reserve Bank of New York our drafts are accepted at par, so in this item of exchange alone we have saved the south thousands of dollars."

Banks in this section are rapidly liquidating their emergency currency as the interest rate is increasing and as the rate of discount at the Reserve Bank is less than this currency is costing them.

We had the pleasure of having E. A. Bancker, Jr., of the Lowry National Bank with us on the 12th. Mr. Bancker's subject was "National Bank Organization," and if those present do not thoroughly under-

stand this subject it is no fault of his. Mr. Bancker is a student of economic conditions and banking and the Atlanta Chapter is indebted to him in many ways for his services.

Yes, we are going to have that banquet this year. Our good friend, McWhorter, is chairman of this committee and we know he is going to have the biggest and the best we have ever had. The date will be announced next meeting.

### BALTIMORE.

By Theodore C. Thomas.

The January open meeting of Baltimore Chapter was a splendid success. A most interesting program, including an address by the Rev. Dr. Lincoln A. Ferris, on "Some Men of the Hills," several excellent musical numbers by Mrs. Conrad C. Rabbe and Miss Frena Rabbe, wife and daughter respectively of Conrad C. Rabbe, formerly cashier of the German Bank of this city, followed by an informal dance, delighted about two hundred of our members and their "ladies," it being "Ladies' Night" at the Chapter rooms.

Plans are being whipped into shape for our annual Theatre Party on February 5th, at the Academy of Music. Sam Bernard in the "Belle of Bond Street" will be the attraction this year, and we hope to have a very successful party.

The banquet committee is also busily engaged at present getting things in shape for our annual banquet, which will be held the latter part of this month. From all indications we look for one of the best banquets Baltimore Chapter has ever had.

After the regular Christmas holidays the educational work got under way again. On January 7th William H. Kniffin of the editorial staff of the Bankers' Magazine, New York, gave us a most interesting talk on "The Credit Department of the Bank." January 14th was the night for a quiz on "Loans and Discounts." Clarence R. Evans, C.P.A., cashier of the German-American Bank, spoke on "Bank Accounting" on the nights of January 21st and 28th. The program for February will be as follows: February 4, "Computation of Reserves," Samuel M. Hann, Vice-President Fidelity Trust Co.; February 11, Quiz on Bank Accounting, Adrian J. Grape, Commonwealth Bank; February 18, "Investments," H. A. Tingley, Robert Garrett & Sons; February 25, A general review of the subjects covered this year in the banking class, to be conducted by C. Leland Getz, Townsend Scott & Sons.

The post-graduate class continues its review of the new banking and currency act under Dr. Whitney. The public speaking class is making considerable progress under Mr. Hickman, and we expect to turn out a number of first-class debaters this year, and also to give a good account of ourselves in the debate with Philadelphia Chapter scheduled for March 19th in Philadelphia.

We are sure that the many friends of Herbert H. Owens will be glad to know of his recent promotion. Mr. Owens has been appointed Second Vice-President of the Drivers & Mechanics National Bank. Mr. Owens has been for years past an active chapter

man, president at one time, and always interested in the welfare of chapter work.

Another one of our chapter men has been promoted recently. Milton S. Billmire of the Citizens National Bank has been made assistant cashier. Mr. Billmire has also been one of our most faithful chapter men, and we look upon his advancement with pride.

### BOSTON.

By Carl M. Spencer.

It is a pleasant duty to record, first of all, the obligation of Boston Chapter to its Fitchburg members for the entertainment provided by them on "Country Bankers' Night," January 13th. In high quality of speaking, in numbers, spirit and enthusiasm, the evening has, perhaps, never been excelled in our history. Fred A. Young, as toastmaster, introduced the speakers, appropriately calling attention to the relation of each to Fitchburg life and interests. Lieutenant-General Nelson A. Miles in a stirring address drew lessons from his own experience, and compared conditions under which we live with those of the war-ridden States of Europe. The efficiency methods of modern business and their applications for individuals in character building, were portrayed by Edwin B. Saunders, of the Simonds Saw Company of Fitchburg. H. G. Townsend, President of the Fitchburg Bank & Trust Company, and H. C. Robinson, cashier of the First National Bank of Greenfield, outlined the effect of the Federal Reserve System upon certain features of country banking. A stimulating address, brimming with common-sense philosophy and kindly humor, by Joseph G. Edgerly, for forty years identified with the community life of Fitchburg as superintendent of its schools, came as a benediction to a memorable evening. Fittingly, this meeting, the last in the old City Club, which more than any other place has seemed to be our chapter home, ranks with the best that we have ever held.

At the next evening meeting, the annual banquet, which will be held February 11th at the Hotel Brunswick, Boston Chapter will welcome as guests President William S. Evans and other officers of the Institute.

In response to an apparent demand for information on the subject, a special committee has arranged a series of six lectures and discussions on "Stock Transfer." These will be given twice a month, and will be in charge of the following lecturers: Francis J. Burrage, Assistant Secretary Boston Safe Deposit & Trust Company; Charles H. Bowen, Secretary American Trust Company; Olaf Olsen, Vice-President First National Bank. The lectures will be reported, and in print should prove an important addition to the publications of the chapter.

With the completion of the course in Business English early in February, a prize essay competition is announced as a supplementary feature of the educational program. A friend of the chapter has offered prizes of \$50, \$25 and \$10 for the best essays upon any of the following topics: "Value of A.I.B. Educational Courses to Bank Men and to Banks"; "How can a man best utilize his time outside of regular working hours?" "Should the Federal Re-



serve Bank supersede the present Clearing House System?" "Efficiency Methods for Banks"; "Value of Bank Advertising"; "Boston's Transportation System." Those members who are graduates, one-credit men of any year, or members of either of this year's classes, may compete, and papers will be marked with especial regard to careful outline, clearness, punctuation, paragraphing and other requirements of composition in English.

Two industrial trips were arranged for the post-graduate group during January. On the first they were the guests of the management of the Fox bakery in Charlestown, a branch of the General Baking Company. Scientific bread-making, on a large scale under cleanly conditions, was followed in its processes from mixing to baking. The making of pies, cakes and pastry was attentively watched, and the products sampled from time to time. A two-hour tour of this busy plant was crammed with interest and information. A Saturday afternoon later in the month was devoted to an inspection of the factory of the Thomas G. Plant Company, makers of "Queen Quality" shoes. In a tour of the many departments each step in the manufacture of ladies' shoes, from designing to shipment, was shown and explained. These industrial visits are among the most popular of chapter activities. While the information acquired is valuable and instructive in itself, even more interesting to bank men is the opportunity to learn and appreciate the conditions under which other men work. It is a flash of illumination, an inspiration, to hear the superintendent of a baking plant say that he lies awake nights to think of ways to improve his bread; it is an education in industrial conditions merely to pass through a factory where five thousand people are employed in the highly systematized operations of a modern manufacturing establishment.

To chapter men the outstanding features of "Bank Election Day" was the promotion of Olaf Olsen from the position of assistant cashier to that of vice-president of the First National Bank. Mr. Olsen was a graduate of the Correspondence Course of the Institute before our local organization was formed, and he has always actively interested himself in the main purpose of the chapter, its educational work. To a man in whom Institute ideals are personified, and to a bank in which Institute purposes are appreciated and highly valued, we offer our congratulations.

#### BUFFALO.

Godfrey F. Berger, Jr.

On Thursday evening, January 21st, John M. Satterfield, Vice-President of the American Savings Bank of Buffalo, addressed the Chapter Forum on the portion of the New York State Banking Law affecting savings banks. Mr. Satterfield began with a history, in narrative, of the savings banks from their beginning up to the recent revision of the savings bank law, following this with a discussion on the present law in detail. Mr. Satterfield was one of the committee which revised the savings bank law and his anecdotes of the troubles of this committee were interesting. Buffalo Chapter is greatly indebted to

Mr. Satterfield for his courtesy in leading this discussion, as all the members of the Forum who attended this meeting have now a much better knowledge of savings bank functions and the laws governing them.

The second term of the "Banking Finance" class is now in full swing, the attendance after having been slightly lax at the first two meetings now being up to its standard.

Our class in Parliamentary Law is progressing and the work is proving of interest to those who have undertaken it. Plans are being made to extend the work of the class to debating, thus satisfying a long-felt desire among the Chapter men of Buffalo for a representative team at the Interchapter debates.

Clay Herrick, manager of the research department of Ernst & Ernst, C.P.A. of Cleveland, Ohio, addressed an audience of one hundred bank officers and men at the Y. M. C. A. on Tuesday, January 26th, the subject being the "Analysis of a Borrower's Statement." Reverting to its first convention fourteen years ago, Mr. Herrick gave an interesting outline of the rapid and substantial progress of the American Institute of Banking since that time, a progress that has been paralleled in every phase of society. He explained that the development of credit investigation by bankers, is in keeping with this general advance and that under the requirements of the Federal Reserve Act future progress will be more rapid. Mr. Herrick gave a brief outline of the essentials on which credit should be based and the sources from which the necessary information may be obtained. The speaker demonstrated how an honest statement made in good faith may be misleading, and that to determine the credit to which a borrower may be entitled a correct analysis is necessary. After Mr. Herrick had given an interesting technical explanation of the quick and fixed assets and liabilities, the subject was opened for a discussion, which was actively participated in.

Our last informal dinner was such a success that it has been decided to hold another at the Ellicott Club on February 16th. On that occasion Henry C. Babel, efficiency engineer, with the McKinnon Dash Company, will explain modern efficiency methods. As all efficiency methods take cognizance of the fact that "all work and no pay makes Jack a dull boy," we have arranged for a sleight-of-hand and ventriloquistic entertainment by Professor H. C. Pender. In view of the excellence of the program arranged, success should be assured.

#### CHICAGO.

By Guy W. Cooke.

With every factor most propitious, the fourteenth annual banquet of Chicago Chapter outshone all its predecessors. Possibly propinquity may bias the assertion, but the unanimous verdict of members and guests sustains the writer, and when the history of Chicago Chapter is written, if ever it be, this event must be accorded a place of first importance.

Essentials to success of any banquet are, like all Gaul, divided into three parts: A good menu, well served, a sympathetic and congenial audience; a few good speakers with something to say. Saturday night, January 23rd, Chicago had all these attributes in

abundance, and so far as the first pertains, it is enough to say that the Hotel LaSalle lost none of its reputation as one of the really first-class hotels in the country. Some two hundred and twenty-five men—owing allegiance to the local organization and their friends—covered the requirement. With the third comes the test supreme of every banquet and it was right here that this particular affair shone brightest. Following the food and the formality of an invocation by the Rev. A. H. W. Anderson, President John W. Gorby of the Chapter, in his capacity as toastmaster made the announcement which marks this banquet as the most important meeting in the annals of the local organization. This announcement was in form a legal document—with all the verbiage of the law—first parts, second parts, whereas and now therefore, ad infinitum. Eliminating the technology, it is an agreement of the banks of the city to create an endowment fund for Chicago Chapter to be used for educational work only, under direction of a board of trustees.

Enough of the banks had signed the document to assure the successful outcome of the plan, more than \$80,000 being pledged to the work, payments to be made annually for a period of ten years. On the first board of trustees are James B. Forgan, President of the First National Bank, George M. Reynolds, President of the Continental & Commercial National Bank, Charles G. Dawes, President of the Central Trust Company, Ernest A. Hamill, President of the Corn Exchange National Bank, Edmund D. Hulbert, Vice-President of the Merchants Loan & Trust Company, and the President of the Chapter. Each bank signing agrees to contribute to the fund at the ratio of about \$70 to each million of capital and surplus, which if indications fail not, will create a permanent endowment of approximately one hundred thousand dollars by the year 1925, when the contributions of the banks cease.

Though for years the idea prevailed of creating some sort of fund to enable the Chapter to improve the educational facilities offered to members, it never got beyond the most nebulous stage until President Gorby impregnated the idea with concrete form, and to him is due all the glory and all credit of the greatest work ever done by a member or an officer of this organization for the Chapter.

Quite naturally the reading of the agreement to the assemblage created the greatest enthusiasm. Mr. Gorby was greeted as the man of the hour, and, regardless of the occasion and its amenities, the opportunity was seized to launch a boom for Mr. Gorby as president of the national organization. It is only fair to state in the most positive terms and without equivocation that the gentleman so honored was without knowledge of such intention, if indeed any members of the organization had preconceived the plan.

Mr. Gorby introduced the first speaker on the program, E. D. Hulbert, Vice-President of the Merchants Loan & Trust Company, as the man who made the endowment fund possible, but when Mr. Hulbert took the floor he handed the compliment right back to the toastmaster, stating that he only acted as "errand boy" in the matter.

He went on to say that the Chapter's president was a very busy man and that as his own work

allowed considerable leisure, he found time to take the matter up with Messrs. Forgan, Reynolds, Hamill, Dawes, et al., all of whom proved both receptive and liberal in the furtherance of Chapter work. Continuing, Mr. Hulbert drew some vivid comparisons between the status of the young bank clerk of today and his own early experience as a "runner" in by-gone years. His earliest connection with the banking profession, he said, was rewarded with a salary of \$100 a year, being \$25 more than the position had paid any previous occupant. The second year he received \$200, and suggested that 100 per cent. raises were not so common even today as to deserve no mention. His remarks carried home a lesson, and without preaching. Certainly no bank officer is dearer to hearts of Chicago Chapter men than E. D. Hulbert; equally certain none have ever done more to earn the love and gratitude of those striving to rise in their chosen vocation. Surely there is credit enough in the accomplishment of a real achievement, so that in future years, when the worry over matters financial has been relegated to oblivion, Messrs. Hulbert and Gorby may share it without diminution to the allotment of either.

When order had been restored and the applause quieted, the toastmaster introduced John D. Shoop, associate superintendent of Chicago schools. Chapter banquets have always been notable for the speakers of the highest reputation and calibre, but never has one more eloquent brought a message—a real flesh-and-blood message than did Mr. Shoop, speaking upon "The Larger Mission of the Business World."

It is indeed unfortunate that so great a speech cannot be carried to a greater audience by the press, but with only the briefest of notes Mr. Shoop held enraptured his audience for more than half an hour, while he carried home point after point, sometimes with humor, sometimes with pathos, sometimes by sheer eloquence, but always and ever, by vivid reference to experience, he gripped and held his listeners. To attempt to give a digest of his address in words other than his own would be as futile as to paraphrase the Lincoln's speech at Gettysburg. It was a truly remarkable oration and left his audience with a broader vision of life, a keener sense of its responsibilities, imbued with an optimism that eventually men who have will aid those who have not in the spirit of justice, not charity.

Admitting that he had conditionally promised not to call upon guests, the toastmaster took advantage of the condition, and introduced C. W. Allendorfer of Kansas City, who responded with a neatly turned compliment to the Chicago spirit (with a bit of play on the plural, though the banquet was, as always, dry). He spoke briefly of the work of his local chapter and its relation to the Institute and with characteristic modesty admitted that Chicago has furnished an idea, which he hoped might bear fruit in its Western neighbor.

H. J. Dreher of Milwaukee was the next upon whom the toastmaster exercised his prerogative, apparently to the distaste of the former national president, but to intense satisfaction of the audience, and it proved with good reason on the part of the latter. Had Mr. Dreher been on the program, his topic would

have been "The Philosophy of Life," for he proved the fallacy of attempting to govern affairs of today with the knowledge and methods of a decade ago. Drawing upon the present conflict over seas for specific instance of the passing of individualism, he said in effect that the United States is to succeed or fall on its ability to combine from the accumulated knowledge of the past something new of value as its gift to the world. Mr. Dreher, stated that, not carried away by the enthusiasm of the hour, but upon calm judgment, he would support the Chicago candidate, if such there be, for the presidency of the Institute, pledging his effort to the furtherance of the work here started, rather than to a personal endorsement. Naturally this announcement brought cheer on cheer, as those older in the work know that Mr. Dreher is not one to be stampeded, and that the value of his support cannot be overestimated.

The Educative Director of the Institute, George E. Allen, was among the guests, and made a few characteristic remarks.

Fred I. Kent was presented by the toastmaster as the final speaker of the evening, and though this presentation amounted to almost an eulogy, his praise of Mr. Kent's life, particularly his recent work, being unstinted, yet it was not overdone. Every man knew that every word of it was merited and true. Mr. Kent opened by saying that Chicago is his home (not was, mind you), that he was born here, educated here, and gave many years' service to his profession here; and it is not hard to believe that Chicago and, even in greater degree, Chicago chapter is proud of its first President. His work abroad at the opening of the tremendous conflict is too well-known to need repetition here; but if there is one word that may be used to characterize a man of so many attributes, that word is "loyal." Loyal is he to his country, to his State, to his city, to his bank, to his family and to his friends. His address on the occasion with which this article deals is published elsewhere in the JOURNAL-BULLETIN, and to its careful reading commendation is given with sincerity; but it will only be between the lines, if at all, that one may gain the picture of this man in a foreign land, foregoing luxury and ease, toiling almost unceasingly day and night for months that his fellow man might be protected in his hour of need and that the credit of his country should come through the ordeal without blemish. In confidence he gave to us a more intimate, personal side of the work involved in the care of the thousands of tourists stranded in those war-stricken countries, without funds, without friends, frequently without means of communication.

But never in an address that lasted almost an hour, during which interest never flagged, was there any mention of his personal hardship, any claim for credit due, any demand for recognition. "In the name of all the gods at once," is there reason why we should not be proud of Fred Kent? To a man the audience was on its feet as he sat down, according not the half-hearted applause of courtesy, but the real, from-the-heart, spontaneous ovation, which would not cease until he had again risen.

Fortunate, indeed, it was that no speaker followed, and perhaps it would be better to have ended this chronicle of the event, but credit should be given

to the musicians whose art added to the completeness of the occasion, and to those members of the chapter, who behind the scenes, labored faithfully for the success of the banquet, and to the chapter's president for the skillful handling at the head of the table.

And so the 1915 banquet was a success—and though utterly lacking in the gift of prophecy, a little vision, just a bit of imagination may be accorded one in cherishing the hope that it may prove merely a prelude to greater things not only locally, but wherever the banner of the Institute carries to men its message of education. May those who at the inception of the movement worked for its establishment live to see the day when the length and breadth of this land bank men may have the facilities at least of acquiring the knowledge necessary to make them real bankers.

### CINCINNATI.

By William Beiser.

Clay Herrick, of Cleveland, Ohio, manager of the research department of Ernest & Ernest, certified public accountants, was the speaker at the meeting held at the Sinton Hotel on Tuesday, January 12th. His subject, "The Analysis of a Borrower's Statement," which he handled in a thorough and capable manner, was especially opportune in view of Regulation No. 13, respecting the analyses of single name paper as commercial paper. It would not be a difficult matter to make a correct analyses after hearing Mr. Herrick's lecture. He spoke of the early development of credit departments and of the impetus given the development by the action of the New York Bankers' Association in 1895, the National Association of Credit Men in 1898, and the American Bankers Association in 1899. Mr. Herrick took the respective items of the asset and liability sides of a balance sheet and dwelt upon each item in detail. Through his instructions one could readily analyze as to whether the accounts receivable were at a disproportionate amount—whether or not credit was too loosely extended—or whether collections were not properly prosecuted. In making a thorough analysis of the one item of accounts receivable he showed the importance of knowing whether they were due from customers or for advances to subsidiary corporations, or whether they represented charges against members of the firm through drawing accounts. The importance of making what he termed a "collateral investigation" was emphasized. He referred to having a knowledge of contingent liability through the form of discounted receivables and which might have arisen through the making of unfavorable contracts. His lecture resulted in the impression that it is a very desirable purpose to develop the analytical powers and use such powers in an interpretation of a financial statement.

The Educational Committee has obtained the consent of D. C. Wills, Federal Reserve Agent of the Regional Bank at Cleveland, to lecture upon "Observations on the Regional Banks" at the meeting to be held at the Sinton Hotel on Tuesday, January 26th.

At the meeting of February 9th, Charles W. Dupuis, Vice-President of the Second National Bank, will give the third lecture upon the Federal Reserve

Bank, and E. A. Sisson, Assistant Secretary of the Central Trust & Safe Deposit Company, will deliver a lecture upon "Investments" on February 24th.

### CLEVELAND.

By H. W. Herrick.

Now that the rush of the holiday season, with its accompanying demands upon the time and efforts of bank men, is over, we are "back in the harness" again prepared to launch a new educational class in addition to the class already formed in banking and finance.

The American Institute of Banking has been endeavoring for several years past to awaken among chapters an interest in debate, and it has been urging chapter men to so train themselves that they may be able to address public gatherings with credit to themselves as well as to the Institute. The ability to speak before the public with clearness, conciseness and force, carries with it so many advantages, from the point of view of the individual, that it is unnecessary to enlarge upon that phase of the subject.

Cleveland Chapter is now prepared to inaugurate just such a class in public speaking and debate, with a competent professional instructor. This will appeal not only to the "rank and file," but also to the junior officers of banks; men who are coming to the front in the banking profession and who appreciate the necessity of this sort of training. It is the hope of the chapter officers that this class will interest a large number of our men, and to this end they have appointed Charles S. Corcoran, Assistant Cashier of the Central National Bank, chairman.

Since our last Chaptergram, we have had the honor of hearing several very instructive talks. At the only meeting the chapter held in December, the other being postponed on account of the busy holiday season, we held an informal smoker, and heard two of our prominent public men, Cyrus Socher, County Prosecutor, on the "Administration of the Criminal Law," and Alfred A. Benesch, Director of Public Safety, on "Public Safety." Inasmuch as very few of us had ever had the opportunity of knowing men in these capacities, especially that of the prosecutor, we were indeed glad to become better acquainted with them at this time. Their discourses were entertaining and highly instructive.

On January 12th we had the pleasure of hearing our Educational Director, George Allen, on his annual visit to the chapters. Preceding the meeting, the officers and board of governors gave an informal dinner at the Hotel Statler for Mr. Allen, at which he and D. C. Wills, our Federal Reserve Agent, were the honored guests. Mr. Allen gave us a very good heart-to-heart (as his always is) talk, which always tends to further stimulate our educational activities. Announcement was made that the class would finish the pamphlet on "Wealth and Banking" January 26th, and that "Loans and Discounts" would be taken up, starting with the first meeting in February.

John E. Morris, of the Sheldon School of Chicago, delivered an address on "Service and What It Means." In his impressive and entertaining manner, he dwelt

somewhat at length and with force on that most important function of the bank—service. "The success of any bank," he stated, "depends on the efficient service which it renders to the community in which it is located."

On January 26th Clarence J. Neal, President of the Chamber of Industry, gave us an interesting stereopticon lecture on "A Trip Through the West Indies." His views and photographs, taken by him personally on the bankers' trip there two years ago, were very clear and real; in fact we all felt that we had experienced the actual trip ourselves after his entertaining discourse. George Cherry, chairman of the Dance Committee, announced that the annual dance of Cleveland Chapter would be held Monday evening, February 8th, at Hotel Statler.

The chapter takes pleasure and pride in announcing the promotion of many of its members to the ranks of an officer. Among them are Roscoe P. Sears, who has taken up "Joe" Ward's duties as cashier of the Cleveland National Bank; Carl See of the Bank of Commerce, who has been made an assistant cashier, after having served in the capacity of paying teller; E. S. Howe and E. S. Hanson, of the Superior Savings & Trust Company, who have risen to the offices of vice-president and treasurer respectively; G. R. Wyman, of the Central National Bank, who has been made auditor of that institution; Wm. R. Green, of the Guardian Savings & Trust Company, who, after serving as auditor for some years, has been made an assistant treasurer, and D. F. Finley, A. F. Reed, Homer D. Cozad and C. W. Stansbury, all of the Garfield Savings Bank, who have been made treasurer, secretary, assistant secretary and auditor respectively of their institution.

Under a recent ruling of our local clearing house association, savings and trust companies having a capital of \$500,000 or over have been invited to join. Heretofore only the seven national banks of the city have been members, the larger savings banks having had to clear through one of the member national banks. The following have taken action to join and are now active members, raising the total membership to twelve—Cleveland Trust Co., Citizens Savings & Trust Co., Guardian Savings & Trust Co., Superior Savings & Trust Co., and the United Banking & Savings Co.

### DALLAS.

By A. B. Kendrick.

Good progress has been made by the law and post-graduate classes and we are looking forward to a splendid showing when the examinations are held. One of the most interesting features of this year's work has been the debates. They are held regularly on the last Tuesday in each month and have been well attended.

### DAYTON.

By Jess Blackmore.

O. Howard Wolfe talked to the chapter at the December meeting, which was one of the best attended meetings we have had. A liberal sprinkling of business men was seen in the audience. His talk was unusually interesting and instructive. He was



master of his subject and we realized this when we heard him.

Clay Herrick, of Cleveland, talked to us in early January on "The Analysis of a Borrower's Statement." His subject called out many business men to hear him, and they found food for thought in what he had to say. Mr. Herrick belongs to the new type of banker and business man. He believes in change and sees about us the great evolution which is changing all things in business, social and spiritual life. He sees the good in it and keeps in step with it. He said he believed in the honesty of men and that "we could not carry on business an hour unless we assumed that the average business man is honest and intends to keep his business engagements honestly." The statement, he said, was nothing more than an estimate of and did not in any circumstances show more than the personal estimate of some one, either owner, proprietor, employee or public accountant, of the value of the things represented in the statement. Mr. Herrick was frank, friendly, pleasant and pleasing.

### DETROIT.

By Fred D. Greig.

The annual banquet of Detroit Chapter was held Wednesday evening, January 13th, and was a signal success. Many bank officers helped to swell a large attendance. George E. Allen, Educational Director, was present and gave one of his optimistic talks. Other speakers were Hal H. Smith, attorney for the Michigan Bankers' Association; Rev. Wm. F. Dooley, President of the University of Detroit; William Livingstone, President of the Dime Savings Bank of Detroit and formerly President of The American Bankers Association; John H. Johnson, President of The Peninsular State Bank of Detroit, and George H. Russel, President of the People's State Bank of Detroit; Walter G. Toepel, cashier of the Peninsular State Bank, acted as Toastmaster. The Ponchartrain orchestra furnished the music, while Messrs Earl Fitzgerald and William P. Harrigan responded to many vocal encores.

The public speaking class will hold its initial meeting Friday, January 29th. A large enrollment has already been secured for this class.

The enthusiasm of the commercial law students continues unabated, while many members are eagerly pursuing a course in English and Rhetoric by correspondence. We surely are doing things educationally in Detroit this year.

### HARTFORD.

By Calvin C. Bolles.

The one big thing in the minds of every live chapter man in Hartford is our rapidly approaching banquet night Feb. 16th. The president, George F. Kane, has arranged a program of more than usual excellence. As the stellar attraction, the genuine "headliner," we will have our national president, William S. Evans, of Philadelphia. Mr. Evans is a convincing speaker, a gentleman of the unusual kind, and a man well worth making an effort to hear.

Dudley F. Malone, Collector of the Port of New York, and a humorist, is another man whose message

is going to be worth hearing. Mr. Malone has long enjoyed the reputation of being one of the most sought after banquet speakers in this section of the country. He was unavoidably obliged to cancel his date with us last year, but intends to hand out a double dose of smile-makers—really good for what ails you.

Judge Edward L. Smith, ex-Mayor of Hartford, will conclude the program. Any explanation of Judge Smith's ability would be decidedly out of place—he is too well known to need it.

Again this year we find Warren T. Bartlett, of the Hartford Trust Company, at the head of the Reception Committee—a committee of twenty-five live wires, who will help make you feel at home. A fine menu has been planned and we want a big turn out.

Our January chapter night drew out a good sized crowd to hear Charles G. Woodward, Financial Secretary of the Connecticut General Life Insurance Company, talk on "Railroads: Their Political and Economic Aspects." Everyone present learned a great deal about railroads and their relation to our banks. A hearty vote of thanks was tendered Mr. Woodward. The Reception Committee, consisting of Victor I. Neilson, John B. Bolles and Allyn Munger, provided fine refreshments. Victrola music before and after the address helped wonderfully to make the night a success.

The weekly banking class meetings continue to bring out the same fine crowds. President Kane's method of having a specialist to lead each meeting is highly successful. A rather unusual diversion was furnished when on January 12, the meeting led by Frederick F. Fisher, had the pleasure of hearing two fine talks on "Systems." Charles Edward Prior, Jr., Secretary of the Security Trust Company, explained his bank's system, and R. M. O'Brien, of the Hartford National Bank, explained his bank's card system.

The January Consul Dinner was presided over by Vice-President Wilbur F. Lawson. We all had a great time, and many fine ideas were brought to light.

The debaters of our chapter are getting ready for the big inter-chapter debate with New York in this city on April 20. New York had the good fortune to trim us last spring, but we are determined to give them a harder run for their victory this year.

Our third season of bowling has just ended with two teams, the Aetna and Phoenix National, tied for first place and the cup. January 25th the teams rolled off the tie, the team winning the first three out of five to own the cup. The Aetna won the first two games, the third went to the Phoenix boys, and the fourth game, the one which meant a chance for the Phoenix or the title for the Aetna, see-sawed back and forth through the game until the two anchors face each other for the final frames with the teams tied to a pin. On the final box Ellsworth of the Phoenix missed a spare by a hair, while Richmond got a spare, won the game, the championship and the silver cup.

An item of much interest in bank circles was featuring recently in the local papers when the consolidation of the Aetna National Bank and the Hartford National was announced. This merger will make a \$14,000,000 bank, the strongest in New England out-

side of Boston. The Aetna Life Insurance Company is interested in both banks.

Professor Kleene of Trinity College met with the Forum on January 25th, and the dozen Forum members spent a very profitable evening together.

We regret to announce the recent sudden death of John P. Wheeler, Treasurer of the Connecticut Trust & Safe Deposit Co. Mr. Wheeler has been treasurer since 1887, and like many another banker of his calibre, worked up to his high position through many hardships and reverses.

#### KANSAS CITY.

By David Bjorkman.

Recently so many good things have happened to Kansas City Chapter and some of its members that we can keep our silence no longer.

Jerome Thralls, former manager of the Kansas City Clearing House Association, has been elected cashier of the Federal Reserve Bank, District No. 10.

C. W. Allendoerfer, member of the Institute Executive Council, 1915, was appointed a member of the Board of Regents of the Institute. These men both have a national reputation and the Institute at large, no doubt, join us in "feeling good" over their well merited success.

H. L. Larson, our worthy president, was recently elected assistant cashier of the Commercial National Bank. Mr. Larsen will be remembered as "that good fellow" who attended the Richmond and Dallas conventions. He came back charged with Institute enthusiasm and the shock is felt all through the chapter—the membership has increased materially, being about two hundred and fifty at this time.

The attendance at the meetings is by far the largest in the history of the chapter. Professor Arthur Boynton of the Kansas University, recently concluded his weekly lectures on "Economics." All who attended these lectures derived great benefit therefrom and are applying unto themselves the professor's admonition to "think right" on the big problems of the day. The rest of the season will be devoted to talks on "Practical Banking" by the officers of the various banks in the city.

The post-graduate class also meets weekly. They have been holding some very interesting and profitable meetings under the leadership of L. M. Pence.

The social features have not been neglected. We usually have a local speaker of note give an address on some timely subject of interest to bankers. We also have music by the chapter quartet and an occasional solo number. Cigars are always in evidence.

There is a deep-seated determination to learn on the part of the members who attend the meetings and we therefore feel very optimistic for the future of Kansas City Chapter.

#### KNOXVILLE.

By E. I. Brown.

The year 1915 finds Knoxville Chapter in the best of spirits and progressing rapidly. The educational work during the last few months has been very encouraging to the officers of the local chapter. A large study class has been in attendance on each Tuesday night, and even during the holiday season the

attendance did not fall far below the average. The chapter has been very fortunate this year in securing the services of Professor C. W. Turner of the University of Tennessee, as instructor of the class in commercial law. As an instructor Judge Turner does not deal simply in dry facts but he places so much humor in his remarks, that each member desires to be at the next meeting. The boys are all live wires and are learning a great deal that will be of inestimable value to them in their every-day work.

The annual adding machine contest was held on our open meeting night in December. The first prize was carried away by George L. Ogdin of the City National Bank, who tested 200 strange checks in four minutes. The second prize was captured by H. T. Wells of the East Tennessee National Bank, and the third winner was P. T. Ghormley, also of the East Tennessee National Bank. A large number of entries was registered in this event, and the rivalry between the several banks was shown by the large number of supporters.

The educational work will be pushed with renewed vigor during the remaining months of the course, and when the time arrives for the annual examination, it is expected a large number of the class will be in readiness for the test.

#### MILWAUKEE.

By J. H. Daggett.

It was the privilege of Milwaukee Chapter on December 17th to have as its speaker Nelson Dean Jay, Vice-President of the First National Bank of Milwaukee, and manager of its bond department. In his treatment of the subject, Mr. Jay briefly outlined the various classes of bonds, bringing out their strong points and showing many of the pitfalls of which the investor should beware. At the conclusion of his address, Mr. Jay was given a vote of thanks by those present for the forceful and instructive address which he had presented.

The class in commercial law resumed its studies on January 5th, after a two weeks' holiday incident to the season and rush of work on the first of the year. The class this year has made use of the Institute pamphlets, devoting a major part of the time to the one on "Negotiable Instruments." The work is under the direction of A. C. Umbreit, instructor in the law school of Marquette University, and under his leadership has proven a revelation to those participating. Upon its termination, in February, the law class will be immediately followed by the class in "Banking and Finance." The Institute pamphlet will also be used as the text-book for this course.

At the regular monthly meeting on January 21st, it was the privilege of the chapter to have as its speakers, Educational Director Allen and Professor Stephen W. Gilman of the University of Wisconsin. Professor Gilman spoke on "Analyzing a Business Statement," and with his pleasing personality turned an ordinarily dry subject into one both interesting and instructive. Milwaukee Chapter owes a debt of gratitude to Mr. Allen. His visits have even been a source of pleasure to us, but never before has he talked to us at this time.

The Debate Committee reports increasing interest

in the work this year, and has under way two debates for February among members of the chapter. The big event of the year, however, is the debate with Chicago Chapter on March 20th, which is to be held in Milwaukee, and at which time we welcome the opportunity of entertaining our Chicago friends.

### MINNEAPOLIS

By S. J. Fitzsimmons.

Minneapolis Chapter gathered for its third dinner meeting of the year at Dayton's tea rooms Tuesday evening, December 8th. Directly after the dinner the regular chapter business was disposed of. This included the election of a new vice-president, as Vice-President C. E. Brombach had succeeded W. C. Hall to the presidency upon the latter's resignation. J. C. Thompson was elected vice-president, not only in recognition of past services, but also in recognition of his ability and fitness for the office.

It was our good fortune to hear two excellent speakers on subjects of general interest. Allen D. Albert, associate editor of the Minneapolis Tribune, spoke upon the European war and A. V. Gardner, of the Northwestern National Bank, who edits the Northwestern National Bank Review, reviewed the war Revenue Bill.

As our meeting took place shortly after the war tax bill had become a law, Mr. Gardner's talk was not only interesting, but of high practical value, as he made its provisions clear to many who were obliged to follow it in their daily work. After his talk he answered questions relating to the bill.

Mr. Albert, by experience, travel and wide knowledge of affairs, is a man well fitted to speak about the European war. Following is a summary of his address:

"The beginning of the war is credited to three causes: First to blood rivalry between Slav and Teuton, second to an arbitrary balance of power and third a militarist public opinion resulting from the training of the whole body of men for war. The course of the war may be described in three movements; one instituted by the Germans to impose the heavier cost upon France, another instituted by Russia to impose the heavier cost upon Germany, and the third instituted by the allied navies to impose the heavier cost on the sea on Germany. The whole war was described as a contest in resources and the opinion was argued that only approximate exhaustion of one coalition or the other could end the war. Towards such exhaustion it was believed the two partnerships were hurrying. War levies already authorized exceeded the whole sum of coined and paper money, secured and unsecured, existing in the world to-day. Calculations of the best known students fixed the probable ending of the war not earlier than the fall of 1916 or later than the fall of 1917, subject, of course, to the disposition of wars to upset all calculations. The effect of the war on this country was outlined to this effect: that by the end of the year America would have become again sufficiently normal to take to herself the advantage of the war markets for food and clothing supplies; that in spite of seeming irregularities of movements the trend of prices would be steadily upward and that the money supply

would steadily increase; that the close of the war would probably produce a period of attempted underselling on the part of the present belligerents to regain old markets, thus requiring some adjustment of living conditions in America; finally, that the chief effect commercially in the United States would be to restore certain forgotten economies of living and contribute substantially to advance America from the position of a debtor nation to that of a creditor nation. In this progress, the speaker concluded, were illustrated in shining brilliance at once the privilege and responsibility of American citizenship."

This can give only a small way an impression of Mr. Albert's most interesting address. Its conclusion was marked by prolonged applause.

The study classes have been progressing very satisfactorily. By the time this issue of the JOURNAL-BULLETIN has been published the mid-year examinations will be over and the second semester will have been started. The attendance at the classes has been excellent and it is assured that many will secure the coveted institute certificate at the end of the year.

Arrangements are being made for the annual meet between the Minneapolis and St. Paul chapters to be held in Minneapolis some time during the latter part of February or the first part of March. This is an event to which both chapters always look forward, as it is a time when members from both cities have an opportunity to renew acquaintances and make new friends in the neighboring city. Last year this chapter was royally entertained in St. Paul and succeeded in carrying home a large share of the handsome prizes. The prizes are offered for the fastest time in counting money; mental addition and other tests of skill in the routine of bank work.

### NASHVILLE.

By Leon M. Savell.

While it has never been the policy of Nashville Chapter to "look backward" we feel that we can review the past with more than a reasonable degree of satisfaction.

Our January meeting was fully up to our standard. In fact if starting the year right has any influence on future successes, we have every reason to be gratified. Dr. John Lee Coulter, of Geo. Peabody College for Teachers, was the first speaker on the program and took as his subject, "Banking for Farmers." He referred humorously to a recent visit to the State Agricultural Department and what was being accomplished in the way of scientific farming. He later confined his remarks to the European land mortgage systems. He explained how foreign countries encouraged the cultivation of the soil and how long time loans were made on land; how the borrower might pay the principal in payments of one-half per cent. yearly plus a low rate of interest. He emphasized the importance of properly financing the farmer and that rural credits must come if the opportunities offered in this country are to be developed. It will be remembered that Dr. Coulter was one of the original committee appointed by President Wilson to make a personal investigation of the farm loan system in Europe. He is also author of a bill now be-

for Congress providing for such a system in the United States. The next speaker of the evening was Hon. Joel B. Fort of Springfield, Tenn., who spoke on "Confidence." He referred to the close relation of banker to producer and how in the development of any community it requires confidence on the part of producer and co-operation on the part of the banker. Senator Fort is very favorably known as a lawyer, tobacco grower, and an ardent advocate of good roads, and his visits are always remembered with pleasure by chapter members.

Our economics class continues good in interest and attendance under the able direction of Dr. Dyer of Vanderbilt University.

Our annual debate with Chattanooga will take place in that city February 22, Washington's Birthday. This is the "rubber" in a series of seven annual debates, each chapter having won three. The subject for debate will be, resolved, "That the Army and Navy of the United States Should be Increased." Nashville will be represented by Parkes Armistead and J. DeWitt Carter.

#### NEW ORLEANS.

By Raoul Prudhomme.

The feature of the past month's chapter activity from an educational and interesting viewpoint was the able and lucid lecture delivered by R. S. Hecht of the Hibernia Bank, before the Tulane College of Commerce and Business Administration and the New Orleans Chapter on "Gold Movements and Foreign Exchange as Affected by the War." The topic chosen by Mr. Hecht was one of absorbing interest to all bank men and economists and the speaker's thorough knowledge of his subject and his very clear and forceful presentation of the same combined to make it quite the most interesting and satisfying discussion we have had for some time.

We were pleased to note the appointment of our fellow member, Oscar J. Thibodaux, as assistant cashier of the City Bank & Trust Company. Mr. Thibodaux is a young banker of considerable promise and is universally well liked. His deserved promotion is a source of much gratification to his many friends.

#### NEW YORK.

By the Publicity Committee.

New York Chapter members accepted with deep regret the announcement that E. G. McWilliam was leaving on February 1st for Los Angeles, Cal., where he will occupy the position as publicity manager of the Security Savings & Trust Company. It is safe to say that no member of New York Chapter will be more greatly missed than Mr. McWilliam. Joining the chapter in January, 1910, he at once became identified with chapter activities and completed in a year and a half the course of study which enabled him to pass the final examination and receive the Institute certificate. In January, 1912, he was elected secretary of the chapter and early in the same year was also elected secretary of the Savings Bank Section of the American Bankers Association, which position he occupied until the time of his departure for the West. In May, 1912, he was elected president of the chapter by the unanimous vote of the Consuls, and the period

of his presidency, June 1, 1912, to June 1, 1913, will ever be remembered as a bright spot in New York Chapter history. "Mac," as he is best known to chapter members, will be greatly missed, but he carries with him the best wishes of every member for a safe journey and continued and complete success in his new field of endeavor.

Every detail necessary in connection with the annual banquet at the Hotel Biltmore on Saturday evening, February 13th, has been arranged. Nearly all of the reservations have been taken and by the time the JOURNAL-BULLETIN reaches its readers our fourteenth annual banquet will have become "history." More than 700 men will be seated at the banquet tables and in the balcony the wives and friends of the members will occupy all the available seats. President Wolfe is scheduled to make an address covering the important points in New York Chapter work, after which addresses will be made by W. S. Evans of Philadelphia, President of the Institute; J. W. Jenks of New York University, and W. E. Knox, Comptroller of the Bowery Savings Bank.

A successful and largely attended mid-year rally was held at the chapter rooms on the evening of January 13th. After a short business session, at which several important changes in the constitution were ratified, the evening was given over to entertainment. Following a series of jokes and monologues by the well-known comedian, Edwin Rice, and songs by John Basset and Edwin Sedgwin, a debate was held between members of the debate section. Charles Bleilevens of Ladenburg, Thalman & Co. officiated at the piano with his usual success.

A prize of \$25 in gold has again been offered by James G. Cannon to be competed for by members of New York Chapter, and will be delivered this year to the man who writes the best essay on "The Effect of the Federal Reserve Act on New York City as a Banking Center." The committee in charge of the work of receiving the essays and awarding the prize are J. A. Seaborg, Vice-President; B. P. Robbins, Chairman of the Educational Committee, and George E. Allen, Educational Director of the A. I. B. The conditions of the competition state that all papers must be submitted on or before May 1st, and the prize will be awarded at the closing chapter night of the season. Contestants must not sign their papers but will enclose their cards in envelopes and attach the envelopes to the papers.

J. E. Rovensky, assistant cashier of the National Bank of Commerce and formerly president of the Pittsburgh Chapter, is scheduled to deliver a series of lectures on foreign exchange, beginning on Wednesday evening, February 24th.

J. E. Provine, W. A. Douglas, H. L. Sparks and E. N. Connolly of the National Park Bank are now assistant cashiers of that institution.

The annual adding machine contest will take place at the chapter rooms on Tuesday evening, February 16th, following Professor Escher's lecture. The customary prizes will be presented to the successful competitors.

J. L. Holian, consul for the National Bank of Commerce, is the winner of the consuls contest for enrolling the most men between the 10th and 25th of December.



On Monday evening, January 11th, a very successful meeting was held at the Yonkers Y. M. C. A. for the purpose of interesting Westchester County bank men in the chapter work. This meeting was planned and arranged for by William R. Radcliffe, district consul for Yonkers, and was addressed by Messrs. Wolfe, Harrison and Meehan.

C. D. Johnson of the Mechanics & Metals National Bank is organizing a chapter orchestra.

W. H. Kniffin, Jr., Chairman of the Committee on Public Affairs, represents New York Chapter in the Commercial Educational Club, an organization of school authorities in the City of New York, which is working in conjunction with the business interests of the city to devise ways and means of improving the curriculum in public schools in order that it can give more practical preparation to graduates who intend to enter business life. Already a number of lectures have been delivered and some of the topics used by New York Chapter men who are scheduled to make addresses are as follows: The Bank and the Community, The Bank Check, Money and Its Uses, What the Bank Wants to Know When You Borrow, Savings Banks, Thrift, Mortgage Loans and Realty Values, How Imports and Exports Are Financed, A Bank Account for Everyone, The Trust Company—Not a Trust, Bond Investments, and The Federal Reserve Bank and the Business Man. The committee proposes to extend the same work to church clubs and other gatherings of men.

R. A. Philpot of Lazard Freres has been appointed by President Wolfe to the chairmanship of the Forum to fill the vacancy caused by the resignation of Mr. McWilliam.

The entertainment committee at the last meeting of the board of governors reported favorably on a plan to obtain quarters at some seaside resort where members of New York Chapter might congregate during leisure hours in the summer. At the next meeting of the board the selection of a place will be reported.

On Saturday evening, January 30th, the past presidents of the chapter met at the Transportation Club and after a farewell dinner in honor of E. G. McWilliam, presented him with a token of their esteem and appreciation.

At a meeting of the Forum on January 20th, which was presided over by Mr. McWilliam, four interesting and instructive papers were read on "Problems of State Institution Entering the Federal Reserve System."

A debate is scheduled with Philadelphia Chapter to be held in the New York Chapter rooms on Wednesday evening, February 10th. The subject is "Resolved, That in view of the present situation, the United States should take immediate steps to materially increase the Army and Navy." New York will defend the negative side of the question.

A debate will be held with Hartford Chapter at Hartford on April 20th. The strenuous work which is being done by this section is destined to make itself felt in chapter circles at no distant date.

#### PHILADELPHIA.

By William W. Allen, Jr.

The educational work in Philadelphia Chapter this year has been consistently good. In some ways

more has been done for the men than ever before. As is usually the case, we have suffered a little over the holiday period in the loss of students. While the best fellows are apt to stick, yet we are sorry to see a single man drop out. And this for two reasons: in the first place every member needs the schooling which our classes afford; and in the second place the few who give up are weakened in that they have started something which they have not finished. Every time that a man carries one job through he is stronger for the next one tackled.

The chapter meeting for January was well attended and highly satisfactory. John H. Mason, Vice-President of the Commercial Trust Company, spoke to us upon the subject of "State-Chartered Institutions Entering the Federal Reserve System." Mr. Mason showed in a clear and interesting manner just why the disadvantages outweighed the advantages offered under the Act as it now stands. He expressed the opinion that the State Systems would be toned up and strengthened as a result of the Federal System, but that they might be concomitant, rather than merged with the latter. As second speaker, Dr. Patterson, of the University of Pennsylvania, gave a carefully prepared and closely followed address on the powers of the Federal Reserve Board. When the direct and indirect powers of this Board are so clearly set forth they seem tremendous.

Mr. Craig, Chairman of the Public Affairs Committee, has arranged to present at the Central Y. M. C. A. the entire series of lectures which the Philadelphia men are prepared to deliver. At its last meeting the public speaking class turned itself into a literary society. There had been prepared for that evening three speeches of five minutes each, two debates with one man on each side, and two short readings. With an address by the president and report by the critic the exercises were quite successful. On February 10th we hold our annual debate with New York, at New York; and on March 19th, the debate with Baltimore, at Philadelphia.

For the January member's night the attraction was a warmly contested adding-machine race. Accurate and speedy operators from the Farmers & Mechanics, Philadelphia, and Fourth Street National Banks ran away with the prizes.

Much interest is being manifested at this early date in the annual banquet, to be held March 6th. Senator Ollie James and Elbert Hubbard are to be the principal speakers. The lists will close at six hundred.

Since there have been many queries about Philadelphia's Trust Company Class, the mid-year examination questions are given herewith in order to show something of the nature and scope of this work.

1. What is a Trust? Give a brief account of the origin, history and general nature of Trusts.
2. With reference to the theory of Banking, show the difference between Commercial Banks, Trust Companies and Savings Institutions.
3. Explain "Trusts for Married Women," and give some of the rules upon this subject.

What is the rule against perpetuities? Give the reason for the rule.

4. Give the departments of a Trust Company, and state briefly the main functions of each.

5. How are the funds in the Banking Department of a Trust Company employed?

6. What may a married woman do in Pennsylvania, in the way of contract? What may she not do? Does she have to join in her husband's deed? In his mortgage?

7. What is a collateral loan? In examining the collateral offered what are the principal things to be considered? Can a promissory note be used as collateral? If a collateral note be not paid at maturity, what is the method of procedure?

8. Explain and illustrate the "Philadelphia Plan" of an Equipment Trust.

9. Use as an example the First Mortgage Twenty-Year Six per cent Sinking Fund Gold Bonds secured by a first mortgage executed by the Latrobe-Connelleville Coal & Coke Co., to the Commercial Trust Company, as Trustee, and explain the whole transaction.

10. What is a will? In Pennsylvania what is required in the matter of signing a will? What is the most important rule in the interpretation of wills?

11. Show clearly the difference between assignability and negotiability.

12. What is meant by intestacy? Courtesy? Dower? In a case of intestacy what is the widow's share? The husband's?

13. Name and explain the leading problems and duties of the Real Estate Department.

14. What advantages are secured to a Trust Company by membership in the Clearing House?

15. What are the duties and powers of an executor? What is an administrator? An administrator c. t. a.? An administrator d. b. n.?

### PITTSBURGH.

By W. A. Korb.

On Tuesday evening, January 5th, Pittsburgh Chapter held its regular monthly open meeting. It has always been the custom of the ways and means committee of our chapter to secure the best possible talent for these meetings, and the speaker and soloist for the January meeting were no exception to the rule.

A. H. Titus, Assistant Cashier of the National City Bank of New York, was the speaker of the evening. His subject was "The Establishment of Branches by National Banks in the Foreign Countries." This is a subject with which most young bankers, and probably a good many of the older ones, are entirely unfamiliar, and the large audience that greeted Mr. Titus was given a rare treat in the way of instructive information. This the reader can readily see by reading Mr. Titus' address in another part of the JOURNAL-BULLETIN.

Pittsburgh Chapter will have its annual "Ladies' Night" on February 2d. An excellent musical program is being prepared by the committee in charge. An informal dinner will be given for the ladies, preceding the entertainment.

The open meeting for March will be an "Old Home Night" when we expect to have with us many of our old members, who have either gone into other lines of business, or have gone to banks in other cities. The boys are looking forward to this meeting with a great deal of pleasant expectation. It will

certainly be fine to see some of those fellows who worked so hard in the past to help make the Pittsburgh Chapter what it is today.

On February 12th the members of our chapter, and their ladies, are to be the guests of the H. J. Heinz Company. A luncheon is to be served at noon, which will be followed by a trip through the "Home of the 57." Other trips through some of Pittsburgh's famous industrial plants are being planned by the ways and means committee. The one following the Heinz trip will be through the Carnegie Steel Company plant.

The organization of the forum of the Pittsburgh Chapter has been a little slow so far, but the latest reports from those having this matter in charge are very favorable. We expect that body to be in full swing at some not far distant date.

The committee on public affairs is just about ready to begin operations. No lectures or debates have been held, but a schedule is being arranged which will include engagements not only in our own city, but in many of the surrounding towns.

Another committee that is hard at work is the one in charge of the Year Book. They are progressing very nicely and hope to present an issue of which Pittsburgh Chapter may feel justly proud.

The educational classes continue to improve in interest and attendance. The Banking Law Class is studying "Negotiable Instruments." The classes in Practical Accounting are progressing beyond the expectation of their instructors.

### Hebrank for the Executive Council.

Pittsburgh Chapter by unanimous vote of its Board of Governors presents Harry E. Hebrank, of the Union National Bank of Pittsburgh, as a candidate for membership in the Executive Council.

Mr. Hebrank is an Institute graduate and has been an active member of Pittsburgh Chapter for many years. His faithfulness to Institute ideals has won for him its unqualified loyalty and support. He first became active in local matters in 1907, and has been active and aggressive in chapter work since that time.

As chairman of several important committees in 1910 he participated actively in the work of the chapter, taking an earnest interest in its development, particularly in the educational classes. This soon brought to him official responsibility and earned for him the Presidency of the Chapter in 1911.

His administration as president was a marked success, and during his administration and since, he has found time to devote his experience to the work of the Institute at large.

He has been present at many conventions where he has assisted in the work of the Institute and made a host of friends.

He was a member of the National Transportation Committee in 1911, and as a reward for his splendid work on that committee he was appointed a member of the National Publicity Committee the following year, and when President Dreher went into office he made Mr. Hebrank chairman of this important committee.

Pittsburgh Chapter therefore presents him as a candidate for the Executive Council of the Institute, believing that in him the Institute will find those

qualities of strong, able leadership which it needs in the enlargement of its usefulness and continued advancement and to that end asks support for its candidature.

On behalf of Pittsburgh Chapter,

F. M. Palliard,  
P. C. Harper,  
B. O. Hill,  
P. S. Space,  
J. H. Arthur, Chairman.

### PORTLAND.

By G. C. Blohm.

The members of Portland Chapter are congratulating themselves that they have as a publicity committee three real live wires. With Martin E. Fitzgerald, chairman, E. C. Sammons and Helmer Pierce compose the committee, which has shown results deserving of much credit. Starting with a four-page paper in September of last year, this committee has made the "Tickler," which is the chapter's monthly paper, a very interesting edition of twelve pages containing information of interest to chapter members, personal news of the bank men of this city and reports of events in banking circles. By persistent and untiring efforts the committee has made the paper practically self-supporting from proceeds of advertising which they have procured for its magazine.

The members have shown a most gratifying interest in the educational work of the chapter. Aside from the regular study course in "Banking and Finance," a class in public speaking has been formed with ten members and is ably conducted by Mr. Robinson, a Deputy District Attorney of this city, and an adept in the art of speaking. A class in memory lessons is also being conducted by Mr. Roth, a memory expert who has had considerable success in conducting classes of a similar nature in this city.

### PROVIDENCE.

By Harry C. Owen.

On Thursday evening, January 21st, Providence chapter had the pleasure of entertaining two guests, who proved to be old friends of many of the chapter members. Old friend number one was O. Howard Wolfe, President of New York chapter; Secretary of the Clearing House Section of the American Bankers' Association and Assistant Educational Director of the Institute. No doubt he has various other official titles which his inherent modesty forbade his mentioning.

"O. F." number two was truly an old friend, with the accent on the first syllable, none other than Jason A. Neilson, of the Foreign Exchange Department of Brown Brothers & Co. "Jake's" hair is a little thinner, and his southern exposure is a trifle more portly than when he was last with us, but he has the same piercing eye, and the same resonant voice as when he used to "spell-bind," and give battle to the Barrett forces in the Institute conventions. "Them was the happy days."

No doubt I should have said at the start that Providence Chapter had the pleasure, and its guests did the entertaining, for that is much nearer the truth. The meeting was held, as usual, in the Noon-day Club, with an unusually large number of members

present. President Elder introduced Mr. Wolfe as "hired-help," saying that the chapter helped to pay his salary as Assistant Educational Director, and that the members needn't listen to him unless they chose. But "Old Friend" Wolfe was right up on his hind legs with a come-back, and demanded some advance salary before the curtain went up, whereupon we decided to accord him the privileges and courtesies of a guest. Neilson had tipped us off that Wolfe had a bulky manuscript with him about the "Creation of the World, in Five Thousand Words," but we wouldn't stand for that, so he talked about "Some Changes under the Federal Reserve Act." After he had talked a while and answered a few questions, most of the boys thought the act wasn't so bad after all, and that maybe the National Banks had better stay in the system for six months or so, and give it a trial.

Neilson tried to tell us that he hadn't prepared any speech, and was just going to talk shop, but, take it from me, all that silver-tongued oratory wasn't extemporaneous, or if it was, friend Neilson should turn "Deserving Democrat," and become understudy to that other silver-tongued orator on the Chautauqua platform. Neilson's subject was "Foreign Exchange." Now everybody knows that in a little village like Providence the Foreign Exchange business consists largely of helping Bridget to send a couple of pounds home to her mother in the "ould cuntry." Consequently, the stories about foreign and domestic bills of exchange, consular invoices, marine insurance, thousands of pounds sterling, francs, marks, lira, rubles, etc., all sounded very weird and mystifying. However, we think "Jake" knows a lot about his business, and we know he got everybody out of the war zone and safely home.

### SALT LAKE CITY.

By J. A. Malia.

Salt Lake Chapter has just entered into the second half of what, in point of interest and attendance, has been the most successful year of its history.

The English class under the direction of Prof. Draper is now studying argumentation and a series of class debates are to be held. Banking subjects only will be debated, with a view of promoting study along the line of our regular work. Before the end of the class year, it is proposed to have some of the speakers appear in public as a beginning of the work recommended by the Public Affairs Committee.

The regular class in "Banking and Finance" is conducted by a class leader with papers assigned to different members. Some splendid papers have been read during the past few months, particularly good were Clarence Gardiner's "Division of Labor" and Alvin Strong's "Bank of France."

One open night each month is assigned to a committee from a different bank, and considerable rivalry has developed as to which bank will furnish the best program. We are indebted to the boys from the Utah State National for Prof. Young's splendid talk on "Ancient Banking" and to the Desert National Bank for W. W. Riter's timely "The Bank Clerk's Part in the Education of the Public on Banking Subjects." The February entertainment will be in charge of the members from McCormick & Co., Bankers, which bank has a full orchestra composed of chapter members.

The annual elections have brought well deserved recognition to some chapter members. Rodney C. Badger, one of the Salt Lake Chapter's first members, and always a staunch supporter of the chapter, has been elevated to the position of Vice-President of the Utah State National Bank. Geo. H. Butler has been made assistant cashier of the same bank and J. H. Grut has been elected assistant cashier of the Continental National Bank.

Our old friend, Q. B. Kelly, Cashier of the Citizens' Bank of Bingham, is not to be deprived of chapter privileges because he lives in the "country," and has organized what he terms the "Bingham Branch of the Salt Lake Chapter" for study of the regular course. He has lined up the boys in the three banks in his district for the study.

The chapter has a committee appointed to arrange for the entertainment of the delegates who will pass through Salt Lake on their way to the San Francisco convention. The delegates will be treated royally here and we hope to see all the old familiar faces and many new ones in August.

**SAN ANTONIO.**

By J. M. Gaddis.

The study course of San Antonio Chapter is proving eminently successful. The pamphlet, "Wealth and Banking," has been practically completed and, under the able leadership of Attorney Harris, each important phase has been considered and thoroughly digested. The Federal Reserve Act, providing an entirely new system of banking, afforded many opportunities for interesting debate, and some points were necessarily tabled, as there was no precedent for either side. One question which found staunch supporters, both negative and affirmative, arose over the Federal reserve currency; the majority contending that it was the intention of the Act that this new form of currency should supplant the present National bank notes. The Act provides: "After two years from the passage of this Act, and at any time during a period of twenty years thereafter, any member bank desiring to retire the whole or any part of its circulating notes, may file with the Treasurer of the United States an application to sell for its account, etc. . . . United States bonds securing circulation to be retired." It further provides that the Federal reserve banks may purchase these bonds, but that they may not purchase bonds in excess of \$25,000,000 in one year. The negative contended that, since the time provided for retiring these bonds was only twenty years, and, as only \$25,000,000 could be retired in one year, it was impossible for the National bank notes now in circulation to be retired, there being in existence more than \$500,000,000 worth of this currency.

**SAN FRANCISCO.**

By W. F. Gabriel.

Appreciating the opportunity to hear an address on the interesting subject, "Regulation of Public Utility Securities," over a hundred of our members gathered in the chapter rooms on the evening of January 14th to listen to Paul A. Sinsheimer, bond expert of the railroad commission. Our attention

was held at all times, while he discussed the method of utility investigation and control as practiced by the State commission. He dwelled at length on the financial aspect and covered very ably standard tests for public utility bonds. Interest was added throughout by illustrations of local cases that have come up for decision. We are glad to be able to present his lecture in full elsewhere in this issue.

San Francisco Chapter has lost a strong, influential friend and advisor by the death of Hon. Duncan McKinlay. A former Congressman, and prominently active in national politics, he was always interested in national affairs. Our members well remember two very interesting lectures he delivered in the past; one on the "Coal Situation in Alaska," and the other on "The Panama Canal." Last year he conducted and took a personal interest in the progress of our class in public speaking. He was with us last at our annual dinner on November 11th.

Those following our class in "Banking and Finance" regret the loss of their instructor, Dr. Holmes Beckwith, who has been called to Washington to accept an important government position. However, we were very fortunate in being able to secure Professor Parker, who did such good work for us last year, to finish the course.

**Panama-Pacific International Exposition.**

You will often hear of the Exposition spoken of as the \$50,000,000 show. The total expenditures for main buildings and grounds are classified as follows:

From popular subscription.....	\$7,500,000
From State of California.....	5,000,000
From City of San Francisco.....	5,000,000
	<hr/>
	\$17,500,000
Other States .....	8,000,000
Counties of California.....	3,000,000
Concessions .....	10,000,000
Foreign Governments .....	5,000,000
Exhibitors (expense) .....	6,500,000
	<hr/>
	\$50,000,000

There are no less than forty-seven miles of aisles in the exhibition palaces. Estimating half an hour to the mile for the average visitor and five hours a day, it will take the best part of a month to see the exhibits alone. And then there is the "Zone," corresponding to the "Midway" at Chicago, with its insistent attractions, and a livestock exhibit that will surpass anything that has before been attempted.

Unquestionably, one of the great features that will place California before the eyes of the world during the Exposition will be the display of California fruit. No State in the Union, no country in the world, produces fruit in quantity or quality equal to that of California. Its products go not only to every city, town and hamlet of any importance in the Union, but reach out to foreign countries. This land of plenty and sunshine places upon the market the best of dried fruits, raisins, figs, prunes, peaches, apricots and pears. A California corporation has the exclusive concession for the sale of all fresh fruits, dried fruits, and nuts on the Exposition grounds.

This company will operate two large stores, and numerous artistic kiosks throughout the grounds, where the visitors may get fruits and nuts of all kinds from morning till midnight. In addition to all



this they will have machines containing apples and oranges in the Exposition palaces, where one will be able to get the best fruit by dropping a coin in the machine.

How many jewels in the "Tower of Jewels?" This question you will undoubtedly ask when first visiting the grounds. Here is the answer. The main tower, the towers flanking the "Court of Palms and of Flowers," and the domes of the Oriental concession buildings between, in all have about 125,000 jewels. The jewels are replicas of diamonds, rubies, sapphires, topazes and emeralds, of special cut, designated as novagems, and ranging in size from 26mm. to 47mm. To illuminate these jewels, the combined efforts of 950 searchlights will be used.

### ST. LOUIS.

By Charles A. Schacht.

Our ever-popular and well-known president, J. E. Uhrig, active member of St. Louis Chapter for a number of years, and who is at present conducting the practical banking class of the Institute, has been made assistant cashier of the St. Louis Union Bank, an institution that the St. Louis Union Trust Company has recently organized. Mr. Uhrig's many friends in St. Louis and elsewhere realize that "Jack" has won a laurel, and received a promotion that he richly deserved, and one to which he was justly entitled. St. Louis Chapter, while not surprised in any way at Mr. Uhrig's success, at the same time cannot help but feel proud of our "Little Giant."

At this time, we also wish to state, that our old friend, Byron W. Moser, former President of St. Louis Chapter, and well known in banking circles throughout the country, has had an additional title added to his already large list, namely, that of Assistant Cashier of the St. Louis Union Bank. Somebody will have to stop "Bull," before he captures all the titles in St. Louis.

Under the able administration of Mr. Uhrig, St. Louis Chapter is having one of the most successful and prosperous year's of its career. We have at the present time no less than three classes in operation, all of which are very well attended; and we expect at the expiration of the season's work, to have quite a number of new certificate holders.

### ST. PAUL.

By W. J. Stutzman.

An interesting address on "Credits" by Edward O. Rice, Vice-President of the First National Bank, featured our fourth dinner meeting held at the Ryan Hotel January 12th. An audience of 125 bank men turned out to hear Mr. Rice tell of the inside workings of the credit department and its value to the bank.

The Rev. I. L. Rypins spoke briefly on the spirit of the work, rubbing it into the "clock-watchers," urging all bank men to give their best at all times, and to strive for the higher things in life.

At our annual ball at the Masonic Temple January 15th, the boys and girls and the old boys had the time of their lives. Paul Delander, Chairman of the Arrangements Committee, deserves much credit for the splendid manner in which our chapter members were entertained.

On January 31st St. Paul Chapter lost one of its best friends in the sudden death of our past president, E. W. Finck. The high regard in which its members held him as a friend, his loyal and efficient service as president of our chapter, and his ideal character, serve to bring home his loss to us in a very real sense.

The first half of our course in commercial law has been completed and the second half "Negotiable Instruments" is well under way. With the addition of many new members the capacity of our class room is severely taxed.

### SEATTLE

By Lester R. McCash.

One of the most interesting and educating meetings in the history of the local chapter was held Thursday evening, January 21st. Three splendid addresses on South America and South American trade were given by A. H. Hankerson, a prominent exporter of this city, Judge Coleman, of Chicago, and W. B. Henderson of the Seattle office of the United States Bureau of Foreign and Domestic Commerce.

These talks caused so much favorable comment that President R. Hayes Wilson has decided to continue them for the remainder of the year. For the next meeting Mr. Wilson has arranged for a talk on Alaska. This will undoubtedly bring out a large crowd, as it is something in which every Seattleite is vitally interested, as this city is the gateway of Alaska.

Irving Bogardus, chairman of the dance committee, reports that the annual dance of the chapter will be held February 16th.

### SPOKANE.

By J. C. Alston.

Spokane Chapter work continues to go ahead with unabated vigor. The class attendance is keeping up well and special lecture nights always draw a large crowd of members and friends. The lecture on "Bank Accounting," by E. L. Jenkins of the Union Securities Co., proved to be one of the most instructive of the season. Mr. Jenkins excels in the happy faculty of making a naturally dry and abstruse subject fairly bristle with interesting problems and his elucidation of the more difficult points in bank accounting was remarkable for its clearness and precision.

Preparations are under way for a preliminary adding machine contest, so that the best men may be selected to represent Spokane at the Interstate Adding Machine Contest to be held during the next State Bankers' Convention in Seattle, and we are counting on making a good showing.

Spokane chapter has decided to co-operate with the Spokane Chamber of Commerce in an endeavor to attract eastern bank clerks to Spokane while on their way to the annual convention to be held in San Francisco in August. The route to San Francisco via Spokane and Seattle is one of great scenic beauty and should not be missed by lovers of mountain scenery.

On January 13th an interesting consolidation took place. The National Bank of Commerce and its staff combined with the Exchange National Bank. The

capital of the Exchange National Bank remains unchanged by the consolidation. F. M. March, President of the National Bank of Commerce, joins the Exchange as an active vice-president and Joseph Baily, cashier of the Commerce, joins as an assistant cashier. O. M. Green of the Exchange National Bank has been made a vice-president. To the directorate of the Exchange has also been added the following directors of the Commerce: F. M. March, George March, Dana Child, A. F. Rogers and J. W. Wentworth.

### SYRACUSE.

By A. B. Merrill.

Since the last chaptergram from Syracuse we have had two lectures by local bank men, and expect to continue such lectures by local men during the rest of the winter and spring. The meetings have been well attended; the lectures have been excellent and everything points to growing enthusiasm in this chapter. William T. McCaffrey lectured on December 4th upon the subject of the "National Bank Act." Illustrating his talk with five charts, Mr. McCaffrey gave us a vivid and striking address upon the causes which led to adopting such an Act, its operation, and why it was finally succeeded by the Federal Reserve Act. The speaker showed vast research and study as well as special qualifications for such an address.

On December 11th O. Howard Wolfe was with us with an address upon the Federal Reserve Act. Of course, everyone in banking circles knows Mr. Wolfe, and it is unnecessary to speak of the impression he made.

On December 18th E. S. Kellogg, Vice-President of the City Bank, lectured upon "Bank Organization," showing the special advantages of each kind of bank.

On Tuesday evenings our Public Speaking and Forum classes meet. Our forum is down to hard study with Professor Roman of Syracuse University our directing genius. The attention of the public speaking class is directed toward preparing for the debate with Utica to be held on March 2d. Professor Tilroe is giving of his time and services in helping the team to prepare for "bringing home the bacon."

During the last month a new man has been brought to Syracuse in the name of Louis S. Brady as Cashier of the First National Bank. For the past three years Mr. Brady has been connected with the New York Clearing House. He had been employed by the Fifth Avenue Bank of New York for about ten years, and for one year was Assistant Cashier of the New Netherlands Bank of that city. Inasmuch as the First National Bank has seen fit to go outside of our own city for a cashier, we welcome him and hope he will make himself one of us and feel perfectly at home.

Mr. James Gere has been promoted to Assistant Cashier of the Salt Springs National Bank and Mr. Roy E. Ashpole has also been promoted to Assistant Cashier of the Merchants National Bank.

Surely the well wishes of the entire chapter are with these men, and we have no doubt of their fitness for such positions. Syracuse Chapter is proud of its members, and we rejoice with each one as he takes one more step on the ladder to success.

### TOLEDO.

By John H. Streicher.

Toledo Chapter of the American Institute of Banking has been very active during its first semester of this year.

On October 6th, 1914, Toledo Chapter held an opening banquet at the Boody House. A very fine dinner was served to 147 members, who all avow they had the most enjoyable evening they ever expected to have. The ballroom was gayly decorated, and the music furnished was certainly entertaining. After the dinner some of the most eloquent bankers of the city gave forth encouraging and very instructive remarks as to the future success of the chapter. By the enthusiasm shown at this meeting, the officers were confident of a very successful year.

Every Tuesday evening the members gather in their elaborate club rooms to hear expounded the rudiments of law, one of the foundations of a good banking career.

Several special meetings were held to discuss the new Federal laws. At these meetings some of the best talent of the city gave forth and explained their version of that basic principal of our coming financial epoch.

Toledo Chapter is not wholly void of social entertainment in view of their educational activities. Many tours about the factory and business life of the city reveal to them the means and substance of the producer's income, which is of so vital importance to the banker of to-day.

The ensuing semester has hopes of even more advance, both in educational lines as well as social. The law class has again resumed, and several speakers of note are booked to lecture the boys on timely topics.

Toledo Chapter held an interesting business meeting and smoker Thursday evening, January 14th, at their rooms in the Gardner Building, at which George E. Allen, our Educational Director, gave a talk on Institute work. The following evening Toledo bankers and business men numbering 200 banqueted at the Commerce Club and were privileged to hear D. C. Will's explanation of the new Federal Reserve Banking System. This timely subject was ably handled by Mr. Wills, who is chairman of the Federal Reserve Bank of Cleveland. Mr. Allen, who was induced to stay over for the banquet, was also a speaker. S. D. Carr, President of the National Bank of Commerce; W. C. Carr, Vice-President of the Second National Bank; Howard I. Shepherd, Vice-President of the Ohio Savings Bank & Trust Co.; Jos. M. Spencer, Vice-President of the First National Bank; Isaac E. Knisely, President of the Northern National Bank; E. H. Cady, President of the Guardian Trust & Savings Bank, gave short talks; W. A. Gosline, Jr., President of the Commerce Club, acted as toastmaster.

Through the courtesy of Mr. W. E. Bettridge, President and General Manager of the Toledo Lakeside Biscuit Company, the largest biscuit factory in the middle west, the members of Toledo Chapter and lady friends were permitted to inspect this plant while in full operation, from garret to cellar. It was a very interesting sight to see how the flour was

prepared for sponge, then the dough rolled out, cut, put into ovens, baked and then transferred and packed in cans and cartons ready for shipment. At the conclusion of the trip each lady was presented with a nice fruit cake and the men with watch fobs.

On the afternoon of February 6th the Toledo Chapter will visit the Owens Bottle Company and see how bottles are made by the Owens bottle machine, which has a world-wide reputation. The same afternoon the Harbauer Catsup, Vinegar & Pickle Company will be visited. The industrial trips are a feature of Toledo Chapter work this year and are proving unusually instructive, as well as popular, with our members.

### UTICA.

By Francis P. McGinty.

After allowing our members about two weeks to recover from the first of January rush Utica Chapter opened the year 1915 with an open meeting January 12th, the feature of which was our second annual chapter debate. The question debated was "Resolved that the notes issued under the Federal Reserve Act will result in inflation of the currency." As it had been announced by the Educational Committee that the team to represent us in the coming debate with Syracuse Chapter would be selected from among the men debating this evening, there had been considerable speculation, both as to which team would be the winner of the debate and which men would be selected to represent the chapter against Syracuse.

That the judges authorized to select the team might have a large number from which to pick the teams debating this question numbered six men each. The affirmative was handled by the following men, who spoke in the order mentioned: Grover C. Clark, Irving L. Jones, Frank P. McGinty, Francis W. Gilbert, Hugh T. Owen and George C. Berg. The negative was upheld by Messrs. Carl H. Simon, Ebenezer Lamb, Ray Roberts, Herbert N. Burrill, Frank P. Addy and James A. Smyth.

At 8.15 Chas. J. Lamb, Chairman of the Educational Committee, called the meeting to order stating the question and the time allotted to each man on direct argument and rebuttal. The debate followed, proving that both teams had studied the question closely. Every man debating acquitted himself creditably and in a measure felt repaid through the close attention by which he was followed by his audience.

Following the debate the judges, Charles S. Symonds, President of the Utica City National Bank; Thomas R. Proctor, President of the Second National Bank; J. Francis Day, President of the Utica Trust Deposit Co.; F. A. Bosworth, Vice-President of the First National Bank; Prof. E. W. Goodhue, of Colgate University, and Prof. Newton Hammond, of the U. F. A., retired to reach a decision as to the winner.

Upon returning to the meeting room Chas. S. Symonds, speaking for the judges, commended both teams for their excellent work and the chapter for the work it was forwarding. He stated that upon casting a ballot as to which team won it was found the result was three for the affirmative and three for negative. They decided to let the matter stand thus, so neither team was awarded the victory.

On January 19th we held a regular study meeting, Prof. Walker lecturing on "The Discharge of the Contract."

January 26th was the date set for our annual adding machine contest and smoker. The special prizes were offered personally by Charles G. Palmer, sales manager of the Burroughs Company, who conducted both contests, assisted by Edwin S. Jones. This is an annual event begun last year, in which the cup becomes the property of the man who wins it twice in succession. The trophy was won last year by Ross L. Debbold, of the First National Bank. Those who participated in the contest were J. B. German, First National Bank; Frank Rieben, Second National Bank; George Speori, City National Bank; Edwin L. Clarke, City National Bank; Hugh F. Williams, Oneida National Bank; Joseph Knobloch, Citizen's Trust Company; Ross Debbold, First National Bank; Maurice Lane, Citizens' Trust Company; Lytton W. Doolittle, First National Bank; E. C. Jones, First National Bank of Rome; B. E. Tuttle, City National Bank. The highest score was that of Joseph Knobloch, who did 500 checks in 8.14 4/5 and 250 checks in 4.27 2/3. A special prize of \$5 in a contest for 250 checks only was also won by J. B. German: time, 4.34 1/5. A second prize of \$2.50 was won by E. C. Jones: time, 5.58 1/5. Both made perfect scores.

Our Educational Committee announces the following men chosen for the team to represent us in the coming debate with Syracuse Chapter: Grover C. Clark, Carl H. Simon, Frank P. McGinty, Regular; James A. Smith, Alternate.

### WASHINGTON.

By Harry V. Haynes.

Notwithstanding the departure, unintentional, by the way, from the old rule of "... work like a fiend and advertise," Washington Chapter is recording a year marked by the brilliancy and scope of its educational work. However, while it cannot be said how well the rule has been kept in other respects, the truth is that there has been little advertising. We feel that we could have well afforded to have taunted our sister chapters with the use of the facilities with which we are blessed, but far be it from us to do that. The keen foresight of our esteemed president, William W. Spaid, in providing for our needs this year is the big event of his career, and he has been ably assisted by his official family.

How many of us thought, back in the early days of our struggling existence, to what real use our organization would some day be put? When we were passing through the formative state, meeting our fellow bank men with whom we had theretofore no opportunity to mingle, cementing acquaintanceships which were to develop and ripen into eternal friendships, and feeding our stomachs and feasting our ears on the goodies provided by the entertainment and refreshment committees, did any of us realize that our affiliations with the Institute meant that we were so soon to take up on an equal footing with our officers and directors the study of a legislative enactment which was to mark the beginning of a new epoch in banking, and which would sweep aside the methods

and practices, which had obtained for years, of an intricate, yet good, old system that had served us so well under normal conditions? Did we, even remotely, realize that the coming of this great change would mean that the foundation which had been laid by the American Institute of Banking was to be the tower from which the new law was to be viewed and studied, and had we the least idea that this tower would be crowded with bank directors and officers, as well as bank clerks? This was where a "little touch of legislation made the whole bunch kin."

Now that this great change has come, the wisdom of the founders of the American Institute of Banking has doubtless strongly manifested itself to you. Don't you realize what a great organization it has become, and do not its present achievements impress you with the fact that your difficulties have been lessened, if not actually removed, in dealing with the matters and things with which you are now confronted in the study of banking methods under the Federal Reserve Act? Our organization, without a shadow of doubt, today looms up larger and greater than any factor of usefulness in connection with the new banking law. Look at the number of prominent chapter men which the Institute has contributed to the Federal Reserve Board and the Federal Reserve banks, and make a mental calculation of the efficiency which they represent.

During the period of about ten years, the rooms of Washington Chapter have, on many occasions, held capacity meetings, but never before, except upon one occasion, have we been required to abandon our rooms, which are normally spacious, for the purpose of affording accommodation at our lectures, as has been the case this year after the first two lectures. We are, of course, here at the seat of government, and, consequently, favored with opportunities which are denied our sister chapters, in that we have with us men who are so closely affiliated with the affairs of the government, and particularly those concerned with the supervision of banking. It thus happened that our old time friend, Dr. H. Parker Willis, reputed author of the Federal Reserve Act, was the up-to-the-minute man to analyze the Act and prepare us for a systematic study of it, and we had the good fortune to be able to engage his services. Dr. Willis commenced his series of ten lectures on October 9, 1914, and delivered the final one on January 28, 1915. His work was part of the regular Institute study course with such elaboration as circumstances inspired.

There was early cognizance given by the regular chapter man to the fact that he could ill afford not to

approach the subject at once by attendance at the first lecture, and when he found the rooms crowded with bank officers and directors, gathering in every word and suggestion, as Dr. Willis so well knew how to put them, he must have felt a keenness to stick, and must, also, have felt some pride upon his timely determination to prepare himself to compete with his superiors. But the privilege of standing for an hour and a half was a hard one. After the first two lectures our un-failing friend, Edward J. Stellwagon, President of the Union Trust Company, came to the rescue by providing a large room at the New Willard Hotel, in which there have been ample accommodations and in which each succeeding lecture has been delivered.

In closing the series of lectures, Dr. Willis spoke feelingly of the marked attention which had been given him by his "professional" audience, and stated that any success which he may have had was due to his enthusiasm for the subject. In this connection, one thing is very certain, namely, that if Dr. Willis' enthusiasm is as great as his knowledge of the subject, he contains himself admirably.

Having finished the first section of our serious work, we are now looking forward with much expectancy to our annual banquet, which will be held this year at the New Willard Hotel on a larger and much more elaborate scale than formerly. The date which the committee has selected is Saturday evening, February 20th. As the Monday following our date is a National holiday, we are expecting a gathering of out of town guests in goodly numbers. Edmund S. Wolfe, one of the old wheel horses of the chapter, is in charge of this banquet, and the success with which he is meeting in perfecting his arrangements augurs well for a brilliant affair. To meet the demand for the embellishment of this annual event on a broader scale, it has been found necessary to increase the price of tickets from \$2.50 to \$4.00, but the boys are alive to the fact that it is worth it.

The speakers so far signifying their acceptance of our invitation are: Hon. William Jennings Bryan, Secretary of State; Hon. A. J. Montague, Member of Congress and Ex-Governor of Virginia; Colonel John F. Bruton, Chairman Executive Committee, Richmond Reserve Bank; Dr. H. Parker Willis, Secretary of the Federal Reserve Board. Charles A. Douglas, an eminent lawyer and noted wit, will be the Toastmaster. Those contributing to the entertainment will be Charles Trowbridge Tittmann, Jack Bowie, George O'Connor, Uriel Davis, Morris Simon. The music will be furnished, in part at least, by Meyer Davis' orchestra.





