

# BANKERS' AND TRUST

## SUPPLEMENT

TO THE

# COMMERCIAL & FINANCIAL CHRONICLE.

CONTAINING REPORT OF THE

CONVENTION OF AMERICAN BANKERS' ASSOCIATION

AT MILWAUKEE, OCTOBER 15th, 16th and 17th, 1901.

### GENERAL INDEX:

	PAGE.		PAGE.
EDITORIAL ARTICLES—		BANKING SECTION—	
MR. STICKNEY ON BANKING - -	33	REPORT EXECUTIVE COUNCIL -	67
MR. GAGE AND MR. ECKELS - -	36	PROTECTIVE COMMITTEE - - -	69
THE BUSINESS SITUATION - -	38	REPORT ON INTERN. REV. TAX -	71
WORK OF ASSOCIATION - - -	40	FIDELITY INSURANCE - - - -	72
GROWTH OF N. Y. TRUST CO'S -	42	COMMITTEE ON EDUCATION - -	75
TRUST COMPANY SECTION - -	44	EXPRESS COMPANY TAXATION -	80
BANKING SECTION—		COMMITTEE ON UNIFORM LAWS	83
DEFECTS OF TREASURY SYSTEM	47	TRUST COMPANY SECTION—	
MEDIUM OF EXCHANGE & B'K'G	50	FOREIGN TRUST COMPANIES -	100
ASSETS CURRENCY - - - - -	55	FIDUCIARIES OUTSIDE STATE -	104
FUTURE OF PACIFIC COAST - -	58	TRUST COMPANY FORMS - - -	105
FEDERAL BANKRUPT LAW - - -	61	DETAILED PROCEEDINGS - - -	107
ADDRESSES OF WELCOME - - -	64	ADDRESS OF WELCOME - - - -	107
REPORT OF PROCEEDINGS - - -	64	REPLY TO ADDRESS OF WEL-	
PRES. TROWBRIDGE'S ADDRESS	65	COME - - - - - - - - - -	107
REPORT OF SECRETARY - - - -	66	REPORT OF SECRETARY - - - -	107
REPORT OF TREASURER - - - -	66	REPORT OF EXECUTIVE COM-	
REPORT AUDITING COMMITTEE -	67	MITTEE - - - - - - - - - -	108

*For Index to Advertisements, see page 46.*

---

October 26, 1901.

---

WILLIAM B. DANA COMPANY, PUBLISHERS.

PINE STREET, CORNER PEARL STREET, NEW YORK.

# GIRARD TRUST COMPANY

CHARTERED 1836.

CAPITAL, \$2,000,000.

SURPLUS, \$5,000,000.

Acts as Trustee of Corporation Mortgages,  
Registrar and Transfer Agent.

Acts as Executor, Administrator, Trustee,  
Assignee and Receiver.

Assumes Entire Charge of Real Estate.

Depository under Plans of Reorganization.

Interest Allowed on Individual and Corpo-  
ration Accounts.

Financial Agent for Individuals or  
Corporations.

Safes to Rent in Burglar-Proof Vaults.

## OFFICERS.

EFFINGHAM B. MORRIS, *President.*

WM. NEWBOLD ELY, *First Vice-President.*

ALBERT ATLEE JACKSON, *Second Vice President.*

CHARLES JAMES RHOADS, *Treasurer.*

EDW. SYDENHAM PAGE, *Secretary.*

WILLIAM E. AUMONT, *Trust Officer.*

NATHANIAL B. CRENSHAW, *Real Estate Officer.*

MINTURN T. WRIGHT, *Ass't Real Estate Officer.*

GEORGE TUCKER BISPHAM, *Solicitor.*

## MANAGERS.

EFFINGHAM B. MORRIS.  
JOHN A. BROWN, JR.  
BENJAMIN W. RICHARDS.  
JOHN B. GARRETT.  
WILLIAM H. JENKS.  
WILLIAM H. GAW.

FRANCIS I. GOWEN.  
GEO. H. McFADDEN.  
HENRY TATNALL.  
ISAAC H. CLOTHIER.  
PEMBERTON S. HUTCHINSON.  
THOS. DEWITT CUYLER.  
C. HARTMAN KUHN.

JAMES SPEYER.  
RICHARD A. McCURDY.  
GEORGE G. HAVEN  
AUGUSTUS D. JULIARD.  
EDWARD J. BERWIND.  
RANDAL MORGAN.

*North East Corner Broad and Chestnut Streets,  
PHILADELPHIA, PA.*

## The American Trust and Savings Bank Chicago.

Receives the Accounts of  
Banks, Bankers, Corporations, Merchants, Firms and Individuals  
And Pays 2% Interest Thereon.

Acts as TRUSTEE in BOND ISSUES and REGISTRAR of STOCK  
for Street Railway, Railroad and ALL other CORPORATIONS.

### STATEMENT OF CONDITION, SEPTEMBER 30th, 1901.

RESOURCES.		LIABILITIES.	
Loans and Discounts	- - - \$8,812,986.37	Capital Stock paid in	- - - \$1,000,000.00
Bonds	- - - 930,350 00	Surplus Fund	- - - 300,000.00
Cash and Sight Exchange	- - - 6,607,022.96	Undivided Profits	- - - 119,405 50
		Deposits	- - - 14,930,953.83
	\$16,350,359.33		\$16,350,359.33

## OFFICERS.

EDWIN A. POTTER, *President.*

JOHN JAY ABBOTT, *Asst. Cashier.*

G. B. SHAW, *Vice-President.*

O. C. DECKER, *Asst. Cashier.*

JOY MORTON, *Vice-President.*

FRANK H. JONES, *Secretary.*

J. R. CHAPMAN, *Cashier.*

W. P. KOPF, *Asst. Secretary.*

BANK ORGANIZED JULY 29, 1889,  
UNDER THE GENERAL BANKING ACT OF THE STATE OF ILLINOIS.

# BANKERS' AND TRUST

## SUPPLEMENT

TO THE

# COMMERCIAL & FINANCIAL CHRONICLE.

[Entered according to Act of Congress in the year 1901 by WILLIAM B. DANA COMPANY, in office of Librarian of Congress, Washington, D. C.]

VOL. 73.

NEW YORK, OCTOBER 26, 1901.

NO. 1896.

### The Chronicle.

THE COMMERCIAL AND FINANCIAL CHRONICLE is a weekly newspaper of 64 pages, published in time for the earliest mail every Saturday morning, with the latest news by telegraph and cable from its own correspondents relating to the various matters within its scope.

THE CHRONICLE comprises a number of Supplements, issued periodically, and which form exceedingly valuable publications in themselves.

THE INVESTORS' SUPPLEMENT, issued quarterly, is furnished *without extra charge* to every subscriber of the CHRONICLE.

THE STATE AND CITY SUPPLEMENT, issued semi-annually, is also furnished *without extra charge* to every subscriber of the CHRONICLE.

THE QUOTATION SUPPLEMENT, issued monthly, is likewise furnished *without extra charge* to every subscriber of the CHRONICLE.

THE STREET RAILWAY SUPPLEMENT, issued semi-annually, is also furnished *without extra charge* to every annual subscriber of the COMMERCIAL AND FINANCIAL CHRONICLE.

Besides these Supplements, others are issued from time to time like the present BANKERS' AND TRUST SUPPLEMENT.

Terms for the CHRONICLE, including *all* the Supplements, are Ten Dollars within the United States and Thirteen Dollars (which includes postage) in Europe.

WILLIAM B. DANA COMPANY, PUBLISHERS,  
PINE ST., CORNER PEARL ST., NEW YORK.

### INDEX TO ADVERTISEMENTS.

A complete index to the advertisements appearing in the present issue of the Bankers' and Trust Supplement will be found on page 46.

### MR. STICKNEY ON THE BANKING FUNCTION.

The address of Mr. Stickney, President of the Chicago Great Western Railway, on the "Medium of Exchange and the Banking Function," is a thoroughly interesting study. His chief object seems to have been to prove that panics, if not absolutely preventable, can be materially mitigated and contracted in their deranging influence by a properly devised bank system. He defined the ideal bank system to be a scheme consisting of many parts connected in such a manner as to create a chain of mutual dependencies and supports. The body of American financial institutions, formed under the National law, tested by this standard, falls very wide of the mark; that is, the system fails to conform to the requirement; the banks do not under that system

become parts of a whole. On the contrary, says Mr. Stickney, they are a mass of independent corporations, each of which is compelled by its very isolation, at a time of panic to prey upon every other, scrambling to increase its cash reserve and reduce its liabilities—virtually adopting in action David Harum's version of the golden rule, "Do unto other banks what you know they will do unto you, but do it first." The result, of course, is an industrial disaster requiring years for recovery. These catastrophes, the address claims, are unnecessary and preventable.

We ought, perhaps, to say, for the guidance of the reader of Mr. Stickney's address, that the deductions arrived at are not found as we have given them in the opening portion of the speech, nor are they collected in any single part of it in the form we have gathered them; but our statement, we believe, indicates substantially the defects in our national bank law the address discloses and seeks to have corrected. Chief among these is the deduction we have stated, that our national bank system produces what a bank system is devised to avert—that is, creates panics instead of serving, as it should, to mitigate and even arrest them. Furthermore, according to his conception the source of this disturbing influence is found stated in the fact given above, that our banks are a lot of individual repellant units instead of a kind of social compact of interdependent entities; and that this situation added to the general features of the law makes them in the struggle for existence at any hour of danger absolutely hostile and selfish in their methods. It also follows that this condition is a forced development out of an environment the enabling act has provided and not a result of bank management.

Other than the foregoing Mr. Stickney does not state in detail the precise features of the existing United States law which bring about the unfortunate result. The author's study appears to be rather to show what a bank system should be and do, leaving the reader in good part to infer in what respects the existing law is deficient and unscientific. With that purpose in view he undertakes to prove first that the medium of exchange is not money *per se*, but credit. No man has money in the bank. A

credit on a bank ledger is not money—it is simply an evidence of the bank's indebtedness to merchants, bankers, manufacturers, etc. Money is seldom used as a medium of exchange, except in petty transactions. But as a general rule in all large transactions credit is the medium of exchange. These credits are obtained (1) by the few merchants and others who do not go into debt from those who have previously created them; (2) by all others, through loans. Analyzing the sources of legitimate credits they are found to be the proceeds of buying for the purpose of selling, and are extinguished by buying for the purpose of consumption. Their creation thus has reference to production, and their extinction to consumption. It is obvious that such credits expand as production and commerce expand, and contract as production and commerce contract.

The conclusion follows as an inevitable sequence that an increase of one and a half billion dollars in the bank deposits since a given date is not evidence that the money in the country has increased, but that the trade conditions have been so active and are so promising that the public has added to its indebtedness, which has in that amount been exchange for bank credits. It is the general understanding that the deposit comes first and then a loan. This is not so; in the main the reverse is true. Mr. Stickney illustrates the situation by an ordinary transaction of a merchant borrowing \$100,000 at the bank. This would increase the bank's deposits \$100,000, not before, but at the same instant the loan was effected. It would not increase the money the merchant or the bank had; neither of them would have any more money nor any less by reason of the loan; the result would simply be a credit on the bank's ledger—"not a borrowing of money, but a swapping\* of credit." The borrower "may transfer the indebtedness of the banks by check, but in that case his check will be deposited in the same or some other bank, and the proceeds of that \$100,000 note will remain a part of the so-called deposits of the banks, either in the original or in some other bank, until it is finally redeemed."

The foregoing is a mere prelude to the statement that "swapping credits" is the function of the modern commercial bank. When a bank therefore "fails continuously to exercise this function it fails to perform its part and its duty, and does incalculable mischief, because the normal value of products can be only maintained" by the banks carrying these credits until the products are required for consumption. A refusal by the banks to "swap credits" compels merchants to stop buying, which forces those who hold stocks of goods to send them to the auction room and anticipate the demand for consumption. Some who do this early may unload upon those with less foresight, but passing credits from one merchant to another does not reduce the volume of credits. "It only affects the individual merchant, and perhaps his individual bank, by trans-

ferring the burdens to other merchants and other banks. But the futile attempts once commenced in a large way force values lower and lower, until some of the merchants and producers are ruined." When that happens laborers are deprived of employment and their ability to consume is curtailed. We need hardly relate, for it has been such a frequent experience, how thereafter the circle of the disabled goes on widening until a large portion of the wage class is unemployed, and a large number of merchants are ruined, a general collapse in values has occurred and numerous banks have failed; a subsequent event is a general prostration of our industrial forces continued during several years while liquidation is in progress.

It is thus made evident that the requirement for tiding over a commercial or financial disturbance without precipitating a very disastrous panic is a continuation by the banks of their credit granting function. Evidence that this can be safely done is found in the circumstance that it has been done. The history of the Bank of England and the Scotch system of banks is cited. They have on many occasions in modern times met and passed through a formidable crisis, and yet have prevented a wide collapse. "In the great panic of 1837-38 more than a thousand banks, practically all the banks in the United States, failed. In England and Scotland not a bank failed. In 1856 nearly every bank in the United States closed its doors and went out of business, and but few of them ever resumed. There was a great commercial crisis in Great Britain, but not a bank in England or Scotland failed. Again, in 1873, many banks in the United States failed; there were no bank failures in Great Britain, except the City of Glasgow Bank, which had been practicing fraudulent methods for years. In the panics of 1890-1893, which are now fresh in memory, when bank after bank failed in the United States and all the banks in New York City suspended payments and only certified their customers' checks, there was not a bank failure in Great Britain. And more, there was not a day when any bank in Great Britain refused to extend its usual credits without unusual restrictions, except for about a week in 1890, at the time of the Barings failure, when they put the brake on to the extent of raising the rate of interest to six per cent."

The comparison the foregoing citations make may be criticised, because conditions in the United States, outside of our National Bank system, in the important matter of the currency standard, puts the bank systems of Great Britain and the United States out of parallel in an essential particular. That circumstance, it will be noticed, however, does not take from the force of the facts given with reference to Great Britain and Scotland. Besides, Mr. Stickney might have gone a little further and selected a much more recent illustration, from events in the United States, which occurred after the country was free from the danger of silver monometallism, and from the distrust caused by the silver currency agitation. We refer to the panic which was

\* Mr. Stickney says: "I like the word 'swapping,' because it expresses my meaning, and even boys know what it means. The boys swap jackknives and swap marbles. The banks swap credits."

an incident to the Northern Pacific corner, in May last, when money immediately rose to 60 per cent. and could not be procured even at that rate until a syndicate was formed offering 20 million dollars at the market price; later, and on the same day, a private banker loaned 6 million dollars at 6 per cent. Thus a few timely credits offered through individual action arrested the panic and averted a threatened disaster. Another objection to citing the European banking situation as illustrative of the needs of this country Mr. Stickney himself suggests and answers. He says it may be claimed that the situation is different in a vast area of sparsely settled country, like the United States. In reply, he recalls the fact "that along our northern boundary stretches a country from ocean to ocean, much more sparsely settled than the United States. In Canada the same commercial conditions existed during the last panic as in the United States, but only two unimportant banks, of the isolated and independent order, went into liquidation, and not one of their system of banks excited suspicion as to its solvency, and at no time during the panic did any of them suspend the banking function of swapping credits with customers."

It only remains to give the outlines of the banking system for the United States which Mr. Stickney advocates, and which he thinks would work an absolute cure from the weakness that he has shown institutions formed under our present statute have in practice disclosed. As to legislation, he says nothing would be required, except "the repeal of the Sub-Treasury law and of all provisions contained in the present National bank law which in any manner restrict the business of swapping credits and which prevent banks from conducting the banking function in more than one locality." This statement, in itself, might be considered a little obscure. But other portions of the address serve to make more explicit the summary of the changes proposed. Evidently he would have the revision of the law thorough in all particulars affecting the function he is discussing. So far as any uncertainty remains on that point in the reader's mind the following extract from the address will clear it up: "The commercial bank," he remarks, "is a co-worker with the merchant, and in the conduct of its legitimate business of swapping credits should be *as free* as the merchant." It is not difficult to interpret the above. With it and the special features we have previously cited, the system suggested is revealed when we add that Mr. Stickney further proposes (1) "a central bank with a head in the chief commercial city, and with a branch in each of the other leading commercial centers;" and (2) that "the central Bank hold the reserve," not only "of all the banks," but also (the Sub-Treasuries being abolished) "of the nation."

These ideas, put into shape by proper legislation, would give the United States, Mr. Stickney thinks, a system of banks, forming "a chain of mutual dependencies and supports, in place of the present isolated entities." Let us fill out this thought briefly. First and at the head would

stand "the bank of banks," situated at the chief central city, with branches at the chief commercial centers; since the central bank would carry the reserve of the banks and of the nation there could be no contest for reserves at any time of distrust, hence the "swapping of credits" would continue and the rottenness which was the source of the derangement could be rooted out without causing a collapse of, and indeed in most cases without affecting, general trade or general values to any extent. Second, all the banks in this system would be free to have or not to have branches—an authority which would enable it to extend to every small and remote center of trade the superior advantages that an institution of large capital can grant for supplying the needs of the people in obtaining credits, etc., while removing the danger of having commodity and other values, as well as banking facilities, contracted just because of overspeculation or fraudulent disclosures in some other perhaps very distant trade center.

Besides the foregoing the Sub-Treasuries would be abolished and our money market freed from the ever threatening danger of having its supply of funds locked up in Government vaults—a fear which has time and time again kept business operations during the most active seasons of the year in a state of more or less severe depression. Finally, restrictions on the size of loans would be removed, the indefensible character of which is well brought out by a little incident Mr. Stickney relates. In olden days of small affairs in banking business one of the New York banks, having increased its capital to the then exceptional amount of five million dollars, a customer made application for an unusually large loan. After some days of consideration the directors declined it, not because the collateral was unsatisfactory, but because the loan was too large. The customer, when informed of the decision, remarked that in his opinion that bank needed either an act of the Legislature reducing its capital to the capacity of its directors, or an act of God increasing the capacity of its directors to the measure of its capital.

Thus stated we have a clearer view of the principle made active by means of Mr. Stickney's plan and of the method by which it becomes possessed of the faculty for keeping a trade derangement, whenever and wherever it develops in the industrial organism, local; and not only confining it there, but bringing it also as speedily as may be within narrower limits by giving it as little as possible to feed upon. In its nature such a derangement by neglect may become epidemic and contagious, and hence requires the same treatment as any disease with those characteristics. Of course, Mr. Stickney disclaims the expectation of preventing periods of undue speculation followed by crises in which the immediate speculators are ruined. On the other hand, he does expect, and we think he has demonstrated, that if the banks can be got into a shape which permits of their continuing in a crisis the function of "swapping credits," the crisis can be restricted and stamped out within the circle where it has origi-

nated, and all other values and all other trades and industries and labor will retain normal relations.

There is certainly no excuse for permitting a heedless speculation in New York to be followed by industrial depression throughout the country. If a private banker—at the time of the Northern Pacific corner, when money was ruling at 60 per cent. and not easy to get at that—could loan millions at 6 per cent. and thereby stop the panic, a system of banks that becomes paralyzed at such crisis and utterly unable to come to the help of the public obviously needs to have its loaning function reconstructed. Says Mr. Stickney if I were to mention classes of property which have steady intrinsic value by reason of a constant demand and requirement I would name the homes which give shelter, and the farms and manufacturing plants which produce food and clothing, and the labor, the basis of all wealth. But it is notorious that these parts of our industrial fabric had practically no market value during the panic of 1893 and that every man who had all his savings invested in equities in such properties and was forced to realize was ruined, while the two million idle laborers who were starving and in rags had the capacity to consume everything their labor would have produced if the captains of industry had been in position to set them to work.

Finally, note a single other point Mr. Stickney makes. He says very truly that the wares of commerce follow the drafts of commerce. You may subsidize ships to sail the seas, and build navies to carry the flag to every continent and island, and yet you never will control the commerce nor the wealth of the world until you have a banking system which can manage the exchanges of the world during commercial crises and maintain at all times a fairly uniform rate of interest. Ask those statesmen who seem to think that carrying the flag changes the course of trade, "at what price a banker in Manila will buy time drafts on New York against consignments as long as he knows that by the time the draft reaches New York for rediscount it may meet a current rate of two per cent. per annum or a quarter of one per cent. per day, or a refusal by the banks to rediscount at any rate. On what terms could the Manila banker reimburse himself by selling to importers drafts on scared banks!" The principal reason why Great Britain is the market place of the world's commerce is "because every banker and merchant in every quarter of the world knows within two or three per cent. per annum the exact value of a draft for rediscount in London."

There is one matter mentioned in the address and made a part of Mr. Stickney's plan which we would be slow to approve. We refer to the "Central Bank in the chief trade center, with branches at other leading trade centers." There are serious objections to that feature. Besides the office that device is intended to fill could, we believe, be otherwise provided for in a more desirable way. But we have already made this article so long that we cannot enter upon that discussion on the present occasion.

#### MR. GAGE AND MR. ECKELS ON THE TREASURY SYSTEM.

The speeches on the currency and on the Treasury system, delivered at the Milwaukee Convention, possess considerably more importance than such addresses usually do, because they undoubtedly foreshadow at least some initial effort by Congress to reform the evils pointed out. There has been no occasion, in many years past, when analysis, before a bankers' convention, of the weak points of the note issue and Sub-treasury system would not have appeared a mere academic discussion. People who felt the most strongly on the question of reform were usually the first to admit its impracticability. This fundamental objection does not exist at the present juncture; or if it exists it is only in the form of doubt as to the nature of the remedy. That the matter will be seriously discussed by Congress seems to be hardly questioned, and this is more than could have been said at any similar moment in this generation. What will be the result of such discussion is a matter of broader conjecture. But taking the situation as it is nothing could be more wise and proper than the frankness with which Secretary Gage and ex-Comptroller Eckels have laid the problem before the public.

We wish to express first our approval of the limitations set by Mr. Eckels to the possible influence of the proposed reforms. There is always more or less discussion of these questions, based on the notion of a sort of financial Utopia attainable through remedial law. We have had currency statutes proposed which were to put an end to the alternations of financial depression with financial exaltation, and which were to act as a positive preventive to money market derangements. Such assumptions we cannot help regarding as not only rash but mischievous. The reforms proposed will do very much to allay the violence of such shocks as periodically visit the money markets. That they will almost wholly avert some irritating disturbances to which our markets now are subject may be predicted confidently, because, as in the case of use of a public surplus, our own troubles do not exist at all in countries where the proposed plan is in operation. But no fiscal reforms and no remedial statutes will reconstruct human nature. In so far as financial troubles are, in Mr. Eckels's words, "the result in the first instance of undue extravagance on the part of the Government or of the people," we agree with him that no fiscal system and no remedial legislation can wholly prevent the consequences.

We advert to this phase of the question, because we have no wish to claim for any measure more than it can perform. But when this is said the fact remains that the financial markets in this country are subject to certain severe disturbances and strains which are wholly needless, and the endurance of which, year after year, without an intelligent effort at relief, is nothing less than discreditable to American common sense. We refer to the keeping alive of the legal tenders and to the continuance of the

present so-called Sub-treasury system, with both of which evils the speakers at Milwaukee dealt.

Secretary Gage handles the Sub-treasury problem very adroitly. He shows exactly what this system of managing a public surplus has done and leaves it to his hearers to say, as practical business men, (1) whether the locking up of this money in the vaults of the Treasury has not been a needless precaution; (2) whether it has not involved the sacrifice of a very considerable income which the Government might have enjoyed, and (3) whether it has not deprived the money market of resources to which it had a right.

Mr. Gage answers each of these questions with the directness and conclusiveness of an expert accountant. If the practice of depositing public moneys with banks of clearing house cities in proportion to each institution's capital and on the security of a prior lien on the assets of the depository had been adopted during the three past decades not a dollar would have been lost. If the banks had paid 2 per cent. interest on current accounts of this sort, the Government would have been the richer by thirty-two million dollars. If the banks had in the same period had the use of all these funds they would have been enabled to increase legitimate credits extended to the market by two hundred million dollars.

The truth of the matter is the Sub-treasury system is an awkward and primitive makeshift, worthy of Turkey or China as a measure of Government practice and adopted in the first place only as a refuge from a bank deposit system which the Government itself had at the time demoralized by the most flagrant violation of all sound banking rules. The system was in fact ridiculed at the time of its earliest discussion. The plan of a Government agency to hold and administer its own money was twice voted down in Congress after President Van Buren proposed it in 1837, it was finally adopted by a narrow vote in 1840, repealed outright in 1841 and finally re-enacted in 1846, not because anybody was particularly anxious for it, but because there was absolutely nothing else to be done. The bill to re-establish a central national bank had been repeatedly overthrown, and by virtue of necessity the Government had been for six years carrying out the principles of the Sub-treasury Act, because there was no other way to handle the public moneys. It could hardly be expected that a measure adopted as a result of such a situation would provide with much foresight for the exigencies of the future. Yet, as a matter of fact, this is to all intents and purposes the law under which the six or seven hundred million dollars now annually taken in and disbursed by the Government is handled.

We hardly need to dwell on the extent to which this method of finance, in its practical operation, has been a nuisance and a menace to the markets. It has had the anomalous result of making the Treasury a danger to the financial situation in exact proportion as national prosperity increased, and with it national revenues. It was a factor whose disturbing influence could not even be measured

in advance. It practically forced the hand of half-a-dozen Secretaries of the Treasury to the adoption of expedients which were really wasteful; and what was much worse, it induced the conservative banking community to condone, if not directly to encourage, extravagance in public appropriations which had at any rate the merit of stopping a limitless drain on the resources of the markets. To what extent the markets of this very autumn have been threatened by the actions of this financial Frankenstein, is well known to everybody.

Secretary Gage offers the simple and single solution of the difficulty. "I believe," he concludes, "that the public moneys in excess of a reasonable working balance for daily use should be deposited in the national banks. That a simple and safe system of distribution of funds can be devised, I have no doubt." Mr. Eckels, endorsing to the full this suggestion by the Secretary, adds that he "would like to see the complete abolishment of the Sub-treasury system of the United States. There never was any excuse for the establishment of that system, except a bare political necessity, and there is no possible reason why it should be continued. It stands as a menace to the trade and commerce of the people of the United States, because each day takes out of the channels of trade and commerce much of the money of the country which could be used legitimately for the purposes of trade and commerce, and locks it up there, in wasteful idleness, a menace to business and a source of recurring danger to the financial interests of all the people."

Whether complete abolition of the Sub-treasury device is or is not practicable, may be a valid question. But we understand Mr. Eckels to mean, as did Mr. Gage in the paragraph cited from his speech, that the abolition policy should extend to the entire system of keeping on hand in idleness a great part of the country's circulating medium. Provision for the deposit in the banks of all the surplus outside of the necessary working balance—the petty cash, so to speak, of the Government—would in reality be the abolishment of the Sub-treasury system.

This cannot be effected under the present plan of requiring Government bonds as collateral security. In the first place, the law does not now permit the Treasury to turn over customs revenues to depositaries, this rule being a relic of the days of depreciated paper currency, when payment of import taxes was required in specie. It is now very nearly twenty-three years since this discrimination became completely needless; yet the exception of customs revenue from the bank deposit funds continues. This is a fair sample of the whole obsolete outfit of fiscal machinery.

Moreover reform of the system cannot well occur under present statutes, because of the bond deposit proviso. The law declares that "the Secretary of the Treasury shall require the associations [national banks] thus designated to give satisfactory security by the deposit of United States bonds and otherwise." There has been some debate as to whether

the Secretary might not claim the power, under this act, to accept other securities for most or all of this collateral. But the question is immaterial under present conditions; no Secretary, unless explicitly empowered, is at all likely to strain the interpretation of the law in favor of such enlargement. The very least, it seems to us, that Congress can do, is to authorize distinctly the acceptance of other than United States bond security for such deposits, and the inclusion of customs revenue in the funds deposited. The reasons for this extension of collateral are perfectly manifest. It is one of the many anomalies of the situation that, with the supply of outstanding Government bonds necessarily limited, banks are often unable to accept such public deposits at moments when the market needs the money and when the Treasury is anxious to provide it. It is another anomaly that the United States bond requirement brings the banks into the market as competitors against the Treasury itself in its redemption operations, thus making sinking-fund purchases exceptionally costly at the hour when they are heaviest. The whole position, judged by its tangible results, has almost the air of opera-bouffe finance.

We trust that Mr. Gage's discussion of this question, as well as of the general question of currency reform and extinction of the legal tenders, will be read with the greatest care. Neither topic can be avoided by the Congress which meets six weeks from now.

---

### THE BUSINESS SITUATION.

BY O. D. ASHLEY, Chairman Wabash Railroad.

A forecast of the business future of the country is, in many respects, similar to the predictions of the weather bureau, which, although founded upon meteorological conditions at the time, are often neutralized by sudden and unexpected changes in the air currents, and yet the probabilities are always worthy of consideration. Human foresight is fallible, but without its exercise we should neglect ordinary precautions and be liable to errors which may possibly be avoided. Hence these yearly papers make no pretension to foresight which is not available to all business men who study the trade currents and the financial events of the time, and claim no exemption from the common liability to error.

It was patent to impartial observers, for example, before the Presidential election of 1900, that success to the party which advocated the adoption of the silver basis would have completely neutralized the prosperous business conditions of the country. The notes of alarm then sounded were in the nature of prophetic utterances, but the quick response to the favorable verdict of the people, in the renewal and continuance of industrial activity, after a significant pause, proved the importance of the decision and the necessity of the warning. The removal of this dangerous proposition from the arena of politics should be highly gratifying to the business community.

An outline review of events during the year, which exert an influence in the field of finance and

trade, will naturally furnish the basis of opinions as to the near future, always subject, however, to modifications wrought by unforeseen conditions.

The Treasury statistics of foreign trade for the fiscal year ending June 30th present another remarkable showing in our favor. The exports of merchandise show an excess of \$664,900,011 over the imports—the largest yet reported. Adding this to the amount of gain in the four preceding years and we have an aggregate excess in round numbers of over \$2,621,000,000 in the five fiscal years, 1897 to 1901 inclusive.

These interesting statistics, subjected to analysis, seem to prove that while the manufacturing industries and mineral products of the country have been less favored in the foreign demand, the agricultural interest has profited by the short crops of Europe more than enough to compensate for the reduction in mining and manufacturing exports. The home demand has, meanwhile, been active and increasing, and probably sufficient to neutralize the decrease in these particular products. At all events, there are no indications of a serious interruption of industrial prosperity, except, perhaps, in printing cloths, which were probably affected by the Chinese trouble.

With all these evidences of national prosperity, which encourage the expectation of another record breaking year in the business conditions of the country, disquieting events at home and abroad cannot be ignored with safety, but should be carefully weighed and examined in order to determine their immediate or ultimate bearing upon the present and their possible influence upon the near future. Early in the year it became known that the Great Northern and Northern Pacific Railway Companies had acquired joint control of the Chicago, Burlington & Quincy system by purchase of a majority of its stock. This was followed by a deal with the C., B. & Q., under which the two companies guaranteed to the stockholders of the latter eight per cent. on the par value of their stock, or four per cent. on a valuation of \$200 per share. An issue of four per cent. bonds by the Great Northern and Northern Pacific completed this arrangement and secured full control of the C., B. & Q. stock. In the month of May following Wall Street was startled by an urgent demand for Northern Pacific stock, and it soon became evident that control of this company was claimed by two parties: one representing the Great Northern and Northern Pacific directors, and the other the Union Pacific, the object of the latter company being, apparently, the acquisition of an influence which would prevent the use of the C., B. & Q. system by its Northern rivals to the prejudice or disadvantage of the Union Pacific. The result of this buying competition was an abnormal, not to say absurd, advance in the market price of Northern Pacific stock, and, accidentally, a close corner which threatened the unfortunate "shorts" with financial ruin. The effect of this startling exposition was a temporary panic at the Stock Exchange, which sent prices of many of the leading stocks rattling down from ten to fifty per cent. in twenty-four hours.

Brief and unwarranted as this disturbance proved to be, it was a striking illustration of the weak points in the speculative market, and although the recovery was quite as rapid as the decline it required prompt and powerful influence from the magnates of finance to avert serious consequences. The incident revealed, prematurely, transactions of unusual magnitude conducted in secret in the consummation of far reaching schemes and a counteracting movement. Quickly following this exciting episode in the stock market came the issue of a large block of four per cent. convertible bonds by the Union Pacific, partly in payment for Southern Pacific stock, the control of which had been acquired by the former, and partly, it is assumed, to cover the purchases of Northern Pacific stock.

These bold measures carried out by the powerful syndicates in control came with bewildering effect upon Wall Street. The formation and quick execution of such gigantic plans, without preliminary notice, caused astonishment, but no unfavorable criticisms followed, and the presumption is that the assurance of good profits in the transactions has satisfied all parties interested. It is too early to form any trustworthy opinion as to the wisdom of these important movements, but the inference is that the "community of interest" policy, adopted by many of the leading railway companies, meets thus far with tacit approval. Its extension to other large systems will, in the ratio of control obtained, diminish the rate cutting evil, which is the most serious trouble in railway transportation heretofore encountered.

The permanent control of competing lines is practically equivalent to a consolidation, so far as the regulation and maintenance of schedule rates are concerned, and to that extent it is a substantial advantage. The same combination of interests can easily cause the adoption of measures for the more economical administration of all the lines within the sphere of influence. A very large amount may thus be saved in the condensation of expensive offices and agencies, and in various ways the machinery of transportation can be simplified and regulated. If such results can be obtained under the policy indicated, the gain to the railway companies involved will be substantial and satisfactory. Whether the cost of a control which may accomplish this object has been too great or not is a question which time only can decide.

This first year of the new century promises to be a record breaker in the development of colossal schemes in the domain of industry and finance, as well as in transportation. The organization of the United States Steel Company, with a stock capitalization of \$1,100,000,000, and a debt of \$304,000,000, representing together a liability of more than \$1,400,000,000, is the largest capitalization ever assumed by a corporation in this country, if not in the world. With its five per cent. bonds the company secured control of the Carnegie works, and with the stock, exchanged for that of the Federal and National Tube, American Steel & Wire, the American Tin Plate, the American Steel Hoop and the Ameri-

can Sheet Steel Companies, brought all of these important industries under one corporate management. The magnitude of this transaction naturally astonished the business community, while the boldness of its conception and the immediate success of the scheme have caused surprise, as well as admiration of the broad intelligence displayed in its execution.

The underlying principle which governs this combination of industrial works is the same as that which is bringing the transportation lines into harmonious relations. During the strike which followed under the direction of the Amalgamated Association, it has become evident that the single control of the United States Steel Company has been of great advantage in meeting the combination of workmen by united action on the part of the employers. Instead of divided councils and indecision, the Steel Company have been able to meet the emergency promptly and intelligently. If the strike had occurred while the Steel Companies were under separate management the situation might have become complicated by the possible concessions to unreasonable demands by some of the companies; but the policy adopted to govern the whole has baffled the schemes of the Shaffer amalgamation. A strong combination of working forces on the one side has been met by an equally strong combination of employers on the other, and as no actual grievance existed the result of such a struggle could not be doubtful. The poor workmen who have been misled will be the principal sufferers.

Nearly all of the industrial companies, originally organized as "Trusts," have become incorporated under general State laws, and are now regular corporations, although still called "Trusts" in current references to such concerns. Agitation in the field of politics against such combinations will probably suggest hostile legislation on the part of Congress at the coming session; but except in the way of supervision and regulation it is not easy to see how Congress can interfere with State corporations legally authorized, even were such interference desirable. Corporations have done more to develop the resources of this country than all other influences combined. They have built our railways, opened our mines and stimulated manufacturing industry. What individual effort could never have accomplished has been wrought by corporations in an incredibly short space of time. The only novelty in these industrial corporations is in the magnitude of the combinations, and in the concentration of the controlling power. The movement in this direction may be called world wide; it has been highly successful, as a rule, in Great Britain and in Germany; and the reaction now progressing in the latter country is probably due partly to the error of excessive capitalization and partly to the competition of the United States. Progressive intelligence approves the policy of union in control for the mutual benefit of the associated companies, and, thus far, consumers have been the gainers in cheaper and probably better products. If any measures can be devised within the constitutional powers of Congress to supervise and regulate these corporations

without attacking vital principles, which are the protection of business enterprise and the safeguard of property, no reasonable objection can be offered; but the popular voice will not sanction aggressive measures designed to hamper business enterprise and perhaps affect injuriously the value of corporate property. The restrictions and conditions to which all manufacturing corporations are subject under State laws should be sufficient. The overvaluation of these consolidated corporations, in the issue of equal amounts of preferred and common stock, when the preferred stock alone represents the true market value of the property, is the real objection to these organizations. It encourages a vicious policy of inflation, which the managers of such concerns will themselves discover and correct as far as possible. With this defect removed, and with a reasonable publicity as to business operations, the objections to industrial companies will be reduced to a minimum. The fear of a removal of competition is an *ignis fatuus*, which will disappear whenever unreasonable profits are demanded. Competition in this country cannot be prevented so long as the people are at liberty to invest capital in new undertakings. This fact alone will exert a salutary influence upon the policy of these great industrial corporations.

The failure of the Seventh National Bank, followed by that of two small banks in Buffalo, were disquieting events during the summer, not that the institutions themselves were of much importance, but because the failure of the Seventh National was the result, apparently, of careless and injudicious banking, suggestive of an extraordinary extension of credit in aid of speculative projects. Viewed in this light the exposure should exert a wholesome influence.

Except in the temporary disturbance caused by the withdrawal of currency from New York, to aid in the crop movement, and in the locking up of surplus revenue by the United States Treasury, there is nothing in the situation to excite fears of real stringency in the money market. The conditions upon which the structure of credit rests are all favorable to the continuance of monetary ease. The tendency to higher rates of interest in the employment of capital is the natural result of the growth of legitimate as well as speculative enterprise, stimulated by the abundant supply of available funds and the rapid advance in market valuations which has taken place. The credit balance of the country, making due allowance for its absorption by the return of our securities from Europe and its investment in foreign loans, must still be very large, and this will be available for use in the home market, if it can be more profitably employed than in foreign money centres. If any danger lurks beneath the surface it is in the speculative mania which this abundance of money excites. At such periods innumerable schemes present themselves to tempt capital from its temporary idleness by the promise of large returns, which too often lack confirmation. The expansion of credit and the inflation of market values, resulting from these speculative operations, constitute

a peril from which conservative banking should protect the community. Public confidence is the foundation of credit, and any sudden shock to this fundamental support may at any time create widespread disturbance in financial affairs; but an intelligent and judicious management of the machinery of credit will be a strong safeguard against such contingencies.

A large shortage in the corn crop is an indisputable fact, and it is too early to form a trustworthy estimate of the cotton yield; but with these exceptions the crop conditions should be considered satisfactory. Railway traffic continues to show large gains, although comparing still with the heavy increase of the previous fiscal year. If any loss is to be expected from the deficient corn crop, it will not appear before December, when new corn should begin to move.

A careful survey of all the conditions essential to prosperity fails to develop cause of disturbance which may not be removed by judicious and conservative action on the part of the great financial agencies in control of our credit system.

An overwhelming sorrow has fallen upon the heart of the nation in the loss of its honored President; but the prompt and intelligent administration of our national affairs, already initiated by his successor, will speedily remove all apprehension of disturbance in that direction. Thus while the nation mourns an irremediable loss, its people will gratefully acknowledge the consolation brought by the timely and judicious acts of the new President.

---

#### THE WORK OF THE ASSOCIATION.

That the American Bankers' Association is each year growing in efficiency and usefulness admits of no question. The statement is true in a double sense—that is, both as concerns the practical work in which the banks alone have an interest and in that broader capacity in which the Bankers' Association acts to enlighten public sentiment on important banking and financial questions through intelligent discussions of the same or through well-matured essays or addresses. We regard the latter function as hardly less important than the former, and it is gratifying therefore to find that this function is not being neglected, while the practical work of most immediate interest to the banks is each year being looked after, as it should be, with increasing care and thoroughness.

The distinctive feature of the proceedings of this year's Convention has been the papers and addresses read before the assembled delegates. Not in many years have these addresses excited such universal and widespread interest. The reason for this must be patent to every one. In the first place the subjects were well selected. They were all within the scope of the work of the Bankers' Association and they related to matters of concern not alone to the banks but to the whole community. In the second place, the speakers to whom these subjects were assigned were men of ability, fitted by training and experience to handle them, and the

outcome of whose efforts was certain to be something worthy of the occasion and worthy of the men. What, for instance, could be more appropriate or more to the point than Mr. Gage's thoughtful discussions of the Treasury situation and the currency problem in his so-called "Informal Talk," or more pertinent or more in accord with the promptings of sound sense than the observations of Mr. James H. Eckels, ex-Comptroller of the Currency, on "Assets Currency," or of wider interest or of deeper concern than the theme so ably handled by Mr. A. B. Stickney, the President of the Chicago Great Western Railway Company—namely, "The Medium of Exchange and the Banking Function." As to the other topics discussed, the Federal Bankrupt Law touches the interest of every bank and every business man in the community, and Mr. Walter D. Coles, Registrar in Bankruptcy at St. Louis, Mo., certainly possesses many qualifications for dealing intelligently and understandingly with the subject; and the Financial and Commercial Future of the Pacific Coast, which was the subject of a discourse by Mr. P. C. Kauffman, Cashier of the Fidelity Trust Company of Tacoma, Wash., is a matter which no one in this wide country would be willing to ignore.

It is a significant commentary on the contentions of those who are constantly belittling the set addresses,—calling them "literary" features which should be accorded only a minor place in the yearly proceedings or be eliminated altogether,—that while these persons were still urging their views, entirely oblivious of the experience of other recent years, there should come such a signal demonstration as we have had within the last week that by the public at large these addresses are held in higher esteem than any other portion of the work of the annual Conventions. To-day nearly every paper in the land, from the Atlantic to the Pacific, and from the Canadian to the Mexican border, is discussing the remarks of Mr. Gage, Mr. Stickney, Mr. Eckels and the other speakers, thereby making the name of the American Bankers' Association a household term. Except for these addresses the proceedings of the Convention would have passed without notice, for there would perforce have been nothing of general interest to comment upon, since the various committees, which are rendering such admirable services in their several capacities, work silently and effectively all through the year, not merely on Convention day alone. We imagine it will be a long time before the "literary" feature will be dropped.

Passing this point, however, every one will rejoice to see the multiplying evidences of the prosperity and success of the Association now visible on every side. We need hardly tell the reader that the American Bankers' Association has had a useful and an honorable period of existence. As Secretary Gage in his excellent address well said, "the Association was inaugurated by men who were the best representatives of the banking profession; men who stood for the highest ideals and best practices; men who had a sense of public duty and who were

patriotic and helpful in all the great financial questions which touched our national interests." Mr. Gage was right, too, in saying that the growing influence and usefulness of the Association proves that the efforts of these men were wisely directed. Every one will agree with Mr. Gage when he places the late Mr. George S. Coe in the front rank of those who, in the early years of the Association, gave their best efforts to its advancement and to founding it on a broad and enduring basis. Some of the other names which Mr. Gage recalled were Mr. Hall, of Boston; Mr. Buell and Mr. Vermilye, of New York; Mr. Patterson and Mr. Comegys, of Philadelphia; Mr. Tyler, of Boston; Mr. Simons, of South Carolina; Mr. H. H. Camp and Mr. Van Slyke, of Wisconsin; Messrs. Barrett, Sneed and Murray, of Kentucky; Mr. Yates and Mr. Millard, of Omaha, and Mr. Hollister, of Grand Rapids.

With such men guiding the early affairs of the Association and lending their time and their influence to its advancement, it is not strange that the Association from the beginning exercised great power upon affairs, although the number of members remained comparatively limited. It is not surprising, either, that in the more recent years, with an appreciation of the useful purposes which the Association could be made to serve from a practical standpoint numbers should have greatly multiplied under the energy and activity of the officers and committees of the Association. It will be admitted too, we think, that the application by Mr. Caldwell Hardy, of the Executive Council, of the phrase "community of interest" to the aims and work of the Association is highly appropriate.

The report of the Secretary, Mr. James R. Branch, to which we alluded in our article on the Financial Situation in last week's CHRONICLE, speaks eloquently of the progress of the Association. Nothing could indicate more forcibly the importance of this bankers' guild, if we may so term it, or its strength, or the magnitude of the interests represented by it, than the bare statement that since the Convention of 1900 the paid membership has further increased from 4,391 to 5,504, and that the capital, surplus and undivided profits of the 5,504 members aggregate \$1,718,727,441, and that their combined deposits are \$6,288,955,200, making a total of assets in the prodigious sum of over eight thousand million dollars—\$8,007,682,641, these figures, too, being irrespective of the assets of the 551 private bankers who do not make reports. Six years ago, in 1895, the membership was only 1,500, and the addition of 4,000 members since then affords striking testimony to the growth of the Association in favor and in influence. The addition of 1,113 members during the late year was the largest of any similar period in the history of the organization.

We have dealt in previous articles with the address of Mr. Stickney and with the remarks of Mr. Eckels and Secretary Gage. As to the working of the Federal Bankruptcy Law, Mr. Coles points out the many advantages and virtues of the law, and he also shows its defects. These defects, however, he contends, while oppressive and unjust

in their action, are not fundamental or irremediable in character. Mr. Kauffman's paper on "The Financial and Commercial Future of the Pacific Coast" furnishes a glowing account of the progress and development of the Pacific section and its splendid prospects. Mr. Kauffman laments the fact that our growing trade with South America and the Orient is settled almost entirely with bills of exchange on London, and he urges the establishment by Congress of an international bank with headquarters in New York and branches in all the leading commercial cities of the globe. He thinks that if this were done and the development of our merchant marine looked after, the people of this country ere the close of the twentieth century "will not only see the United States the unquestioned mistress of the Pacific and the vast commerce that will burden its bosom, but the celebrated 'Old Lady of Threadneedle Street' walk with equal step with her famous kinsman, 'Brother Jonathan, of Wall Street,' conscious that they twain control the finances and commerce of the world."

A few words will not be out of place with reference to the reports of the various committees, upon whom and the active officers of the Association, as was well said by Chairman Caldwell Hardy (President of the Norfolk National Bank, of Norfolk, Va.), of the Executive Council, the burden of the work of the Association naturally falls. The Protective Committee has continued its labors along the lines which have become so familiar, and its work constitutes one of the best known and most useful features of the activities of the Association. Mr. A. B. Hepburn, Vice-President of the Chase National Bank, of this city, in his report as Chairman of the Committee on Internal Revenue Taxation, speaks modestly of the results accomplished by that committee. Nevertheless, if the committee has not been successful in securing the repeal by Congress of the internal revenue tax on capital and surplus of the banks, it has at least rendered important services to the customers of the banks in having the two cent tax on stamp checks removed. The Convention adopted a resolution petitioning Congress for a repeal of the taxes referred to.

The feature of the work of the Committee on Education has been the organization, as authorized by the Association at its Convention last year, of the American Institute of Bank Clerks. Colonel Lowry's report as Chairman and Mr. Kittredge's report as Secretary are devoted entirely to the elucidation of the functions and purposes of the Institute and to showing what progress has been made in establishing chapters thereunder. The creation of this Institute, to promote the education and the advancement of bank employees, is, as every one will admit, a step in the right direction, and should prove of inestimable advantage to such employees and to the banks as well. The Association at its present session acted wisely in again endorsing the idea and repeating last year's appropriation of \$10,000.

The Committee on Uniform Laws, of which Mr. Frank W. Tracy, President of the First National Bank of Springfield, Ill., is Chairman, is

another body which has done good and effective work, particularly in having the Negotiable Instruments Law passed in quite a large number of States. The Convention endorsed the recommendation of the committee that the Executive Council make an appropriation for the continuance of the work.

Mr. Hardy, of the Executive Council, paid a deserved tribute to Mr. A. C. Anderson, Cashier of the St. Paul National Bank, of St. Paul, Minn., to whom he gives credit as the moving spirit in the exertions of the Committee on Fidelity Insurance. This body, as is well known, during the three years of its existence has made an exhaustive investigation of the subject of fidelity bonds for employees, both in this and in other countries, and has been instrumental in securing the adoption of a form of bond devised by it and copyrighted in the name of the Association.

The report of the Committee on Express Company Taxation (composed of F. W. Hayes, Percival Kuhne and Chas. R. Hannan) was somewhat briefer than heretofore, but the Committee had gone very thoroughly into the subject in their report of last year. The present report sets out the difficulties that stand in the way of instituting legal proceedings to compel the express companies to pay taxes the same as banks for the privilege of conducting a banking and brokerage business. The Committee should certainly be empowered to continue its work for another year.

The Executive Council and the Convention are to be commended for having refused to adopt resolutions supporting bills in Congress in favor of the reorganization of the United States Consular Service and the creation of a Department of Commerce and Industries. The ground wisely taken was that action along those lines would be foreign to the general work of the Association.

---

#### *THE GROWTH OF THE NEW YORK TRUST COMPANIES.\**

The continued expansion in the business and operations of the Trust Companies of New York State constitutes one of the most remarkable developments of modern times, and has no parallel in financial history. We have referred to this growth on many previous occasions, but it becomes more striking with each further addition and with the appearance of every new return. Moreover, the movement is a progressive one, and instead of having reached its culmination in the previous large totals, as some had thought likely, is establishing new high records with every succeeding statement. Notwithstanding the enormous increases already made, present gains are actually on a larger scale than before. The aggregates as disclosed in the semi-annual returns for the first of July have just been furnished from Albany, and in the whole remarkable series of results this is the most remarkable of all.

Starting with the resources, it is found that these resources were enlarged during the last six months over 168½ million dollars. Noteworthy

\*Reprinted from the *COMMERCIAL AND FINANCIAL CHRONICLE* of July 27, 1901.

though previous additions have been, the amount of this gain surpasses the best previous record. With the present addition, the total now comes pretty close to a thousand million dollars, the exact figures being \$966,528,398, as against but \$797,983,513 on January 1 last. In the following we carry the comparisons back for a few years in order to indicate how really phenomenal the growth has been. It will be observed that as recently as January 1, 1898—that is, three and a half years ago—the total was no more than \$483,739,926. In other words, in the short interval since then the amount has doubled, rising from less than 500 millions to nearly 1000 millions.

AGGREGATE RESOURCES OF THE TRUST COMPANIES OF NEW YORK STATE.

July 1, 1901 . . . . .	\$966,528,398	January 1, 1896 . . . . .	\$392,630,046
January 1, 1901 . . . . .	797,983,513	January 1, 1895 . . . . .	365,419,729
January 1, 1900 . . . . .	672,190,672	January 1, 1894 . . . . .	341,466,011
July 1, 1899 . . . . .	722,356,523	January 1, 1893 . . . . .	335,707,780
January 1, 1899 . . . . .	579,205,442	January 1, 1892 . . . . .	300,765,575
January 1, 1898 . . . . .	483,739,926	January 1, 1891 . . . . .	280,688,769
January 1, 1897 . . . . .	396,742,948		

Not less remarkable than the gain in the grand aggregates is the wide and general nature of the growth, it extending to the old and the new companies alike. In our Investment Department we devote five pages to a presentation and comparison of the returns of the companies of this borough and Brooklyn. The periods compared are those for the last three semi-annual dates, and examination will disclose that in the whole long list there are only two or three companies that fail to record very decided increases. We cannot enumerate all the gains where there are so many, but taking only the most conspicuous instances, the New York Security & Trust during the last months has increased its resources from \$24,795,331 to \$37,035,316, the Morton Trust Company from \$39,272,282 to \$63,497,583, the Union Trust from \$56,549,440 to \$71,191,138, the United States Trust from \$76,063,429 to \$84,271,060, the Trust Company of America from \$17,857,384 to \$22,299,703, the Mercantile Trust from \$53,318,845 to \$68,854,926, the Guaranty Trust from \$28,596,070 to \$40,575,949, the Farmers' Loan & Trust from \$53,277,567 to \$61,125,647, the Knickerbocker Trust from \$24,317,618 to \$32,473,592, the Central Trust from \$52,995,254 to \$62,529,369, the Colonial Trust from \$19,401,610 to \$24,328,504, the Merchants' Trust from \$6,022,673 to \$12,190,395, and the New York Life Insurance & Trust from \$34,112,569 to \$39,060,976.

We need hardly say that with such a large increase in resources the last six months there has been a corresponding increase in the deposits of the Trust Companies. As a matter of fact the addition to deposits during this period has been no less than 164 million dollars, and the aggregate of these deposits is now over eight hundred million dollars, being \$802,518,096. On January 1, 1897, this same aggregate was only a little over three hundred millions (\$305,354,637), so that in the 4½ years there has been a gain of almost 500 million dollars. The magnitude of this total of \$802,518,096 will perhaps be better appreciated when we say that the deposits of all the New York City Clearing House banks at the same date were \$971,382,000.

AGGREGATE DEPOSITS OF THE NEW YORK TRUST COMPANIES.

July 1, 1901 . . . . .	\$802,518,096	January 1, 1896 . . . . .	\$307,351,893
January 1, 1901 . . . . .	638,121,771	January 1, 1895 . . . . .	285,741,794
January 1, 1900 . . . . .	523,541,570	January 1, 1894 . . . . .	266,092,055
July 1, 1899 . . . . .	594,462,708	January 1, 1893 . . . . .	264,295,048
January 1, 1899 . . . . .	467,184,258	January 1, 1892 . . . . .	234,466,697
January 1, 1898 . . . . .	383,328,725	January 1, 1891 . . . . .	211,320,275
January 1, 1897 . . . . .	305,354,637		

The bulk of the six months' increase in resources and deposits has been employed in the making of loans upon collateral. No less than 139 million dollars has been put out in that way, and the aggregate of the collateral loans held by these institutions now reaches 527 million dollars. Last January they had out only 388 millions in such loans, and on January 1, 1897, the total loaned on collateral was less than 170 million dollars. Here are the comparisons:

LOANS ON COLLATERAL BY TRUST COMPANIES.

July 1, 1901 . . . . .	\$527,040,175	January 1, 1896 . . . . .	\$169,161,348
January 1, 1901 . . . . .	387,911,415	January 1, 1895 . . . . .	148,953,820
January 1, 1900 . . . . .	328,143,588	January 1, 1894 . . . . .	147,794,024
July 1, 1899 . . . . .	378,218,698	January 1, 1893 . . . . .	196,321,422
January 1, 1899 . . . . .	283,402,822	January 1, 1892 . . . . .	173,552,829
January 1, 1898 . . . . .	230,581,708	January 1, 1891 . . . . .	166,685,758
January 1, 1897 . . . . .	169,894,938		

Besides the \$527,040,175 loaned on collateral, the Trust Companies had at the same date \$42,524,584 of loans on personal security, bringing the total of their loans close up to 570 million dollars. This shows what a power these institutions are becoming in the money market and what competitors of the banks they are.

LOANS ON PERSONAL SECURITY BY TRUST COMPANIES.

July 1, 1901 . . . . .	\$42,524,584	January 1, 1896 . . . . .	\$29,369,703
January 1, 1901 . . . . .	39,840,066	January 1, 1895 . . . . .	22,791,215
July 1, 1900 . . . . .	47,937,934	January 1, 1894 . . . . .	22,636,957
January 1, 1900 . . . . .	31,191,271	January 1, 1893 . . . . .	19,698,925
January 1, 1899 . . . . .	29,930,376	January 1, 1892 . . . . .	17,210,145
January 1, 1898 . . . . .	31,183,292	January 1, 1891 . . . . .	9,755,643
January 1, 1897 . . . . .	25,788,188		

Another way in which the Trust Companies have great power over the money market and over the banks is in the large amount of available cash they have. Their total of cash on hand and on deposit July 1, 1901, was over 116 million dollars—\$116,183,077. Of this only \$8,814,223 was in their own vaults, the other \$107,368,854 being on deposit in the banks subject to call. Of course, all these figures relate to the Trust Companies of the entire State, and not New York City alone, but the latter make up the bulk of the whole.

CASH ON HAND AND ON DEPOSIT.

July 1, 1901 . . . . .	\$116,183,077	January 1, 1896 . . . . .	\$50,804,137
January 1, 1901 . . . . .	105,702,416	January 1, 1895 . . . . .	61,206,703
January 1, 1900 . . . . .	81,366,288	January 1, 1894 . . . . .	74,365,761
January 1, 1899 . . . . .	71,734,621	January 1, 1893 . . . . .	35,033,016
January 1, 1898 . . . . .	55,034,451	January 1, 1892 . . . . .	33,932,847
January 1, 1897 . . . . .	54,642,344	January 1, 1891 . . . . .	26,564,978

With reference to the other investments, it is only necessary to say that both the so-called stock investments and the holdings of real estate mortgages keep slowly but steadily growing.

STOCK INVESTMENTS OF TRUST COMPANIES.

July 1, 1901 . . . . .	\$209,624,054	January 1, 1896 . . . . .	\$104,512,839
January 1, 1901 . . . . .	196,852,582	January 1, 1895 . . . . .	97,555,798
January 1, 1900 . . . . .	168,195,642	January 1, 1894 . . . . .	65,998,230
January 1, 1899 . . . . .	136,561,066	January 1, 1893 . . . . .	57,185,649
January 1, 1898 . . . . .	113,525,798	January 1, 1892 . . . . .	51,132,239
January 1, 1897 . . . . .	101,983,600	January 1, 1891 . . . . .	47,180,478

HOLDINGS OF BONDS AND MORTGAGES.

July 1, 1901 . . . . .	\$43,862,482	January 1, 1896 . . . . .	\$25,114,077
January 1, 1901 . . . . .	40,730,576	January 1, 1895 . . . . .	21,569,504
January 1, 1900 . . . . .	38,143,145	January 1, 1894 . . . . .	17,451,674
January 1, 1899 . . . . .	34,855,023	January 1, 1893 . . . . .	15,062,290
January 1, 1898 . . . . .	32,624,995	January 1, 1892 . . . . .	13,373,463
January 1, 1897 . . . . .	28,692,428	January 1, 1891 . . . . .	17,537,008

*THE TRUST COMPANY SECTION.*

The Trust Company Section shares in the general prosperity and growth of the American Bankers' Association. It was a happy thought that originally suggested the organization of this Section as a distinct branch and department of the Bankers' Association. The Trust Companies have many points in common with the banks, but they also have a separate sphere of action. At one time there was considerable jealousy between the two classes of institutions, and also more or less friction between them occasioned by the fact that their interests touch at a number of points. But this has in great measure passed away. The Trust Companies have had such a wonderful growth and their operations are of such magnitude and the number of such institutions has grown so fast, that the fact that they had come to stay and that they would have to be reckoned with as factors in the financial affairs of modern times could no longer be doubted. Hence, if the far seeing spirits in the American Bankers' Association had not voluntarily, five years ago, accorded a place to the work and activities of these new financial undertakings, the concession would, we may suppose, have been wrung from them by this time, the interests of the Trust Companies having risen to such magnitude in the interval as to demand recognition.

Entirely apart from this, however, banks and Trust Companies are working much more harmoniously together than they did a few years ago. While at first there was, as above indicated, a feeling that the Trust Companies were encroaching upon the field of the banks, and hence that the interests of the two were inimical, gradually a better understanding of the functions of these new creations has arisen. It is now recognized that Trust Companies, instead of being antagonistic to the banks, often promote and advance their interests; that they fill a distinct field of usefulness, and at the same time supplement the work of the banks, and thereby facilitate the progress of both. Hence it is not uncommon to find nowadays new Trust Companies being organized, promoted chiefly by bank officials. The mutuality of the interests of the two is plainly brought out in a pamphlet, or brochure, which has recently been circulated by the Knickerbocker Trust Company, of this city. The writer shows how inevitable it was that with the increase in the country's wealth its banking capital should find an additional channel for that portion not actively engaged in trade. He also shows that the extraordinary growth of Trust Company deposits in this State in recent years has not been at the expense of the banks, which have coincidentally increased their deposits in a very striking way during the same period. He thinks there is an ample field for both, and considers that it would be "a monstrous offense against good fortune if complaint of encroachment should be heard on either side." He well says that "if the Trust Companies are to-day entrusted with private funds of almost fabulous amount, on the other hand the banks have the handling of a commerce which is growing by leaps and bounds, which

the Trust Companies have lent material aid in developing, and which is already the most extensive in the world." From all of this he deduces the conclusion that the relations between the banks and the Trust Companies must be those of harmony and friendship, not of rivalry.

The growth of the Trust Company Section during the brief period of its existence has been very noteworthy. At first it attracted very little attention. The banking publications ignored its annual proceedings almost entirely. But the prominence accorded to the work of this Section in our *BANKERS' AND TRUST SUPPLEMENT* for 1898, and in the succeeding annual numbers of the same *SUPPLEMENT*, served to give wide publicity to its doings, thereby bringing the organization to the notice of many in the financial community who were previously unaware that such a useful body had come into being. Since then the growth of the Trust Company Section has been rapid. In 1897 the membership was 114. In 1898 there was an increase to 150, in 1899 to 190, and in 1900 to 253. At last year's session an innovation was introduced in the matter of filling the Secretaryship of the Trust Company Section. Previously the office had been a temporary one, a new Secretary being appointed by the Executive Committee each year. But last year the office was, in effect, made permanent by the appointment of Mr. James R. Branch, who has been for so many years the Secretary of the American Bankers' Association. Mr. Branch set to work with characteristic energy to increase the membership of the Trust Companies, as he had previously increased that of the banks. The result is that the accession of new members for 1900-01 surpasses that of any previous year since the organization of the Trust Company Section. Mr. Branch is able to report a total membership now of 348, which is an increase since 1900 of nearly 100.

In the papers read before the Section this year there was somewhat of a blending of the theoretical with the practical. The theoretical side was presented mainly in the very thoughtful discourse prepared by Mr. Charles Francis Phillips, President of the Corporation Trust Company, of Delaware, in which he made a comparison between our Trust Companies and the large banks and financial institutions of Europe. The title of the paper was "The Business in Foreign Countries Analogous to that of Trust Companies in the United States," and the aim, of course, was to derive useful hints and suggestions for ourselves from a study of the operations of the financial institutions abroad. The title of the address was evidently framed with the same care as that taken in preparing the body of the discourse, and it suggests at once that there are no Trust Companies in Europe; that, therefore, the study was confined to institutions "analogous" to those of Trust Companies. Mr. Phillips is inclined to think, too, that the Trust Company as we know it here is likely to remain for a long while a distinctively American form of business facility. His study leads him to the assertion that our own country "has proven itself to be, in respect to the common

financial needs of all who must work for a livelihood with either head or hands, the least democratic of the great civilized powers." By this he has reference to the facilities afforded in Europe to small borrowers and small investors, by the mortgage banks and other large financial institutions—the *Crédit Foncier*, the *Crédit Lyonnais*, and the *Société Général*—which have no parallel in the United States. Mr. Phillips' paper should be carefully read.

Bearing on the practical side of Trust Company affairs, Mr. Frederick Vierling, Trust Officer of the Mississippi Valley Trust Company, of St. Louis, had a well considered paper on the Powers of Fiduciaries Outside the State of Their Appointment. The subject is one requiring legal knowledge and training, and Mr. Vierling handled it with much skill. He indicated quite clearly the nature of the powers referred to and the qualifications and modifications to which they are subject. He divided his subject into three classes—viz., (1) where the fiduciary is a natural person; (2) where the fiduciary is a corporation, and (3) where the property of the Trust is personalty and where it is real estate. The first of these classes he further subdivided under two heads—namely, (a) where the Trust is created by act of the parties, such as trusteeships and assignments, and (b) where the Trust is created by appointment of the various courts. As far as assignments are concerned, they are still permitted under the State laws, but under the national bankruptcy law an assignment is an act of bankruptcy, and the debtor's matters, on application of any person interested, will be taken charge of by the bankruptcy court and the assignee be ousted. Mr. Vierling well says, therefore, that questions relating to assignments are no longer of greatest importance.

In the case of other Trusts created by act of the parties, the general statement may be made that the power of the trustee over Trust property in another State is the same as in the State where the trustee resides. Under the Federal Constitution the

citizens of each State are entitled to all the privileges and immunities of citizens in the several States. Accordingly, a citizen of one State may acquire, own and dispose of property in another State just as can a citizen resident in that other State, and Mr. Vierling points out that the U. S. Supreme Court has decided that this provision applies equally where the property is conveyed to a nonresident trustee in Trust. With reference to fiduciaries appointed by the Courts, Mr. Vierling shows that such legal representatives are considered officers of the Courts, and as these Courts have complete jurisdiction only in their own States, they can give their officers no greater territorial power than their own. The particulars in which this general rule is modified to some extent are set out at length.

All this relates to cases where the fiduciaries are natural persons. Mr. Vierling goes into a careful analysis of the powers of corporate fiduciaries. In some respects these seem to be at a disadvantage as compared with the natural person; in others at an advantage. In a number of States corporations are not permitted to hold real estate, and in such States a corporate fiduciary cannot take and hold title. Mr. Vierling finds that practically all the States permit foreign corporations, under restrictions, to do business generally, but all do not provide for corporate fiduciaries.

The paper of Mr. Arthur Heurtley (of the Northern Trust Company, Chicago) on Trust Company Forms was also of great practical interest, relating to the every day business of the Companies, though, as Mr. Heurtley well said, it is not a topic that one can deal with in rounded periods or over which one can indulge in any flights of rhetoric. It is eminently one of details, and Mr. Heurtley goes carefully over the subject. We cannot refrain from quoting with approval his statement that it should never require the services of a chartered accountant to check a proper system of Trust accounting, or his further statement that there is no particular mystery about accounts or book-keeping generally.

# INDEX TO ADVERTISEMENTS.

<p style="text-align: center;"><b>AUGUSTA, GA.</b></p> <p>GEORGIA RAILROAD BANK.....PAGE 27</p> <p style="text-align: center;"><b>BALTIMORE, MD.</b></p> <p>FARMERS' AND MERCHANTS' NATIONAL BANK..... 19  INTERNATIONAL TRUST CO. OF MARYLAND..... 113  MARYLAND TRUST Co..... 19  MERCANTILE TRUST &amp; DEPOSIT Co..... 18  MIDDENDORF (J. WM.) &amp; Co..... 19</p> <p style="text-align: center;"><b>BIRMINGHAM, ALA.</b></p> <p>FIRST NATIONAL BANK..... 27</p> <p style="text-align: center;"><b>BOSTON, MASS.</b></p> <p>AMERICAN LOAN &amp; TRUST Co..... 11  BOSTON SAFE DEPOSIT &amp; TRUST Co..... 1  LEE, HIGGINSON &amp; Co..... 3  MASON, LEWIS &amp; Co..... 22  OLD COLONY TRUST Co..... 10  ROLLINS (E. H.) &amp; SONS..... 10</p> <p style="text-align: center;"><b>BROOKLYN, N. Y.</b></p> <p>PEOPLE'S TRUST Co..... 31</p> <p style="text-align: center;"><b>CHICAGO, ILL.</b></p> <p>AMERICAN AUDIT Co..... 23  AMERICAN TRUST &amp; SAVINGS BANK....Inside Front Cover.  AUDIT COMPANY OF ILLINOIS..... 116  BECKER (A. G.) &amp; Co..... 23  CHICAGO NATIONAL BANK.....Inside Back Cover.  CONTINENTAL NATIONAL BANK..... 23  DEVITT, TREMBLE &amp; Co..... 20  EQUITABLE TRUST Co..... 116  MASON, LEWIS &amp; Co..... 22  MIDDLETON (J. W.)..... 20  NORTHERN TRUST Co.....Inside Back Cover.  OTIS, WILSON &amp; Co..... 21  STATE BANK OF CHICAGO..... 22</p> <p style="text-align: center;"><b>CINCINNATI, OHIO.</b></p> <p>CINCINNATI TRUST Co..... 26  KLEYBOLTE (RUDOLPH) &amp; Co..... 26</p> <p style="text-align: center;"><b>CLEVELAND, OHIO.</b></p> <p>EUCLID AVENUE NATIONAL BANK..... 26  GUARDIAN TRUST Co..... 26</p> <p style="text-align: center;"><b>DENVER, COL.</b></p> <p>ROLLINS (E. H.) &amp; SONS..... 10</p> <p style="text-align: center;"><b>DETROIT, MICH.</b></p> <p>DETROIT NATIONAL BANK..... 115  STATE SAVINGS BANK..... 115  UNION TRUST Co..... 115</p> <p style="text-align: center;"><b>GRAND RAPIDS, MICH.</b></p> <p>MICHIGAN TRUST Co..... 6</p> <p style="text-align: center;"><b>HARTFORD, CONN.</b></p> <p>HARTFORD NATIONAL BANK..... 11</p> <p style="text-align: center;"><b>HOLYOKE, MASS.</b></p> <p>WHITING PAPER Co..... 20</p> <p style="text-align: center;"><b>INDIANAPOLIS, IND.</b></p> <p>AMERICAN NATIONAL BANK ..... 116</p> <p style="text-align: center;"><b>JERSEY CITY, N. J.</b></p> <p>COMMERCIAL TRUST Co..... 29  REGISTRAR &amp; TRANSFER Co..... 29</p> <p style="text-align: center;"><b>KANSAS CITY, MO.</b></p> <p>UNITED STATES TRUST Co..... 22</p> <p style="text-align: center;"><b>LOUISVILLE, KY.</b></p> <p>AMERICAN NATIONAL BANK..... 27  COLUMBIA FINANCE &amp; TRUST Co..... 27</p> <p style="text-align: center;"><b>MILWAUKEE, WIS.</b></p> <p>FIRST NATIONAL BANK..... 4  OLIVER C. FULLER &amp; Co..... 5  MILWAUKEE NATIONAL BANK..... 5  MILWAUKEE TRUST Co..... 5  WISCONSIN NATIONAL BANK..... 6</p>	<p style="text-align: center;"><b>NEWARK, N. J.</b></p> <p>FIDELITY TRUST Co..... 30</p> <p style="text-align: center;"><b>NEW YORK CITY.</b></p> <p>AUDIT CO. OF NEW YORK..... 13  BANK OF THE MANHATTAN Co..... 12  BROWN BROTHERS &amp; Co..... 2  CANADIAN BANK OF COMMERCE..... 28  CENTRAL NATIONAL BANK..... 15  CHEMICAL NATIONAL BANK..... 15  COLONIAL TRUST Co..... 13  FARMERS' LOAN &amp; TRUST Co..... 32  FOURTH NATIONAL BANK..... 99  FLOYD, AUGUSTUS..... 115  GALLATIN NATIONAL BANK..... 113  HANOVER NATIONAL BANK..... 31  HURLBUTT, HATCH &amp; Co..... 113  IRVING NATIONAL BANK..... 12  KIMBALL (R. J.) &amp; Co..... 12  KLEYBOLTE (RUDOLPH) &amp; Co..... 26  KNAUTH, NACHOD &amp; KUINE..... 28  KNICKERBOCKER TRUST Co..... 14  LATHAM, ALEXANDER &amp; Co..... 7  LIBERTY NATIONAL BANK..... 3  MARKET AND FULTON NATIONAL BANK..... 13  MORGAN (J. P.) &amp; Co.....Outside Back Cover.  NATIONAL BANK OF NORTH AMERICA..... 9  PHENIX NATIONAL BANK..... 12  REDMOND, KERR &amp; Co..... 1  REGISTRAR &amp; TRANSFER Co..... 29  SEABOARD NATIONAL BANK..... 11  UNION TRUST Co..... 8  UNITED STATES MORTGAGE &amp; TRUST Co..... 30  WINSLOW, LANIER &amp; Co..... 112</p> <p style="text-align: center;"><b>NORFOLK, VA.</b></p> <p>CITIZENS' BANK..... 18  NORFOLK NATIONAL BANK..... 19</p> <p style="text-align: center;"><b>PHILADELPHIA, PA.</b></p> <p>BARNEY (CHAS. D.) &amp; Co..... 16  COMMERCIAL TRUST Co..... 17  FARMERS' AND MECHANICS' NATIONAL BANK..... 17  FOURTH STREET NATIONAL BANK..... 16  GIRARD NATIONAL BANK..... 113  GIRARD TRUST Co.....Inside Front Cover.  PENNSYLVANIA Co. FOR INSURANCE ON LIVES..... 17  PHILADELPHIA NATIONAL BANK..... 14  SMITH (EDWARD B.) &amp; Co..... 17</p> <p style="text-align: center;"><b>PITTSBURG, PA.</b></p> <p>DIAMOND NATIONAL BANK..... 116  HILL (GEORGE B.) &amp; Co..... 114  MELLON (T.) &amp; SONS..... 31  SAFE DEPOSIT &amp; TRUST Co..... 114  UNION TRUST Co..... 114  WHITNEY &amp; STEPHENSON..... 114</p> <p style="text-align: center;"><b>PROVIDENCE, R. I.</b></p> <p>RHODE ISLAND HOSPITAL TRUST Co..... 11</p> <p style="text-align: center;"><b>RICHMOND, VA</b></p> <p>WILLIAMS (JOHN L.) &amp; SONS..... 7</p> <p style="text-align: center;"><b>SAGINAW, MICH.</b></p> <p>SECOND NATIONAL BANK..... 6</p> <p style="text-align: center;"><b>SAN FRANCISCO, CAL.</b></p> <p>ROLLINS (E. H.) &amp; SONS..... 10</p> <p style="text-align: center;"><b>ST. LOUIS, MO.</b></p> <p>AMERICAN EXCHANGE BANK..... 25  MECHANICS' NATIONAL BANK..... 24  MERCANTILE TRUST Co..... 25  MISSISSIPPI VALLEY TRUST Co..... 24  THIRD NATIONAL BANK..... 25</p> <p style="text-align: center;"><b>TORONTO, CANADA.</b></p> <p>BANK OF TORONTO..... 28  CANADIAN BANK OF COMMERCE..... 28  DOMINION BANK..... 28</p>
---	---

# BANKING SECTION

## AMERICAN BANKERS' ASSOCIATION.

27th Annual Convention, Held at Milwaukee, October 15, 16 and 17.

### INDEX TO CONVENTION PROCEEDINGS.

The Defects of our Treasury System - - -	Pages 47 to 49	Annual Report of the Treasurer - - -	Pages 66 to 67
Medium of Exchange and Banking Function	Pages 50 to 55	Report of Auditing Committee - - -	Page 67
Assets Currency - - - - -	Pages 55 to 58	Report of Executive Council - - - - -	Pages 67 to 68
Future of the Pacific Coast - - - - -	Pages 58 to 61	Report of Protective Committee - - - - -	Pages 69 to 71
The Federal Bankrupt Law - - - - -	Pages 61 to 63	Report on Internal Revenue Taxation - - -	Page 71
Detailed Report of Proceedings - - - - -	Pages 64 to 99	Report of Committee on Fidelity Insurance -	Pages 72 to 75
Addresses of Welcome - - - - -	Pages 64 to 65	Report of Committee on Education - - - - -	Pages 75 to 78
President Alvah Trowbridge's Address - - -	Pages 65 to 66	Report on Express Company Taxation - - -	Pages 80 to 81
Annual Report of the Secretary - - - - -	Page 66	Report of Committee on Uniform Laws - - -	Page 83

### *The Defects of Our Treasury System.*

BY LYMAN J. GAGE, Secretary of the United States Treasury.

Most of you have experienced that peculiar emotion which rises in the breast when one who has been for some time separated from friends and associations returns again to the old surroundings. His sensations are half painful, half pleasant. He discovers changes; old landmarks gone, faces once familiar are not to be seen, while in their places others appear to former time unknown. Such are the feelings I experience in standing before you to-day. For there was a time in the earlier days of your Association when, if I was not an active participant in its councils and doings, I was at least a faithful and interested observer. And if I can for a moment look backward, as old men like to do, I want to refer to the first stages of your honorable organization, which is so respectably represented here to-day. Perhaps thirty years will cover your history. Its early growth was slow and doubtful. The banker, as a rule, is a hard subject to enlist in anything. He views with suspicion any proposition which may possibly commit him to joint action with anybody else. He prefers to stand upon his own responsibility, to manage his own affairs, and is not naturally friendly to suggestion from the outside. Especially is this true if there be any prospect that these suggestions will be forced upon him by any moral or other pressure. The innate disposition of the banker furnishes the very highest guarantees that the powers exercised by the bank as a unit can never be associated or centralized under the control of any one man or any coterie of men. If, then, those eloquent men who talk so glibly of the "money power" have in mind the great banking interests of the country, as represented by the ten or twelve thousand banking institutions scattered over the land, each acting independently within the limits of its own environment, these orators are very wide of their mark.

So strongly does this characteristic prevail that your organization when formed, though based upon purely voluntary lines, failed to receive the general co-operation to which its laudable purposes entitled it. While thirty years or more have passed, the ratio of membership to the total banking fraternity is yet comparatively

small. Nevertheless, the Association was inaugurated by men who were the best representatives of the banking profession; men who stood for the highest ideals and best practices; men who had a sense of public duty, and who were patriotic and helpful in all the great financial questions which touched our national interests. It is well that these men be remembered. The growing influence and usefulness of your Association proves that their efforts were wisely directed, and, in my opinion, the future will more completely illustrate the truth of what I say in this regard. I was not one of that honorable group. As a younger man, I could only be what I gladly became, a cheerful follower. Let me name some of these men. To many they will be familiar; to most of you they will be hardly known. In the front rank I would place Mr. George S. Coe, of New York, then a veteran in finance. A close second to him were such men as Mr. Hall, of Boston, an early, if not the first, president. I name a few others without regard to precedence who were wise in council and prominent in influence: Mr. Buell and Mr. Vermilye, of New York; Mr. Patterson and Mr. Comegys, of Philadelphia; Mr. Tyler, of Boston; Mr. Simons, of South Carolina; Mr. H. H. Camp and Mr. Van Slyke, of Wisconsin; Messrs. Barrett, Sneed and Murray, of Kentucky; Mr. Yates and Mr. Millard, of Omaha; Mr. Hollister, of Grand Rapids. But the list grows, and I cannot name them all.

If time permitted, it would be gratifying to me to speak with detail of the public service performed by some of these in the great exigencies which have from time to time appeared in national finance incidental to and subsequent to the Civil War. In every country there is a more or less intimate relation between government finances—debt and taxation—and the general commercial or industrial affairs of such country. In our own country that intimacy has been and is injuriously close. Does this need any demonstration? I think not. The facts of history are too familiar, and memory readily recalls those periods where our whole financial and industrial progress has been severely checked while great questions relating to the condition of the Treasury

or the standard of money have awaited decision. It has been the effort of your Association from the beginning to assist in establishing the Government finances on secure foundations, and at the same time to reduce to the smallest degree possible the dependency of commercial affairs upon Treasury operations. While under our system the Government in a broad sense is the people, and the people constitute the Government, yet in its organization it is a legal entity, separate, distinct, impersonal. It is a corporation with rights, duties, obligations, all clearly set forth and defined in the Constitution or in statute law. Within its proper sphere of action it is supreme, but its proper sphere of action is limited, and it cannot transcend these limits without harm to itself and injury to the people. In other words, there are laws superior to the Government—laws which it cannot defy and escape penalty. They are not written laws, but are discoverable. They are varied in form; but I refer now only to the higher economic laws, which have a way of self-operation, blessing the obedient and banning the violator. Of these all men and all governments should be afraid, and to their mandates respect should be shown. The thought I have in mind will be the more distinctly presented by a contrast between the expressed principles of a neighboring State and our own governmental methods as they have been made familiar to your knowledge and experience.

Some time since I had the pleasure of a long talk with the financial minister of a South American republic, one of the most securely established in its political life and most advanced in the elements of material growth and industrial prosperity. Desiring to know his Government's methods, and their points of view in certain economic particulars, I asked him a series of questions, to which he made the most gracious and frank replies. I confess that I was surprised and not a little humiliated, as a citizen of this great republic, at the clear perception of economic relationships, and the evident willingness he displayed to forego tempting advantages in the present, out of obedience to the requirements of higher considerations. I do not believe that I can do better than to repeat the substance of that conversation. It throws some clear sidelights on our system of finance.

"You have," I asked him, "some sort of banking system in your country?"

"Oh, yes. We have a system operating under federal authority, governed by federal law, and subject to inspection and control by federal agents. We have eight large banks, each with several branches, so that all sections of our country are supplied with banking facilities."

"Why do you allow banks with branches? Why not make them entirely independent of each other, the same as we do?"

"Well, we believe that a fagot of many twigs is safer and stronger than the separated twigs could be. It has worked well. We have had no bank failure for many years."

"Do they issue notes to circulate as money?"

"Yes, limited in amount by their relation to capital, and by the percentage of specie which they are required to carry against note issues."

"Why do you not make the banks secure their notes, as we do, by the pledge of your Government bonds? By requiring them to do this, you would enlarge the market for your securities, and thus lower the rate of interest on your Government debt. At the same time you would make the bank note absolutely secure to the holder."

"Yes," he replied, "but this apparent advantage might prove to be fallacious in the end. In the first place, we consider the bank currency entirely safe to the holder as it now is. In the next place, to require what you suggest would involve a tie-up of so much of the bank capital, all of which we think ought to be available to the uses of industry and trade.

"Again," he added, "we think general industries and

business affairs should be involved to the smallest degree possible with Government finances. If we should become engaged in a protracted and exhausting war, the price of our bonds might fall. The value of the securities upon which the safety of the bank note was supposed to rest thus declining, distrust and panic might set in at the most inopportune time—an inopportune time, because it is precisely in time of war that the Government must make the severest financial exactions from its people. It is therefore doubly important that general business should be protected from, rather than exposed to, the perturbations in Government finances when the latter are under stress and strain. It is just then that we need the greatest strength and the most steadiness in the personal affairs of our people, for it is from them that we must draw resources and supplies."

"One more question," I urged. "You have, I know, revenues somewhat in excess of expenditures, and necessarily carry a working balance on hand. Where do you keep this cash, in your strong boxes, as we do?"

"No," he answered, "we are a small country, not rich, like you. If we locked up this money, amounting sometimes to thirty millions of dollars, it would be an economic crime. We deposit our idle funds among the eight banks, and they serve as an important aid to industrial activities, while they are always subject to our call when needed."

It is noticeable that on three particulars—legal tender paper money, bank note issues, and the keeping of the public moneys—we pay no regard to the opposing argument. Nevertheless, the reasons set forth by that Finance Minister for adhering to a policy so radically at variance with our own are deserving of deep consideration. Having found, as we believe, that legal tender Government paper money supplied an imperative need in a time of war, we cannot persuade ourselves to abandon the use when the emergency is passed.

In this country the bank note, while safe to the people, is the most valuable instrument by which the credit of a bank can be made available to the borrower for the uses of industry and commerce. With us the bank note, while a good medium of exchange, is as costly to the borrower as capital, since an investment of capital equal to the bank note itself is a condition precedent to its issue.

In this country the moneys taken from the people by taxation are not actually withdrawn from commercial uses; they are merely transferred from public ownership in the payment of public expenditure to the private creditor of the Government. With us the proceeds of taxation are entirely withdrawn from commercial uses and held in idle hoard in the public Treasury until actually distributed for public expenditures.

Has our Government's course been a wise one? Taking the last thirty years, what sum on the average, in excess of an ample working balance, has the Treasury kept under lock and key and away from all current use in the fields of industry and exchange? The amount is found to average fifty millions of dollars.

If these surplus millions had been deposited with national banks in the clearing house cities, in the proportion the relative capital of each bank bears to the whole capital, and if, secondly, the only security to the Government had been, in case of bank failures, a prior lien on such bank's assets, not a dollar of loss would the Treasury have suffered.

Next, if under these conditions the banks had paid interest to the Government at the rate of 2 per centum upon the funds so deposited, how much would the Treasury have been benefited? Answer: Thirty-two millions of dollars.

Lastly, with this fund as an aid to their general operations in the field of trade and commerce, to what extent, on the average, would the banks have been able to increase credit accommodations to the people? Answer: Two hundred millions of dollars.

Have we not been guilty of an enormous economic waste by reason of our peculiar Treasury system?

I could pursue into detail the faults with which our financial system may be justly charged. But the matter has been presented over and over until the theme is badly worn. Permit me, however, to summarize into several brief propositions an expression of my own financial convictions.

First: I believe it to be most desirable that the demand liabilities of the Government, known as legal tender notes, should be put in the way of retirement and cancellation.

Second: I believe that this can be accomplished without any burden of interest cost to the public Treasury.

Third: I believe that our system of bank note circulation can be and ought to be so modified as to make it more responsive to commercial and industrial requirements, without any increase of risk to the bill holder.

Fourth: I believe that beyond acting as a guardian and trustee for the people in relation to national banks, the Government's guarantee to bank note issues should cease.

Fifth: I believe that the public moneys in excess of a reasonable working balance for daily use should be deposited in national banks. That a simple and safe system of distribution of funds can be devised I have no doubt.

Sixth: I believe that in periods of national peace and prosperity the public revenue should be somewhat in excess of public expenditure, and that the surplus revenue should be applied to the reduction of the public debt.

Time will not permit me to support these statements of belief by argument now, and I will leave them to be the subject of your own reflection.

In the beginning of my remarks I expressed the opinion that there is too close an intimacy between the Government's finance and our commercial affairs, and appealed to your memory of our history in support of that proposition. It is a comfort and satisfaction to note that at the present moment the injurious effect of such intimacy appears to be at a minimum. The public Treasury is strong, the public credit is high, and at the same time the situation of general finance, as represented by banking and commercial interests, is most satisfactory.

I want to close my talk by presenting some facts in comparison which will at least illustrate the strong and satisfactory condition of the national finances. While British consols drawing 2¾ per cent. per annum are quoted at 92, German Imperial 3 per cent. bonds at 88½, Russian 4s at 102, and French 3s at 102, United States 2 per cent. bonds are quoted at 107, and United States 4 per cent. bonds of 1925 at 138.

It may throw some light upon this comparison so favorable to us if I particularize a little. On April 1, 1898, the interest bearing public debt stood at \$847,366,680. Deducting from this the cash then on hand in the Treasury, amounting to \$226,166,944, leaves \$621,199,736. Incidental to the war with Spain, bonds were issued to nearly two hundred millions, so that on November 1, 1899, the interest bearing debt had risen to \$1,036,049,020, or deducting cash in the Treasury, amounting to \$289,391,540, the debt, less cash, stood at \$756,657,480, an

increase of \$135,457,744 between April 1, 1898, and November 1, 1899.

On August 1, 1901, the interest bearing debt stood at \$985,476,060; less cash in the Treasury, \$327,368,877; making debt, less cash, \$658,107,183, a reduction of \$98,550,297; or having now no regard for the increased cash in the Treasury, we find that the face amount of the interest bearing debt, which stood on November 1, 1899, at \$1,046,049,020, now stands (August 1) at \$985,476,000, a reduction of \$60,572,960.

But this is only a partial statement. Concurrently with this reduction of the face of the debt, there has been a reduction almost equally great in the amount of interest which then burdened the future. Of the moneys coming into the Treasury during the short period under review, \$43,582,005 has been used to settle and discharge interest which would likewise have been a charge upon the Treasury during the next four to eight years. By the use of something more than forty-three millions, interest to the amount of \$54,548,424 was settled, the difference of nearly eleven millions being a nominal profit to the Treasury.

This operation was, as you all understand, incidental to the refunding of a portion of the public debt into the new 2 per cent. bonds. To briefly summarize: Within two years the principal of the public debt has been reduced by the sum of \$60,572,960; the interest has been anticipated and settled to the amount of \$54,548,424, a total reduction of \$115,121,384, while the annual cost for carrying the debt in the future has been reduced from \$40,347,884 annually, where it stood on November 1, 1899, to \$29,723,019, a net saving annually of \$10,624,865. The cash in the Treasury has been increased from \$289,000,000 on November 1, 1899, to \$327,000,000 on August 1, 1901, a gain of \$38,000,000. On November 1, 1899, of the money in the Treasury, \$100,000,000 in gold was regarded as a traditional reserve for the redemption of the legal tender notes. On March 14, 1900, by solemn statute, \$150,000,000 was specifically pledged to this purpose and abundant power placed in the hands of the Secretary of the Treasury to restore the amount should it become impaired.

These facts go far to explain the superior credit of the United States in the world's markets, as illustrated by quotations on the public bourse. The facts show a condition of unparalleled strength in the public Treasury. Nor has this strength been gained by exhaustive taxation of individual or corporate resources. Every evidence exists of a general well-being in industry and trade.

Looked at from the standpoint of true statesmanship, it would appear that the present is the most propitious hour in all our history, and as favorable as any period we may hope for in the future, to enter upon reasonable and judicious measures to eliminate all elements of financial weakness which experience has brought to light, and to perfect our now faulty system of currency. We need judicious, careful reform; we do not need revolutionary measures. In these directions, looking to a more perfect status in our public Treasury, and to better conditions in banking and currency, no body of men are better situated to bring the influence of careful thought and patriotic study than those who constitute the American Bankers' Association.

## *The Medium of Exchange and the Banking Function.*

BY A. B. STICKNEY, President Chicago Great Western Railway Co.

*Mr. President and Gentlemen of the American Bankers' Association:*

Mr. Motley in a preface to his admirable history says, in effect, that before any man should address an audience on an important subject he should make it clear by what right he ventures to discuss the subject. According to this rule it becomes my duty to show by what right I address an audience of experienced bankers upon the subject of "The Medium of Exchange and the Banking Function."

I speak, gentlemen, by the right of investigation, as well as a long and varied experience in the banking business. It may surprise you when I say that I have been actively engaged for nearly a quarter of a century in the banking business in many of the principal cities of this country. The difference between your experience and my experience is that your experience has been on the *inside*, while mine has been on the *outside* of the bank counter.

There are two points of view; but the fundamental principles of the function of the bank must be studied from a broader point of view than the experience of any one person, be he customer or banker. The modern commercial bank has been evolved from the experiments and experiences of more than two hundred years, and he who would have a clear conception of its possibilities must add to his own experience a knowledge of the history of its evolution.

In preparing my address I have availed myself of the history of banking by standard authorities.

The medium of exchange is an essential part of commerce as distinguished from barter. The necessity of a medium of exchange grows out of the fact, which cannot be too often repeated because so often overlooked, that the ultimate purpose of all commerce is—to use the unique and rather satisfactory expression of the present Secretary of the Treasury—"to exchange things for things." When "things" are exchanged for money the process is only half done. Whatever commodity is willingly accepted to represent "things" during the process of the suspended exchange is a medium of exchange.

WHAT COMMODITY IS, IN FACT, THE MEDIUM OF EXCHANGE?

The usual statement that money is the medium of exchange is but a small fraction of the fact. The word "money" has a definite meaning, and in the late "campaign of education" the subject of money was so much explained (chiefly by people who had no comprehension of its meaning), that it would seem like wasting time to consider its meaning, were it not a patent fact that the word is so constantly misused.

In common parlance the word money is synonymous with wealth and capital. It is said of certain men that they have "lots of money," meaning that they possess great wealth; again, that certain merchants have "large amounts of money," meaning that they have large capital, while the fact is that rich men and great merchants have very little money. It is probably no exaggeration to say that the average poor man possesses more *money* than the average rich man.

But it may be said that this is a mere play upon words—that the rich men do not carry their *money* in their pockets, but have *money* on deposit in banks. This proposition presents another popular misuse of the word money. No man has money in the bank. A credit on a bank ledger is not *money*—it is simply an evidence of the bank's indebtedness, which may or may not be redeemed, like any other indebtedness. Whatever money a bank may possess (which is always less than its indebtedness) belongs to the bank.

The most which can be said about money as a medium of exchange is that it *may* be used as such, but, as a matter of fact, it is seldom, practically never, used as a medium of exchange except in petty transactions.

THE MEDIUM OF EXCHANGE IS CREDIT.

Stating the fact affirmatively, the medium of exchange in some petty transactions is money, and in many petty, and in all the larger transactions, it is *credit*. Legitimate credits for use as a medium of exchange are produced by buying for the purpose of selling, and they are extinguished by buying for the purpose of consumption. In short, their creation has reference to production, and their extinction to consumption. Such credits expand as production and commerce expand, and contract as production and commerce contract. The merchant who creates a credit deposits it in his bank and uses it first, then it is transformed by check time after time, effecting exchange after exchange, until it is finally redeemed. The intermediate exchanges are said to be made with cash. Therefore, while it is true that all the larger transactions of commerce are effected with credit as the medium of exchange, it does not follow that all merchants go in debt for their purchases. The few merchants who do not go in debt use credits which have been created by others.

THE BANKING FUNCTION.

The modern commercial bank is a most useful institution, but it has no independent function. It is a co-worker with the merchant.

There are many misconceptions of the banking function, growing out of the technical but unnatural meaning which, in banking parlance, is given to the words "deposit" and "borrow." When the public is told that the bank deposits have increased a billion and five hundred millions of dollars since the panic, it is regarded as evidence of an enormous increase of money. The increase of bank deposits simply means that conditions of trade are such that merchants have increased their indebtedness, which indebtedness has been exchanged for bank credits, and by this means the indebtedness of the banks has been increased. It is an increase of indebtedness which is available as a medium of exchange, instead of an increase of money. There has been but a comparatively slight increase of money. During the period in which the so-called deposits of the National banks have increased \$1,500,000,000, the *money* in the banks has increased only \$207,000,000.

Regarding the banks as money institutions, in connection with the use of the words "deposit" and "borrowing," confuses the mind as to the real nature of the so-called deposits and borrowings. It is the general understanding that the sequence of the banking business is first a deposit, then a loan, and therefore the bank's so-called loans are limited by the amount of the so-called deposits.

Let us examine these apparently self-evident, but, in fact, false propositions, in connection with an ordinary so-called borrowing. Suppose I borrow in the usual way \$100,000 from a bank. The transaction would increase the bank's deposits \$100,000, not before, but at the same instant of the loaning, and, although it would increase the bank's deposits \$100,000, it would be no evidence of an increase of wealth in the form of money or otherwise.

After I had borrowed the \$100,000, the bank would have no less money and I would have no more money. I would have only a credit of \$100,000 on the bank ledger. It was not a borrowing of money but a swapping of credits. I have traded my note as evidence of my indebtedness to the bank, in exchange for a book entry as evidence of the bank's indebtedness to me. It is true I

may transfer the indebtedness of the bank by check (which is mis-called drawing the money from the bank), but in that case my check will be deposited in the same or some other bank, and that \$100,000 note would remain a part of the so-called deposits of the banks, either in the original or in some other bank, until it was finally redeemed.

In this case the bank increased its deposits by increasing its loans, and if the deposits of all the banks be considered as a whole, it will be found that the deposits increase when the loans increase. The deposits, in the main, are produced by the so-called loans.

The fact is that in most of the bank transactions there is no borrowing, or lending, or depositing. They are simply credit transactions, a swapping of credits, which in the matter of bookkeeping increases both the so-called deposits and the so-called loans in the same amount and at the same time. Practically all the so-called deposits are made by swapping the bank's credit for other credits, in the form of promissory notes, checks, drafts, etc. There are small streams of money flowing in and out, but the incomings and outgoings are so nearly equal that a writer has said, "a bank's cash resembles a column of gold with a slight ripple on the surface."

In this country the greatest ripple on the surface of the reserve is produced by the daily clearances. With a properly organized system of banking no money whatever would be required. The daily balances at the London Clearing House are settled without the use of a penny of money.

Swapping credits is the function of the modern commercial bank. Its business consists in scrutinizing individual credits and in giving its own credit in exchange for such individual credits as are acceptable and thus furnishing an abundant supply of the medium of exchange of commerce. To regard the bank as a mere money lender is to belittle its important and useful function.

In this connection I want to say that I like the word "swapping," because it expresses my exact meaning, and even boys know what it means. The boys swap jackknives and swap marbles. The banks swap credits.

#### METHODS OF EXERCISING THE BANKING FUNCTION

Having stated, as clearly as my ability permits, the nature of the banking function, I shall now venture to speak of the methods of exercising it, and of some of the difficulties, owing to the restriction of the laws, of a proper exercise of the banking function during commercial crises. To present my propositions clearly, I must repeat that the creation of commercial credits has relation to production and their extinction to consumption, and there is always a lapse of time between production and consumption. As consumption cannot be unnaturally accelerated, and as the medium of exchange once issued cannot be ultimately redeemed until products are demanded for consumption, a vast volume of such currency must be always outstanding, and as production and consumption are continuous processes the function of the bank is also continuous.

The bank, therefore, which fails to continuously exercise its function of swapping credits, fails to perform its part and its duty, and does incalculable mischief, because the *normal value* of products can be only maintained by the merchants with the assistance of the banks, carrying them with a steady hand until they are required for consumption.

When the banks, from whatever cause, refuse to perform their part by refusing to swap credits with the merchants, the merchants are compelled to stop buying and to vainly attempt to force their stocks upon the consumers by lowering prices. Such attempts must always be futile, because the consumption which produces the ultimate redemption of credits is necessarily a uniform hand-to-mouth process. The merchants who do it early may unload upon less foreseeing merchants, but passing credits from one merchant to another does not reduce

the volume of credits. It only affects the individual merchant, and perhaps his individual bank, by transferring the burdens to other merchants and other banks. But the futile attempts once commenced in a large way force values lower and lower until some of the merchants and producers are ruined. When some of the merchants and producers are thus ruined, some of the laborers are deprived of employment. When some of the laborers are unemployed their ability to consume is curtailed, which still further reduces the demand, which still further reduces values, ruins still other merchants and producers, deprives more laborers of employment, which still further reduces consumption and values and ruins still other merchants and producers, and finally ruins many of the banks themselves.

#### WHY BANKS STOP SWAPPING CREDITS IN COMMERCIAL CRISES.

Probably a majority of bank managers who have not given the subject special consideration believe that the withdrawal of balances by customers compels the banks to restrict their loaning during commercial crises, and that many withdraw money which they keep in safe deposit vaults.

While it is a well known fact that a few withdraw money from the banks in times of panic for the purpose of holding it in their own possession, an examination of the accounts of the National banks, as compiled by the Comptroller of the Currency, is convincing that in the panic of 1893 such withdrawals were inconsiderable; in fact, less than the hard times forced out of the pocket money of the people into the banks. Otherwise, at the pinch of the panic, there would have been less money in the banks than before the panic commenced. But the Comptroller's statistics show the astonishing fact that at the pinch of the panic, when the so-called deposits had decreased \$314,000,000 and had reached their lowest point, the National banks possessed \$26,000,000 more money than in 1892, when business was brisk and the banks were swapping credits more freely than ever before.

This would seem to prove that, whatever else may have been the cause of the panic, it was not a shortage of money in the banks, and that it is a mistake to suppose that the difficulties of the banks during the panic years were due to withdrawals of money for the purpose of hoarding.

The enormous decrease in so-called deposits was about equal to the decrease of the so-called loans, and was due to the refusal of the banks to continue swapping credits. The difference between the decrease of deposits and the decrease of loans was only \$13,000,000—less than four cent.

#### THE LAWS ARE RESPONSIBLE.

While I am prepared to repeat and stand by the statement that the reason of the enormous contraction of the available medium of exchange, or, in other words, the enormous decrease in so-called deposits and the consequent destruction of normal values, followed by bankruptcy of merchants and distress of the unemployed, was the action of the banks in contracting their so-called loans, I am *not* prepared to say that it was the fault of the banks or their managers. That the American bank, as at present organized, should falter at every minor commercial crisis, and stop, as far as possible, the swapping of credits in a major panic seems inevitable. The necessity is due to the lack of a banking system.

The American system of banking is often talked about, but, in fact, there is no system. The dictionary defines the word "system" as meaning "a whole plan or scheme consisting of many parts connected in such a manner as to create a chain of mutual dependencies and supports." The banks of this country are not parts of a whole plan connected in such a manner as to create a chain of mutual supports, but they are local and independent institutions. In times of commercial crises each must depend upon itself, and as it is evident that one bank, without the co-operation of the other banks, can-

not support the enormous credits of a commercial nation like the United States, each begins to scramble to increase its cash reserve at the expense of the other banks—for where else is the cash to come from?—and to reduce its liabilities. Its isolated weakness compels each bank to prey upon the other banks, and to adopt David Harum's version of the golden rule, "do unto the other banks what you know they will do unto you, but do it first." This unseemly scramble after money to maintain reserves is never witnessed in any other commercial nation, because all commercial nations except the United States have systems of banks so connected that each bank constitutes a mutual support to each other bank. Practically all commercial nations except the United States have adopted the Scotch system of branch banks, with a connecting link—a central bank—which is the bank of the banks and holds the reserves of all.

In England, where this system of banking has been most highly developed, the Bank of England holds the gold reserve of all the banks, and of the nation itself. The reserves of the other banks are credits at the Bank of England. Under this system, instead of all the banks scrambling and competing with each other for the money to maintain their individual reserves, the Bank of England alone does the scrambling with no competition. Under this system gold which is withdrawn from any bank is obtained from the Bank of England, and after circulating for a short time in domestic exchanges is returned in the ordinary course of business, through the same or some other bank, to the vaults of the Bank of England. Therefore, practically the sole leakage of reserve is for exportation when the conditions of foreign exchanges are adverse. The duty of managing the foreign exchanges is delegated solely to the Bank of England. England has no treasury—no nation except the United States has a treasury.

If you examine the statements of the various banks of England, outside of the statement of the Bank of England, you will not find among their liabilities any "indebtedness to other banks," which constitutes about one-half of the liabilities of the banks in the reserve cities of this country, for the reason that their country correspondents are but branches of their own bank. This eliminates one of the most dangerous features of American banking in times of extreme panics.

Such systems of banks can, and have, for more than half a century, exercised the function of swapping credits with their customers in panics the same as in booms. The repression exercised by the banks during commercial crises is effected through the interest rate.

It was this system which enabled the banks in London at the time of the Barings' failure, the largest single commercial failure known to history, to not only continue the exercise of the banking function, but to increase their liabilities \$125,000,000 by assuming the liabilities of the Barings. In London the bank rates advanced to six per cent. for a few days—in New York the outside rate advanced to eighty-six per cent., and the banks quit business altogether.

#### THE BANKING LAWS.

Now, it is interesting to inquire as to the banking laws under which these systems are organized. I have been unable to learn that there are any laws in England or Scotland especially relating to banks, except the laws restricting the issue of bank notes. In all respects the banks are as free as the merchants. Banking corporations are organized under the same general acts as mercantile, manufacturing and other corporations. The American laws require certain minimum percentages of reserve, and compel the banks when that percentage is reached to do the very thing which banks should never do—viz., arbitrarily suspend the exercise of the banking function. This provision of the law was intended to be a safeguard, but upon several occasions the observance of the law would have brought ruin upon all the banks. On these occasions the New York City banks have boldly disregarded the law in respect to the reserve, and, in

defiance of the law, have stood together for a few days as a system.

There is no English law requiring any reserve whatever to be held against so-called deposits. But the Bank Act of 1844, passed with great public favor, names a minimum of reserve to be held by the Bank of England against its outstanding notes. This act was expected to correct everything which was wrong, and especially it was to forever prevent speculations, bank failures and panics. The clause most relied upon fixed the gold reserve of the Bank of England definitely, as against its circulating notes. It required the bank, whenever that limit was reached, to stop discounting.

But history says that within three years the law, instead of preventing, produced every economic disturbance which it was expected to prevent, including a currency panic. The legal minimum of the reserve was reached, and, in obedience to the law, the bank stopped swapping credits, and merchants who had received loans were called upon to pay, without being permitted to renew them. The greatest distress followed. Merchants could pay the loans only by selling their merchandise. London merchants are said to have walked the streets at midnight, offering their goods at any price. Values disappeared. Consols and exchequer bills were offered at enormous discounts but could not be sold. The most extravagant rates were offered in vain for the use of money.

Finally, in the midst of universal distress, on petitions signed by tens of thousands, the very ministry which had procured the passage of the law was compelled to ask the bank to disregard the law. The bank resumed swapping credits, and history recites that "in ten minutes after it was known the panic was ended." Merchants who had been clamoring for discounts, as soon as they could get them, did not need them, and the smart ones, who had borrowed early and withdrawn actual money, brought back the gold which they never needed and begged to be relieved from the payment of interest. An instance is recited of one firm returning two million pounds sterling (\$10,000,000) gold, which it, foreseeing the inevitable, had borrowed early, and begging the bank to relieve it from the further payment of nine per cent. interest.

Again, in the panic of 1857, the same history was repeated, except that the ministry refused to act until the total gold reserve in the Bank of England and its branches was reduced to only 358,208 pounds sterling, a trifle over \$1,700,000. This was practically the total aggregate reserve of all the banks of England at the close of business November 12th, 1857. I ask you, gentlemen, to think for a moment what it would mean in this country if the aggregate reserve of all the banks and the United States treasury was reduced to \$1,700,000!

Starting with a total reserve of only \$1,700,000 on the night of the 12th of November (the day the permission was given to disregard the law), the bank made new loans—that is, swapped credits, besides renewals, in the sixteen remaining days of November, amounting to \$36,000,000. That is to say, with only \$1,700,000 reserve, the Bank of England expanded its loans in eighteen days \$36,000,000, and its reserve increased day by day! Following the example, the other banks expanded their credits.

Here are facts well worth your consideration: *When the bank stopped loaning, in order to protect the reserve, the reserve decreased; as soon as it resumed loaning, the reserve increased.*

A writer says: "This great crisis of 1857, far exceeding in intensity that of 1847, added another proof upon proof that, in a great commercial crisis, the restrictive practice will bring about universal failure of merchants and bankers, and that the expansive practice is the only one which can save both."

#### THE '93 PANIC AGAIN CONSIDERED

Before making further citations of history, I desire to recur to the conditions which prevailed in the panic of

1893. As I have said, the medium of exchange was reduced by the action of the National banks in refusing to swap credits to the extent of more than three hundred millions of dollars. There is no way to tell how great a reduction was produced by the action of the State banks and the trust and other companies which exercise the functions of commercial banks. If their reduction was the same as the National banks (and there is some evidence that this estimate would be correct), the aggregate reduction of the medium of exchange was the enormous amount of six hundred millions of dollars. This produced an apparent shortage of money to the same extent.

Now, gentlemen, if I were to mention the classes of property which have intrinsic value, and which by reason of their prime necessity should naturally maintain fairly uniform and normal values, I would name the homes, which give shelter; the farms, which produce food and clothing; the manufacturing plants and the warehouses and buildings necessary for trade. But it is a notorious fact that these classes of property had practically no market value during the panic, and that every man who had all his savings invested in equities in such properties, no matter how large the equity, was ruined. I would also name the products of the farms—the food, the cotton and the wool—and the products of the factories, as property of necessity, entitled to maintain a fairly uniform and normal valuation, approximately equal or exceeding the cost of production. But if I were asked to name the commodity of the most obvious intrinsic value, I would name labor, because it is the basis of all wealth.

Yet, during the panic, the market value of the products of the farms and the factories was abnormally low, and it was estimated that there were more than two million laborers in the United States who were unable to sell their labor at any price and millions more who were compelled to sell their labor at a reduced price.

The commonly accepted explanation of these phenomena is that market values are governed by the relation of supply to demand, and that the panic had been preceded by activity in production to such an extent that there was overproduction. It is my contention that the extraordinary relation of supply to demand was not due to overproduction, but to under consumption. There was not a minute during the panic in which all the homes of this country would not have been in demand for occupation, and there was no time during the panic in which the products of the farms and of the factories would not have had their normal consumption if all the consumers of the country had possessed the means of obtaining them. The two million laborers who tramped the country, clothed in rags and with insufficient food, had capacity to consume everything their labor would have produced had the captains of industry been in position to set them to work, and thus the normal equilibrium between supply and demand would have been maintained.

The reason why the captains of industry were not in position to set these laborers to work was apparently the lack of money, but, in fact, it was the shortage of six hundred millions of dollars of the medium of exchange, resulting from the banks unduly restricting the function of swapping credits.

There are no classes of the people so much interested in the introduction of a system of banking which has capacity to continuously exercise the banking function as the debtors and laborers.

These are prosperous days. The conditions of trade are such that the merchants and banks have expanded their liabilities beyond all precedents. It is a period of confidence, in which everything goes, and there is no lack of the medium of exchange. But I warn you not to believe that the country has grown so rich that there will never be another period of distrust.

Substantial wealth is created by the slow processes of industry, combined with skill and the use of capital. Bubble wealth is created by the rapid process of placing

one piece of paper in the possession of a trust company as collateral security for two pieces of paper. Some of the enormous quantity of bubble wealth which is now being created will sooner or later collapse. Such collapse should affect nobody but the bubble-blowers. But without a system of banks which can sustain legitimate credits there will follow a panic which will again destroy the market value of intrinsic values, ruin debtors, deprive laborers of employment, and create general distress.

#### PANICS PREVENTABLE.

Would that I had the ability to arouse the American people to the importance of a banking system! In panic after panic they have suffered, but their minds seem to be possessed with the fatalism of the Turk—"it is the will of Allah!" But I say it is not the will of God which produces panics. History abundantly proves that such panics as occurred in this country in 1837, 1857, 1873 and 1893 are preventable by a known system of banking.

This system of banking originated in Scotland, separated by only an imaginary line from the then independent and isolated banks of England. The superiority of the system was demonstrated through commercial crisis after crisis, in all of which the Scotch banks remained solvent and continued the exercise of the banking function, while the independent banks of England suspended the banking function and fell like rows of bricks.

In 1825 a Parliamentary Commission developed the fact that in the panic of 1793 upward of a hundred English country banks had failed. In seven years, 1810 to 1817, six hundred failed, and in the panic of 1825, up to the date of the inquiry, twenty-six failures had taken place. The banks which failed paid but a small percentage of their indebtedness. Before the same Commission Mr. Gilchrist, a manager of one of the Scotch banks, testified that within his recollection only one Scotch bank had failed, and it immediately paid fourteen shillings on the pound, and ultimately paid all its liabilities.

The superiority of the system having been thus proven, by a gradual process of amalgamation of independent banks the system was introduced into England, and the superiority of the system over the want of system in the United States has since been demonstrated.

In the great panic of 1837-1838 more than a thousand banks, practically all the banks in the United States, failed. In England and Scotland not a bank failed. In 1856 nearly every bank in the United States closed its doors and went out of business, and but few of them ever resumed. There was a great commercial crisis in Great Britain, but not a bank in England or Scotland failed. Again in 1873 a great many banks in the United States failed, but there were no bank failures in Great Britain, except the City of Glasgow Bank, which had been practicing fraudulent methods for years.

In the panics of 1890-1893, which are now fresh in the memory, when bank after bank failed in the United States, and all the banks in New York City suspended payments and only certified their customers' checks, there was not a bank failure in Great Britain. And more, there was not a day when any bank in Great Britain refused to extend its usual credits without unusual restrictions, except for about a week in 1890, at the time of the Barings' failure, they put the brake on to the extent of raising the rate of interest to six per cent.

This system has been adopted by the countries of continental Europe. The United States is the only nation in the world of commercial importance which has not adopted it. It is a remarkable fact that during the last panic, while the commercial crisis was universal, there were no bank panics except in the United States. In no other country was the commercial crisis continued so long, and in no other country did the people distrust the solvency of their banks, and in no other country were there bank failures.

But it may be objected that the situation is different

in a vast area of sparsely settled country like the United States. In reply I will say that along our northern boundary stretches a country from ocean to ocean, much more sparsely settled than the United States. Canada possesses a system of banks. In Canada the same commercial conditions existed during the last panic as in the United States, but only two unimportant banks of the isolated and independent order went into liquidation, and not one of their systems of banks excited suspicion as to its solvency, and at no time during the panic did any of them suspend the banking function of swapping credits with customers.

In 1893, 1894 and 1895, when the great banks of New York City dared not extend their credits a cent, the Canadian banks advanced millions to move the wheat crops of my own State of Minnesota and the State of Dakota. Little Canada, with scarcely five millions of people, occupying the stingy fringe of perpetual ice, with meagre agricultural resources, few mines and only rich in her forests of timber, was able to loan the credits to move the abundant harvests of Minnesota and Dakota, solely by reason of her system of banking.

In the olden days of small affairs in the banking business of New York City one of the banks having increased its capital to the then unheard of amount of five millions of dollars, a customer made application for an unusually large loan. After some days of consideration the directors declined, not because the collateral was unsatisfactory, but simply because the loan was unusually large. Upon being informed of the decision of the directors, the customer remarked that, in his opinion, that bank needed either an act of the Legislature to reduce its capital to the capacity of its directors, or an act of God to increase the capacity of its directors to its capital. When this great and rich nation has reached the humiliating condition of playing second fiddle in the banking business to Canada, it would seem to need both.

It would seem that nothing short of a special act of Providence would enable our lawmakers to investigate the banking problem free from that political bias which is an inheritance from a squabble between the Democratic and Whig parties over a petty appointment in the Portsmouth, New Hampshire, branch of the Bank of the United States. The only question involved at the outset of the squabble was whether the bank or the Democratic politicians of New Hampshire should appoint the petty officials of the bank. But Andrew Jackson and the Democratic party cunningly magnified it, in the minds of the people, into a contest to "preserve the liberties of the people against the encroachments of the money power." And from that day to the present time the legislation of Congress has been based upon the supposed necessity of making the banks inefficient in order to preserve the liberties of the people.

#### LEGISLATION.

A banking system for a great nation like the United States requires a central bank, with a head in the chief commercial city, with branches in each of the commercial centers, which shall constitute the head and the backbone of the system. This central bank should be the bank of the banks, and the bank of the Government. The Sub-Treasuries should be abolished. The central bank should hold the reserve of all the banks and of the nation. The reserves of the other banks should consist of credits on the ledger of the central bank. Sub-systems should be formed, consisting of heads in important commercial centers, with branches scattered over the country, thus carrying the facilities of great, strong, solvent banks to every hamlet and cross road in the country.

The only legislation required is the repeal of the sub-treasury laws, and of the provisions of the present National bank law which in any manner restrict the business of swapping credits, and which prevent banks from conducting the banking function in more than one locality. It would not be necessary, or, indeed, desirable,

to grant the central bank a special charter, with or without special privileges. The banking business is a part of commerce, and commerce is an individual, not a governmental, function. The commercial bank is a co-worker with the merchant, and in the conduct of its legitimate business of swapping credits should be as free as the merchant. Grant the banking business this freedom, and the system, including the central bank, will form itself along the lines of the economic laws to which alone commerce by right owes allegiance.

Such a system, history conclusively proves, has the capacity to continue exercising the banking function, and thereby sustaining normal values, during the fiercest commercial crises. A system having such a capacity, in connection with the genius for trade possessed by the people of the United States, and the wealth of its natural resources, may make New York, instead of London, the chief exchange city of the world, and the United States, instead of England, the creditor nation of the world—without it, *never*.

The creditor nation fact is not altogether a matter of superior wealth or capital. England is the creditor nation, but it may well be doubted whether she has as much wealth or capital as the United States. It is a matter of organization of capital. Let me illustrate: If I have \$1,000,000 of capital, as an individual I can only loan \$1,000,000. But if I organize a banking business with my capital and exercise the banking function of swapping credits, I may collect interest on many millions, just as some of your banks with a million of capital loan five, ten, twenty and even more millions. England has so organized her capital by means of her magnificent banking system that she is the banker of the world and collects tribute from all the nations of the world in the form of interest, not for the use of her wealth or capital, but for the use of her credit. Paradoxical as it may sound, it is literally true that by means of her splendid banking organization England collects interest upon millions and millions of her own indebtedness to other nations. It is a very profitable business to collect interest on what one owes, and it is this which makes England the creditor nation. The United States, as its capital is now organized, can only loan to foreign nations actual capital, and as long as these conditions last cannot compete with a nation which can loan all it dares to owe. It is not more capital, more wealth, or more money which the United States needs in order to become the creditor nation, but a better organization. The fact that approximately a third of the money of the United States is locked up idle and useless in the Treasury is evidence that we have money enough.

The capital engaged in banking in the United States is much larger than the capital engaged in banking in Great Britain. I investigated this point a few years ago and found that the paid-up aggregate capital of all the joint stock banks of England, Scotland and Wales, including the Bank of England, was only \$345,000,000, while the capital of the National banks alone of the United States at the same date was \$648,000,000. The medium of exchange produced by the banks of Great Britain was \$3,822,000,000, while the medium of exchange produced by the National banks of the United States was only \$2,600,000,000. By their superior organization the banks of Great Britain, with approximately half the capital, produced nearly twice the amount of the medium of exchange.

It was a dream of Sir Walter Raleigh, as it is of some of our statesmen, that whoever controls the seas will control the commerce of the world, and whoever controls the commerce of the world will control the wealth of the world, and therefore the world itself. But I venture to suggest that you may subsidize ships to sail the seas, and your armies and navies may carry the flag to all the islands of the seas, but you will never control the commerce of the world, nor the wealth of the world, nor the world itself, until you have a bank-

ing system which can manage the exchanges of the world during commercial crises, and maintain at all times a fairly uniform rate of interest.

I would like to ask those statesmen who seem to think that carrying the flag at the tail end of ships changes the course of trade, at what price a banker in Manila will buy time drafts on New York against consignments, as long as he knows that by the time the draft reaches New York for rediscount the current rate of interest may be any rate between two per cent. per annum and a quarter of one per cent. per day, or that the banks of New York may then refuse to rediscount at any rate because they are scared; and on what terms could the Manila banker reimburse himself by selling to importers drafts on scared banks!

I would like to ask them what they propose to do in the next panic. Perhaps they expect that the President of the United States will issue a proclamation to all the merchants of the world, stating that there is a panic, that half of the banks are "busted," and the remainder are so paralyzed that they will be unable to do business for probably three years, but that he hopes foreign merchants will consign their goods to the United States, but make their drafts on Canada!

The wares of commerce follow the drafts of commerce, instead of a flag, and the principal reason why Great Britain is the market place of the world's commerce is not because the union jack flies at the tail end of so many ships, but because every banker and merchant in every quarter of the world knows, within two or three per cent. per annum, the exact value of a draft for rediscount in London.

---

Gentlemen, I fear that the length of my address has already wearied you, but I have stated only a few of the

historical facts which are available in support of the proposition that the periodical panics which occur in this country are preventable. I hope you will not misunderstand my proposition. I do not claim that a system of banking has been devised which will prevent periods of undue speculation, followed by commercial crises in which the speculators will be ruined, but I do claim that there is a tried and proven system of banking which has the capacity to so support legitimate credits during such crises as to maintain normal valuations of property, and thereby preserve the legitimate traders, keep the wheels of industry in motion, and labor fully employed at normal wages. I also claim that such a system of banks is necessary to enable this country to successfully compete in the commerce of the world.

I stand upon these propositions.

Such a system of banking in no respect resembles a trust. It does not restrict competition. In a visit to a town of only 4,000 population in British Columbia, I found branches of five of the great Canadian banks. Besides, loss of a life's savings by the insolvency of banks, bankruptcy of solvent debtors, distress of families reduced from comparative affluence to want, lack of labor, a bed on the bare ground in summer and on the bare floor of a police station in the winter, soup kitchens, and other incidents of the panic, are no part of the liberties of the people.

I appeal to you as representatives of the banking interests, and as patriotic citizens, to give this important matter more than a passing thought. This subject is incomparably of more importance than any detail of internal bank management. Have the courage to at least discuss it, and if thought wise, put the machinery in motion for another campaign of education. The subject only needs to be properly presented to receive the support of the people.

## *Assets Currency.*

By HON. JAMES H. ECKELS, President Commercial National Bank, Chicago, Ill.

*Mr. President, Ladies and Gentlemen:*

I feel that I am getting to be a very old story with the members of the American Bankers' Association. Many times heretofore I have had the pleasure of addressing this Association upon public questions and undertaken to discuss before them questions of banking interest. I do not flatter myself that, upon this question which I am this day asked to discuss, I can elucidate it beyond a knowledge which you already have upon the subject, or bring to bear any new arguments or enunciate any new facts. At the best all I can accomplish is to restate some old things, and if possible, press with a little force upon you the necessity of looking into and inquiring as to whether or not the note-issuing functions of the national banks of this country are what they ought to be. I have read with the greatest interest the papers presented to this Convention on yesterday, by the distinguished Secretary of the Treasury and by one of the leading forces in the railway world. Both were thoughtful in suggestion, and may well be considered from the standpoint of economic science by each member of this Association, as well as by the citizen at large. I agree with the Secretary of the Treasury that the financial and economic system of this country has not reached that point of development where a people of so much progress, a people of so much energy, a people of so much force as the people of the United States have a right to expect that it should. It is faulty, largely because of circumstances, and not because of a desire on the part of the people to have a faulty system.

I would like much to see the legal tender issues of

the Government not only imprisoned, but canceled and removed permanently from the monetary system of the country. There is always a possibility of their reissue in a form that will be dangerous to the financial and monetary interest of the country. I would like to see not only that done, but I would like to see the complete abolishment of the sub-treasury systems of the United States. (Applause.) There never was any excuse for the establishment of that system, except a bare political necessity, and there is no possible reason now why it should be continued. It stands as a menace to the trade and commerce of the people of the United States, because each day it takes out of the channels of trade and commerce much money of the country which could be used legitimately for the purpose of that trade and commerce, and locks it up there to lie in wasteful idleness, a menace to the stability of business and a source of recurring danger to the financial interest of all the people. It hoards money in great sums, or the representatives of money, disbursing it in large sums upon the one hand, causing a possible stringency by the locking of it up for a period of time, and, on the other hand, causing an undue inflation by the possible throwing of it out in large amounts at unexpected times. So that I believe the legal tender ought to be canceled, and I believe the sub-treasury system ought to be abolished. I believe that the business of the Government, so far as its fiscal undertakings are concerned, ought to be conducted as is the business of the private individual or the large corporation, through the properly provided channels of business, the banking interests of the country, and when the Government's business is

so transacted, the legitimate functions of the Treasury will be restricted to the bare collection of the revenues of the Government and the proper disbursements thereof.

I would go a step further than the Secretary of the Treasury in dealing with the surplus revenues of the Government of the United States. I agree with him perfectly that the Government should hold no surplus over and above a small working capital. If the Government needs any working capital at all, it ought to be with the banks to go through the channels of trade and commerce and to be an aid instead of a detriment to the proper conduct of business. But I would go still further. I would see to it that the surplus of the Government be restricted to the very smallest point possible. Instead of taking unnecessary revenues from the people to swell the surplus, I would leave those revenues with the people, uncollected. (Applause.) I would restrict the revenues of the Government to a bare point, where the credit of the Government at all times could be properly maintained, and the rate of taxation reduced to the very smallest point possible, because in an excess revenue in an overflowing Treasury you have always presented to you the dangers in the administration of Government, the great extravagance, and, on the part of the people, of undue speculation; and when you have extravagance on the part of the Government, caused by unnecessary revenue, and when you have undue speculation on the part of the people, you must, of necessity, no matter how complete may be your banking system, whether it be a system of one great central bank, or a system made up of many banks, have the danger of a panic, which your banking system cannot prevent. I am not in favor either of preventing panics by law, or by law made banks or law made money. Panics are the result in the first instance of undue extravagance upon the part of the Government, undue extravagance on the part of the people; and the "Be it enacted" of any legislative body, whether it be the central Congress at Washington or the attempted act of some State legislative body, cannot prevent the thing which the people themselves have created.

There is, undoubtedly, much of good in the suggestion of Mr. Stickney that there ought to be some one institution through which the fiscal operations of this Government ought to be conducted. Whether or no all these operations should be conducted through a single bank and the branches thereof is a subject that is open to discussion, and where there may be honest differences. I believe in great banks, and I believe in a branch system of banks. (Applause.) Because, when you have great banks, with great branch systems, you necessarily have in the control of them not one, but many policies. I believe in them as I believe in great combinations of capital being neither harmful to the people nor detrimental to any political or personal rights of the people. Great banking institutions in their development in this country have, at no time, worked out harm to the people, either in the individual or in their collective interests. Even the United States Bank, with all its faults, with all its introduction of political methods, and its undertaking to control political interest, with all its great powers, was never, as a fiscal institution, harmful to any business interest of this country, or detrimental to the rights of any individual. The business interests of the country were conserved by that great institution, and if it had been allowed to exist on, despite its faults, it would have worked out to the people more good than has ever been worked out by the sub-treasury system which took its place. (Applause.) For it would have given a uniformity of operation in the conduct of the financial operations of the Government. It would have been the means of preventing the doctrine of a fiat currency being engrafted onto our fiscal policy, and we should have had throughout this country a bank note issue uniform in character and always redeemable, not in something that is sup-

posed to be of value because back of it is the legislative enactment of the United States, but which would have had value because in and of itself it had value.

There is no harm in great banking institutions, and, thank God, the people of the United States have at last recognized the fact that the best interests of the people in all their monetary and financial operations are conserved by the banks and not harmed by them. The people have at last recognized the right of the banker to assert his right as a citizen, to discuss with force and advise with reason upon every fiscal policy which it is proposed shall be adopted by the people of the United States. What has been the result? The result has been that no longer any great political party will dare to stand up and advocate a dollar which is not accepted by the banking and commercial world as a dollar, proper for labor or any other class of people engaged in the daily pursuits of life. (Applause.) They recognize the fact—it is recognized beyond question—that as banks have grown, as the instruments of credit have multiplied, as economic policies of wise consideration and scientific thought have entered into daily operations of the business of the American people, credit has grown cheaper, financial operations have become more stable, and instead of harm being worked to the individual or to the public, we have seen good. When was credit ever so cheap as it is to-day? When were operations of so large a character carried on with so much certainty, and so much stability, as to-day, when the bank has become the recognized financial institution of the country, and by its operations, guided by conservatism, by wise thought, and by a proper regard for the rights and powers of the institutions themselves. And to that end this Association has contributed its full share, and I trust that in the future, in the discussions of other questions that must present themselves in the eliminating of financial and monetary errors which still exist, this Association, strong in its numbers, splendid in its make-up, representative in its membership, may add the full force of its honest thought and its honest belief.

There never was a time when economic questions of great interest could so well be discussed as at present.

There never was a time in the history of the country when there was such great prosperity, so far reaching in its character and so stable in its makeup. There never was a time when the credit of the country stood higher, or the credit of the individual at home and abroad was greater. We have entered, not only into the politics of the world, but we have entered into the world's greatest financial and monetary operations. We have for our manufacturers the markets of the world, and where once American enterprise has gathered to itself a market American genius always retains it. (Applause.) We have entered upon the world's financial operations, and this country, rapidly passing from a desert nation, sees the nations of the Old World seeking her, and asking that we, a people not long since in dire distress, aid them in undertakings upon which they entered. We have, in addition, an administration which commands the confidence of our people and the admiration of the world. (Applause.) With an administration strong in the affections of the people, wise in the policy it adopts, conservative in its utterances upon public questions, and careful of its acts, there is no reason why we might not well, within the period of the immediate life of that administration, discuss with care and conservatism and frankness every public question, for in such a discussion, always having in mind to do the right thing, must rest the stability of our Government and the preservation of the rights of our people.

Abolish the sub-treasury, keep the revenues of the Government to the lowest point consistent with credit and maintenance of the dignity of the country, make the banks the means of carrying on the fiscal operations of the Government, carry with them the unnecessary revenues of the Government, always maintaining the

integrity of our monetary system, and there remains but a single thing to add to the advancement and the prosperity of the American man of commerce, of the man of labor, of the merchant, of the manufacturer and of the farmer, and that is in having engrafted onto the national system a note-issuing power which, in and of itself, does not depend upon the deposit with the Government of any bonds for the purpose of securing that circulation. (Applause.) The suggestion is not a new one. It was an old thing before the national bank note of to-day was dreamed of or came into existence. It was so well thought of before that more than one conservative banker of this country hesitated a long while as to whether or no it was wise to adopt a note secured by a deposit of Government bonds, as against a note issued by the bank and secured only by the assets thereof. It is criticised by many as a note that might lead to danger, and speculation and harm. But the man who so criticises it either does so because he has only a remembrance of what occurred in the days of wild-cat banking, in the days of small banking transactions, in the days when intercommunication was hard, and where the interests of the banker, or the interests of the people, could not be kept track of. But all that has passed away.

It may be safely said that when the bankers of this country are prepared to accept as a necessity in the conduct of business a promise to pay, issued by their bank, secured only by the assets of the bank, that that note will be as safe in the hands of the holder as is the national bank note, secured by bonds held by the Treasurer of the United States, to-day. For no great financial interest, no great business interest, will go into any scheme until the assurance of its safety to all concerned has been worked out to a proper degree. It may be safely said further that it is impossible to have an asset currency issued to-day which is not a safe currency. It may be further said that by proper restriction, by proper care, by the accumulation, if you please, for the present of a safety fund, as suggested by one of these Conventions, the note so issued restrained by a proper tax would never be issued in such amount as to cause undue speculation, or to bring about harm to any interest. A note secured by the assets of a bank composed, as they are, of commercial paper, having value back of them, certainly is as safe as a note secured by a bond of the United States, founded for its value upon the property which the people possess.

(Cries of "No, no, no," from various parts of the house.)

For, if the bonds of the people of the United States only rest upon the property of the United States, the assets of the banks, as a rule, must be of equal value, as they rest upon the property of the great financial and agricultural interests of the country. (Applause.) If the banks' assets are of no value, then your country is bankrupt. (Again the speaker was interrupted with cries of "No, no,") and the individual citizen is bankrupt because the holdings of the banks of this country are the great majority of the assets of this country. (Applause.) Who holds your railroad bonds? Who holds your mortgages? Who holds the note promises to pay of the merchant and of the manufacturer? Who holds the deposit showing the savings of the individual citizen, but the banks? If you wipe out those things as of no value, what value is a promise to pay issued by the Government of the United States, which must find its payment in the levying of taxes by the Government of the United States upon the supposed property of the citizens of the United States? (Applause.) I say that a note secured by the assets of a commercial bank is as stable in the hands of the holder thereof, and is as likely, nay, is more likely, of redemption than is a promise to pay issued by the Government of the United States, which depends upon the levying of taxes, which in turn depends upon the importation of goods, and unless there is importation of goods or internal revenue tax, you

cannot raise the revenue with which to meet the obligations of the Government. (Applause.)

L. V. F. Randolph, of New York: You are entirely wrong, sir.

Mr. Eckels (continuing): It is a contingency. The note of the Government, whether it takes the indefinite term of a legal tender note or the definite term of a bond issue of the Government, is no better than the financial stability of the individual citizen, and if there is no financial stability on his part, then a promise to pay of your Government, in whatever form it takes, is a worthless thing. (A voice: "You're away off.") (Mingled with applause and some demonstrations of disapproval.)

Well, maybe I am away off; but where is the banker or patron of the bank but what to-day is willing to accept the certified check of the bank, or is willing to accept the check of a citizen upon the bank, and, as against the bank note, the check of the banker is so infinitely greater that they are not to be talked of in the same breath. The bank note is but an incident of banking. It is not the principal thing. It is the smallest instrument of credit almost that the bank issues, and if these great financial institutions are of sufficient stability, and have sufficient worth, to issue checks as they do, to accept checks as they do, to put out drafts as they do to keep in circulation, they keep of value the great instruments of credit which make up the transactions of the world, why, then, indeed, they must be poor and bankrupt if they cannot maintain a small part of their capital, at least, in the form of promises to pay on demand to circulate as notes. (Applause.) In the last analysis it is what your banks possess, as made up of what your people possess, that makes their promises to pay of value, whether it is in the shape of a check or in the shape of a bank note, as such, just as it is the value of the holdings of the people and the general honesty of the people that makes of value the obligation of the Government of the United States, whether it be a legal tender issue or a bond of the United States. (Applause.) And you may put it down as a certainty that if we ever had a bank note issue secured by assets, made a first lien thereon, that bank note will be as staple as the present national bank note and a good deal more stable than the legal tender issue of the Government was for a great many years. (Applause.) There will never be a suggestion on the part of the bank issuing such notes that that note issued for the value of 100 cents will be redeemed by the bank issuing it in the shape of a repudiated metal of only fifty cents value. (Applause.) Of course, there may be dishonesties; there are dishonesties to-day. But neither the power of the United States through a legal enactment nor the power of the State, through its legislative body, can make honesty exist where there is inborn dishonesty, and if a banker wants to be dishonest, you cannot prevent him. If he wants to be dishonest, he will be dishonest in issuing his drafts, and in his checks, and in his handling of deposits, as much as he would be dishonest in issuing notes which he knew he could not redeem.

Don't measure this question by past traditions. The bankers of this country and the people of this country ought, in the discussion of every economic question, rise above mere traditions and see the present situation as it is, and deal with the present as the circumstances of the present require. It does not make any difference that fifty years ago there were bad banking and bad bank notes. We are a long way from fifty years, in all our powers as a people, in all our wealth, in all our occupation of new fields, and in our standing before the world as a great power in financial undertakings, and you cannot say that because fifty years ago there were bad bank notes issued, that therefore there is danger in the issuance of bank notes to-day. Fifty years ago there were good bank notes issued by conservatively and honestly managed banks, and in the

years to come it may be safely put down that the conservative, wise and honestly managed banks will issue no note, whether it be a covered or an uncovered one, that will not be promptly redeemed at the value of 100 cents on the dollar when presented for redemption. (Applause.)

We have got beyond petty views in politics. We have seen eliminated the narrow partisanship of the party adherent. We have seen the wisdom and conservatism and patriotism of a great people find expression when a great question is at issue, irrespective of party traditions or past party affiliations. (Applause.) We ought, in the discussion of economic questions, then, to test the question of what we are now, and what our necessities are, and not what we were, and by such discussion and by such patriotic attempts to arrive at a right conclusion. It may be set down that we will deal with this as with other economic questions—with the sole purpose of arriving at the right conclusion and doing the right thing. If we have an asset currency there is no fear of an overissue, because the business interest of the country will not take a single dollar more than the needs of the business interests. If it is regulated by a tax, not a dollar will be kept out upon which taxes is paid, except as there is use for that dollar, returning to the man who puts it out a proper income therefor; but we will be relieved of a pressing necessity which every banker meets with

each recurring fall of having for the time being the means at hand for moving the crops in the Northwest and the cotton in the Southwest. Your sub-treasury takes all the money and locks it in idleness, and in Chicago, at least, we cannot get a single dollar of small bills, except as we have them deposited in our banks and draw them from New York to embarrass the situation there.

Why ought the great banking interests of this country be dependent upon such a system, and be confronted by such a recurring embarrassment? The question is worthy of thought and capable of a right solution, and if this body in its wisdom and in its experience, and possessing the confidence of the people, and trusted with all their financial and money bearing interests, has but the courage to lead, you may be assured that the business interests of the country and the great mass of the people will follow. (Applause.) This is a country that we all may well boast of. Great in its wealth, splendid in its history, magnificent in its past achievements, all its interests, its well being, may well enlist the patriotic thought and the best effort of every individual citizen, and we owe it to ourselves as we owe it to the future, to, in all these questions, deal with them in such manner as to still make this Government of ours more glorious and the American people a still greater factor in the undertakings of the whole round world. (Prolonged applause.)

## *The Financial and Commercial Future of the Pacific Coast.*

BY P. C. KAUFFMAN, Cashier Fidelity Trust Co., Tacoma, Wash.

A distinguished Senator of the United States in 1825, when discussing the value of the territory lying west of the Rocky Mountains, made this most remarkable utterance: "The ridge of the Rocky Mountains may be named without offense as presenting a convenient natural and everlasting boundary. Along the back of this ridge the western limits of this Republic should be drawn and the statue of the fabled God Terminus should be raised upon its highest peak, never to be thrown down."

That this continued for years to be the settled opinion of many of our most distinguished statesmen is shown by the unchallenged speech of Mr. McDuffie, over the ratification of the Ashburton treaty, delivered in the United States Senate January 25th, 1843, in which he said: "What is the character of this country? Why as I understand it, for seven hundred miles this side of the Rocky Mountains, absolutely uninhabitable—a barren and sandy soil—mountains totally impassable except in certain parts, where there are gaps to be reached only by going hundreds of miles out of the direct course. The wealth of the Indies would be insufficient to construct and maintain a railroad across the continent. Even if this region was secured, of what value would it be? For agricultural purposes, I would not give a pinch of snuff for the whole territory. I wish it was an impassable barrier to secure us against the intrusion of others. I thank God for his mercy in placing the Rocky Mountains there."

What has been the answer made by the past fifty years to these most remarkable speeches—a rapidity of development and growth never before equalled in any section of the world. From that section of the despised territory lying west of the Rocky Mountains that borders on the Pacific Ocean have been formed three magnificent Commonwealths. California, oldest and largest, with unequalled resources, containing the financial and commercial metropolis of the coast, situated on a harbor renowned throughout the commercial world. Oregon, commanding the valleys of the Colum-

bia and Willamette rivers, with soil so fertile that if "you tickle it with a hoe, it laughs back a crop," with magnificent harbors at the cities of Portland and Astoria, as well as Coos and Yaquina bays. Washington, youngest of all, the Pennsylvania of the Pacific, with a wealth of coal, iron, forest and agricultural land that constitutes it an empire in itself, containing within its borders Puget Sound, that matchless inland sea, the Mediterranean of the Northwest, a harbor unsurpassed, with two thousand miles of shore line. From the day when the tidings of the discovery of gold on the South Fork of the American River, at Sutter's dam, thrilled the entire world, and, like a mighty loadstone, drew the thousands of intrepid "Argonauts of '49" through perils and hardships indescribable, across plains and over mountain, almost every mile of the journey marked with the headstone of some unfortunate adventurer, to the Pactolian banks of California's auriferous streams; and from the time that Dr. Whitman's "Old Wagon" rolled through the passes of the Rocky Mountains down to the valley of the Columbia River, demonstrating irrefutably that Oregon was open to overland immigration, the development of that vast territory has never flagged. Even the great cataclysm of the Civil War, which reft North and South asunder, and for years plunged our country into the horrors of desolation, scarcely even checked the remarkable development of the Pacific Coast. In those fifty years the territory for which Mr. McDuffie would not give a pinch of snuff has added billions of dollars to our national wealth. The Pacific Coast States proper have a population to-day of nearly four millions, constantly augmented by a steady stream of immigration, so that while they may never be as densely populated as the Atlantic seaboard States, we may confidently expect to see the census of two decades hence show a population of fully twenty millions and a commercial development that will be the wonder of the world.

That it is impossible in the limited time at my dis-

posal to give any adequate idea of the resources, products and commerce of that region is evident when you consider that its foreign commerce in 1900 was over \$200,000,000, and domestic commerce attained figures equally large; that California alone shipped East over fifty thousand carloads of deciduous and citrus fruits; that the States of Oregon and Washington each required over forty thousand cars to transport their output of lumber to the various sections of the Eastern States alone; that the wheat crop of the latter States for 1900 was over forty million bushels, to which California added twenty millions more, the greater part of which was exported around Cape Horn to the markets of Liverpool or to Hong Kong and Shanghai, in the shape of flour; that the bank clearings of San Francisco for 1900 were considerably over \$1,000,000,000; while those of Portland, Tacoma, Seattle and Spokane, the leading cities of the Northwest, approximated \$400,000,000.

It will probably astonish some of our Eastern bankers to know that the bank deposits of California are over \$350,000,000, three savings banks in San Francisco alone having over \$100,000,000, while the deposits of Oregon and Washington are over \$60,000,000, having more than trebled since 1893. To all this should be added the wonderful development of Alaska, Seward's famous "ice box," which is pouring millions into our coffers annually, and creating a trade of immense proportions, the bulk of which is handled by the merchants of our Pacific Coast States.

Wealth is being created everywhere, industry flourishes and resources utilized for the benefit of mankind. This rapid advance, which has been specially marked in the past few years, is confined to no particular locality, but is developed and supported everywhere by conditions that fully warrant our confidence in its continuance. It has resulted in the establishment of hundreds of new and important manufacturing enterprises, and in the harnessing of powers that have never before felt the controlling touch of science.

It has been infused into our mercantile life, and with magic strides commerce from Pacific Coast seaports is encircling the globe, laying the foundations for a prosperity the like of which has not been dreamed. It has struck the mountain side, and the golden treasure is pouring forth in a stream that will not end. It has caused the farmer to take heart, the artisan to redouble his energies, the merchant to enlarge his facilities, and has put millions of dollars in the pockets of the people. Such prosperity is always permanent, because it is founded on substantial development; being built up step by step, the foundation for it is firmly and securely laid.

Recognizing, then, the present magnificence of their development, what is to be the future, both commercial and financial, of the States of the Pacific Coast?

Has the star of their prosperity already reached its zenith, has it even begun to decline, or is it only first appearing above the horizon?

To these questions there can be but one answer. With activity like this in all lines, the future of the Pacific Coast, even as to continued internal development, offers the most glowing promises.

Reason compels all to admit that development founded in the prosperity of all the people results by natural sequence in a still greater prosperity until the opportunities of nature have been exhausted. This being true, it follows that the people of the Pacific Coast are only on the threshold of their destiny. If to this be added the possibilities presented by a proper development of Oriental commerce, it will be impossible to overestimate the probable growth of the future.

There is nothing in history, poetry or romance so thrillingly interesting as the legends and tales that have as their "motif" the development of commerce. The galleons of Spain and richly freighted Indiamen have attracted others than pirates and buccaneers of

the open sea. The staidest and most conservative merchant and banker has time and again lost his conservatism and embarked his venture, mainly by reason of the glamour of romance that tinged Oriental or trans-oceanic commerce.

There is no study more interesting or important to the statesman, political economist, merchant prince or financier than the growth and development of a nation's commerce. Commercial history has shown us that the greatest seaports have always sought the Northern latitudes. The relative position and accessibility of a State to other States and nations has much to do with its rapid development and future greatness. Cities as well as States have for a time grown into prominence and importance by virtue of being on some line or terminus of commerce. There was a time when the gold and jewels, the silks and rugs, the pearls and perfumes, the spices, sandal wood and precious stuffs of the Orient moved westward to the eastern shores of the Mediterranean, and thence by water to Italy, Spain, Portugal and France. Along this line were situated the then great commercial emporiums of the world. Alexandria, however, surrendered the palm to Athens; Carthage gave way to Rome, Rome in later times to Venice, the Queen of the Adriatic, which, in turn, yielded the sovereignty of commerce "to the right little, tight little isle," whose flag to-day is on every sea and whose ships are in every port.

When Columbus crossed the Atlantic and Magellan circumnavigated the globe, the eastern route to India lost its importance and its great caravansaries and emporiums began to decline, and to-day they are scarcely shadows of their former greatness. Yet India, China, Japan and the Malayan Archipelago are no less rich, nor their products less desirable, than in the days of Ferdinand and Isabelle.

The movements of commerce have been hitherto from the East to the West, but the inexorable logic of events has established the truth of the theory of the Genoan sailor that the wealth of the East Indies can be reached more readily by going west than by going east.

The most important historical event in recent years, at least to the people of the United States, was the destruction of the Spanish fleet, in Manila Bay, May 1st, 1898, and the consequent establishment of the United States as one of the first class sea powers.

The Orient, with its teeming myriads just awakening from their thousand years' sleep, offers to-day the richest prize ever presented in the struggle for commercial supremacy. With scarcely a thought of the United States even proving a factor in that contest the great nations of Europe have been for years partitioning the Oriental trade among themselves, each one striving to obtain the strongest vantage. The foreign trade of the Orient for 1899 was over \$2,000,000,000, that of China alone approximating \$330,000,000; yet of that vast commerce the United States has less than ten per cent.

In the settlement of the recent war, the readjustment of the "spheres of influence," the enlargement of the open door policy, the United States *must* take and *will* take a most important part, for it is the only great power that looks out upon the Pacific, the scene of future activity.

The opening of the door of the "Far East" has shown to the world a wealth of commerce and trade that is almost incalculable.

Old tales of wealth and luxury are found to be no fables, but actual facts, and at this latter day, after centuries of inactivity, the products of these old nations are flowing westward to a newer and more progressive world.

It is admitted by all who give the subject the slightest investigation that in this struggle for commercial supremacy the United States, by reason of her great resources, the fertility of her soil and the vast extent of her territory, is destined to take a pre-eminent place.

The twentieth century opens for the United States with its industrial machinery adjusted to the production of wealth on a scale of unprecedented magnitude. The nations of Europe and the world at large are constantly becoming more and more dependent upon us not only for raw materials, but also for manufactured products; and it may be confidently asserted that because of our central position between the Atlantic and Pacific seaboard, because of our excellent transportation facilities, our varied and inexhaustible resources, and the steadily increasing dependence of the world upon us for the necessities and even many of the luxuries of life, the United States is destined to become the greatest commercial power of the commercial age, the twentieth century.

To obtain this pre-eminence, the United States must enter this field of commercial activity through her Pacific Coast.

With Hawaii, the key to the commerce of the Pacific, and the Philippines, the gateway to the Orient, both in our hands, fate or a kind Providence has given us two most important and valuable aids for the attainment of this glorious goal.

The question of the wisdom of the policy of expansion has been settled forever; it is no longer even a debatable one. Our flag has been raised in the Philippines, and thank God it is there to stay. Under its benign influences will come all the blessings of a civilized free government, the enlightenment of education, the establishment of equal rights for man and woman, the development of the latent riches of these islands and the expansion of a Christian civilization that ever follows the flag of the Anglo-Saxon race.

Christianity and Christian teachings are just as real factors in the mental and moral equipment of the highest civilization as any of the philosophical or scientific processes that have gone to build up the general result.

It takes, then, no prophet to state that if the people of the United States will but awaken to a full realization of the grandeur of their destiny and the greatness of their opportunities they will settle down to a development of the commerce of the Orient that will ere many years re-establish our merchant marine, cover the Pacific with our white winged birds of commerce, establish on the Pacific Coast commercial emporiums that will rival any in the world and pour into our treasuries the riches of Golconda.

#### DEPENDENCE OF COMMERCE UPON BANKING

It would be, indeed, a work of supererogation on my part to attempt to demonstrate to you the importance of the part the banker must play in this great commercial expansion. If transportation facilities constitute the one leg with which commerce strides from nation to nation, banking facilities constitute the other, without which commerce would be lame and halting indeed.

That the assured development of our Oriental commerce will see a most remarkable enlargement of the banks and banking facilities of the Pacific Coast is a self evident proposition.

I wish, however, to take advantage of this opportunity to state again what I have frequently urged in other places. It seems to me that the most important step that should be taken by Congress to enable the United States to attain all the advantages arising out of a constantly expanding commerce, is to enact the necessary legislation authorizing the establishment of an international bank with headquarters in New York and branches in all the leading commercial cities of the globe. Such a bill has been pending in Congress for years, but owing to the fact that many Congressmen think that any measure tending to extend banking facilities is legislation in favor of a privileged class, it still slumbers in the committee to which it was referred. It would seem as if such a measure should be especially deserving of the support of Congressmen and Senators of the Atlantic seaboard States, when the volume

of our trade with the South American States and the Orient is considered, for its passage will at once signify that we intend no longer to be dependent upon European banks for our international monetary transactions. A competent authority writing to the *Times* of New York states in his accurate knowledge of the situation, that it costs a merchant in Rio de Janeiro, Buenos Ayres, Valparaiso, Hong Kong and Yokohama from two to three per cent. more to place funds in New York than in London, Paris or Berlin. Every pound of raw material imported and every manufactured article exported to the countries south of us, pays more or less tribute to the European bankers, who make a handsome profit out of the American people, because we have not had a sufficient enterprise to do our own banking.

That there is room for abundant profit is evidenced by the fact that fully ninety per cent. of the total banking business between the United States and the Orient and South American countries is done through London bankers, and the average commission on this is three-quarters of one per cent., which is made by these London houses with scarcely a penny of expenditure. When we, on the Pacific Coast consider that every cargo of wheat that departs for the United Kingdom, every cargo of lumber for South America, Australia and South Africa, every cargo of flour for the Orient, pays tribute to foreign capital, it seems that the proposed international bank should receive not only our cordial, but most active support.

It was well said by Mr. Charles Conant, that it is a striking commentary upon the closeness with which American banking has been kept at home, that almost all our trade with Latin America is settled by bills of exchange on London, and that even the Government of the United States does its business in our new possessions in the Orient, through the great English institutions, the Hong Kong and Shanghai Bank and the Chartered Bank of India, Australia and China.

In the *Financier* of August 19th of this year we are given an account of what is termed "an interesting exchange transaction," whereby the Government of the United States, transferred \$1,100,000 to Manila for the payment of troops and other purposes, the transaction being effected in the following manner: Two warrants for \$600,000 and \$500,000, respectively, were drawn and placed in the New York Sub-Treasury to the credit of the Disbursing Officer of the War Department, who issued his checks payable to the Canadian Bank of Commerce and Hong Kong and the Shanghai Bank in New York, the transfer being consummated through cable orders via London, and the branches or correspondents at Manila of those two foreign banks.

Consolidation of capital, the authority to establish foreign branches, the extension of long credits on foreign trade and the application to banking of the highest organizing ability of the American mind, are the share of the American banker in the task allotted to our captains of industry and kings of finance in conquering the trade of the world.

The foreign banks of South America and the Orient do not encourage American trade, but either from patriotic motives or for other reasons favor European nations to the disadvantage of the United States and the results are seriously felt in our higher mercantile circles.

It is not enough to say that our foreign export trade is increasing regardless of poor banking facilities. It is more exact statement of existing conditions to say that the full measure of their growth is greatly retarded by reason thereof. In order to most advantageously compete in the world's markets, the United States must be prepared to give the same facilities to encourage trade by the same liberal system of international exchanges that other countries offer, otherwise our trade will be hampered to just that extent.

If, then, the people of the United States have the wis-

dom to seize the golden opportunity that is now presented to them by legislation favorable to our banking necessities and the development of our merchant marine, long ere the twentieth century closes, they will not only see the United States the unquestioned mistress of the Pacific and the vast commerce that will burden its bosom, but the celebrated "Old Lady of Threadneedle Street" walk with equal step with her famous kinsman, "Brother Jonathan of Wall Street," conscious that they twain control the finance and the commerce of the world.

Will we do it? In the slang vernacular of the day, "It is up to us." It rests upon ourselves, the opportunity is here. For nations as well as individuals, "there is a

tide which taken at the flood leads on to fortune." Opportunity, if rejected, will never call again.

Master of human destinies am I,  
Fame, love and fortune on my footsteps wait,  
Cities and fields I walk, I penetrate  
Deserts and seas remote. And passing by  
Hovel and mart and palace, soon or late  
I knock unbidden once at every gate.  
If sleeping, wake; if feasting, rise before  
I turn away; it is the hour of fate,  
And those who follow me reach every state  
Mortals deserve, and conquer every foe  
Save death; but those who doubt or hesitate,  
Condemned to failure, penury and woe,  
Seek me in vain, and uselessly implore.  
I answer not, and I return no more.

## *The Federal Bankrupt Law.*

BY WALTER D. COLES, Registrar in Bankruptcy, St. Louis, Mo.

Bankers, perhaps more than any other class of business men, are vitally concerned in the development and maintenance of a sound and stable credit system. Few laws have so important a bearing upon credit as those which have to do with the relation between the creditor and his insolvent debtor. In the case of the debtor who has the means with which to pay all his debts the creditor seldom finds it necessary to invoke the aid of the law, and when such a resort is necessary the remedy is usually simple and obvious. But in the case of the insolvent debtor the due fulfillment of pecuniary obligations becomes impossible, and the adjustment of the insolvent's affairs almost invariably requires the intervention of some legal process.

At the present time the law, which in a large measure determines the reciprocal rights of creditors and their insolvent debtors, and defines the character and scope of the remedies available to the creditor, is the Federal Bankrupt Act of 1898; and it is to the consideration of the provisions of that act, as now construed and practically applied, that I propose in this paper to address myself.

The essential legal ideas which find expression in a bankrupt law are by no means novel or tentative in character. A system of laws, the substantial equivalent of the bankrupt laws as known in the United States, has been in force for a great many years in England, France, Germany, Austria, Hungary, Belgium, Spain, Italy, Portugal, Denmark, Norway and Sweden and in the leading countries of South America. The bankrupt laws in force in the countries mentioned all proceed upon the theory, that when a debtor is manifestly insolvent, or by his acts evinces a disposition to defraud his creditors, his control over his property should cease, and such property should thereafter be regarded as of right belonging to the whole body of his creditors. For the purpose of working out these legal conceptions appropriate remedial process is provided by means of which the property of the debtor is sequestered under judicial authority and distributed ratably among all creditors. Of all the progressive commercial nations of the world the United States alone has for the most part been content to disregard the legal principles underlying bankruptcy legislation and to leave the disposal of the property of the insolvent debtor to be determined by his own caprice or self interest or by the fortuitous results of competition among creditors. Prior to the enactment of the present bankruptcy law there have been three bankrupt acts in force in this country. The failure of our previous bankrupt laws to achieve what was expected of them cannot be attributed to any defects inherent in the nature of bankruptcy systems but must be ascribed entirely to particular defects in the provisions of those laws which Congress did not see fit to rectify by proper amendment.

Prior to the enactment of the present bankrupt act the entire body of law having to do with the relations between creditors and their insolvent debtors was, and had been for nearly twenty years, under the exclusive control of the several States and Territories. In estimating the value of the present bankrupt act as a scheme of insolvency law and administration we should compare it, not with some ideally perfect code of laws of whose existence we may perhaps conceive, but with the actual State laws which the bankrupt law has replaced. An examination of the State and Territorial laws relating to insolvency which were in force on July 1, 1898, when the bankrupt law was enacted, discloses the fact that in thirty-three States and Territories the failing or insolvent debtor was permitted to pay or to secure such of his creditors as he saw fit, to the entire exclusion of the rest, and in only eighteen jurisdictions did the State laws compel an insolvent debtor to make a fair and proportionate distribution of his property among his creditors. In view of the direct bearing of insolvency laws upon the conduct of business and the course of credit, it is difficult to conceive of a more unsatisfactory condition of the law on this subject than that which results from the existence of fifty-one distinct and diverse systems, under thirty-three of which the rights of the creditors are so inadequately protected and the dictates of justice so little regarded as to permit the insolvent debtor to distribute his estate precisely as his own interest or caprice may dictate. Furthermore, at the time the bankrupt law took effect the State laws in twenty-eight States permitted an insolvent to distribute his assets by voluntary conveyance and through a trustee of his own choosing to such of his creditors as he saw fit; and unless litigation ensued the administration and distribution of the assets proceeded without any judicial or other official supervision whatever. In the case of a debtor who sees that failure is inevitable the temptation to commit fraud is at all times great. Even when the administration of an insolvent's estate takes place under the closest judicial scrutiny and is safeguarded by the most stringent penal laws, frauds are frequently committed or attempted. In view of these facts it is hard to imagine a state of the law which would more strongly invite to fraud or under which fraud could be more readily perpetrated than that presented by the State laws in the twenty-eight jurisdictions to which reference has just been made. Looking at the matter from the point of view of the general public good, there can, I think, be no question but that laws which permit failing debtors to prefer particular creditors are unwise, dangerous and inimical to credit. Such laws have long been condemned by the almost unanimous voice of the commercial world as arbitrary and inequitable. Where the creditor in good faith demands and receives security from the debtor at

the time of extending the credit the strongest considerations of public policy demand that the right of the creditor to such security be jealously maintained; but where a number of creditors alike extend purely personal credit to debtor, neither demanding nor receiving security at the time of giving credit, every dictate of justice and fair dealing requires that when the debtor becomes insolvent all creditors, standing as they do in the same situation, should share alike in the distribution of his property.

Banks, because of their peculiarly close and confidential relations with their patrons, are perhaps more frequently than other classes of creditors the beneficiaries of preferential assignments. In view of this fact it may be asked whether banks, as a class, ought not to favor a condition of the law which will recognize the right of the failing debtor to accord preferences to particular creditors? This inquiry, I think, admits of a perfectly satisfactory answer. The prosperity of the banker rests upon the general prosperity and welfare of the business community, and the success and development of the banker's business is promoted by sound and conservative laws which tend to the stability of credit and the betterment of general commercial conditions. In view of these considerations the banker may well afford to forego whatever there may be of special advantage to him in laws permitting preferences in order that the business world generally may have the benefit of an equitable and generally beneficial statute. Furthermore, it must be borne in mind that a condition of the law which permits an insolvent debtor to prefer his bank also permits him to prefer others, so that the very law which sometimes operates for the special benefit of the bank will often be turned against the bank itself in common with other creditors and employed as an instrument of fraud. Although I am in possession of no statistics on the subject, I venture to assert that it is not banks but relatives and confidential friends who are the chief beneficiaries of preferential failures, and when a debtor fails, making over everything he has to his wife or a friend, the murmur of disapproval which goes around the directors' table at the bank shows that banks themselves are able to appreciate the injustice resulting from preferences. There seems to be no sound reason why a bank, in extending purely personal credit to a borrower, should not be required to do so under the same risks and with the same responsibilities which attend the giving of credit by others who do a credit business. The result of compelling a bank to transact its business upon this basis is salutary in so far as it tends to a conservative course of business, having regard not alone to the debt due to the bank, but to all the debts of the debtor.

The present bankrupt law has now been in force upward of three years, and we are therefore able to consider its provisions in the light of a somewhat extended experience of their practical operation and effect. The law unquestionably embodies many of the essential provisions necessary to a sound and efficient insolvency system. Some of these meritorious features may be briefly enumerated. It provides for a proportionate distribution of the assets of the bankrupt among all creditors and contains well guarded provisions to prevent preferences being secured or awarded through transfers, levies or attachments made in anticipation of bankruptcy. It provides machinery for discovering and securing for creditors all the property of the bankrupt. Such machinery consists of the right of creditors to choose an impartial trustee, who will scrutinize all past acts and dealings of the bankrupt, and is vested with power to recover property concealed or fraudulently conveyed; the right to examine the bankrupt and all other persons for the purpose of compelling the disclosure of concealed property, and the right to invoke criminal penalties for the concealment of assets or perjury in relation thereto. The act further provides for the active participation of creditors in the administration of the estate. They

choose the trustee and fix the amount of his bond; they receive notice of, and have a right to be heard with respect to, all important steps in the course of the administration of the estate which affect their interests. The law, and the practice under it, is uniform throughout all the States and Territories of the union. Whether a claim is to be proved in Texas, California or Maine the mode of proof is identical, and as the form of proof is officially prescribed any creditor is able to secure the allowance of his claim in any jurisdiction in the United States without being required to employ professional aid or local counsel. The expenses of administration are less than they have been under any Federal Bankrupt or State Insolvency Law, and such administration takes place under responsible judicial control in this respect, presenting a strong contrast to the irresponsible and extra judicial administration under chattel deeds of trust and similar devices known to the State laws.

While the present Bankrupt Law has all the foregoing virtues it would be far from the truth to consider it as free from defects. Apart from certain minor faults not very serious in their consequences and to which we shall make no reference, there are in the law certain grave defects operating with particular hardship upon banks to which I propose to refer. Payments of money received by a creditor from a debtor in good faith and without reasonable cause to believe that the debtor was insolvent when the payment was made are not recoverable from the creditor under the Bankrupt Law. The act provides, however, that the claims of creditors who have received preferences shall not be allowed until such creditors shall surrender their preferences, and further provides that a bankrupt shall be deemed to have given a preference if, being insolvent, he has transferred property or money to any creditor, and the effect of such transfer is to enable such creditor to obtain a greater percentage of his debt than any other creditor of the same class. The two provisions of the act just referred to have been so construed by the Supreme Court of the United States as to require a creditor who desires to prove a debt against a bankrupt estate to surrender, as a condition of making such proof, all payments received after the actual insolvency of the debtor and within four months preceding the commencement of proceedings in bankruptcy, notwithstanding that the creditor may have received the payments in good faith and without any knowledge whatever of the debtor's insolvency. The correctness of this decision as a judicial interpretation of the terms of the act is not questioned, but the result of the construction thus given the law is to make it run counter to the essential principles upon which business intercourse is and must always be founded. I can conceive of nothing more necessary to the stability of credit and the safe and proper conduct of business than that payments, when received in good faith, should be unassailable. When the law renders the status of a payment contingent and uncertain there is no definite basis upon which a banker or a merchant can predicate his transactions or determine his course. It is true that under the present law the creditor is not directly deprived of the payment which he has received, but in forcing upon him the alternative of surrendering the payment or foregoing a dividend from the bankrupt estate the creditor is deprived, entirely or in part, of the benefit of the payment through the loss of the unpaid balance of the debt. It must be borne in mind, too, that this penalty is inflicted upon the creditor, not because of any fraud, misconduct or lack of foresight on his part, but merely because of the subsequent occurrence of an event which he could neither foresee nor prevent. It is one of the anomalies of the construction given the present act that while a creditor who has received part payment of his debt cannot prove the remainder without restoring to the bankrupt estate the payment received, yet a creditor who has been paid in full is, in the absence of actual or imputable fraud, under no obligation to restore anything. This consequence of the in-

terpretation given the statute is so grossly inequitable that it demonstrates the utter impracticability of treating a payment as a preference, save in those instances where the creditor knows or ought to know it to be such at the time he receives it. An artificial standard of preferences, having no relation to the creditor's knowledge or intent, should never be applied under a bankrupt law. When the law makes the knowledge of the recipient creditor the test by which to determine the fact of preference, it applies a real as distinguished from an artificial standard, and the creditor is thereby afforded an opportunity at the time of tender of payment to intelligently determine his course of action and to guard himself against the consequences of prohibited acts. As a result of the necessity for surrendering partial payments, as a prerequisite to proof of a claim for the balance of the debt against bankrupt estates, a situation frequently arises, as between a bank as a creditor and a bankrupt estate as debtor, which it is worth while to notice as one of the most inequitable and oppressive consequences of the provisions of the present law respecting preferences. The situation to which I refer can perhaps be best indicated by the statement of a concrete case which has recently come under my notice. A bank in St. Louis loaned a corporation \$25,000 on its notes indorsed by its directors, who had no other means than their stock in the corporation. The bank afterward, and while the loan just referred to was still outstanding, made a further loan to the corporation of \$25,000 upon its notes, indorsed as before by its directors, and also by two other indorsers, who were capitalists of large means and undoubted responsibility. The borrowing corporation then paid off the notes secured by the solvent indorsements and within four months of the time of making such payment was declared bankrupt, leaving its notes, indorsed by its directors, in the hands of the bank, unpaid. When the bank offered the unpaid notes held by it for proof against the bankrupt estate it was held that the bank was not entitled to prove the debt evidenced by such notes until it had first surrendered the \$25,000 it had received in payment of the secured notes. It will be observed that although the payment of the secured notes by the bankrupt operated in no way to benefit the bank, since the solvent indorsements upon them made those notes good at all events, nevertheless the reception of such payment by the bank operated to deprive it of its right to receive any dividend whatever from the bankrupt estate upon the unsecured notes.

In addition to the defects in the law arising from the provisions which define partial payments as preferences, the act is, in my opinion, seriously defective in respect of those provisions which determine the right of the bankrupt to be discharged from his debts. Since a discharge in bankruptcy in effect extinguishes lawful debts and nullifies the most solemn obligations, obvious considerations of justice and sound public policy imperatively demand that the grant of such a privilege should be surrounded by such safeguards as will prevent its employment for dishonest and fraudulent purposes. Under the present act the bankrupt's estate may pay no

dividend whatever; the bankrupt may have recklessly spent, dissipated or given away his money or other property prior to or even in contemplation of bankruptcy; he may have conveyed property with intent to hinder, delay or defraud his creditors, or with a view to giving a preference to a particular creditor; nevertheless, under the terms of the law, none of these acts will justify the court in refusing him his discharge, and such discharge, when granted, will absolve him from all his debts, except those which fall within certain excepted classes enumerated in the statute. In the light of the foregoing statement it takes no great wisdom to see that the safeguards thrown around the grant of a discharge are inadequate, and that amendments of this feature of the law will be required to render the operation of the law satisfactory. The discharge of an honest bankrupt is doubtless dictated by sound public policy, since the grant of such discharge is beneficial to him and to society, and is not generally harmful to the creditor, as there is little probability of the creditor's realizing anything on the debt even though the discharge were withheld. There is no sense in keeping a man enthralled by debt, and thereby deprive society of the useful activities and productive faculties of one of its members, where no advantage results to any one from so doing. While the wisdom of granting a discharge as a measure of public policy is not denied, it must be said that no bankrupt law has ever been in force in any country with such liberal provisions for discharge as are contained in the present law. The nearest approach to it is the Federal Act of 1841, and that act was very soon discredited and repealed largely because of dissatisfaction with the discharge provisions.

The defects in the present bankrupt law to which we have referred, while oppressive and unjust in effect, are not fundamental or irremediable in character. Organized and systematic effort is now being made by the National Association of Credit Men and by other influential commercial bodies to remedy, by proper amendments, the evils resulting from the faulty provisions of the law. At the last session of Congress a bill, known as the Ray Bill, looking to certain changes in the law, was favorably reported to the House of Representatives by Mr. Ray, of New York, Chairman of the Judiciary Committee. The Ray Bill is a very carefully framed measure, and will, if enacted into law, give relief against the present unjust provisions of the act concerning the surrender of partial payments, and will also throw additional safeguards around the granting of discharges. The Ray Bill will certainly be pressed for consideration at the coming session of Congress. It is confidently believed that the enactment of the Ray Bill will give us a bankrupt law which will prove socially advantageous in restoring to useful activity insolvent debtors held in the thrall of debt; in providing for creditors a just remedial process tending to promote conservatism in business and in establishing throughout the Union an equitable and uniform method of administering the estates of insolvents, thereby fostering trade and strengthening credit among the mercantile classes.

# Detailed Report of Proceedings.

TWENTY SEVENTH ANNUAL CONVENTION, HELD AT MILWAUKEE, OCTOBER 15th, 16th and 17th.

## FIRST DAY'S PROCEEDINGS.

*Tuesday, October 15, 1901.*

Convention called to order at Pabst Theatre at 10 o'clock A. M. by the president.

President: The twenty-seventh annual Convention of the American Bankers' Association will come to order.

Vice-Presidents and members of the Executive Council are requested to take seats upon the platform, and I shall be glad to see the ex-presidents there also.

Prayer will be offered by the Rev. Dr. Burroughs, of Marquette College. The audience will please stand.

### PRAYER.

O God, Thou that rulest all things, Thou who hast weighed, measured and numbered the grains on the seashore, and whatever the universe doth contain; O Thou who dost weigh in the balance our every thought, word and deed, grant this assembly the guidance of Thy holy spirit, that it may weigh, measure and number the subjects under consideration, that it may deliberate wisely and justly, that what is decided here may be for the universal good; that while private interest is sought the greater welfare of the whole nation may be paramount, that our word of honor may be held sacred throughout the whole world, that each individual citizen may look with confidence for that stability which insures a just remuneration for his labor and a firm hope in the continuance of our institutions; that, in fine, all may be for Thy greater glory and the glory of the whole people, through Christ, Thy Son. Amen.

President: We will now be welcomed to this beautiful city of Milwaukee by His Honor, Mayor Rose.

**Address of Welcome by Mayor David S. Rose, of Milwaukee.**

*Mr. President and Gentlemen:*

Milwaukee appreciates the distinguished honor that you have conferred upon her by holding this session of your national Convention within her borders.

You men of finance may be interested in knowing something of what we are, of our industries, of our products, of our people, of our social customs and of our government.

Milwaukee has a population of upwards of 300,000 inhabitants, a cosmopolitan population, more cosmopolitan, perhaps, than that of any other city in these United States. We have represented here in our splendid citizenship people of every civilized nation. Our growth has been rapid, yet sturdy and strong. In our last census decade our population increased by 39.54 per cent.

Ours is a great manufacturing city, for, in truth, our manufactured product last year exceeded in value \$175,000,000. The assessed valuation of the taxable property of our city is upwards of \$165,000,000, and it is our proud satisfaction to know that our percentage of taxation is the lowest of any large city in this Union. These great manufacturing industries, more than 3500 in number, give employment to more than 85,000 operatives, the bone and sinew of our population. There is one fact of which we are exceedingly proud, and that is that we have within our borders no tenement house district, no breeding places for crime and filth, but, on the contrary, our people own their own homes, and out in the outskirts you will find the humble cottage of the laborer, the more pretentious residence of the artisan: out there, amid healthful surroundings, under sanitary conditions, they rear their children in healthfulness, strength and vigor.

Milwaukee undertakes to keep pace with her sister cities in the rapid march of progress. You gentlemen from New York, the Eastern metropolis; you gentlemen from Chicago, once the proud metropolis of the West,

but now a struggling suburb of Milwaukee (Laughter and applause), go out and look at our beautiful city hall; study its architecture, pass through its commodious offices, lighted by God's sunlight and well ventilated, and say, have we builded well. You gentlemen from Boston, professing to be the city of American learning, art and science, go view our beautiful school buildings, our art gallery, our magnificent library and museum, and answer, are we keeping pace with you. Upwards of three-quarters of a million of dollars we appropriate each year for the maintenance of our public schools—that splendid public school system that has made Wisconsin to stand forth as one of the leading States of the Union in educational matters, that are a part of that grand system that carries to the threshold of the poor, as well as to the portals of the rich, the opportunities for obtaining elementary and even the higher classics in education.

I regret that you come at so late a season of the year. It would afford me pleasure to invite you to visit our parks, for while our park system is young in years, it is old in beauty and attractiveness. We were confronted by the same problem that at some time or other in the history of every municipality confronts those upon whom rests the responsibility of shaping the course of municipal government and municipal problems—namely, whether it is better to have one or, perhaps, two large parks, such as you have in Boston, in New York and Philadelphia, or whether it is better to have a large number of small parks equitably distributed throughout the territory. Those who were vested with that authority and clothed with that responsibility, in the exercise of what I esteem to be most excellent judgment, decided upon the latter plan, and, as a result, Milwaukee has a large number of small parks, affording to the poor the opportunities of outdoor exercise, and the blessings of free air and the pleasures of the beauties that are presented by our parks, privileges which only the rich enjoy in too many of the large cities of our country.

Our government is of the liberal character. The puritanical who visit our city for the first time may receive a shock when they discover the liberality that is granted to our people. It is based upon that grand old principle that that government is best which governs least, and we grant to every citizen the greatest liberty consistent with good order and good morals, and while it is true that we maintain a liberal policy of government, it is likewise true that good order prevails in our city and our percentage of crime is the lowest of all large cities of this nation.

We have a magnificent police department. You gentlemen may not be interested in being told anything about our police department (Laughter), but when you stop to think for a moment that we are located almost under the overhanging eaves of the sin-stained city of Chicago, and consider how perfectly easy it is, were the opportunity afforded, for the criminals of Chicago to come to Milwaukee for the purpose of committing their depredations, yet notwithstanding that fact we still maintain the lowest percentage of crime, it is proof positive of the efficiency, honesty and integrity of our police department.

We have a splendid fire department; we yield to no other city of this Union, and our methods of fire fighting have become celebrated over this nation, and the chief of our fire department is frequently consulted by the chiefs of the Eastern cities of the United States.

A popular delusion has existed in years gone by—a popular fallacy—that Milwaukee produced only one

product, a product which it is asserted has made Milwaukee famous (Laughter). We are proud of our great beer industries, that give employment to an army of honest hands; that turn into the hoppers of the world a product amounting to upwards of 16,000,000 of dollars a year; and yet that great product is insignificant when compared with the other grand industrial products of our city. We have a number of the largest manufacturing institutions of their kind in the whole world. Our iron working institutions, our leather producing institutions, our enameling plants, in the distribution of their products, have carried the name of Milwaukee, branded upon those products, to the uttermost corners of the civilized world.

I wish to say a word in behalf of our bankers. They have the unlimited confidence of our people (Applause). They are liberal in their support to all public enterprises, progressive, patriotic, and filled with civic pride. The many monuments that we have established in our public institutions they have supported most generously and loyally. Their work as advisers and supporters, as promoters of public enterprises, has contributed much to make Milwaukee what she is to-day, the best city in the United States (Applause).

In behalf of our people I extend to you, gentlemen of this Convention, a most cordial greeting. We trust that in the recesses between your sessions you will find opportunity to visit our public institutions, to visit our manufacturing plants, to make inquiry concerning our products and to familiarize yourselves with what we are and what we possess, so that you may be able, on returning to your homes, to know from actual observation, actual inquiry and experience precisely how much credit you should give to this beautiful city of the lakes. I trust that this Convention will be crowned with great profit to its members and that you will have opportunity to obtain pleasure and enjoyment, so that when you return to your respective homes you will carry with you only pleasant memories of your visit to the Queen City of the Lakes. I thank you. (Great applause.)

President: We shall now listen to an address of welcome from the bankers, by Mr. J. W. P. Lombard, president of the Bankers' Club of Milwaukee.

**Address of Welcome by J. W. P. Lombard, President Bankers' Club of Milwaukee.**

*Mr. President and Gentlemen of the American Bankers' Association:*

In behalf of the bankers of Milwaukee, I have the honor of bidding you welcome to our city. Mr. Poultney Bigelow, in the June "Harper's," in an article entitled "Wrecked on the Shores of Japan," gives the following description of their meeting with the natives: "They came out rubbing their hands on their knees and smiling, and then sucked wind through their teeth to denote that we were welcome." It would seem that the main difference between the American and Japanese custom of welcome is largely in the direction of the wind. (Laughter.)

Milwaukee lies, as it were, within the shadow of a greater city. We cannot hope to equal her in the matter of welcome, no matter which way the wind blows. (Laughter.) But we can in a small way imitate her by asking you to hold up one hand while we do the same, neither hand being empty—prosit! (Laughter and applause.)

It would seem that a welcome to be valued by the recipients should be to some extent spontaneous, and certainly should be fresh. (Laughter.) A young lady in New York who was interested in work in the slums of that city, by her kindness had caused her class to become very much attached to her. They were in the habit of bringing her small presents, such as fruits and flowers. One day the dirtiest ragamuffin in the lot brought her four magnificent tuberoses. She was astonished at this and feared that he might, perhaps, have deprived himself of necessities in order to obtain them.

She admired them, and frequently during the lessons tested their fragrance. When the exercises were over she called the boy to her and, thanking him heartily, inquired if he had not deprived himself of some necessity to please her. "Oh, no," said he, "that was dead easy; I stole them from the corpse." (Laughter.) We wish you to understand that this welcome is not a relic from the departed days of September, when we originally expected to meet you, but is a spontaneous feeling of the immediate present, and we expect you will acknowledge that it is rather fresh.

Milwaukee in the past was generally known as a conservative city. Some even went so far as to call her slow. But with the coming into action of the younger generation she has become progressive. In the earlier days she was known as the Cream City, from the color of the bricks manufactured here; with the lapse of time brewing became the leading industry, and she was then known as the city of breweries; for the past few years the progressive element has been in the ascendancy and has succeeded in making our production known to thousands previously strangers, and to-day she has a well-known reputation as a Convention city. In accepting this name she in no way bids farewell to the brewers, for they are still her mainstay. Whatever enterprise they undertake, be it public or private, is sure of success, for in the bright lexicon of the Brewers' Association there is no such word as cannot—you see they could not for one moment allow a negative on the "can." (Laughter and applause.)

In all her progress Milwaukee has retained the better part of her conservatism, that conservatism that does not antagonize progress, and it is to you, gentlemen, as representatives of the conservative element of the country, that she gives the heartiest welcome. When greenbackism was rampant the bankers were the active power in preventing its spread, and there was no more potent force exerted in the overthrow of free silver than that of the American Bankers' Association. (Applause.)

The past two years have witnessed an era of wild speculation that is still in progress. An important factor in bringing this about has been the large increase in the volume of bank currency, over one hundred million dollars in two years, and now that numerous plans are proposed for a still further increase, whether these plans are attractive as being profitable to the banks or are made to appear necessary by the specious plea for an elastic currency, we look to you to consider them carefully, and in such consideration to place the good of your country above any personal considerations. (Applause.)

The United States is a favored nation. It has but begun its conquest of the commercial world. Now is no time for artificial stimulants; it is rather a time for sedatives; it is a time for the use of the breeching, not the whip.

It is beyond my power to express in words the welcome that the bankers of this city, in their heart of hearts, desire to extend to you. To be characteristic of this cosmopolitan city, it should be imbued with the adroitness of the Yankee in avoiding all subjects of discord; with the canniness of the Scot, that while impressing you with its generosity, takes good care of the ducats; with the good fellowship of the German, that reaches the heart through the stomach; with the wit of the Irish, that drives away dull care, and, above all, with the fervidness of the Pole, for nothing less than that could express the warmth of our real feelings.

Gentlemen, the bankers of Milwaukee bid you welcome.

**Address of President Alvah Trowbridge.**

*Your Honor, Mayor Rose, and the President of the Bankers' Club of Milwaukee:*

Personally, I thank you more than I can express for putting in so terse a manner, as you both have done, what I have been saying to the American Bankers' Asso-

ciation for some time, that Milwaukee is par excellence the place for our Convention. Being a Milwaukeean myself, I know how it is. Unfortunately for my brethren in the Association, many of them did not know that until the present moment. Were I to attempt to give you gentlemen the thanks which are due from the American Bankers' Association, comprising 5500 bankers of the United States, including all of the most prominent men in that business, you can see that the few words I could give would fail. Any one who knows of Milwaukee knows that it takes a very great orator to express the thanks for what he is sure to receive in the way of hospitality, and I would say for the American Bankers that you must judge how thankful they feel from the aptitude with which they all have accepted your generous hospitality.

The American Bankers are not narrowed in their sphere of action by the portals of other business institutions. They have wide views of things pertaining to the prosperity of the nation and of the world, for some of our members are international bankers, and they have, as has already been said upon this platform, conserved the interest of the general public.

So far as may be said in few words, we all tender you thanks for your hospitality.

To you, ladies and gentlemen, I would say that:

We are gathered to-day where we expected to gather three weeks ago, in a business meeting of the Association. As we were preparing for meeting on the earlier date, the world was shocked by the terrible crime at Buffalo, which cost the life of our honored Chief Magistrate. There are no more loyal citizens than the Bankers; there are none to whom law and order are more important and precious than our fraternity. As we stood over the bier of our dead, anger at his murderers was softened into admiration and veneration for the man who sleeps, while we thought of his great work for this nation. In every condition of life a man above his fellows by reason of his richer character, he has done for us in the development of our commercial and political conditions what no one man has done before, and whether or no we have heretofore adopted his opinions, we all gratefully accept their results. To have the world acknowledge that the United States produced such a man (seeing the manner in which he has been acknowledged within the past month) adds immensely to the glory of our country. Some of us enjoyed personal friendship with the illustrious dead, and so are personally bereaved; to such we offer condolence, which might be congratulation, in that they have had intimate association with so great a man.

"Scarce had he need to cast his pride or slough the dross of earth.

E'en as he trod that day to God, so walked he from his birth—  
In simpleness and gentleness and honor and clean mirth.  
So, cup to lip in fellowship, they gave him welcome high,  
And made him place at the banquet board, the Strong Men  
ranged thereby,

Who had done his work and held his peace and had no fear to die.

Beyond the loom of the last lone star, through open darkness  
hurled,

Further than rebel comet dared or living star-swarm swirled,  
Slits he with such as praise our God, for that they served His  
world."

Turning from the past to the present, it is our duty to see to it that further crimes of this character become impossible in this land. The greatness of the Union is so thoroughly established that even this great affliction cannot hinder our progress, and the man who succeeds to our highest office for this cause has undoubtedly come into the world for such a time as this. Let us render to him due loyalty even while we mourn the ruler dead.

The annual reports of the Secretary, Mr. James R. Branch; of the Treasurer, Mr. George M. Reynolds; of the Auditing Committee, and of the Executive Council, Mr. Caldwell Hardy, were then presented.

Report of the Secretary, Mr. James R. Branch.

NEW YORK, October 10, 1901.

The membership and resources of the Association have increased as follows:

September 1, 1900—	
Paid membership.....	4,391
Annual dues.....	\$59,700
October 10, 1901—	
Paid membership.....	5,504
Annual dues.....	\$60,850

In the past year 200 members were lost through failure, liquidation and withdrawal from the Association, reducing the membership to 4,191; 1,313 members have joined since September 1, 1900, a net gain over last year's total membership of 1,113.

The roll now embraces 5,504 members, whose capital, surplus and undivided profits aggregate.....	\$1,718,727,441
Combined deposits .....	6,288,955,200
<b>Total .....</b>	<b>\$8,007,682,641</b>

This is \$1,426,823,447 more than the same assets of last year's members. These figures do not include the capital and deposits of 551 members, who are private bankers and make no statements.

The annual income of the Association has increased \$1,150, although the reduction of dues at last convention amounted to \$6,975.

Respectfully submitted,  
JAS. R. BRANCH, Secretary.

Report of the Treasurer, Mr. George M. Reynolds.

CHICAGO, ILL., September 1, 1901.

To the American Bankers' Association:

I have the honor to submit the following report of receipts and disbursements since the beginning of the current fiscal year—namely, September 1st, 1900:

GENERAL OR MEMBERSHIP ACCOUNT.

DISBURSEMENTS.

Transferred to standing protective account.....	\$20,000.00
J. D. Sayers, Governor of Texas, for Texas sufferers	5,000.00
Amount appropriated by Executive Council account expenses of Richmond Convention.....	5,000.00
Expenses of Richmond Convention.....	365.00
Buttons for Richmond Convention.....	315.00
Proceedings 1900.....	3,191.18
Postage and express charges for distributing Proceedings .....	873.17
69,350 circular letters.....	397.01
Postage on circular letters from Secretary's office and by various officers of the Association.....	1,848.28
Printing, stationery, etc.....	520.22
Sundry expenses.....	468.42
Salaries .....	11,813.33
Rent .....	1,500.00
Petty cash.....	160.00
Executive Council meeting, New York, April 24, 25, 1901 .....	2,651.79
New York Telephone Company.....	122.59
Expenses Committee on Fidelity-Insurance.....	1,940.81
Expenses American Institute of Bank Clerks.....	6,970.36
Expenses Committee on Express Companies' Bills of Exchange .....	1,236.80
Expenses Committee on Reduction of War Tax.....	291.45
Expenses Committee on Uniform Laws.....	137.50
Expenses Committee on Revising Constitution.....	37.00
Expenses Trust Company Section.....	849.32
Bonding officers.....	56.25
Stenographer's Report Richmond Convention.....	100.00
Traveling expenses of Secretary:	
September 4, 1900, arranging Richmond Convention.	35.00
October 23, 1900, Convention Ohio Bankers' Association .....	60.00
June 7, 1901, Georgia Bankers' Association Convention .....	40.00
June 26, 1901, New York State Bankers' Association Convention.....	70.69
Dues returned, received in error.....	15.00
Drafts (143) charged back account dues for year 1900-1901 .....	1,725.00
Balance close of business August 31, 1901.....	63,084.09

\$130,875.26

## RECEIPTS.

Balance September 1, 1900.....	\$63,936.34	
Account bills deposited August 31, 1900, for membership dues 1900-1901.....	105.00	
Interest on bonds.....	800.00	
Dues from members, 1900-1901:		
38 .....	\$423.92	
789 at \$5.....	3,945.00	
223 at \$10.....	2,230.00	
120 at \$15.....	1,800.00	
14 at \$20.....	280.00	
14 at \$30.....	420.00	
		9,098.92
Dues from old members paid in advance for 1901-02:		
536 at \$5.....	\$2,680	
360 at \$10.....	3,600	
473 at \$15.....	7,095	
80 at \$20.....	1,600	
78 at \$30.....	2,340	
		17,315.00
Bills for membership dues for the ensuing year (subject to the deduction of unpaid bills) deposited with Continental National Bank, Chicago, Ill....	39,620.00	
		\$130,875.26
Balance August 31, 1901.....	\$63,084.09	
<i>STANDING PROTECTIVE ACCOUNT.</i>		
Balance, September 1, 1900.....	\$13,418.57	
Transferred to this account from general or membership account, as instructed by resolutions of Executive Council.....	20,000.00	
		\$33,418.57
Disbursements to September 1, 1901.....	29,956.26	
		\$3,462.31
Balance, September 1, 1901.....	\$3,462.31	
The Treasurer holds for the Association as an investment \$20,000 4 per cent. United States registered bonds of 1925, valued at.....	\$27,500.00	
The Treasurer also holds for the credit of the Trust Company Forms Account, account Trust Company Section of this Association, \$1,716.		

Respectfully submitted,

G. M. REYNOLDS, Treasurer.

## Report of the Auditing Committee.

To the Members of the American Bankers' Association:

We, the undersigned committee, beg leave to report that we have examined the accounts of Mr. George M. Reynolds, Treasurer, together with the accompanying vouchers, and have found same to be correct, as reported.

J. P. HUSTON,  
H. H. APPLGATE,  
C. M. McNIVERN.

Report of the Executive Council, by Caldwell Hardy,  
Chairman.

Mr. President, Ladies and Gentlemen:

The burden of the work of your Association falls naturally upon the various committees and upon its active officers, and the special reports of these committees and officers informs you so fully of what has been done during the past year that your chairman refers you to them for details.

## SECRETARY'S REPORT AND MEMBERSHIP.

Your secretary's report will give you the exact status of our membership at this date, which grew from about 1,500 in 1895 to 4,500 in 1900, an increase of 200 per cent. in five years. This remarkable record is eclipsed this year, however, by the addition of nearly 1,000 members, the largest number we have ever added to our membership in one year. What could attest so eloquently the expanding influence of our Association or give us greater encouragement for its future?

The work of the secretary's office has received intelligent and faithful attention, and our increase in membership has been due in no small degree to the effective manner in which he has presented to the banks of the country the advantages which membership in the Association brings to those who join it. Your chairman wishes to thank him and his staff for their courtesy and co-operation in the discharge of his duties.

## TREASURER

The figures in your treasurer's report show our financial condition to be sound and prosperous. Expenses

during the past year have been heavy, but not out of proportion to our income. On the contrary, they reflect the great advantages which we are able to extend to our members. Your council has pursued a liberal policy in expenditures, absolutely, however, within the limits of conservatism, thereby securing to members the best results of our "community of interest," and the best attainment of the greatest good to the greatest number.

## PROTECTIVE COMMITTEE.

The work of this Committee has long been one of the most important features of our Association. Its report bristles with the details of the ceaseless warfare we have declared and carried on against professional criminals and tells the story of immunity that our members have enjoyed from these deft and light fingered gentry. The expenses, while necessarily considerable, have been kept down to the minimum, and when considered in the ratio to our membership and the work performed, are a mere bagatelle to each of our members. Your warmest thanks are due to this Committee for its energetic and intelligent work, the results of which are fully set forth in its report.

## FIDELITY COMMITTEE.

This Committee has been engaged for three years in the careful study of the subject of insurance covering the fidelity of bank employes, and submits this year its third annual report. Having served during the entire three years on the Committee modesty would forbid my saying too much about this work did I claim any personal credit for it. Mr. A. C. Anderson, of St. Paul, who first conceived the work, has been the moving spirit, and to him and his co-laborers we are indebted for our Association's form of fidelity bond, and the protection at fair rates afforded those members who have adopted it. The campaign of education carried on by the Committee has elicited the deep interest of many members. I must refer you to the report of the Committee and not usurp its functions, but if every man within the sound of my voice will stop one single moment and ask himself where his bank would stand if one of its employes should default for \$1,000 or \$10,000, I think those of you who have not studied the subject and protected yourselves in this regard would realize that you could find much food for thought in the reports of this Committee, and much peace of mind if you followed its recommendations in bonding your employes.

## UNIFORM LAWS.

The report of this Committee by Chairman Frank W. Tracy, of Springfield, Ill., for 1900 (page 70 of proceedings) showed that the negotiable instrument law had been passed in sixteen States in three years, and his report of this year shows that Pennsylvania has been added to the list of States that have adopted it. The unremitting work besowed on this important matter by Chairman Tracy merits your hearty approval and support, and I bespeak the assistance of each of you in securing the adoption of the law in your several States. Its advantages are too manifest and have been too ably set forth in the reports from time to time to need any elaboration at my hands.

## COMMITTEE ON EDUCATION.

The volume and detail of the work undertaken by this Committee, as most of you know from the character and wide distribution of its literature, has been herculean, and must impress you with the sincerity and deep interest of the Committee. Its report tells you what has been done and what is yet to be accomplished. The field is illimitable and the harvest great, and while we should not overburden our Association financially in the matter, if, with a reasonable subsidy the work can be carried forward and sustained, it should be pushed to a successful conclusion and put, if possible, on an enduring basis.

## INTERNAL REVENUE TAXES.

You are all familiar with the efforts made at the instance of the special committee on this subject last winter through our members everywhere to secure the repeal of the United States revenue tax on capital and surplus of banks, and on bank checks. The latter tax, as you all know, was repealed, but the former still remains an unjust discrimination against banking capital; the only branch of business in which capital is so burdened. Argument on the subject before this assembly is unnecessary, and ought not to be necessary anywhere else, but to secure relief we must bring conviction home to the powers that be. Our efforts to secure the repeal of this tax will be renewed at the coming session of Congress, and we hope each of you will take occasion to point out to your Senators and Representatives that capital in no other line of business is thus taxed, and urge the repeal of the discrimination against us.

## SUBJECTS FOR DISCUSSION.

Your council, at its spring meeting, considered a number of subjects of interest with a view to presenting them to the Convention, and your Committee on Program has arranged for an address on bankruptcy law by Mr. Walter D. Coles, Referee in Bankruptcy, of St. Louis, Mo., which we feel assured will be found both instructive and interesting.

We also discussed the Lovering bill, Overstreet bill and the questions of other legislation in Congress in regard to the currency and other financial questions affecting banks. The question of a suitable currency system, adapted to our needs and our banking system, is one of the greatest importance and interest. President Hendrix presented it in his able address at Denver in 1898, and it has continued as one of the living issues of the day, and will so continue until it has been intelligently solved. The question has been placed on your program, and we shall have the pleasure later of hearing from Hon. Jas. H. Eckels, ex-Comptroller of the Currency, on the subject.

## AMENDMENTS TO CONSTITUTION.

The amendment of Article 7, Section 1, simply provides for the submitting of resolutions or subjects for discussion to the Executive Council fifteen days, instead of thirty days, before the annual convention. The wisdom of this limitation of the constitution has been too frequently demonstrated to need any extended comment; but fifteen days instead of thirty days would seem to be ample.

The phraseology of Article 9, Section 1, does not change the essence of this provision of the constitution, but simply makes it more clear that the secretary shall, at least thirty days before the annual meeting, forward to every member of the Association a copy of any proposed amendment to the constitution, and the adoption of this amendment is therefore recommended.

## CONCLUSION

The growth of our Association is typical of the times, and keeps pace with the expanding deposits, loans and volume of business of our banks, pulsating through our clearing houses; the times are big with the increasing wealth and prosperity of our country, and we ask the co-operation and hearty support of each and all of you in wishing our association godspeed in the promotion of sound business principles, and all that is best in our profession, not forgetting that good fellowship which makes us all to be of one brotherhood.

CALDWELL HARDY,

Chairman Executive Council.

## AMENDMENTS TO CONSTITUTION.

Mr. Hardy: In accordance with the constitution, certain amendments have been passed upon by the Executive Council.

Mr. Hardy: The amendment first referred to has been approved by the council, and I shall present it for your consideration.

It is as follows:

Mr. Willock notified the Executive Council that he desired to offer an amendment to the constitution, as follows:

Article VII, Section 1 Beginning with line four, " that the word 'fifteen' be substituted for the word 'thirty.' Resolutions or subjects for discussion (excepting those referring to points of order or matters of courtesy) must be submitted to the Executive Council at least fifteen (instead of thirty) days before the annual convention of the Association.

Referred to Council; approved by Council.

## REORGANIZING CONSULAR SERVICE—RESOLUTION REJECTED.

Mr. Hardy: At the Richmond Convention last year Mr. Parker, of Quincy, Illinois, gave notice that he would present to this Convention resolutions for consideration upon two subjects. These resolutions have been drawn and submitted to the council, who in turn submit them to the Convention. The first of these I will read:

*Whereas*, The National Business League of Chicago, and other business organizations throughout the country—supported also by many prominent citizens of the United States—have endeavored, for several years, to secure the passage in Congress of a bill providing for the reorganization and classification of the Consular Service of the United States; and

*Whereas*, Bill No. S. 4563, introduced in Congress by Senator Lodge, of Massachusetts, has been reported out favorably by Senate Committee on Foreign Relations; therefore be it

*Resolved*, That the American Bankers' Association urgently advocates the passage of Bill No. S. 4563, or a similar bill, providing for a thorough reorganization of the United States Consular Service, by creating a body of officials to represent this country abroad, who shall be chosen through examinations as to special fitness and competency for consular duties; and who, after acquiring valuable experience, shall not be subject to removal with every change of administration; and that the rules and regulations necessary to carry out this reorganization be left to the discretion of the President of the United States, except as otherwise provided in the act; and be it further

*Resolved*, That the Secretary of the American Bankers' Association be, and he is hereby, instructed to send copies of this preamble and resolution to the President, the members of his Cabinet, and the members of the Congress of the United States.

With regard to this resolution the Executive Council took the following action:

*Resolved*, That the resolution be presented to the Convention without recommendation, with the suggestion that, however desirable the passage of such a resolution may be, such action is taken for the reason that the same does not pertain to the legitimate business of the American Bankers' Association.

The action of the Executive Council in this matter was, by unanimous vote, concurred in and confirmed.

## RESOLUTION IN FAVOR OF A DEPARTMENT OF COMMERCE AND INDUSTRIES REJECTED.

Mr. Hardy: The second set of resolutions presented by Mr. Parker is as follows:

*Whereas*, The National Business League of Chicago, and other business organizations throughout the country—supported also by many prominent citizens of the United States—have been endeavoring for several years to secure the passage in Congress of a bill creating a "Department of Commerce and Industries," with a Secretary who shall have a seat in the Cabinet; and

*Whereas*, Bill No. 624 was introduced in Congress by Senator Frye (amended by Senator Nelson, of Minnesota, No. S. 738) and has been reported out favorably by the Senate Committee on Commerce at the last session of Congress; therefore be it

*Resolved*, That the American Bankers' Association hereby urges the passage of Bill No. 624, or a similar bill, which shall provide for the creation of the proposed "Department of Commerce and Industries," with a Cabinet officer at its head, and to which new Department shall be assigned (as proposed in Bill No. 624) the general jurisdiction over foreign and international commerce (except collection of internal revenue and administration of customs); transportation facilities by land or water (except cases under the jurisdiction of the Interstate Commerce Commission); the Geological Survey, mining and fishery industries, including fur seal and other fisheries of Alaska; manufacturing industries, including the extension of foreign markets, and increase of trade and trade facilities with foreign countries. Also the following bureaus, divisions and branches of the public service, and all pertaining to the same, now under the jurisdiction of the Department of the Treasury—namely, Life Saving Service, Lighthouse Board, Lighthouse

Service, Marine Hospital Service, and Steamboat Inspection Service; bureaus of Navigation and United States Shipping Commissioners; of Immigration, including the control of Chinese immigration; of Statistics and United States Coast and Geodetic Survey; also the Department of Labor and the office of Commissioner of Railroads (now under the jurisdiction of the Department of the Interior), and the Consular Bureau (now in the Department of State).

*Resolved*, That the Secretary of the American Bankers' Association be, and he is hereby, instructed to send copies of this preamble and resolution to the President, the members of his Cabinet and the members of the Congress of the United States.

Reported to council with recommendation that it be not adopted.

Mr. Hardy: The council adopted a resolution recommending that these resolutions be not adopted by this Association, and they were governed in that action by the same feeling as in regard to the other matter, that it was not part of the work of the Association to adopt resolutions in regard to these matters.

Report of committee unanimously concurred in.

President: The report of the Protective Committee is already printed and is in your hands. It is a voluminous document and will be more intelligible to you if you read it carefully than if you listen to its hurried reading here. We will pass on to the report of the Committee on Uniform Laws, by the Chairman, Mr. Tracy.

(Owing to Mr. Tracy's absence, the reading of the report was deferred.)

**Report of Protective Committee.**

NEW YORK, N. Y., September 15, 1901.

The Protective Committee begs to submit the following report of the work committed to its care by the Executive Council for the year 1900-1901:

Balance on hand per Treasurer's report, September 1, 1900.....	\$13,418.57	
Appropriated by the Executive Council....	20,000.00	\$33,418.57
Paid account expenses, 1899-1900.....	909.87	
Paid account expenses, 1900-1901.....	29,046.39	\$29,956.26
Total receipts.....	\$33,418.57	
Total expenditures.....	29,956.26	

Balance September 1, 1901..... \$3,462.31

More than 3,600 letters and reports have been submitted to, and carefully considered by, the Protective Committee from September 1, 1900, to September 1, 1901. From these have been compiled 119 items of information which have been sent to members in pamphlet form every few months, accompanied by photographs and descriptions of 48 active criminals selected by the detective agents of the Association, and affording a warning and means of identification in every part of the country.

In special instances circulars have been issued as follows:

In January there was issued a special circular warning members to be on the lookout for letter box thieves who had been operating at Cincinnati, Ohio; Peoria, Ill.; Newark, N. J., and Memphis, Tenn., and had, in several instances, defrauded banks with checks which had been stolen from the mail and altered. The work was done in a manner to suggest the participation of Charles Fisher or his associates, and photographs and descriptions of Charles and Rachel Fisher, and a description of Prentice Tiller were included in the circular and forwarded to banks throughout the country. No further operations were reported until, in March, Prentice Tiller and Edward Munson, in a departure from the regular method, attempted to defraud a bank at Hastings, Neb., with a worthless certificate of deposit and were arrested. The agents of the Association identified Tiller and, in company with Munson, he was sent to Cincinnati for trial. Munson escaped from the officers while en route, but was recaptured at Buffalo, N. Y., and transferred to Cincinnati where, on May 17, he and Tiller pleaded guilty and were sentenced, Tiller to five years and Munson to three years in the Columbus Penitentiary. In the meantime Munson was identified as presenter of

a check for \$2,529.00 which had been stolen from the mail, altered as to the payee and passed upon a member of the Association. On July 23, William Miller, a third member of the band, was captured at Havre, Mont., and was transferred to Ohio for trial at Cincinnati in October.

In May a circular was issued among Western cattle dealers and wholesale butchers, bearing the handwriting and description of a forger, apparently professional, who operated to defraud a member of the Association at Phoenix, Ariz., in January, 1900, and offering a reward of \$50 for information leading to his arrest. Under the assumed name of John Houser, the swindler successfully passed his brother to a cattle dealer well known at Phoenix and received an introduction at the Valley Bank, where he deposited a draft for \$1,250 to his order, purporting to be drawn by Rother, Zigler & Co. on the National Bank of California, Los Angeles, drew \$625 in cash and directed that the balance be placed to his credit. So far as we can learn this swindler has never operated since that time and no clue to his whereabouts has been discovered. During the same month a circular was issued through several Western States offering a reward for the arrest, identification and surrender of the outlaws who robbed the First National Bank, Winnemucca, Nev., on September 19, 1900, and escaped into the mountains with \$32,640. The agents of the Association were put on the trail, but the condition of the country at the approach of winter compelled a cessation of this kind of work. In the spring operations were resumed and the above mentioned circular was issued offering on behalf of the American Bankers' Association and the First National Bank of Winnemucca, rewards aggregating \$6,000 for the arrest of the three men implicated in the robbery, or \$2,000 for either of them. The robbery was conducted at midday, the men were not masked, and they can be readily identified when captured.

The Committee has had to deal during the past season with three old offenders in the persons of Maximilian Schoenbein, Alonzo J. Whiteman and Charles Fryer. Maximilian Schoenbein, whose extensive burglary operations led, in part, to the formation of the Protective Committee, finished a three-year term at Dannemora Prison during the fall of 1900. Co-operating with the authorities of New Hampshire the agents of the Association accomplished his transfer to the Concord State Prison on November 8, 1900, to complete a term of ten years, to which he was sentenced in 1865. In securing the continued confinement of Schoenbein the Association has safeguarded its members from the operations of the most ingenious and daring burglar who has operated for many years.

Alonzo J. Whiteman, an habitual offender, who has frequently figured in the records of the Association, was arrested in New York City on February 21, 1901, and on April 17 was sentenced to Sing Sing Prison for a term of two years and six months. On May 18 he was released under bail of \$2,500, pending decision on appeal. In November, 1899, Whiteman was sent to Chicago, where a sentence of two years' imprisonment and a fine of \$2,000 awaited him. He was unexpectedly released under the Pauper's Act without payment of his fine. The agents of the Association had a case which promised well for the identification of Whiteman for passing at Boston, Mass., the forged draft of the Lawrence National Bank, Lawrence, Kan., on the First National Bank of New York City. Arrangements were made to secure his re-arrest and transfer to Boston. Just prior to his arrest in New York City a good case against him there was discovered and was allowed to take precedence, with the above result. Warrants from Boston upon three separate charges were lodged at New York City for service. On August 30 Whiteman was arrested at Boston, Mass., while operating a plan to defraud brokers by depositing a large bogus check to open an account and receiving a

small advance of several hundred dollars. He is now held for trial.

Early in 1897, after a series of operations on banks which culminated at Somerville, Tenn., Charles Fryer was arrested and sentenced to the Nashville Penitentiary for ten years. On December 25, 1900, he was pardoned. In January, 1901, he began operations on members of the Association with forged certified checks. On April 4 he was sentenced to the Penitentiary at Sante Fe for three years. Warrants have been lodged to secure him at the expiration of his term.

Following are a few brief statements of the results of the Protective work:

1. Operations of considerable magnitude conducted by expert forgers during the past season have been reported from Havana, Cuba, where two checks amounting to \$10,000 were passed, and from Toronto, Canada, where two checks amounting to \$5,355 were successfully presented at the banks.

2. From September 15, 1900, to September 15, 1901, only three members of the Association have been robbed by safe burglars, with a consequent loss of \$8,300.39.

3. During the same period forty-five banks not members of your Association have been robbed by safe burglars, suffering reported losses of \$128,351.65.

4. From May 1, 1895, to September 15, 1901, members of your Association have lost by the operations of burglars, robbers and sneak thieves, \$65,972.

5. From May 1, 1895, to September 15, 1901, banks not members of your Association have suffered reported losses of over \$664,000 in the same way.

6. Three organized bands of bank swindlers have been broken up during the season and the only one now in evidence is under surveillance pending the procurement of proof sufficient for conviction.

#### BURGLARS AND THIEVES.

During the period from September 15, 1900, to September 15, 1901, only five members of the Association have been robbed by burglars, outlaws and sneak thieves, the principal loss of \$32,640 being caused by the robbery of the First National Bank of Winnemucca, Nev., by the band of Western outlaws for whose arrest, as stated, rewards aggregating \$6,000 have been offered by special circular.

On March 10, 1901, burglars attacked the Bank of Bellwood, Pa., secured \$92 in nickels and the contents of two private boxes in the outer vault, but were alarmed and fled without getting into the safe.

On March 25, 1901, the Somerset Bank, Somerset, Ohio, was attacked by burglars who blew open the safe and secured \$4,243.71. On March 27 six men were placed under arrest. The agents of the Association presented convincing proof of their guilt, and on June 11, 1901, Frank Green, James Rogers and Harry J. Simmons were sentenced to the Columbus Penitentiary for ten years each, and George Harris, John Williams and Joseph Hensing were sentenced each for eight years.

On the night of April 24, 1901, the bank of C. J. Baeteke & Co., Brighton, Mich., was attacked by burglars who blew open the safe and took \$3,964.68 with which they escaped unobserved. The agents of the Association made a long and careful investigation, but are not prepared as yet to make any arrests.

On July 22, 1901, during the temporary absence of the teller, a sneak thief inserted a pair of tongs into the cage of the City National Bank, Dayton, Ohio, drew out a bundle of bills amounting to \$100 and made his escape. The identity of this thief has not yet been established.

With the exception of the important robbery of the bank at Winnemucca, Nev., by Western outlaws, the cases of burglary coming to the attention of the Protective Committee have evidently been committed by small bands of tramp burglars by which the banks in the last two years, especially those not members of the Association, have been considerably annoyed. The Committee has investigated a number of unsuccessful attacks made

upon members of the Association by this class of burglars, and in the case of an attack which was planned upon the First National Bank, Cobleskill, N. Y., November 26, 1900, and was frustrated by the town watchman, the agents of the Association have secured the arrest of three of the offenders. In this case the burglars had stolen tools from the railroad tool house and were challenged when near the bank. They fled after an exchange of shots, in which the watchman was killed. A fourth member of this gang of burglars, while stealing a railroad ride with a can of nitro-glycerine in his possession, was blown to pieces. It is the custom of this class of burglars to secure dynamite or nitro-glycerine, of which they, to some extent, understand the use, and to start out upon a raid on small banks. They have in a number of instances avoided banks displaying the membership sign. In several instances during the past season the Protective Committee has been enabled to warn members of attacks contemplated by burglars and sneak thieves, owing to conditions of lax precaution.

#### BANK SWINDLERS.

Since September 15, 1900, there have been reported to the Protective Committee cases covering the operations of one hundred and twelve individual forgers and swindlers and four organized bands. Of these forty-four have been arrested and twenty-one have been sentenced. In addition, for operations during previous seasons, eleven have been sentenced and one committed suicide while awaiting trial. Of these, nine were arrested but not tried when last year's report was submitted and three were arrested during the season just closed.

In addition to the band of letter box thieves operating on members during the past season, which has been broken up by the arrest of its members and the sentence of two men to the penitentiary and the imprisonment of a third, the agents of the Association have been successful in dealing with two other organized groups. One, a recently organized band of beginners in forgery, has been broken up by the arrest in New York City of Michael Farrell, Henry Greaves and John Nelson, after operations in Philadelphia, Cleveland, Chicago, New York City and Boston. The method of this band has been to make small purchases and to secure small checks of genuine issue in lieu of cash change, ostensibly for mailing purposes, and to raise them to larger amounts or use them as a guide for a forgery.

On April 5, 1901, J. Rafelson, one of a band which defrauded members of the Association at New York City with checks ranging from \$60 to \$80, was arrested at New York and on June 18 was sentenced to Sing Sing Prison for three years. His associates are known to the agents of the association, and are now in hiding. This band operated with bogus checks drawn payable to bearer, copied from small checks of genuine issue secured from tradesmen to whom they sold small amounts of goods at bargain prices.

There is another band in operation whose method is to open an account at a bank on the introduction of a customer and to establish confidence by beginning with cash deposits in the name of a firm ostensibly commencing business in the vicinity. The swindler opening the account manipulates it in such a manner as to draw out the greater part of it, while a portion is represented by an uncollected check for a large sum. The check returns protested and the account appears largely overdrawn. By the operation of this plan bankers have been defrauded at Brooklyn, N. Y.; Boston, Mass.; New York City, Jersey City, N. J.; Yonkers, N. Y., and Scranton, Pa. The agents of the Association are at present at work upon the case. The Committee desires to warn all members against opening accounts which are not thoroughly investigated before drafts thereon are permitted.

Following is the detailed statement of the Protective Committee from close of fiscal year, August 31, 1900, to September 1, 1901:

## RECEIPTS.

Balance on hand September 1, 1900.....	\$13,418.57
Appropriated by the Executive Council.....	20,000.00
	<hr/>
	\$33,418.57

## EXPENDITURES.

Paid Pinkerton expenses incurred prior to September 1, 1900.....	\$609.87
Other expenses incurred prior to September 1, 1900..	300.00
Paid Pinkerton expenses incurred September 1, 1900, to September 1, 1901.....	23,827.02
Salaries and expenses, as per vouchers.....	4,953.00
Paid Stewart & Company, 1,000 aluminum signs.....	150.00
Paid Stumpf & Steurer, 1,000 printed pamphlets.....	86.37
Petty cash.....	30.00
Balance September 1, 1901.....	3,462.31
	<hr/>
	\$33,418.57

The purpose and policy of the Association in maintaining the Protective feature is now generally well understood, but occasionally the Protective Committee receives an urgent call from some banker who feels aggrieved when he learns that we pay no attention to petty swindles, which are successful because of imperfect vigilance on the part of bank officers. We desire to repeat our statement of last year that no protective system could be expanded so as to take in the class of cases with which every bank officer should be competent to deal.

The Committee again acknowledges the valuable assistance rendered by individual members of the Association.

We append the report of the Pinkerton National Detective Agency, which is distributed among the members in printed form, and will follow this report in the proceedings of the convention. Respectfully submitted,

PROTECTIVE COMMITTEE,  
American Bankers' Association.

The report of the Committee on Internal Revenue Taxation, by the Chairman, the Hon. A. B. Hepburn, was then read by the Secretary, owing to Mr. Hepburn's absence:

## Report of Committee on Internal Revenue Taxation.

*The American Bankers' Association:*

Gentlemen: On November 30, 1900, President Trowbridge appointed a committee to look after the interests of the bankers of the country affected by the pending legislation in Congress. The committee was composed of the following gentlemen:

- A. B. Hepburn, Chairman, Vice-President Chase National Bank, New York.
- Wm. T. Dixon, President National Exchange Bank, Baltimore, Md.
- Jas. H. Eckels, President Commercial National Bank, Chicago, Ill.
- John P. Branch, President Merchants' National Bank, Richmond, Va.
- Myron T. Herrick, President Society for Savings, Cleveland, Ohio.
- James R. Branch, Secretary of the Association, was made Secretary of the Committee.

Your committee immediately organized at a meeting called in the City of New York, and issued the following circular, which was sent to every bank and banking house in the country:

"The undersigned were appointed a Committee by the President of the American Bankers' Association for the purpose of having a reduction made in the existing internal revenue laws.

"At a meeting held to-day it was the general opinion that our efforts would be attended with measurable success if the banking interests of the country will work in a uniform way for the abolition of the stamp tax on checks, telegrams, express receipts, negotiable paper, bills of lading, bills of exchange and bankers' capital.

"If you will see or communicate immediately with your Representative in Congress and your Senator, and any one else whose influence will be of service, the favor will be appreciated. It is only by prompt and concerted efforts that work in this direction will accomplish satisfactory results. We would be pleased to receive notice from you of your action and ideas on the subject, as the efforts of the Committee will not cease until they have proven successful.

"If you are not a member of this Association we extend you a cordial invitation to join and aid in the reduction of a tax

which, while required as a means of carrying on the recent war with Spain, is at the present time both arduous and unnecessary."

The response was general throughout the country, and must have produced a pronounced and favorable effect upon our national legislators. Although no public hearing upon the pending bill was allowed, your committee visited Washington and had long interviews with the chairman of the Ways and Means Committee of the House and other prominent members, and with the chairman and other members of the Finance Committee of the Senate, who gave to us and the interests we represented respectful consideration. We urged that the tax be removed upon bank checks; that bankers' capital had been singled out from all other capital in the country for special taxation in the Spanish War revenue bill; that bank capital, from its conspicuity, was subject to a higher rate of taxation, both for local and general purposes, than any other form of property, either real or personal; and therefore we felt that if the condition of the Government's finances warranted a reduction in taxation, this discriminating tax upon bankers' capital should be entirely removed; that the tax upon bills of exchange, as the law was worded, was an unjust discrimination against our own corporate institutions, as well as individual bankers and banking houses; that bills of exchange drawn in Toronto, Montreal or Quebec, or in European cities, might be sent to New York agencies for sale and escape taxation entirely, whereas bills drawn in New York were subject to a very severe tax, the result being that very little foreign exchange business was done by American banking institutions, and in common fairness the tax should be removed.

Other features of the existing law were discussed and criticised, and the matter was followed up by correspondence and by personal interviews with prominent members and Senators, and an earnest effort made to obtain for the banking institutions of the country proper consideration at the hands of our legislators. The resulting legislation is well known, and while not all that we desired, nor all that we think we were in common fairness entitled to, still we feel that your Association may well congratulate itself upon the results accomplished, and justly feel that we have exercised an important and controlling influence in bringing about such results.

Respectfully submitted,

A. B. HEPBURN, Chairman.

Secretary: The Secretary then presented the following notices:

## NOTICE.

Delegates are respectfully requested to deposit their railway receipts with the Secretary.

## NOTICE.

Tuesday, October 15, 1901.

Reception given to visiting ladies at Athenæum, corner Biddle and Cass streets, at 4 P.M.

Carriages will be provided for visiting ladies.

Reception to delegates and ladies at the Deutches Club, corner Grand avenue and Ninth street, at 9 P.M.

The Wells street and Farwell line of cars and the Twelfth street line run on Wisconsin street and Grand avenue and pass the Deutches Club grounds. Entrance to club on Ninth street.

Street car tickets for the use of guests will be found in the book of tickets.

## NOTICE.

Wednesday, October 16, 1901.

Members of the Convention and visiting ladies wishing to take the drive this afternoon are requested to be at the Pabst Theatre as near 2 o'clock as possible, and to arrange themselves in parties of four, so as to avoid delay in starting.

For the entertainment at the Exposition Building, corner of State and Fifth streets, at 8.30 P.M., take either Eighth street cars going north on West Water street, or State street cars going west on Wisconsin street and north on Third street.

In addition to the regular cars on the State and Wisconsin street and the Eighth street lines, special cars will be placed on Mason street one block north of the Hotel Pfister, and on Grand avenue one block east of the Plankinton House, at 8.15 P.M., to take guests to the Exposition Building. The cars from the Pfister will pass down Mason street and across Oneida street bridge. Guests staying at the Kirby and St. Charles can take the cars at the corner of East Water and Mason streets. Those staying at the Blatz at the northwest corner of East

Water and Onelda streets, and those staying at the Republican at the corner of Third and Cedar streets. Returning, the special cars will leave the Exposition Building about five minutes apart, beginning at 11.30 p.m., and will return the same way that they came. Guests are therefore requested to inquire of the conductors which way they are going before boarding cars. These cars will make as many trips as may be necessary to take guests to and from the Exposition.

## NOTICE.

Thursday, October 17, 1901.

Members of the Convention and visiting ladies wishing to visit the breweries are requested to be at the Pabst Theatre this afternoon as near 2 o'clock as possible, so as to avoid delay in starting.

Arrangements have also been made with a photographer to take a picture here, and if the delegates and visitors will keep their seats, immediately after the Convention closes to-day the photographer will try to take a successful picture by flash light.

President: Instead of receiving the report of the Bureau of Education just now, we will have the report of the Committee on Fidelity Insurance, by the chairman, Mr. A. C. Anderson:

## Report of the Committee on Fidelity Insurance.

## To the American Bankers' Association:

When this Association met in Denver in 1898, the Executive Council found among the conditions affecting the question of Bank Fidelity Insurance that rates were chaotic, that each Company was writing its own forms of bonds, and the forms supplied our members greatly exceeded in number the Companies issuing them, while the provisions of different bonds written even by the same Company would be greatly unlike, so that there was an entire lack of uniformity; that losses resulting from dishonesty were reported where the insured failed to obtain a satisfactory settlement from the insurers; that our members, while recognizing the need of Fidelity Insurance, had a more or less widespread distrust of the protection offered, recommended to the Association the appointment of this Committee, the scope of whose work was clearly set forth in the resolution then adopted—viz., "That a Committee of this Association be appointed to inquire into the rates of surety bonds and to recommend a standard form of policy, and to consider any plan or plans that may be submitted." Our two previous reports are a part of the records of this Association, and may be found in the proceedings for the year 1899 on page "98," and for the year 1900 on page "93."

## RATES.

We found that, three years ago, rates ranged from \$1.50 to \$5.00 per thousand.

While some Companies claimed to have an experience table based on their own insurance, there was, so far as we could learn, no combined experience table on this branch of insurance, and some Companies frankly stated that they had not separated their bank risks from their general business.

In order to ascertain what was an equitable and adequate rate it became necessary to secure tables of the experience of our own members, which have satisfied us that the highest rates were not warranted by conditions, and that while the very low rates might be adequate in especially favorable years or possible for some Company enjoying a particularly favorable loss ratio for a series of years, they are probably too low to afford assurance of sufficient income to meet losses in full over a period of years, and this, not because losses consume so much of the premium income, as because expenses take the major part of the receipts.

We are satisfied that the lowest rates then granted were made in fierce competition for business, instead of as the result of deliberate judgment based on carefully prepared statistics.

It is to be noted that while no lower rates are obtained than the lowest three years ago, the high rates then so common have practically disappeared.

The publication of the information furnished this

Committee has therefore tended to establish rates on a more uniform and equitable basis.

Members are informed that Companies of unquestioned standing are now accepting business on the Association form of bond at \$3.00 per thousand, and on forms affording less protection at lower rates.

## STANDARD FORM OF BOND.

A very considerable percentage of our members using corporate fidelity insurance has adopted the Association form of bond, and many more have expressed a determination to do so at their next renewal. An even more general adoption will follow a knowledge of its provisions and a comparison with contracts drawn for the Companies by their attorneys.

Briefly some of its advantages over other forms are:

1. It was drawn for the Association, under the direction of this Committee, by the eminent law firm, Butler, Notman, Joline & Mynderse, of New York.

2. It is in the line of uniformity.

3. Its basis is a premium payment and not an application filed with the Surety Company.

4. The rights and duties of both parties appear in the bond. It is the whole contract, so that statements, application blanks, etc., are not needed to make a considerable but invisible portion of its terms.

5. It is a contract of *insurance* rather than of *suretyship*. Talk this point over with your attorney.

6. Each man is bonded as an *employee*, permitting freedom of transfer without notice to the Company, thus preventing any question as to his serving in a *dual* capacity, or in case of a default any question as to whether it occurred while he performed the particular duties for which he was bonded, such as bookkeeper, teller, etc.

7. It is a continuous bond, so long as the premiums are paid. A loss may be recovered years after the default, if the bond is still in force.

8. It insures not only the funds of the bank, but the funds of others in the hands of the bank for which it is responsible.

9. The theory of the bond is that the entire staff should be covered under it, so that if a default occurs where one of two or more men might be the guilty party, it is not obligatory on the insured to say which one is guilty.

10. It covers all men under it to a definite date, instead of having bonds expiring all through the year.

11. *Employees* may be added to or taken from the bond at any date.

12. It is absolutely free from any clause designed to befog a clean cut contract.

We regret to be obliged to report that in some cases Companies are writing this policy only after persistent attempts to furnish their other forms, and some are insisting on the assured making warranties in the application blank as a basis of the contract. This makes a conflict in the terms of the policy and is liable to involve the bank accepting such insurance in litigation and possible failure to recover, in case of loss. Our members cannot too carefully guard against any attempt to substitute an application blank containing warranties for a cash premium as a basis for the insurance.

For information of our members we give a list of the Companies writing this bond, and quote briefly their expressions in regard to it:

ÆTNA INDEMNITY CO., OF HARTFORD, CONN.:

"It seems to be fair both to the Company and the assured."

AMERICAN BONDING & TRUST CO., OF BALTIMORE, MD.:

"Its terms are fair to both the employer and the surety."

CITY TRUST, SAFE DEPOSIT & SURETY CO., OF PHILADELPHIA:

"I have no hesitancy in saying that I regard the form of bond as entirely fair both to the Surety Companies and the Banks."

FIDELITY & DEPOSIT CO. OF MARYLAND, BALTIMORE, MD.:

"The form, in main, is satisfactory."

NATIONAL SURETY COMPANY, OF NEW YORK:

"In our estimation it is the best bond in the market."

PACIFIC SURETY CO., OF SAN FRANCISCO, CAL.:

"It appears to be a bond fair to the bank and fair to the Surety Company."

UNITED STATES FIDELITY & GUARANTY CO., OF BALTIMORE, MD.:

"The bond submitted is indeed a most admirably constructed instrument to safeguard the interests of the banks of your Association."

EMPLOYERS LIABILITY ASSURANCE CORPORATION, LTD., LONDON:

"The contract is very fair, and with as few technicalities as possible."

UNION SURETY & GUARANTY CO., OF NEW YORK:

"Yours is the most equitable form of bond yet devised."

It is to be noted that the first loss occurring where our form of bond was used was also covered by a bond in another Company using their own form, and the member communicating the loss reports: "The Company furnishing us the A. B. A. form say they will settle, at any time, but the other seems disposed to resist."

#### BLANKET BOND.

A blanket bond has been extensively advertised as recommended by a *Committee of Bankers*, and that no member of this Association may confound any such bond with the bond approved by this Association, we wish to state that we have not recommended any Blanket Bond, nor have we seen one that did not contain conditions that would preclude our either using it ourselves or commending it to others.

#### IN GENERAL.

The work of this Committee developed so rapidly last year that to properly attend to it a clerk became an imperative necessity for this year. With his aid a knowledge of the work has been extended to every National Bank Examiner, Superintendent of State Banking Department and Insurance Commissioner of the several States. We have gathered a large amount of statistical information for the year 1900, and have promptly advised all inquiring members of anything to their interest within the scope of our work.

Numerous and heavy as were the defalcations for the year 1900, it should be borne in mind that the combined office force of our members exceeds thirty thousand, and among those that were covered by corporate suretyship for each bonded man that strayed from the path of rectitude there were over nine hundred that remained faithful. It is to be noted that the heavy defalcations last year were mostly by men not covered by surety bonds. Without intimating that the companies do not, as a rule, pay their losses, we regret to report that during the year 1900 sixty-one per cent. of the losses reported to us were resisted, contested, or otherwise unpaid by the companies who had accepted the premiums and issued therefore something that was called fidelity insurance, the losses to our members from this source being in a single year several times the average annual loss which was reported by our Secretary as sustained by our members from the depredations of burglars, robbers and "hold-ups" since 1894. In marked contrast to this condition is the record of The Bankers' Guarantee & Trust Fund of London, a mutual fidelity company of and for British banks, whose Secretary recently stated to a member of this Committee that in their thirty-six years of experience not a single claim had been contested.

In spite of the dark record of defalcations last year, and partially because of the failure of the companies to pay the losses reported, our members will be interested to know that for every dollar the companies returned the banks connected with this Association in loss payments they received \$7.81 in premium income, and that in the last three years the excess of premium payments made by our members to the companies over the losses recovered is little if any less than one million dollars, and that this is going on at nearly the same ratio, because, while the rates are considerably lower than heretofore, the volume of business is increasing. The contributions coming from single banks connected with this Association range as high as four thousand dollars, and in one instance reaches six thousand dollars a year.

#### BRITISH FIDELITY INSURANCE.

A member of this Committee visited England and made, on behalf of the Association, an exhaustive investigation of the conditions surrounding insurance in British banks, verifying every statement made in a most important quotation appended hereto (see Appendix) and to which the attention of our members, particularly those employing a numerous staff, is called.

He found that, while there were large and successful surety companies, they wrote few if any bank risks, because unable to compete with the Mutual Company, whose expense ratio is so much less than theirs.

A great many of the banks accept the protection of the Bankers' Guarantee & Trust Fund, to which reference was made in our first report, for which the insured is paying five annual payments at a rate of \$2.50 a thousand, after which his insurance is permanently carried without further contribution on his part, and instead of finding this rate inadequate the Company has met all losses and now has nearly a million dollars of invested surplus.

Many of the leading banks, including the Bank of England, and others employing large office forces, have mutual funds of their own to which payment is made until a maximum sum is reached, and then all surplus earnings or payments into the fund from new employees are returned to the force in the form of pensions, annuities, widows' benefits, or otherwise, and it is the consensus of opinion among British bankers that this manner of bonding their employees and establishing either a pension or a widows' fund is of even greater importance than the fidelity feature alone, it being found that the mere bonding of an employee in an ordinary company does not encourage honesty in a clerk; that he merely pays his money as a matter of form and knows that if he should go wrong the penalty would be no greater in robbing the bond company than the bank; but the practice of having either a pension or a widows' fund combined with the fidelity feature is a real safeguard, because then every employee is personally interested in the growth of these funds and one clerk is a check upon another, knowing that if there is a loss these funds must suffer, thus affecting not only the staff as a whole, but every individual member of it. This opinion also finds endorsement among Canadian bankers, as evidenced by the report of the General Manager of The Imperial Bank of Canada to the stockholders for the year 1898. (See Appendix.)

We are thoroughly convinced of the wisdom of thus interesting the whole staff in the honesty of every member thereof, and believe that an application of this principle to American Fidelity Insurance would be beneficial. This could be accomplished by the insurer charging a rate somewhat higher than the net rate necessary, and periodically returning an agreed dividend or bonus to every member of the force in which no default occurred, and withholding the dividend from all members of any force in which there had been a loss payment during the year.

#### IN CONCLUSION.

Having now, as a Committee, performed the duties imposed upon us by reporting the rates paid by our members for their insurance; having provided a standard form of bond and secured nine surety companies from whom it may be obtained by members; having carefully considered all matters submitted pertaining to this subject; having in the discharge of our duty not only hung out danger signals upon some of the shoals that had been proved dangerous to warn our members from future bitter experiences, but having mapped out courses of safety, we respectfully ask that this report be received and we be discharged.

In so doing we are not unmindful of the importance of the subject and the probability that the Association at some future date may need to give it further consideration.

We are convinced that valuable as are the statistics already obtained, their value increases with each year that they are gathered and tabulated.

We are alive to the fact that such failure to settle loss claims as is reported this year cannot long continue without a demand from our members for more specific information. We therefore recommend that this work be referred back to the Executive Council, and that they be granted power to take such action in the premises as shall, in their judgment, be deemed best, either by the establishment of a Fidelity Insurance Bureau or otherwise as they may determine.

## COMMITTEE:

A. C. ANDERSON, *Chairman*, St. Paul, Minn.  
Cashier St. Paul National Bank.

CALDWELL HARDY, Norfolk, Va.  
President Norfolk National Bank.

W. P. MANLEY, Sioux City, Ia.  
President Security National Bank.

JOHN L. HAMILTON, Hoopston, Ill.  
Cashier Hamilton & Cunningham, Bankers.

F. H. FRIES, Winston, N. C.  
President Wachovia Loan & Trust Co.

## APPENDIX.

J. W. Gilbert, F. R. S., formerly Director and General Manager of The London and Westminster Bank, in his work entitled "The History, Principles and Practice of Banking," says, "It has become a common practice with large banks to inaugurate guarantee funds of their own, thus obviating the necessity on the part of the employees of applying to personal friends or to guarantee societies. It has been said that the charges of the latter are on the whole moderate, but still, as they remain the same from year to year, they are extravagant as compared with the rates charged by banks who have guarantee funds of their own, and whose sole object is not to make profits, but to protect themselves at the least possible cost to their employees.

"It is usual in establishing a fund of this kind to institute it by a resolution by the board of directors, who also frame rules for its regulation. It is made compulsory upon every one in the service of the bank to subscribe to this fund. The directors take power to rate every officer at such a sum as from time to time they shall see fit. The contributions on such a rating vary in different establishments—in some it is as low as 2s. 2d. per cent., and in others as high as 5s. And in order to give solidity to the fund in its infancy it is usual for the directors to grant a contribution of £400 or £500 per annum for the first four or five years. In some instances it is usual for the bank itself to pay the subscriptions of those officers whose salaries do not exceed a certain limit—say £50. The account of the fund is credited with the contributions and debited with the losses, but the latter only to such an extent as the individuals causing such losses shall have been rated at. When the balance of the fund reaches a certain amount—an amount which in the opinion of the directors shall be sufficient to cover all possible contingencies of loss—say £10,000, then the older contributors may be safely relieved from all further contributions, so long, at least, as the maximum balance of the fund shall remain intact. Should the balance be reduced by losses, then those contributors who may have been relieved may be again required to contribute until the balance be again made up. It is the rule in some banks to draw the line of relief at those contributors who may have subscribed to the fund an aggregate amount of £1 per cent. on the highest sum at which they may at any time have been rated. Experience has shown that such a sum as £10,000 is ample to maintain as a permanent balance, and when the balance exceeds that sum it is customary, in addition to exempting the older contributors, to transfer the surplus to the credit of another fund for the benefit of former contributors, or their widows or other dependents in needy circumstances, or otherwise.

"In the year 1841 the Bank of England took measures for discontinuing the system of requiring sureties from the clerks. Every clerk subscribed annually two shillings per cent. upon the amount of his surety bond. When he had subscribed in the course of five years (or immediately if he chose), ten shillings per cent., the liability of his sureties ceased. Every new clerk subscribed, when admitted, ten shillings per cent. on the amount of the bond he would otherwise give. These contributions are invested in the Three per Cent. Reduced, or Consols. This fund is fixed at £6,000 stock. When at this amount the interest is given to the "Clerks' Widows' Fund," a fund established by the clerks, with the assistance and support of the bank. When the claims have reduced the guarantee fund below £6,000 the interest goes to this fund until it has increased to this amount. If the claims reduce the fund so low as £4,700 then the clerks are required to make a further contribution until the fund is again raised to £6,000. But this contribution is never more than two shillings per cent. per annum on the amount of their respective bonds. Nor can any claim be brought against the fund greater than the amount of the bond that would have been required of the defaulter. The clerks still give their personal bonds, which are for the full amount of their deficiencies. This is an admirable plan for a large establishment. In adopting it the directors have shown a sound discretion, as it makes all the clerks interested in watching over one another. At the same time they have manifested that kindness and good will which have, we believe, at all times distinguished the directors of the Bank of England in their conduct toward their clerks.

"Mr. Thomas Hankey, when governor, delivered to the Banking Institute the following account of the workings of the system:—

"With regard to the guarantee system, it appeared to him that the principle adopted in the Bank of England in 1841, by his predecessor, was capable of extension, with great benefit to the clerks, to many of the other banking institutions of the country. The principle of that plan was that the compulsory payment of £1 a year for five years, or £5 in one sum, was required from each clerk on entering the establishment. These payments accumulated until they amounted to a sum of £6,000, the interest of which was then to be applied to another purpose, for the benefit of the clerk; but in the meanwhile the fund was applicable to all losses of the bank which under ordinary circumstances would fall upon the private sureties. Every clerk, upon entering the establishment, was bound to give security to the amount of £1,000. Well, he believed the lowest premium the guarantee societies would take was 10s. per cent., or £5 for the £1,000, and this £5 premium had to be renewed every year. Now, the amount of this £5 premium from each of the 700 clerks of the Bank of England would be £3,500 a year. Well, since the guarantee fund to which he had alluded had been established in 1841, the total defalcations in the Bank of England had only amounted to about £1,500. Now, if the 700 clerks had paid the £5 a year to the guarantee societies for the whole of that period it would have raised nearly as much as £40,000, the whole of which would have gone into the pockets of the guarantee societies, with the exception of the £1,500 which would have been necessary to make good the defalcations. Now, if the £40,000 had been paid in premiums, and £1,500 had been the loss, it would require very little argument from him to show that the guarantee societies would have been very great gainers, at the expense of the clerks."

FROM ANNUAL REPORT OF D. R. WILKIE, GENERAL MANAGER OF THE IMPERIAL BANK OF CANADA, 1898.

"Reference in the Report to a Pension Fund is, I think, most timely. A Pension Fund is not, however, exactly what the Board has in contemplation. It would be more correct to make use of the expression, Superan-

uation Fund. The greater part of the Fund will be made up from contributions from the employees themselves, the Bank contributing a reasonable amount annually. The objects of the Fund are the maintenance of the personnel of the staff as long as its services may be required, to provide an annuity for them in their old age, and to remove the temptation to individual members to resign their positions for employment elsewhere at a time when their services may be most needed by the Bank. The proportions which will be contributed to the Fund by the employees and the Bank, and the management of the Fund generally, are matters which are very properly left to the Directors. In this connection I should mention that some years ago you approved of the establishment of an Officers' and Employees' Guarantee Fund; that Fund now amounts to a considerable sum and is the property of the Bank; had it not existed moneys now in hand to its credit would have been the property of Guarantee Companies and would be lost to the bank. I hope that the Superannuation Fund will accumulate rapidly; I am confident that the expectation that it will solidify the staff and increase the interest which they have always taken in the welfare of the Bank, without occasioning more than a trifling expense on the shareholders, will be fully realized."

Mr. Joseph G. Brown, of Raleigh, North Carolina: This report very clearly indicates that this committee have had before them a matter of far reaching importance to the members of this Association. Only those who have watched their progress from year to year can have any adequate idea of the amount of labor that it has entailed upon the committee. This work has been done, as is clearly shown by this report, with great patience and fidelity, and with high intelligence, and I therefore move in recognition of this that this report be received and adopted, and that the thanks of the Association be tendered to the members of the committee for their excellent work.

(Motion seconded.)

President: It is moved and seconded that the report of the Committee of Fidelity Insurance, presented by the chairman, Mr. Anderson, be accepted and adopted with the thanks of the Association for the very important work they have performed.

Motion unanimously carried.

Mr. Anderson: On behalf of the committee, I would say that the thanks of this Association is ample compensation for the work that we have done. (Applause.)

Col. Robert J. Lowry then presented the report of the Bureau on Education:

Report of Committee on Education with Respect to the American Institute of Bank Clerks. By Col. Robert J. Lowry, Chairman.

MILWAUKEE, October 15, 1901.

To the American Bankers' Association:

Your Committee on Education has the honor to report that in accordance with the expressed wish of the Association and the authority of the Executive Council it has organized an institute of bank clerks and secured the successful operation of the same up to the present time. The name given the organization is the American Institute of Bank Clerks. Its legal form is that of a voluntary association under the laws of the State of New York.

From the outset your Committee proceeded in a deliberate and conservative manner, spending some time in the investigation of educational methods and the consideration of ways and means. At a meeting of your Committee, held in New York, February 15, 1901, a plan submitted by Mr. A. O. Kittredge, President of the Account, Audit and Assurance Company, Limited, was adopted, and the formal organization of the Institute agreed upon and in due course effected.

A contract was made with the Account, Audit and Assurance Company, Limited, for the formulation of a general plan of educational work and the conduct of such work up to October 1 of the current year. This contract

provided for executive supervision on the part of Mr. Kittredge, and the services of himself and the members of his staff equivalent to the full time of one duly qualified man, together with suitable offices for the Institute and such force of stenographers and clerks as might be necessary.

In making such contract, your Committee was prompted by a two-fold motive. First, Mr. Kittredge and his company, through their equipment and connections, were manifestly able to furnish services equal to any possible requirements; and, second, they were able and willing to take into consideration the uncertain income from students and associates of the Institute in gauging expenditures and figuring remuneration for their own services. Such chances your Committee, of course, could not take.

According to the terms of the contract with the Account, Audit and Assurance Company, Limited, that corporation was to receive the sum of five thousand dollars for the services specified, including services previously rendered, together with the income up to October 1. Your Committee was to pay the expense of preliminary advertising in accordance with an agreed plan, together with such disbursements for traveling, telegraphing, telephoning and other incidentals as might from time to time be authorized.

After settling in full with the Account, Audit and Assurance Company, Limited, up to October 1, and paying all other expenses, there remains a respectable balance out of the appropriation of ten thousand dollars originally made for the purpose of inaugurating the Institute and operating it the first year.

In the organization of the American Institute of Bank Clerks and the operation of the same up to the present time your Committee has guarded against creating any obligation, financial or moral, actual or implied, which might in any manner forecast the policy of the American Bankers' Association in the matter of educational work.

The members of the Association may feel assured, however, that a foundation has been laid upon which a superstructure may be erected in keeping with the dignity, wisdom and pride of the bankers of America.

The educational work of the Institute is more particularly set forth in the accompanying report of the Secretary of the Institute, which has been duly received and approved by your Committee, and is made a part of this report.

ROBERT J. LOWRY, CHAIRMAN.

Report of the Secretary of the American Institute of Bank Clerks.

NEW YORK, September 30, 1901.

To the Committee on Education of the American Bankers' Association:—

The preliminary work of organizing the American Institute of Bank Clerks was completed on the 23d of March, 1901, when the Articles of Association were duly signed by the following trustees:

William C. Cornwell, Buffalo, N. Y.  
Robert J. Lowry, Atlanta, Ga.  
Harvey J. Hollister, Grand Rapids, Mich.  
J. B. Finley, Pittsburg, Pa.  
George F. Orde, Chicago, Ill.  
James G. Cannon, New York, N. Y.  
A. C. Anderson, St. Paul, Minn.  
Harry L. Burrage, Boston, Mass.  
John F. Thompson, New York, N. Y.

Under the provisions of the Articles of Association, officers were elected as follows:

President—Wm. C. Cornwell.  
Treasurer—James G. Cannon.  
Secretary—A. O. Kittredge.

In July Mr. Cornwell resigned the presidency, and at the request of the trustees, Mr. Cannon, as ranking officer, acted as President until a meeting of the trustees was held in New York, August 12, when Mr. Cannon was formally elected to the presidency for the unexpired term ending next March. Upon assuming the office of President Mr. Cannon resigned as Treasurer, and Mr. John F. Thompson was elected to that position.

## OBJECTS AND METHODS.

The objects and methods of the Institute, as set forth in the Articles of Association, are as follows:—

1. To unite, fraternally and socially, through local chapters or otherwise, all those engaged in different localities in the banking business, or who intend to become connected with it, either as officers of banks, trust companies or savings banks, or as bankers, or as clerks of banks, trust companies, saving banks or banking houses, who desire to improve themselves by devoting a portion of their time to the study of the matters connected with the banking business.

2. To specially train all who become associated with the Institute in those branches of practical education which have a direct bearing upon the business of banking.

3. To originate and circulate literature relating to the practice and science of banking and of business administration.

4. To afford to those associated with the Institute the advantages of lectures upon business methods, the principles of banking, the science of finance, applied economics, commerce accounts and other subjects of practical value to them.

5. To conduct for the benefit of those associated with the Institute a Correspondence School of Banking, under the charge of a competent faculty.

6. To conduct examinations of bank clerks and others associated with the Institute with respect to their technical qualifications, and to issue certificates setting forth the results of such examinations.

In accordance with the foregoing statement of the objects and methods of the Institute, its educational work is conducted along three distinct lines:—

## CHAPTERS.

First—The association of bank clerks in local chapters, chartered by the Institute for the purpose of arranging courses of lectures and debates and the investigation of special subjects. Members of local chapters become associates of the Institute. While chapter work is done under the supervision of the officers of the Institute, it is expected that members will arrange the details of their programs, providing for lectures by local talent and conducting the affairs of their organizations in such manner as will best develop their own capacity for management and stimulate self reliance. The Bank Clerks' Association of Minneapolis and the Bank Clerks' Economic Society of St. Louis, which have been in successful operation for some time, have affiliated with the Institute, and new chapters have been organized in New York, Chicago, Pittsburg, Cincinnati and Louisville. Progress has been made in the preliminary work of chapter organization in various other cities, and it is desirable that the work of forming chapters should be actively followed up throughout the United States during the coming winter.

## PERIODICAL.

Second—That portion of the Articles of Association providing that the Institute shall originate and circulate literature relating to the practice and science of banking and of business administration is put into practical operation by the publication of THE BULLETIN of the American Institute of Bank Clerks, a periodical through which much of the educational work is conducted. THE BULLETIN is the official medium of communication between the officers of the Institute and members of local chapters and students in the Correspondence School of Banking. It contains reports of lectures before chapters and leading educational institutions, as well as special articles on banking and kindred subjects. It also contains the examination questions in connection with the Correspondence School of Banking. THE BULLETIN is wholly educational in character, and in no way attempts to encroach upon the well defined field of banking journalism so ably filled by existing newspapers and magazines. THE BULLETIN has been cordially received by the banking fraternity generally, executives as well as clerks, and from 5,000 to 10,000 copies of each issue have been circulated.

## CORRESPONDENCE INSTRUCTION.

Third—The courses of study in the Correspondence School of Banking are so arranged as to make up deficiencies in primary education, while also rounding out and completing the equipment for practical work. The

courses will ultimately embrace everything that can be of advantage to the average clerk in qualifying himself for the highest responsibilities of banking. At the present time they embody lessons, examinations and certificates of improvement and proficiency in Penmanship, Spelling, English Grammar, Composition and Rhetoric, Business Correspondence, Shorthand, Typewriting, Commercial Geography, Financial and Commercial History, Bank Arithmetic, Double-entry Bookkeeping, Bank Bookkeeping, Practical Banking, Commercial Law, Government and Practical Finance.

## PUBLICITY.

Immediately after the organization of the Institute last March one hundred thousand copies of an eight-page folder were issued and sent to banks throughout the United States. This folder described the general plan of the Institute and outlined the courses of study in the Correspondence School of Banking. As showing in a comprehensive way the character of printed matter circulated by the Institute, and also presenting additional facts pertinent to this report, the following paragraphs are quoted from the original folder sent out:—

Banking is a complex subject. The practical equipment of a banker comprises everything there is in an ordinary education, and in addition various matters that are special to his requirements. To meet the needs of bank clerks, therefore, it is necessary to furnish that which will enable them to supply the defects of their elementary education, as well as to carry themselves forward in their chosen calling. The Correspondence School of Banking has been organized in a broad and comprehensive way, but wholly along practical lines, and is adapted to supply whatever the individual may demand. The courses of study will ultimately embrace everything that can be of advantage to the average clerk in qualifying himself for the higher responsibilities of banking.

The American Institute of Bank Clerks has provided this comprehensive plan of education, and offers it to the rank and file of bank employees at a nominal expenditure of their time and money. It is for them to make use of its facilities. The Trustees are convinced that a large majority of American bank clerks will be disposed to avail themselves of some of the courses of study offered, if the matter is properly presented to them for attention.

Those who desire to pursue a systematic course of reading, and not attempt to master either of the required courses of study, will find what they want in the Bulletin, conducted by the Faculty and published by the Institute.

Nearly every banker, young or old, realizes some deficiencies in his technical or general education. All such can find among the courses of study provided an opportunity to repair their defects and round out their attainments.

To the credit of bank clerks generally it must be said that very few need any urging in the matter of self-improvement. Without aid or suggestion they have in many places organized local associations, which have been of material benefit to the membership in increasing their technical knowledge and broadening and elevating their professional spirit.

It is suggested to bank officers and employees that they consider the plan and ambition of the Institute and select one of their number to enter into correspondence with the Secretary, with the view of organizing a local Chapter and availing themselves of such courses of study as may best meet their requirements.

Subsequently circular letters were sent to chief clerks in banks soliciting the names and home addresses of clerks. By this means direct communication has been established with a large number of bank employees, and the facilities of the Institute are now being brought to their personal attention.

Sample copies of THE BULLETIN have been distributed under a system by which every bank, trust company and savings institution in the United States has presumably received at least one copy every other month.

In addition, there have been sent out numerous letters addressed to bank officers personally.

## SCHOOL OF BANKING.

The Correspondence School of Banking is the medium through which the most systematic and thorough instruction is given by the Institute. A brief description of the different courses of instruction as presented in the literature of the Institute may be properly incorporated in this report, showing, as it does, the character of the educational work and the manner in which attention is directed to it. The following paragraphs are from circulars sent out since the school has been in active operation:—

The Correspondence School of Banking established by the American Institute of Bank Clerks differs from all other correspondence

schools in several essential particulars. Prominent among these is the fact that it is restricted to the needs of a single division of business activity. The instruction courses are confined to just those divisions of knowledge that are conceived to be of prime importance to the banker.

In composition and rhetoric, for example, no attempt is made to instruct in general literary style, but instead the effort is concentrated upon those things which the banker is frequently called upon to do, and practical instruction in which it is hard to find. Thus, as will be seen by reference to the description in another column, particular importance is attached to such matters as the report of a committee, the preparation of a set of resolutions, the account of an investigation, an address advocating a business measure, an after-dinner speech, the by-laws of a company, and the annual report of a business concern. In the description which follows there will be found an account of each of several important branches of instruction which bear upon the banking business. The text-books or lesson sheets which go with these studies and which are furnished by the Institute, being covered in the tuition fees, are original, and have been specially prepared for this school.

#### 1. PENMANSHIP, \$4.

Hundreds of bank clerks are denied promotion because they write poor hands. Hundreds of clerks who write rapidly and legibly are promoted beyond their deserts when measured by other standards. No one writes so well but that he might improve. The instruction in this course is along practical lines, omitting all flourishes and all attempts at ornamental work. Practical legibility, with ease of execution, are the special objects in view.

The directions for self-instruction are comprehensive. The methods of practice are specifically pointed out, and are readily understood. Particular attention is paid to materials to be used and the positions of body and arm. After principles of letter formation have been thoroughly exemplified, a series of graded lessons follows, in which the pupil's improvement should be rapid and satisfactory.

#### 2. SPELLING, \$4.

What is more mortifying to a young and ambitious clerk than to be found wanting in the ability to spell? What greater blemish is there in a business letter, than misspelled words? How surely would an application for promotion be turned down if there were misspelled words in it?

There are well-defined rules for spelling, even in a language as irregular as English.

There are methods by which words of similar meaning and different spelling may be distinguished. There are likewise ways and means of discriminating between words of opposite meaning but similar in sound. It is along lines such as these that the course of spelling is conducted. The student's deficiencies are carefully inquired into, and help is given him along practical lines.

#### 3. ENGLISH GRAMMAR, \$4.

How quickly you judge of a companion by the phrases he utters! If there is a lack of agreement between his verbs and nouns you instantly detect it. His faults of diction are quickly apparent to you. Very possibly your friends are equally cognizant of deficiencies of your own. If to the disgrace of poor penmanship there is added the vice of misspelled words, and on the top of it the crime of bad grammar, all exemplified in the letters which the bank clerk writes, how can he hope for promotion or advancement of any kind?

The course of instruction in English grammar is greatly simplified, compared with ordinary school courses. Sentence-building is carefully presented, parts of speech are discussed in a way to make the student to understand them, and finally, common errors are pointed out. The student's correspondence with the Institute is carefully scrutinized for the purpose of detecting his errors.

#### 4. COMPOSITION AND RHETORIC, \$8.

When the student has become measurably proficient in penmanship, spelling and English grammar, there still remains practical drill in the preparation of various documents required in banking and in business in general.

In this course the student is given abundant drill in the construction of business letters, and in such special but useful matters as the preparation of the report of a committee, a set of resolutions, the report of an investigation, drafting a set of by-laws, short account of a business meeting for publication in a local newspaper, an address advocating a business measure, an after-dinner speech and the annual report of a business concern.

#### 5. BUSINESS CORRESPONDENCE, \$8.

When we have become proficient in rhetoric, there is still something to learn in the special application of the principles to business correspondence. There are also to be considered the mechanical features of correspondence. In this course letter-writing is considered from the standpoint of an art.

Specific instruction is given with respect to materials and parts of a letter, even extending into such particulars as folding, inserting, sealing and addressing.

It is required in business correspondence to keep a copy of each letter. Methods of duplicating letters, therefore, are next considered, and incidental thereto plans of indexing are discussed.

The corresponding clerk is frequently intrusted with opening the mail, as well as sending it out. How best to open and record the mail is next taken up, and finally comes letter-filing. How the letters are put away, and how they are to be indexed, with copious illustrations drawn from practical work, are among the lessons.

#### 6. SHORTHAND, \$8.

It was only a few years ago that a person who could write shorthand was a marvel to his own community. There were so few shorthand writers. Now the demand for shorthand is so general in business institutions that frequently applicants for positions are discriminated against because they have not this particular qualification. In a com-

mittee meeting a short time since, at which a number of eminent bankers were present, one of the gentlemen said that he had long made it a rule to employ no clerk, irrespective of the capacity in which he would work, who could not write shorthand.

Only a little while ago shorthand seemed so intricate that many refrained from the study, fearing they could not become proficient. As a fact, properly undertaken, shorthand is readily acquired.

Shorthand, as a mere accomplishment, independent of the use that may be made of it, is well worth attention. It is considered by many educators to be better than higher mathematics as a mental discipline.

The course in shorthand has been prepared by an eminent specialist, and is practical from start to finish. The intricacies and absurdities of many of the systems now before the public are entirely omitted. The student is rapidly and effectively introduced into a shorthand which has a considerable literature in print, thus putting at his command abundant exercise in reading.

How to practice at home, how to obtain speed and how to make the shorthand available in practical everyday work, are important parts of the course.

#### 7. TYPEWRITING, \$8.

A typewriter is to ordinary penmanship what a railway train is to the old stage coach. Modern business correspondence is conducted almost exclusively in typewriting. Typewriting machines are so abundant that no ambitious clerk has a reasonable excuse for failing to acquire the skill to operate one.

The course in typewriting offered by the Institute is along original and practical lines. The large assortment of machines now in the market is analyzed, classified and described. The different keyboards are illustrated and explained.

The student is advised how to choose a good machine, and, after he has got it, how to take proper care of it. Paper, carbon and ribbons are likewise presented in a practical manner, not from the standpoint of the local stationer, who is interested in selling a special brand or quality, but from the viewpoint of the user who wishes to produce perfect work.

The eye method of using the keyboard is explained, and then the advantages of the touch method are clearly set forth. Abundant provision is made for speed practice. Taking dictation on the machine likewise has attention.

#### 8. COMMERCIAL GEOGRAPHY, \$8.

This course is entirely practical. It is intended to contribute the information that is of value and importance to those who are conducting business or have to do with financial transactions. The distribution of natural wealth is a leading division of the subject. The channels of trade and commerce come in for careful investigation. The history of the development and decadence of the different channels of trade is considered. Modern routes of domestic and foreign commerce, climatic influences and political encouragements and barriers likewise receive attention.

#### 9. FINANCIAL AND COMMERCIAL HISTORY, \$8.

It is not enough to understand the routine of banking, and to meet daily requirements with respect to deposits, disbursements, collections, exchange and the necessary accounts. There is a historical side to finance, an acquaintance with which bears materially upon what is being done at the present time. History sets forth reasons for existing conditions.

It is in the light of the past that we forecast the future. Periods of development and periods of depression, periods of wild speculation and periods of crazy panic, and all chronicled in the financial history of modern nations. The lessons of these successive periods are of the greatest importance. The student is taken along most interesting paths to a familiarity of the historical side of his chosen profession.

The commercial development of modern times goes hand in hand with its financial development. One cannot be advantageously studied apart from the other. The business history of the United States, England and the nations of Continental Europe is pregnant with facts directly bearing upon the practical banking of to-day. The history of inventions and arts which have influenced economic activities serves as a foundation upon which to estimate the development of the future. This course has been carefully planned along the lines thus suggested.

#### 10. BANK ARITHMETIC, \$8.

When the young man in business has got far enough into practical work to be called upon to make a calculation, whether measuring for a new floor covering in the private office, computing the discount on a ninety-day note, averaging an account, or making a settlement where partial payments are a feature, he begins to perceive more or less clearly that much of what he was taught in the public school has to be unlearned and something else substituted before he is strictly up-to-date. It is unfortunate indeed that there is such a gulf between the authors of school books and the practice which prevails in business institutions.

The effort in the course is made to teach arithmetic as arithmetic is practiced in banks. The student is taken through certain elementary divisions because they are necessary as a foundation to what follows. Particular attention, however, is given to those matters which come up most frequently in banking practice. Denominate numbers, percentage, commission, brokerage, interest, discount, domestic and foreign exchange, equation of payments and the averaging of accounts are some of the leading divisions.

#### 11. DOUBLE-ENTRY BOOKKEEPING, \$12.

Bookkeeping as taught in the schools, and also, we fear, judging by some of their graduates, as frequently taught in business colleges, and further, as very generally set forth in the text-books, differs widely from the best commercial practice. The endeavor has been made in the course of double-entry bookkeeping, first, to hold to correct principles, and, second, in illustrations to restrict the examples to what has been proven by long experience to be the best practice.

The bookkeeping of banks is double-entry bookkeeping, but it is

only a special form of double entry bookkeeping. It is merely an adaptation of double entry. A banker, however, to be in the best position for business must understand the accounts of his borrowers and their debtors. He should be able to readily understand the statements that are submitted for his inspection. All this demands a broad familiarity with the principles of double entry bookkeeping, as well as with general practice.

The student in this course is first made acquainted with the principles of debit and credit. He is then invited to consider posting methods including books of original entry. Next comes the ledger in its correct form, and the means of getting the amounts from the books of original entry to the accounts in the ledger.

Opening and closing books are the topics next presented. Attention is then given to the profit and loss statement, and to the balance sheet. The different books in common use are discussed and illustrated, and the principles of adaptations to special requirements are carefully explained. The course includes numerous practical exercises in ruling books and forms, something that is demanded in active business almost daily.

#### 12. BANK BOOKKEEPING, \$12.

No one should undertake bank bookkeeping, which should be defined as merely a special adaptation of double entry bookkeeping, until he is thoroughly grounded in the general principles and practice of double entry. Otherwise he will have no reason before him for many things that are required to be done.

It is no part of the course in bank bookkeeping to instruct in the principles of debit and credit, nor yet in the usual practice with respect to posting methods and ledgers. Instead, the bank bookkeeping course is restricted to what is demanded in banks and financial institutions. General accounts, statements of condition, individual ledgers, balance books, deposit tickets, checks, the accounts of the receiving teller and the paying teller, clearing house items, collection department, loan department, stocks and bonds, and foreign exchange are among the special subjects in which the student is thoroughly instructed.

#### 13. PRACTICAL BANKING, \$12.

The student may be entirely competent in each of the routine positions in a bank. He may be familiar with the duties of all the various employees, from runner, clearing-house messenger, receiving teller, collection clerk, correspondent, etc., up to the position of cashier or vice-president, and still be deficient in all knowledge of banking outside of the routine work of the several positions named.

In every community there are several kinds of banks. Whenever the question of organizing a bank is up for consideration there is the choice between the State law and the National law. A given group of capitalists will decide upon an ordinary bank of deposit. Another group will prefer to launch a trust company. Still other men in the community prefer to organize a savings bank.

The course in practical banking discusses all these questions, points out how organizations of banks are effected under State laws and National laws, and under special charters. The administration of banks as thus taken up, the different departments are considered, and the duties of officers and employees carefully analyzed. Bank accounting distinguished from bank bookkeeping is presented. Money, checks, drafts, notes, collaterals, reserves, surplus, dividends and bank examinations are among the leading divisions.

#### 14. COMMERCIAL LAW, \$12.

Many schools offer courses in commercial law. Local lecturers are often available who are ready to deliver courses on commercial law. The commercial law of the schools, however, and very generally explained by lecturers, is not exactly the form of commercial law demanded by bankers. The one may include the other. The commercial law in which bankers are interested is the smaller part.

In this course, after drilling the student in the underlying principles of business law and getting before him a conception of the common and statutory law governing contracts, agencies and partnerships, such problems as corporations, how formed and how governed, together with leading features of corporation law in the various States, are taken up and exhaustively discussed. The rights and duties of parties to commercial paper are very carefully investigated. Bills, checks, drafts and notes are likewise taken up, and there is finally presented a discussion of the duties of administrators, executors, wardens, trustees, assignees, receivers and the like. The whole is amply illustrated by selections from legal forms.

#### 15. GOVERNMENT, \$20.

Every banker should be a good citizen. To be a good citizen requires a knowledge of the principles upon which the government of his city, town, county and State is founded. The banker's knowledge of government, however, may be put to other uses than merely good citizenship.

This course includes a survey of civil government in the United States. It presents a historical survey of the several different political systems from a financial and commercial point of view, and the relationship of government to business interests.

There is also included a consideration of the evolution of government, from the primitive condition of mankind, with an inquiry into the rise and fall of governments. Finally, there is an inquiry into the constitution of the power and debts of the State.

#### 16. PRACTICAL FINANCE, \$20.

The course in practical finance is in some respects a direct sequence to that of practical banking. Money, credits, banking exchanges, colliage and currency are considered from legal and historical points of view, as well as from the viewpoint of business requirements. Loans of the United States and other countries are discussed from the standpoint of the investor. Inquiry is made into government revenues and government disbursements. The principles underlying taxation are

carefully explained, financial and economic legislation is reviewed, and, finally, various theories of finance are investigated.

The publicity of the Correspondence School, as well as of the entire work of the Institute, has been continued in the several issues of THE BULLETIN. This means of communicating with banks and bank clerks, which has been demonstrated to be quite effective, is one that will always be available to the Institute.

In the preparation of the courses of study in the Correspondence School it has been necessary to employ numerous specialists at considerable cost. All such arrangements, as well as the contracts for printing, have invariably been made in the name of the Account, Audit and Assurance Company, Limited, thereby protecting your Committee from all responsibility and relieving you from all chances of annoyance.

Surveying the work accomplished up to the present time, and not forgetting the comparatively late date at which the Institute was formed—a date at which almost every one was beginning to plan for the hot weather of summer—it would seem that the effort has been eminently successful. In addition to the specific results that have been accomplished it is manifest that a foundation has been laid broad enough and deep enough to sustain anything which may be erected thereon.

One fact in particular which has been impressed upon us at every step in this work should be noted in this connection, and that is that the number of students enrolled in the Correspondence School and the chapters organized have been in direct proportion to the advertising conducted by the Institute. What is meant by this is that with more advertising, with more direct effort in the field and a still larger volume of correspondence the results to date might have been greater than they are. Or, to state still otherwise and to give the fact that interpretation which is of the greatest importance to your Committee, the progress and usefulness of the Institute for the future, we believe, will depend largely upon the liberality with which the movement is managed.

Bank clerks will not flock to the Institute either as chapter members or as students upon their own volition, but they have shown themselves ready to be persuaded to engage in the work and to fall in with the overtures of the Institute whenever its real advantages have been brought home to them personally.

All of which is respectfully submitted,

A. O. KITTRIDGE, SECRETARY.

Mr. Lowry: The printed report will give you a great deal of information on this subject, and I will therefore make my remarks very brief.

You will observe that the report of the committee is an education with respect to the American Institute of Bank Clerks. We have really been at work only about six months, and we think we have done very well, and we are thoroughly satisfied that the work should be continued. It is a cheap and easy way for our young men to get an education that will be worth a great deal to the banks that employ them, and we have done, as I said, I think, very fairly well.

The literature that we have spread around in these seats, the committee will be very glad indeed if each member would read, and any suggestion made would be thankfully received.

We have with us this morning Mr. Kittredge, the gentleman who is Secretary of the Institute, and he will, in a few words, tell you more of the details than I am able to in the short time allotted. I, therefore, with the permission of the President and you, gentlemen, would ask the privilege of Mr. Kittredge making some remarks upon this subject.

Mr. A. O. Kittredge, Secretary of the American Institute of Bank Clerks, was then introduced.

#### REMARKS OF MR. KITTRIDGE.

Mr. Kittredge: Mr. Chairman and Gentlemen: The object of your committee in asking me to speak has been to get before you certain statistics of the work

that we have done, and to indicate in some measure our methods, with certain illustrative incidents regarding that which we have accomplished.

As you will see by the literature that is in the seats, our work is divided essentially into three parts. There are chapters of the Institute, meaning local organizations; there is a correspondence school of instruction, and there is the periodical. The latter you have samples of, therefore I need say the least about it.

First, with respect to chapters: Chapters of the Institute mean the gathering together of the bank clerks in a given locality in a formal organization, with stated times of meeting, before which shall be given addresses on any subject that the clerks composing the Institute or the chapter shall be interested in. Chapters already in existence are conducting lectures upon commercial law and upon other similar topics; other chapters are devoting their time to discussion. Essays are presented and a question box is maintained, and in general those topics which are of the utmost interest to bank clerks and which make them more efficient in their several positions, are being considered.

Now with respect to correspondence instruction, which is a very important feature of the work: At the outset we had to determine first what the bank clerks wanted; second, how we could reach them with the supply. The various correspondence schools of the country were very carefully investigated, their methods were inquired into, and more particularly the scope of their instruction was examined. We found it necessary to strike out, in some respects, into entirely untried lines. We did not do very much experimentation, but we were obliged to take up some of those methods which were found advantageous in higher instruction, and which had been neglected by the correspondence school in so-called elementary instruction.

The instruction offered by the correspondence department of the Institution at the present time is comprised under some 16 different heads, all of which is carefully explained in the pamphlet report before you. The instruction ranges from the most elementary kind, such as penmanship and spelling, on and up to that which is the most practical—bank book-keeping, practical finance, political economy and government.

At the outset, as already indicated, we were obliged to consider the methods of instruction, as well as the subject matter of instruction, to meet the wants of bank clerks. In our preliminary circulars we talked about teaching not literary rhetoric, but business rhetoric. Our instructors have been gathered from various schools of learning, but more particularly from the practical fields, until to-day we have a corps that in our estimation is adapted to meet almost any reasonable requirement.

To give you some idea of the way in which we are differentiating from that which is done by the ordinary school—for example, I have already cited rhetoric—an incident that occurred only a few days ago may be interesting to you. One of our instructors, who comes from one of the largest schools of the country, prepared a very careful criticism of the answers of one of the students who had sent in his examination papers on rhetoric. The mistakes of the student were pointed out, and illustrative examples were presented, and in general he was instructed that all writings must be punctuated. Now, we have another functionary who is a cold-blooded business critic, belonging to the Institute. Perhaps he could not show his college diploma; perhaps he would not rank among the great educators of the day; but we regard him as almost as useful as some of the teachers. Whatever goes out comes before this hard-headed man of business. He looked over this and said: "All documents must be dictated. How about telegrams? How about cablegrams? They are not dictated. How about the mortgage of one of the leading Pacific railroads for a very large number of millions of money, in which there is not a punctuation mark from begin-

ning to end? How about the incorporation papers of a certain organization formed in Massachusetts only a short time since, in which neither charter nor by-laws are punctuated?" I merely refer to that to show that the instruction is fully up to date. That which went forward to this pupil, accordingly, not only presented what the literary man was doing in the way of punctuation, but also cited what business men had found it expedient to do. In other words, we are following merchant law, if such a term may be used, in instruction, rather than literary law.

Now, with reference to what we have accomplished: In the short time that we have been in operation, less than 6 months, practically, we have come into correspondence with nearly 10,000 bank clerks. There are gathered into chapters to-day not quite 2000 members. There are regularly taking the lesson courses about 600. The little paper that we are publishing, called the "Bulletin of the American Institute of Bank Clerks," has had a circulation—or, rather, the total number of copies printed up to date amount to about 50,000 copies, and we have over 2000 enrolled paid subscriptions.

Now, with regard to the wants of the Institute for the immediate future: As you will see by the sentence in the report of the Secretary in the little pamphlet in your hands near the end, the clerks have shown themselves willing to be persuaded to avail themselves of the opportunities which the Institute presents. They have not flocked spontaneously into the school, nor as subscribers to the paper, nor yet as members of the chapters.

Accordingly, the effort to date has been measured by the advertising publicity that it has had, and the hard work that has been personally done among the clerks themselves.

There is necessary, it seems to me, to make this thing as useful as it should be, an organizer, who should be available to go wherever there is a little interest excited, and show the bank clerks of that village or city, as the case may be, how they may get together, and upon the basis of our old-time lyceum or debating society, do themselves some good.

There is the need of a paid corps of lecturers that shall be available to the chapters organized; that shall go from city to city, either with lantern slide equipment or other means of illustration, and deliver lectures which will not only be useful to the bank clerks in chapters organized, but will also attract popular attention to the movement.

The little paper which you have in your hand is already representing a large amount of reward in the shape of interest attracted. You will notice by the correspondent's columns, questions and answers, the character of questions that are being sent in, and the character of the information that is being given. The increased circulation of that will, in a measure, co-operate in the other directions. It is easy, however, to edit a paper. It is comparatively easy to get lessons in shape and conduct a correspondence scheme of instruction, but, on the other hand, that which is of the greatest help to the bank clerk, that which brings him into contact with his fellows, that which instructs him and gives him practice in getting upon his feet, and expressing his ideas, learning his deficiencies and finding out what he ought to do, comes only from organization, and that, it occurs to me, is the greatest and most important work before us—the scheme of organization, the plan of organization, the work of regular organizers—and following that, the work of entertainers or instructors, who shall appear before these chapters. I thank you. (Applause.)

Mr. Lowry: I would like to offer a resolution somewhat similar to the one offered a year ago in Richmond.

*Whereas*, At the last convention of the American Bankers' Association it was

*Resolved*, That the Executive Council should authorize the Committee on Education to organize an Institute of Bank Clerks for the bank clerks of the United States, appropriating such an amount as will be necessary to inaugurate and operate such an institution for the first year, not exceeding \$10,000."

*Whereas*, The Committee on Education has organized such an Institute and has operated the same to an extent to demonstrate its possibilities of practical usefulness and in a way to warrant its continuation, now be it

*Resolved*, That it is the sense of this Convention that the Executive Council should appropriate to the use of the Committee on Education such an amount as may be necessary for continuing the work of the American Institute of Bank Clerks for the ensuing year, not exceeding the sum of \$10,000.

Mr. Lowry: I move the adoption of this resolution.

President: This resolution should go before the Executive Council, as it proposes to appropriate money, and it may be now referred to the council for action, if necessary, in order that it may come properly before the Convention.

Mr. Hill: I wish to second that motion.

Mr. Lowry: That is the course that it took last year, and the Executive Council took immediate action.

Mr. Henry Dinse, of New York: I move that the permission of two-thirds of the members be granted to the gentleman who has offered the resolution, and that the resolution be referred to the committee, and, in doing so, I wish to say that after reading the report of the Educational Committee, and after hearing the remarks of Mr. Kittredge, in my estimation the resolution which is offered by the Chairman of the Educational Committee is one that is appropriate at this particular time. As the organizer of one of the chapters in the city of New York, and as one of your delegates here to-day I feel that I know the full want of the education of the bank clerk, not only in the city of New York, but throughout the entire United States, and I must say that I regret that when the organization was formed the title was given the American Institution of Bank Clerks, and had the committee omitted the words "bank clerks," I think that our membership would have been increased greatly, and for that reason I think that the appropriation asked for, and the adoption of the report of the committee as submitted, is one that will be beneficial, not only to bank clerks, but to the officers of banking institutions, and therefore I move the adoption of the report and the submission of the resolution to the Executive Committee, as I understand the constitution under that particular section.

Mr. John Farson, of Chicago: I shall be very glad to second that motion, for I believe that no work that has ever been done by this Association, or is being done, is more potent for usefulness or more fruitful of good results than the work now being done by this Committee of Education. It showed its excellent sense in establishing the first chapter in Chicago. The public press of Chicago, the bankers of Chicago generally, and the bank clerks of Chicago, are taking a very active interest in this work, and I therefore second this motion, and I would like to add to it that the committee receive the most hearty thanks of the Association, and that the committee be continued.

President: The real question that will come before you is on the acceptance of the report of the committee, and the continuation of the committee with thanks. The matter of appropriation must go before the Executive Council, which course it will take within a few minutes. There are other matters to go before them, and as soon as other matters are presented the council will be called.

Unanimously carried.

Mr. F. W. Hayes then read report of Committee on Express Company Taxation.

Before reading his report, Mr. Hayes said: At the last annual Convention we submitted quite a lengthy report of our action, and this year we will submit a briefer report, but we wish to have this report taken in connection with the report which we made last year, in which the legal aspects of the question are very fully discussed.

The report was then read, as follows:

#### Report of Committee on Express Company Taxation

##### To the American Bankers' Association:

Your Committee is unable to report any substantial progress during the past year, as the result of its efforts to compel the express companies and their numerous agencies to pay a license tax for the privilege of conducting a banking and brokerage business. The great injury which these companies are causing to the banks throughout the country and the great injustice which is involved in allowing them to transact a banking business without paying the tax imposed upon bankers and brokers, were commented upon in our last report, and were fully shown at the time this Committee was appointed two years ago.

The principal obstacle in the way of your Committee during the past year has been the opinion of the Attorney-General, holding that the express companies are not transacting either a banking or a brokerage business within the meaning of the war revenue law. That opinion has been universally condemned by bankers as inconsequential and evasive. There is, however, unfortunately no appeal from it, and the Commissioner of Internal Revenue must, of course, be governed by it in his instructions to the collectors. That he does not regard it as necessarily final, however, is evident from a letter written by him on October 10, 1900, shortly after the last meeting of this Association, in reply to a letter of Messrs. Knauth, Nachod & Kulme, bankers, of New York, who had written to him in the previous June to inquire whether their agents, who sold their checks on foreign banks, were subject to the payment of the brokers' tax. In their letter of inquiry the bankers expressly referred to the opinion of the Attorney-General, which held that the agents of express companies who sold such checks were not subject to the tax. The Commissioner, however, declined to advise them that their agents were not liable, and plainly showed that his department did not consider the opinion of the Attorney-General to be final, for he wrote as follows:

"Although there may be some warrant for it (namely, the claim that the agents were exempt from taxation) in the published opinion of the Attorney-General, to which you refer, yet as there has been no judicial decision that the business of selling travelers' checks is not the business of selling 'exchange,' for which the special tax of a broker is required to be paid under the second paragraph of section 2 of the act of June 13, 1898, this office would not advise you to give assurance to your correspondents, by circular, as you contemplate, of their immunity from special tax, in the event of their engaging in such sales, unless you are disposed to rely entirely upon the Attorney-General's opinion, taking the risk of a contrary decision by the courts, in the event of a case coming up hereafter for judicial determination on this point."

Moreover, prior to the opinion of the Attorney-General, and in November, 1899, the Commissioner of Internal Revenue had written, as appears in our previous report to the Association, that "on the facts stated by you in your former letters to this office there appears to be no reasonable ground for doubting that the American Express Company has been engaged in the business of buying and selling foreign exchange, and that it is accordingly required to pay a special tax as a broker for each and every distinct and separate place of business at which such purchases and sales have been made." And yet the Attorney-General, in his opinion subsequently written, found in favor of the express companies at every point.

SEEK TO BRING SUIT.

We should long since have had a suit instituted to test the question, but unfortunately, in a case of this kind, it is impossible to commence such a suit without the concurrence of the officers of the Government. The United States Revised Statutes permit an action to be brought by the Government to recover taxes, with the

sanction of the Commissioner of Internal Revenue; but one citizen, who has paid a tax, has no power to commence a suit against another citizen to compel him to pay a similar tax laid upon all citizens. As the Government acts in these cases at the instance of the Attorney-General, and as the Attorney-General has rendered an opinion against the liability of the express companies, manifestly he is not likely to advise such a suit, except for the purpose of settling an important public question. It is because your Committee believes that this is an important public question that it now asks the assistance of the Association and its members individually in an effort to obtain a judicial decision.

Another method of testing the question would be to have some one engaged in the money order or exchange business pay the tax under protest, upon the demand of a collector, and then to bring an action against the collector to recover the amount paid, on the ground that the tax was not payable. But such a suit cannot be maintained unless an appeal shall first have been made to the Commissioner of Internal Revenue to have the tax refunded, and unless the Commissioner has refused to order the repayment. Even, therefore, if a collector could be found who would demand the payment of the tax from a person engaged in the money order or exchange business (which is not probable under existing circumstances), the Commissioner of Internal Revenue would, if appealed to, undoubtedly direct the tax to be refunded and thus make the commencement of the suit impossible.

#### ONE OF THE DIFFICULTIES.

Owing to the difficulty of having the question decided in the courts without the concurrence of the Law and Treasury Departments of the Government, your Committee went to Washington in May last and called upon the Secretary of the Treasury and laid the matter before him. He suggested that an application should be made to the Attorney-General for a re-hearing. But inasmuch as the opinion was written by the former Attorney-General, and as the present Attorney-General would, almost as a matter of course, adopt any opinion given by his predecessor, your Committee has not deemed it advisable to adopt this course, so long as there was any possibility of having the question decided by the courts. Your Committee, therefore, suggests that, as the matter is one of such vital importance to the legitimate bankers throughout the country, the Committee be continued for another year, and that proper resolutions be adopted, urging upon the attention of the Government the necessity of arranging for a suit to be brought which may, if necessary, be carried up to the Supreme Court of the United States. This could be done without any expense or inconvenience to the Government, as the counsel for the Committee could take special charge of the case in support of the contention that the tax is payable by the express companies and those engaged in the business of selling exchange.

#### EXCLUDED FROM COURTS.

The banks have been such an important element in the development of the country, and such vast interests are so closely dependent for success upon their continued prosperity, that it is surely only simple justice to place them on an equality with their competitors, the powerful express companies. The members of this Association believe in our opinion that the present law is so framed that it imposes the tax on the express companies which are engaged in the business of selling exchange. They may be mistaken in that belief; but in the interests of justice they should surely be given an opportunity to have the question passed upon by the courts, and not be thrust aside by an opinion which has failed to convince a single banker who has read it.

It is a fundamental principle of our institutions that every citizen who has a legal grievance can obtain redress in the courts; that where there is a right the law provides a remedy. But the bankers of the country are

in the anomalous position of having a most serious grievance and of being excluded from the courts. They have what they firmly believe to be a legal right, but the law does not provide them with a remedy. What they now ask is that a test suit be arranged, so that the proper remedy may be available. If they are wrong in their view of the law the express companies will not have to pay the tax; if they are right the express companies should be compelled to bear an equal burden with the banks in this class of business. And if the courts should hold that the express companies were not subject to the tax under the existing law it will then be in order for this Association to promote such legislation as will compel all persons and corporations who are engaged in what is clearly a banking business to pay the tax imposed upon bankers, even though they may at the same time be ostensibly carrying on some other business.

All of which is respectfully submitted,

F. W. HAYES, Chairman.

PERCIVAL KUINE,

CHAS. R. HANNAN,

Committee.

MILWAUKEE, OCTOBER 15, 1901.

Mr. L. P. Hillyer: I wish to offer the following resolution:

*Resolved*, That the report of the committee whose report has just been read be received and approved, and that the committee be continued for another year with full power to take such steps and adopt such measures for testing the taxability of express companies under the war revenue law as may seem to them advisable.

*Resolved*, That the executive officers of the Government be respectfully requested to co-operate with the committee in having the question of the taxability of express companies judicially determined by the court, and if the decision of the lower court should be against the contention of the Government, to have the case carried up to the Supreme Court of the United States.

Mr. Orde, of Chicago: In connection with the resolution offered by Mr. Farson continuing the Educational Committee in force, I move that that committee have power to fill vacancies in its number. There are one or two vacancies now existing.

President: The resolution of Mr. Hillyer must be voted upon here to be referred to the Council.

Motion made to refer resolution to Executive Council.

Mr. Kauffman, of Tacoma: I wish to second the motion in behalf of the State of Washington and the Pacific Coast, for two reasons. There is probably no section of the United States that has felt the burden in the contest between the express money order and bank exchange more than the Pacific Coast. For many years the only practicable transmission of funds from one small section to another of the Pacific Coast was by the express money order. In later years, with the institution of banks in almost every town, there is abundant means now of transmitting funds from any one portion of the country to another. We have felt the burden in this unfair competition most particularly in the last few years since the passage of the war revenue taxation act, which works in two ways on the Pacific Coast. As all members of the American Bankers' Association probably know the transactions there are conducted in specie. The necessity then comes in for the transmission by express of specie into the large cities, where the express money orders are compelled to be handled; for this reason orders are issued payable in any one of the smaller towns, where it is almost impossible, if they are presented, to get the express agent to have them cashed. In point of fact, the express agent will tell the holder of the order. "Take it to your bank, your bank can handle this exchange payable in New York or other large center," and the merchant puts it in his local bank, the local bank, in turn, sends it to the city correspondent, and the city correspondent sends it to New York and Chicago, and so the bank pays the express company \$1.75 a thousand, in order to have the privilege of shipping them the coin to cash their own orders. Now the ex-

press company in that way makes out of it at both ends. The company gets pay when the express order is issued, and gets \$1.75 a thousand when the bank ships in the coin to cash these orders. We feel as though the Attorney-General of the United States, who has given an opinion that the express company order is not a bill of exchange, may be mistaken, and we cannot understand why a piece of paper that is drawn in one town and payable in another is not the same as the draft that is drawn in Tacoma and payable in New York, and why, if we have to pay \$2 on a thousand on our capital for the privilege of issuing that exchange, express companies should not either do the same, or pay a fee of \$50 wherever an agent is located. Therefore we feel that the opinion of one man, even as eminent as the Attorney-General of the United States is, may not be right, for equally eminent attorneys have given, as I understand from the report of the committee, opinions directly the reverse. Who shall decide then when these eminent doctors disagree? Certainly the courts of the country, and we are entitled to have the case referred to the courts and get the final determination.

The second reason for seconding this motion is:

After the Convention in Richmond last year, which did me the honor of electing me Vice-President as representing the State of Washington, I returned to Washington and endeavored to increase the membership in Washington as much as possible, and issued many circulars and letters, and we did succeed in getting in about twenty additional members, and to-day about 62 per cent. of the bankers of Washington are members of the American Bankers' Association. (Applause.) The most important thing that met me when I met the bankers of the State, asking them to join the Association, was, what is the practical work of the American Bankers' Association, is it not a big junketing time, do you not go to these various assemblies to have a good time, and is there any practical work or results? I pointed with pride to the work of the protective department, the work of the Committees on Taxation and Education, and particularly to the fact that a committee had been appointed and was working on this question of express money orders, a question that we felt was so important in our State. Now I want to go back to that State and show that there has been effective work, that this Convention and Association will uphold the hands of its committee and carry the work to a final conclusion. If the question is important enough to give to a committee, it is important enough to carry it through, so that we will not be like the fabled King of France, who, with 30,000 men, marched up a hill and then marched down again.

Mr. Hardy: I feel that the members here should be fully informed on this subject in all of its bearings, and in order that you may do that I feel it my duty to place before you information as to what has occurred in the council as to the work of this committee. I understand perfectly that some of the bankers feel very keenly the competition of the express companies in this matter of money order business, and that, of course, is a practical banking question, and if this Association could serve their interests successfully in doing away with that competition, the Association would by every means in its power seek to do that.

The work of this committee, however, its entire efforts to prevent this competition, has been based upon the idea that the Government should enforce against the express companies a taxation under the revenue bill that would be prohibitive, so far as this business is concerned, by levying a tax of \$50 on every express company office in issuing these orders. Well, now, is that a practical method of preventing this competition? Our revenues are at present largely in excess of our expenditures, in the Government, and if the war revenue bill is repealed in its entirety the ammunition of this committee is absolutely exhausted along the line on which

it has been working, and it is a well-known fact that the express companies all maintain more or less of a lobby at Washington, and that they are interested in legislation there and are looking after their interests. If we secured the enforcement of this tax against them their first efforts would be directed toward a modification or repeal of the clause of the revenue bill under which the tax was levied, and as soon as that was done the competition would be renewed just along the line on which it now exists, so that to my mind the committee is compelled to look to some more efficacious way of fighting that competition than by simply urging the levying of this tax upon the express companies, and must devise some business method of practical competition, by which the inducement for the transaction of the business through the banks will be greater than the inducements offered by the express companies. This matter has been thoroughly discussed in the council. At the meeting in April, at which these companies made a report, there was a recommendation from the committee that they be authorized to engage in this litigation, practically that this Association furnish counsel for the Government to fight this case. Well that is a pretty large sized proposition. It might run up to \$5,000, \$10,000, \$20,000 and \$25,000 before you got through with it; and the council did not feel that it was justified in launching this Association into any such litigation, and they therefore authorized the committee to continue its efforts to induce the Attorney-General to bring such a suit in the name of the Government, if he saw fit to do it, but the committee absolutely declined, as I say, to launch the Association into such litigation, and undertake in behalf of this Association to furnish counsel for the Government to fight the case. Now, it is a practical question, and it is simply a question as to whether the attempt to enforce this taxation against the express companies will have any permanent effect, so far as this competition is concerned. My own personal belief is that it will not, even if we succeed. The probabilities are that the Internal revenue bill will either be amended or repealed absolutely, long before we would get any decision on a case brought to test this question, and I think the Association should think well before adopting any such course.

President: In order to get this resolution of Mr. Hillyer before the Executive Council, it must be ordered by two-thirds vote.

Mr. Walker Hill, of St. Louis: The resolution as drawn by Mr. Hillyer seems to take the matter entirely out of the hands of the Executive Council. It gives the Express Committee power to enter suit whether the Attorney-General joins with them or not, and take it, if necessary, to the Supreme Court of the United States. I come from a section of the country that once fought the Government, and we are sorry. (Applause.) I would move as a substitute to Mr. Hillyer's motion that the whole matter be referred to the Executive Council for their action.

(Many voices "seconded.")

Mr. Hillyer: I will second that motion myself.

President: It is now on the joint motion of Mr. Hill and Mr. Hillyer to refer this whole matter to the Executive Council.

Motion unanimously carried and so referred.

President: Mr. Tracy, Chairman of the Committee on Uniform Laws, will make his report.

(Applause.)

Mr. Tracy: I am very sorry that I was not here this morning when I was called. I have been traveling all night and just got here. I always try to be prompt, but sometimes the railroad trains do not get us where we want to go at the right time; but as I said, I have been traveling all night, and I have been very tired, and my voice is very weak, and I will therefore ask Col. Branch to read my report, if he will.

The Secretary then read the report of Mr. Tracy:

## Report of the Committee on Uniform Laws.

October 10, 1901.

Mr. President and Members of the American Bankers' Association:

In our report of last year at Richmond we gave the names of the different States which had passed the Negotiable Instrument Law, with the amendments thereto, and the date it became effective. We repeat them:

Connecticut . . . . .	April 5, 1897	
Colorado . . . . .	July 15, 1897	(Notes falling due Saturday are payable the same day, except those falling due in Denver on any Saturday during June, July and August, when they are payable the following Monday.)
Florida . . . . .	August 3, 1897	
New York . . . . .	October 1, 1897	
Massachusetts . . . . .	January 1, 1898	(Sight drafts are allowed three days' grace.)
Maryland . . . . .	June 1, 1898	
Virginia . . . . .	July 1, 1898	
North Carolina . . . . .	March 8, 1898	(Three days' grace on notes, acceptances and sight drafts.)
District of Columbia . . . . .	April 3, 1899	
Wisconsin . . . . .	May 15, 1899	
Tennessee . . . . .	May 12, 1899	
Oregon . . . . .	May 19, 1899	
Washington . . . . .	June 7, 1899	
Utah . . . . .	July 1, 1899	
Rhode Island . . . . .	July 1, 1899	(Three days' grace on sight drafts.)
North Dakota . . . . .	July 1, 1899	

The bill was considered in many Legislatures the past winter, but was successful in only one State—Pennsylvania, where it became effective July 1, 1901.

In Ohio it was thoroughly discussed, and we think is now in a position to become a law at the next session of the Legislature.

We would recommend to the State Bankers' Association the plan pursued in this State. The State Association of Ohio placed it in the hands of an attorney, and paid him a certain sum for his attention to it before the Legislature until it became a law.

In Idaho it was passed by the Legislature and vetoed by the Governor. The veto message showed such a thorough ignorance of the law that we quote it in full, as follows:

"I am informed that this bill is drawn by the American Bankers' Association and has been offered to the Legislatures of all the States for adoption. This is not legislation, but rather the enactment into law of studied forms of particular and special advantage to one interest at the expense of the business of the public."

Such knowledge in a Governor's office about a law which has been in successful operation in England and her colonies for twenty-one years is lamentable, if not criminal.

The American Bankers' Association had no part in forming this law. Its only function has been to assist the American Bar Association in its passage through the several Legislatures. Both the bar and the bankers who are engaged in commerce recognize that the decisions of the several States are so much at variance with each other that uniformity becomes a necessity. In our report of 1899 we gave an illustration which we repeat, hoping it will come to the notice of our learned friend, the Governor of Idaho.

"A banker was desirous of knowing how to treat a certain kind of paper in his daily business, and applied to his attorney for advice. The attorney advised him that the decisions of the Supreme Courts of thirteen States were so and so. The banker said: 'Well, that settles it, I will handle the paper in that way.' The attorney said, 'No, for the Supreme Court of twelve States and the Supreme Court of the United States have decided just the opposite.'"

This law has been discussed before the Bar and the Bankers' associations and in the newspapers all the time since 1895, and the consensus of opinion is that for its purpose it is one of the best laws ever presented to a Legislature for enactment.

Before dismissing Idaho, we wish to congratulate the Legislature of that State for its quick acquiescence to the demands of the business public for a law which will simplify business methods, especially in dealing with promissory notes and like commercial paper.

We have been trying to educate the people in the different States in regard to the law because we realize it only needs to be understood to meet with favor. The great lawyers of the country are doing good work for it, but we find latterly that the lawyers from the smaller towns are opposing it, and we meet their opposition in the Legislatures very strongly, as many of them become members. As a member of the Illinois Legislature said to the chairman of this committee: "The bill is a good one. I have studied it and find it a perfect code reconciling the decisions of the various courts, so that any one who reads it can be his own lawyer. Although I favor the bill I cannot vote for it, as it would probably take away my bread and butter."

We believe this sentiment in Legislatures is now almost prevalent, and the only way to overcome it is to educate the people. We have not done this on a large scale, as we have not had the funds. We would recommend the appropriation by the Executive Council of such sum as they may deem proper to continue this work. One of the means of education would be the circulation among the business men of a pamphlet published by Hon. Lyman D. Brewster, President of the National Conference of Commissions of Uniform Laws, in defense of the Negotiable Instrument Law. We had intended to give some extracts from this in our report, but we find it so good that we believe the better plan is to publish it as a whole. There are very few States holding sessions of Legislature this winter. We would suggest that the members from such States pull off their coats, roll up their sleeves, and try it again. Success is sure to come.

FRANK W. TRACY,

Chairman Committee on Uniform Laws.

President: The report reminds me of a little experience I had, which, if you permit me, I will give you. Last winter I was invited to meet the association of bankers in the State of Maine, and the Legislature was in session. The bankers had their meeting on purpose to advocate the passage of this law through the Legislature. I, with others, appeared before the committee to urge the passage of this law. Our appeal came to nothing because of this argument on the part of a member of the committee, who was a lawyer, and he held up the pamphlet and said: "Mr. Chairman, here are 26 pages of new law, and every time I am consulted by my banker clients I have got to study that whole 26 pages, and I object." It was not passed by the State Legislature of Maine.

This report, calling for an appropriation of money, will be referred to the council, if you so order it.

Motion made that it be so referred.

Seconded, unanimously carried and so ordered.

## AMENDMENT TO CONSTITUTION.

Mr. J. H. Willock: I desire to call up at this time the amendment to the constitution proposed some time since by my colleague, Mr. Shumaker, of Pennsylvania. The Executive Council presented it without recommendation, and I would like to have the Secretary read it, so that every one will understand it, and then I desire to make a motion.

NEW YORK, August 28, 1901.

Caldwell Hardy, Esq., Chairman, Norfolk, Va.

DEAR SIR.—Inclosed please find amendments to the constitution, proposed by Messrs. Jas. H. Willock, President Second National Bank, Pittsburg, and S. R. Shumaker, Cashier First National Bank, Huntingdon, Pa., respectively:

"Article 7, Section 1. Beginning with line four, 'that the word "fifteen" be substituted for the word "thirty." Resolutions or subjects for discussion (excepting those referring to points of order or matters of courtesy) must be submitted to the Executive Council at least fifteen (instead of thirty) days before the annual Convention of the Association."

Article IX, Section 1, to read as follows:

"This Constitution may be amended at any annual meeting by a vote of two-thirds of the members present, notice of the proposed amendment having been submitted to the Secretary at least thirty days before the annual meeting, and the Secretary shall forward to every member of the Association a copy of such proposed amendment, and shall submit it to the Executive Council, that they may arrange to bring it before the Convention under the regular order of business."

Very respectfully,

JAS. R. BRANCH, Secretary.

Mr. Willock: I am not giving away any of the secrets of the Executive Council when I say that the reason it was laid before you without a recommendation was because the council hesitated to incur the expense; but they were quite willing to let the Convention decide that for themselves. Now, it seems to me that this amendment is a very proper one. At the time Mr. Shumaker proposed it, it met with the unanimous indorsement of the people who were with him at that time, and he is not here to-day, and I feel like speaking for him; and I do not see why it should not be adopted, because the members who do not have the opportunity to come to these conventions are certainly entitled to as much consideration as those who do; and, therefore, when so important a matter as the amendment to the constitution is proposed, why should not the members in Washington, California, Florida, Maine and every other place have the same notice? Now, the only reason that was given or advanced from any quarter in opposition to this was that it would entail a certain amount of labor and postage. Well, this Association is not short of money, we are not short of clerks, and I do not quite understand what the labor would be beyond the printing and putting stamps on the envelopes, and when you come to look at it, the labor will not be much, for the reason that the Secretary has to send to every member of this Association within 30 days, or about 30 days previous to each Convention, his formal notices, and why shouldn't he just include that with the other? Let the printer print the proposed amendment on the regular notices; and it has seemed to me that this amendment is perfectly proper as it is, but a gentleman near me has suggested that we might further explain it so that it should read, "and the Secretary shall forward to every member of the Association a copy of such proposed amendment at the same time the other notices are sent out," and in order to get this before the Convention in proper shape, I move that we adopt this amendment.

Motion seconded.

Mr. Willock: This includes, of course, the suggestion that has been made, that it be mailed at the same time with the other notices, and that obviates any additional expense.

Unanimously carried and adopted.

#### Repeal of War Taxes.

Mr. Willock: I beg leave to offer this resolution, and move its reference to the Executive Council, under the constitution:

*Resolved*, That we, the A. B. A. in convention assembled, do hereby respectfully request Congress to repeal Paragraph 1, Sec. 2, of the War Revenue Act of 1898, thereby removing the special tax on capital and surplus of banks, also the tax of 5 cents for \$100 on bonds, certificates of indebtedness, etc., also the tax on original certificates of stock of 5 cents for \$100, also the tax of 2 cents for each \$100 on transfers of certificates of stock, also the tax of 2 cents per \$100 on time drafts and bills of exchange.

*Resolved*, That the Executive Committee of this Association present this resolution to the proper committee of the next Congress, as we consider that the necessity of the above taxes no longer exists.

President: You have heard the resolution of Mr. Willock that this matter be referred to the Executive Council for action—this requests Congress to repeal practically the whole of the war revenue tax.

Mr. Sullivan, of Cleveland: I would like for information to inquire as to whether it is the wish of Mr. Willock that the council report this resolution back to the Convention, or that they be instructed to act independently of the Convention.

President: The motion is that the council be requested to make this request of Congress.

Mr. Willock: The constitution provides that all resolutions shall be submitted to the council for immediate report, without debate.

President: Then it is the customary reference to the council.

Mr. Willock: Yes.

Motion seconded.

Mr. Sullivan: I am heartily in favor of the resolution, and my object in rising was to ascertain whether or not we should expect the Executive Council to report this resolution back to the Convention during this Convention.

President: That is the understanding.

Motion unanimously carried and so ordered.

Colonel Powers, of Kentucky: I desire to offer a resolution here.

Colonel Powers: I move that these resolutions be referred to the Executive Council and take the regular order.

Seconded.

#### EXTENDING CHARTERS OF NATIONAL BANKS.

Mr. Dimse: It was my intention to submit a resolution, and I wish to say that within the next two years the charters of more than 1700 national banks of the United States will expire. Ex-Comptroller Dawes, in one of his recent reports, recommended that Congress take some action at its last session, so that the life of these national banks would be continued. Nothing was done. Congress will convene within a short time, and it seems to me that the time is opportune for the delegates of this Convention to have some resolution on record to the effect that the Representatives in Congress of the various States should see to it that some legislation is passed in order that the life of the various national banks shall be continued.

I therefore move that, whereas the charters of more than 1700 national banks expire within the next two years,

*Resolved*, That we, the delegates of the American Bankers' Association, assembled, recommend that Congress take such action whereby the charters of various national banks which will expire be continued, as was done in 1882.

Motion seconded.

President: This vote will put it before the Executive Committee.

Unanimously carried and so ordered.

#### BUREAU OF EDUCATION EMPOWERED TO FILL VACANCIES.

Mr. George F. Orde, of Chicago: I move that the Educational Committee have power to fill vacancies.

Motion seconded.

Mr. Lowry: The report of the committee was received, and also the recommendation of Mr. Farson was adopted, covering those points. Now, is it understood that this committee is continued and that we have authority to fill vacancies? I understood that that was passed.

President: I think that that is included in the vote and taken at the time of the reception of the report of the committee.

Mr. Lowry: I would be very glad to have the resolution placed in writing.

#### LOSS OF UNSIGNED BANK CURRENCY—REDEMPTION OF CHECK AND DRAFT STAMPS.

A document and resolution by Mr. Clark, of Minnesota, was then read.

They are as follows:

The National Bank of Montana, of Helena, Mont., having made the requisite deposit of bonds, requested the issue to it of \$40,000.00 of bank notes in pursuance of the National Banking Act. These notes were in due course printed, and by the Comptroller delivered to the United States Express Company at Washington for shipment to Helena. The notes consisted of 800 sheets of 10's and 20's from Nos. 1,201 to 2,000 inclusive. On July 1, 1901, the package containing these notes was delivered by the United States Express Company to the Great Northern

Express Company at St. Paul, Minn., for further transport, the line of the United States Express Company, so far as Montana points are concerned, ending at that city. The rate charged from St. Paul to Helena was the full bankers' rate—viz., \$1.00 per \$1,000.00. On July 3, 1901, at a point near the town of Malta in Montana, the train of the Great Northern Railway Company was held up by three armed men, the express car entered by them, the safe therein burst open by dynamite, and the notes in question, together with \$50.00 redemption currency in shipment to the American National Bank of Helena, Mont., stolen and taken away. Thereupon the National Bank of Montana demanded of the Great Northern Express Company that the loss should be made good. This at first was promised but afterward refused, the express company's position being stated as follows:

"In the opinion of counsel of this company the unsigned currency stolen while in transit is worthless paper and is not redeemable. The express company is not liable to you, but your claim is against the Government." The matter was laid before the Comptroller of the Currency, who in a letter to the bank of July 11, 1901, stated: "This currency stands upon the records of this office against your bank as outstanding circulation, and it or its equivalent in lawful money of the United States must be returned to this office before your bonds could be released as security." In said letter it was also stated that under contract with the department the United States Express Company was under bond to reimburse the bank to the amount of the loss, and that its agent had been requested to make such reimbursement. Owing to the unsatisfactory condition of affairs an agent of the bank proceeded to Washington and was informed by the department that the Government declined all responsibility to the bank and that it must look to the express companies for relief. A copy of the contract was also furnished, which, so far as the matter in hand is concerned, contains the following clause:

"RESPONSIBILITY OF COMPANY.

"XI. That any loss or destruction, total or partial, of the specified moneys or securities while in the course of transportation, occasioned by fire or water, or by the acts of the public enemy, or persons in arms, or by any riotous assemblage, shall be borne by the United States, excepting National bank currency incomplete in transitu to a bank, when such loss or damage shall be borne by the bank and not by the United States Express Company or its constituents, unless such loss shall be occasioned by the misconduct or neglect of the company, its officers or servants.

"In case of the loss or destruction of any moneys or securities while being transported under this contract, except as hereinbefore in this section otherwise provided for, said United States Express Company shall be liable as common carriers to the United States for the face valuation thereof. Provided, that the said company shall, upon discharging such liability, be treated as the owners of such moneys and securities, and entitled to the rights and remedies appertaining to other owners of lost or destroyed moneys or securities. And further provided, that if any portion of the incomplete National bank currency notes which may be lost and paid for by the said United States Express Company shall be thereafter recovered, the said company shall, upon presentation thereof, be entitled to receive from the United States the amount of such notes so recovered and presented at their face valuation."

Demand for reimbursement was then made upon the United States Express Company, which, however, declined responsibility both by reason of the contract in question and by reason of the delivery of the notes by it to the Great Northern Express Company, on whose lines the loss had occurred. The matter stands, therefore, as follows:

First. The Department disavows all responsibility because of the terms of the Act of Congress of July 28, 1892, which makes the provisions of the Revised Statutes providing for the redemption of National bank notes applicable to all bank notes that may be issued, notwithstanding such notes may have been lost or stolen and put in circulation without the signature or upon the forged signature of the president and cashier of the bank.

Second. The United States Express Company refuses payment on the ground stated—*i. e.*, its contract with the Government and the delivery by it to the Great Northern Express Company.

Third. The Great Northern Express Company declines to reimburse the bank on the ground that the unsigned currency is "worthless paper."

Whereas, The banks of this Association have expended a large sum in the preparation, lithographing and printing of imprinted checks and drafts, to conform to the War Tax Act of June 14, 1898; and

Whereas, There remained on hand large quantities of such imprint checks and drafts at the date of the passage of the act of March 2, 1901, under which act the Internal Revenue Commissioner was authorized to redeem the check and draft stamps, free or imprinted, but no provision in said act being made for the return for future use of such imprinted checks and drafts after canceling the stamps thereon, and the same being valueless to the Government, their destruction would entail a heavy

and unnecessary loss upon the banks and owners thereof. Therefore be it

*Resolved*, That Congress be, and it is hereby, memorialized to pass an act or to so amend the act of March 2, 1901, as to authorize the Commissioner of Internal Revenue to so cancel the stamps on imprint checks and drafts as not to destroy the future use of said checks and drafts, and after the Commissioner shall have redeemed and made refund to the owners for the amounts due by reason of the stamps so imprinted he shall restore such checks and drafts to their owners.

And to authorize and direct the Commissioner to redeem such stamps without reference to the date of their purchase.

Whereas, Unsigned National bank currency shipped by the Treasury Department to any National bank is at owner's risk, under contract made by the Government between itself and the various express companies,

*Be it Resolved*, That this Convention requests the Treasury Department to change the contract now existing between itself and the express companies in such a manner that the owners of any unsigned National currency shall be fully indemnified in case of loss or theft in transit.

*Be it further Resolved*, That this resolution be brought to the knowledge of the Treasury Department through the President and Secretary of this Association.

President: This will have to be referred to the council if you so order it.

Motion made and seconded that this be referred to the Executive Council for proper action.

Motion unanimously carried.

#### THE ASSASSINATION OF PRESIDENT MCKINLEY.

Mr. Willock: I beg leave to offer the following preamble and resolution:

Whereas, The assassination of President McKinley has again brought to the American people with appalling emphasis the necessity of law to adequately punish the murderers of our Presidents and others in high official position; and

Whereas, Anarchism has gained a foothold in our country through the immigration of teachers and leaders who have organized to encourage the death of our rulers, and, if possible, the destruction of our Government; and so utterly antagonistic are these to the very genius of American institutions that their authors should meet with just punishment and their associations be banished from our borders; therefore

*Resolved*, By the American Bankers' Association, that there exists an imperative necessity for the enacting of laws for punishing assassins and for the suppression of anarchy in our land by providing—

First. Capital punishment for those convicted of murder, or attempted murder, of officers in high public positions.

Second. Adequate punishment, by imprisonment or banishment, of all persons counseling violence to those in authority.

Third. Laws to prevent anarchists from entering into this country.

Fourth. That we urge upon Congress and the State Legislatures action that shall keep our land free from the charge of fostering conspiracies against the rulers of foreign lands.

*Resolved further*, That copies of this resolution be presented by our Executive Council to both houses of Congress at their next session.

Mr. Willock: I move the reference of this preamble and resolution to the Executive Committee.

Motion seconded and unanimously carried.

President: It is my opinion that this ought to be a popular movement and that it is not necessary for it to have such official sanction. I should take it that it ought to have, if you will excuse me passing an opinion upon a resolution, the unanimous adoption and approval, not only of this Convention, but of every citizen, and I shall, unless you order it different, take it out of its regular course, and ask you if you will adopt it as a popular resolution.

Mr. Hardy: That is a violation of the constitution. Everybody is in favor of the adoption of that resolution, and it should be adopted, but it would be a bad precedent to take it away from the committee, and I protest against that action.

President: Then I shall observe the law, seeing that I am obliged to.

Mr. Tracy: The constitution says that anything can be done by this Convention by unanimous consent—with unanimous consent we can act on it.

Mr. Hardy: I would like to have that pointed out.

President: It is not there.

Mr. Hardy: These resolutions were presented yesterday evening at the meeting of the council, informally,

and it was understood that the matter would have to take the routine of being referred to the council for immediate action, and I proposed announcing that a meeting of the council will be held at 9.30 o'clock to-morrow morning, as I think it will be more practicable to get a quorum at that time than this afternoon. Six different resolutions have been referred to the council for immediate action, and it would suit the purposes of the council to pass upon them at once and report them back for the action of the Convention, and you will have this resolution officially before you at your morning session. It is understood that the matter will take that course to-day and be reported back to you for your consideration.

President: We will observe the law.

Resolution of Mr. Willock unanimously adopted and resolution referred to Executive Committee.

Mr. Farson: I move that the Secretary be instructed to send, on behalf of this Convention, a telegram of greeting to the President of the United States.

Motion seconded.

Referred to Executive Committee.

President: The meeting of delegates to nominate five members of the council to represent the State Associations will be here at 4 o'clock on the stage to-day, and the general Nominating Committee will meet here at 5 o'clock to-day.

Gentlemen, I congratulate the American Bankers' Association on having the largest first day meeting that I remember. I wish to call your attention to the programme for to-morrow, which is exceedingly interesting, and the day will be very full of interest. The meeting will be called promptly to order at 10 o'clock, and I wish you might, every one, be in your seats.

Telegram from Breckinridge Jones was then read.

It is as follows:

HOBART, O. T., October 15, 1901.

Alvah Trowbridge, President American Bankers' Association, Milwaukee:

Regrets at absence. Best wishes to members Executive Council and for successful Convention.

BRECKINRIDGE JONES.

Mr. Kauffman: The President in his remarks this morning referred very feelingly to the great loss we have sustained through the death of the President, and it seems to me, inasmuch as this Association adjourned a month ago out of respect to the memory of President McKinley, that we should place on record, by a series of resolutions, the great affection we feel for his memory, and I would move that a committee of five be appointed by the Chair to submit to this Convention for appropriate action a memorial, or series of resolutions, for proper action at a later meeting during the Convention.

Motion seconded and unanimously carried.

The President then appointed such committee, consisting of Messrs. Kauffman, Herrick, Whiting, Pugsley and Mulvane.

Adjourned to same place at 10 A. M. next day, October 16th, 1901.

## SECOND DAY'S PROCEEDINGS.

Wednesday, October 16, 1901.

The President: The meeting will come to order, and members will please rise while prayer is offered by Rev. Dr. Charles Lester.

PRAYER BY REV. DR. CHARLES LESTER.

Almighty God, our Heavenly Father, we ask Thy blessing upon the bankers of this land and especially upon their representatives here assembled in Thy name and presence. Give them, we pray Thee, Thy divine inspiration, that with clear perception of the things that are right and a strong will to do the same, they may be evermore teachers and guardians of financial righteousness and commercial honor to this American people, making them a haven of righteousness among all the nations of the earth: that Thy will may be done on earth as it is done in heaven, and that Thine may be the kingdom, the power and the glory for ever and ever. Amen.

The President: The Chairman of the Executive Council has some announcements to make.

Mr. Caldwell Hardy: I wish to report on behalf of the Executive Council some matters that were referred to it yesterday for immediate action and report, the council having met this morning and acted upon them.

## APPROPRIATION FOR AMERICAN INSTITUTE OF BANK CLERKS.

The first is a resolution as follows:

*Resolved*, That it is the sense of this Convention that the Executive Council should appropriate to the use of the Committee on Education such an amount as may be necessary for continuing the work of the American Institute of Bank Clerks for the ensuing year, not exceeding the sum of \$10,000; and

*Resolved*, That the committee be authorized to fill the vacancy on the committee.

The council favorably report the matter to the Convention for its action.

On motion the report of the council was adopted.

## CONGRESS PETITIONED TO REPEAL WAR TAXES.

Mr. Hardy: Next is the resolution offered by Mr. Willock, of Pittsburg:

*Resolved*, That we, the American Bankers' Association in Convention assembled, do hereby respectfully request Congress to repeal Paragraph 1, Section 2, of the War Revenue Act of 1898, thereby removing the special tax on capital and surplus of banks, also the tax of 5 cents for \$100 on bonds, certificates of indebtedness, etc., also the tax on original certificates of stock, 5 cents for \$100, also the tax of 2 cents for each \$100 on transfers of certificates of stock, also the tax of 2 cents per \$100 on time drafts and bills of exchange.

*Resolved*, That the Executive Committee of this Association present this resolution to the proper committee of the next Congress, as we consider that the necessity of the above taxes no longer exists.

The council reports this favorably for the action of the Convention.

On motion the report was adopted.

## CONGRESS ASKED TO AUTHORIZE RETURN OF IMPRINT CHECKS AND DRAFTS AFTER STAMPS HAVE BEEN CANCELED.

Mr. Hardy: The next is the resolution offered by J. D. Powers, of Owensboro, Ky., reading as follows:

*Whereas*, The banks of this Association have expended a large sum in the preparation, lithographing and printing of imprinted checks and drafts, to conform to the War Tax Act of June 14, 1898; and

*Whereas*, There remained on hand large quantities of such imprint checks and drafts at the date of the passage of the act of March 2, 1901, under which act the Internal Revenue Commissioner was authorized to redeem the check and draft stamps, free or imprinted, but no provisions in said act being made for the future use of such imprinted checks and drafts after canceling the stamps thereon, and the same being valueless to the Government, their destruction would entail a heavy and unnecessary loss upon the banks and owners thereof; therefore be it

*Resolved*, That Congress be, and it is hereby, memorialized to pass an act or to so amend the act of March 22, 1901, as to authorize the Commissioner of Internal Revenue to so cancel the stamps on imprint checks and drafts as not to destroy the future use of said checks and drafts, and after the Commissioner shall have redeemed and made refund to the owners for the amounts due by reason of the stamps so imprinted, he shall restore such checks and drafts to their owners.

And to authorize and direct the Commissioner to redeem such stamps without reference to the date of their purchase.

The council recommend its adoption.

On motion the report was adopted.

## TREASURY ASKED TO CHANGE CONTRACT WITH EXPRESS COMPANIES SO AS TO MAKE THEM LIABLE FOR THE LOSS OF UNSIGNED BANK NOTES.

Mr. Hardy: The next matter was a statement presented by Mr. Kenneth Clark, of Minnesota, of the loss of \$40,000 of unsigned notes shipped by the Comptroller's office to a bank in the West, claim being made by the bank on the Government, which, in turn, referred the matter to the express company, and the express company denied its liability. The resolution attached to that statement is as follows:

*Whereas*, Unsigned National bank currency sent by the Treasury Department to any National bank is at owner's risk

under contract made by the Government between itself and the various express companies; therefore be it

*Resolved*, That this Convention request the Treasurer's Department to change the contract now existing between itself and the express companies in such a manner that the owners of any unsigned National currency shall be fully indemnified in case of loss or theft in transit.

*Be it further Resolved*, That this resolution be brought to the knowledge of the Treasury Department through the President and Secretary of this Association.

This is also reported favorably to the Convention for its action.

On motion the report was adopted.

#### PUNISHMENT OF THOSE ASSAULTING PUBLIC OFFICIALS.

Mr. Hardy: The resolution offered by Mr. Willock, which was read yesterday, and which provides for the enactment of laws for the punishment of those convicted of murder, or attempted murder, of officers in high public positions, and for the suppression of anarchy, is reported favorably by the council to the Convention for its action.

On motion the report was adopted.

#### APPROPRIATION TO CONTINUE WORK OF COMMITTEE HAVING CHARGE OF NEGOTIABLE INSTRUMENTS LAW.

Mr. Hardy: The council recommends the appropriation by the Executive Council of such sum as may be deemed proper to continue the work of the committee having charge of the Negotiable Instruments Law.

On motion the report was adopted.

#### MEMORIAL TO PRESIDENT MCKINLEY.

M. T. Herrick, of Cleveland, Ohio: Mr. President and gentlemen, I desire to offer the following resolution:

*Whereas*, An association has been formed, known as the McKinley Memorial Association, for the purpose of erecting suitable memorials in Canton and Washington in commemoration of the life and deeds of our beloved and martyred President; therefore be it

*Resolved*, That the American Bankers' Association, through its members here assembled, earnestly commend this work and desire to aid in furthering it to a successful culmination, and to this end request the members of the association to receive subscriptions at their respective banking houses and transmit the funds to Myron T. Herrick, Treasurer of the McKinley Memorial Association, at Cleveland, Ohio; and the Association further directs the Secretary of the American Bankers' Association to receive from the Secretary of the said Memorial Association subscription blanks and transmit the same, together with a copy of this resolution, to all of the members of the American Bankers' Association.

I present this resolution and request its reference to the Executive Council for an immediate report upon it.

The President: Gentlemen, you have heard the resolution presented by Colonel Herrick. If there is no objection it will be referred as he requests. There being no objection, it is so referred.

Henry Dimse, of New York: I have just heard the report of the Executive Council on several resolutions, and I will inquire if what I have heard is supposed to be a complete report? There were other resolutions introduced and referred to the Executive Council, if my recollection is accurate, and I have not heard any report upon them.

The President: There were other matters before the council which have not yet been reported on.

Mr. Hardy: What is the matter that the gentleman has in mind?

Mr. Dimse: I introduced a resolution yesterday recommending that the Convention petition Congress to take action on the seventeen hundred banks whose charters expire within the next two years.

The President: The chair remembers asking the gentleman to put his resolution in writing, and meantime the question was not put before the house. I am very sorry it was overlooked.

Mr. Dimse: Then, sir, I will introduce it again today.

The President: And it will be acted upon.

Mr. Hardy: The members of the council are requested

to meet in the rear of the platform at once for the purpose of acting upon the resolution presented by Colonel Herrick.

#### Call of States.

The President: The next business in order is the call of States, the remarks being limited to five minutes each. I will first call for a response from the State of Alabama.

#### ALABAMA.

J. W. Whiting, of Mobile, Ala.: I regret that the gentleman appointed by our delegates to respond for Alabama is not present, because I did not come prepared to make a speech. Before referring to the commercial interests of Alabama, I desire to say a little, politically, as it were, in regard to Alabama and the South. The Mayor of this city in his excellent address of welcome yesterday referred, and justly so, in glowing terms to three sections of this country—the North, the East and the West. Now it occurred to me that he had forgotten that the South was in the Union. I desire to remind you all that we are in the Union, and that we are there to stay. [Applause.] The records at Washington will show that the percentage per capita of the whites of the South furnished more men in the army of the war against Spain than any other section of the Union. And when the time for heroes came the State of Alabama gave you two—Hobson of the navy, and that grand old man, Joseph Wheeler, of the army. [Applause.] I will say one thing further, that if this Union is ever again assailed by an enemy, be he domestic or foreign, and the bugle is called for the assembly of men, the battalions of the South will leap to their arms and touching elbow to the armies of the North will rally around that flag and shed their blood liberally. [Applause.]

Now, speaking commercially, we have not great temples of art; we have no great libraries, but I beg to assure you that we have our eye on Mr. Carnegie. The commerce of the South is improving. Some of its banks are increasing, and their earnings are larger every year, and while we give some dividends to the stockholders, we put in the reserve more than we give, which strengthens us yearly. The factories of the State are increasing in number. We have cotton mills now in Mobile, Montgomery, Eufaula, Huntsville, Selma, and in various other small towns, and it is only ten days ago that I saw a shipment of manufactured goods sent from Mobile to China. The lumbering interest is growing. We are indebted largely to men from Michigan and Wisconsin, who have come down to our State and with their knowledge of the lumber business have increased the output and have made it successful, and have benefited themselves by so doing as well as us. We have a great many opportunities for men who understand business to come among us. I can almost guarantee that with industry and with a proper knowledge of what they undertake there is no difficulty in their acquiring a competency in a short time. [Applause.]

ARIZONA. (No response.)

ARKANSAS. (No response.)

#### CALIFORNIA.

J. K. Wilson, of San Francisco: To this great assemblage of representative bankers, the California Bankers' Association sends cordial greetings, and that portion of our State whose watershed terminates at the Golden Gate also joins in the same sentiment. I regret exceedingly that there are not other representatives of the banking and commercial interests of our State here to gather inspiration from your deliberation, for we all well know that the interchange of thought and the closer personal acquaintance which are the outgrowth of occasions like this tend to broaden our views and awaken new interests. Geographically when we think of this great union of States which you all represent we know that we are somewhat out of focus. But as the map is changed with the new acquired possessions we may yet become more of a central point of observation than in former times. California is prosperous because conditions have been favorable to make it so. To enumerate many of those reasons would make listening to me here tiresome. We are the fourth seaport in the country, and California's commercial relations are largely benefited by the increased Oriental trade. We stand for expansion. California's fields and orchards, her mines and her factories have yielded generously, and commensurate with the amount of capital and labor employed. We have our labor difficulties as do other por-

tions of the country, but we may expect them so long as labor takes counsel and accepts leadership from a class of foreigners who teach anarchy.

Let us hope that the prosperity that has been vouchsafed to us during these last years under the leadership of him who was one of the nation's best and greatest rulers may continue unimpaired. [Applause.]

COLORADO. (No response.)

#### CONNECTICUT.

A. J. Sloper, of New Britain, Conn.: The State of Connecticut and the Connecticut Bankers' Association, the representatives of the various bankers of the Union, who sit in the shadow of one-tenth of one per cent. below par like ourselves, send you cordial greetings, and to those who sit in the shadow of the darkness of one-fourth of one per cent. below par we send our sympathy, and, as we say in Connecticut, the assurance of our most distinguished consideration. [Laughter.]

Gentlemen may have noticed that the little State of Connecticut lies midway between the two great money centers of New York and Boston, and for the past two years we have been attempting so to manage our part of banking business as to steer between the evil of one-tenth of one per cent. of New York and the evil of Boston, which insists upon immediate payment of all checks on Connecticut. You will thus discover, gentlemen, that not quite so classically, but more accurately speaking, we lie between the devil and the deep sea, and let me say, gentlemen, that we have not yet decided which is the deep sea. Acting upon the suggestion of a gentleman last year we have established in various parts of the country, particularly in the West, and also in the South, additions to our reserve banks, so that today we have incubators, as it were, where we send out chicken feed, and to-day our reserves are held probably from seventy to eighty per cent. outside of New York City. You will thus see that we are extending our lines and strengthening ourselves, and are, we believe, making good friends all over the country. New York says it is a good thing to do, Boston is always satisfied, and so we are happy.

Our manufacturing business has enjoyed the greatest year probably in the history of the State. We know we touch you at every point almost, from the safety pin that meets you at your entrance into the world to the close outfit of coffin trimmings when you leave it. [Laughter.] There is no State, I venture to say, that furnishes so wide a variety of manufactured articles as we do.

I might say in connection with our manufacturing interests that our savings bank deposits now amount to one hundred and eighty-five millions, or about two hundred dollars for every man, woman and child in the State. Our insurance interests amount to between two and three hundred millions. So we shall hope to overlay your properties with insurance and underlay them with mortgages, and we assure you that if disaster comes, we will pay our insurance, and, if the security is good, we will continue your mortgage. [Laughter and applause.]

At the last session of our Legislature we established a uniform law for the taxation of national bank stock, following somewhat upon the New York plan. So that all the stockholders of national bank stock in the State to-day are taxed on the same ratio and upon the same basis—one per cent. on the market value of the stock. So that a person living in a small town where the taxes are small has no advantage over the taxpayer in a large city. This we hope will enlarge our list of stockholders.

Gentlemen I thank you for your attention. [Applause.]

DELAWARE. (No response.)

DISTRICT OF COLUMBIA. (No response.)

#### FLORIDA.

John T. Dismukes, of St. Augustine, Fla.: Mr. President and Gentlemen: In responding to the call of States in behalf of Florida, I confess with much shame my inability to do the cause justice, for, though a resident of Florida since 1853, it is only since I have thought of making this report, less than a month ago, and began the search for material therefor, that I realized how little I had appreciated her wonderful resources and material advances within recent years. I will preface my remarks by quoting nine leading statements from a recent address delivered by Professor Stockbridge, of the Florida Agricultural College:

1. Florida is the largest State east of the Mississippi; has the largest dairy in the world, 3,000 colonies.

2. The largest Jersey dairy in the world owned and managed by a woman, 100 head.

3. Florida has the largest watermelon farm in the world, 2,300 acres.

4. The largest pineapple plantation in the world, 250 acres.

5. The largest cassava farm in the world, 500 acres.

6. The largest peach orchard in the Gulf States, 18,000 trees.

7. The largest fenced stock range east of the Mississippi, 25,000 acres.

8. The largest herd of cattle owned by one man east of the Mississippi, 50,000 head.

9. The largest orange grove under one management in the world, 350 acres.

Phosphate was discovered in Florida less than fifteen years ago, and has grown to enormous proportions, and, although as yet but an infant industry, the output from her mines in 1900 was 615,535 long tons, being 55 per cent. of the production of the United States and one-third of the world's output, and in value amounted to \$2,612,803. Phosphate is used in the manufacture of commercial fertilizer in the proportion of 1200 pounds to each ton. Few industries have grown more than that of the manufacture of commercial fertilizer; one company employing a capital of over \$20,000,000 and new companies forming all the while. The use of fertilizer has raised farming to the dignity of a science, and has increased the South's kingly crop from 3,000,000 bales in 1860 to over 11,000,000 bales in 1900. Now, with the increasing demand for phosphate for the purposes named Florida with her inexhaustible beds has the assured promise of millions of dollars annually from that source and offers splendid opportunities for capital and enterprise.

Our fishing industry with one exception is larger than that of any State from Maryland to Texas. In 1897, the latest data obtainable, 6,143 persons were engaged in the fisheries on the Florida coast; the capital employed was \$1,300,417, the shipments amounting to 34,137,881 pounds, and the value being \$1,080,870. The sponge industry of Florida was one of the greatest surprises to me, in its 182 men engaged and a capital of \$300,000. The amount gathered in 1900 was 364,990 pounds, and was marketed for \$567,685.

Florida produces one-third of the long staple or sea island cotton of the United States, and, while this third is only 30,000 bales, when one realizes the millions upon millions of spools of thread annually used in the world, made exclusively from sea island cotton, some idea of the importance of our share in the product can be appreciated.

Tobacco is quite a growing industry, and of a quality which was fully exemplified by being awarded the highest prize at the Paris Exposition. No State in the Union has as many factories making fine cigars. In fact, we make more pure Havanas than any five States in the Union; the total output in 1900 being 180,727,583 cigars, valued at \$4,500,000. The increase of the business over 1896 was over 44,000,000 cigars.

About seven years ago Mr. Flagler completed the Florida East Coast Railway to Miami, 365 miles south of Jacksonville, which opened up the finest fruit and vegetable section in the United States. That the lands and climatic conditions are worthily appreciated, one has only to point out the increasing business.

The naval stores business is comparatively a new industry in Florida, and yet during the year 1900 the shipments amounted to 331,311 barrels, valued at \$3,000,000.

The lumber and timber trade is a large and continually increasing business. I succeeded only in getting figures from Pensacola, Fernandina and Jacksonville, but the shipments from these three ports in 1900 were over 580,000,000 feet, valued at over eight million dollars.

From 51 banks in the State the following results are shown: 1896, capital, \$2,020,150; surplus, \$644,919; loans, \$5,382,094; deposits, \$6,093,426. In 1901 the increase in capital was \$350,000; in surplus, \$680,000; in loans, \$4,100,000; in deposits, \$9,140,000.

To the army of people who have contributed to make up this showing comfort marks their homes and peace of mind makes possible the full enjoyment of the fruits of the earth.

Gentlemen, I have stated that Florida was a large State. In behalf of her people I extend to you a welcome to her borders. [Applause.]

#### GEORGIA.

Lewis S. Davis, of Albany, Ga.: The duty of responding for Georgia has fallen to my happy lot, but as grateful as I feel over that fact, it is merely secondary at this moment to the grateful sense that I have of paying my respects to the

noble State of Wisconsin, which Georgia is proud to call sister. This splendid city, whose hospitality we are now enjoying, is a noble exponent of her people's enterprise and energy. Its splendid public and private buildings illustrate the spirit of progress that animates and strengthens the hearts and hands of those devoted to a State's development. Our coming here proves our faith in Milwaukee's resources, for the Elks occupied the State before we came. Yet we find that the princely hospitality of Milwaukee is inexhaustible; they have enough and to spare for us. I shall tell my people when I return home that the bright light we occasionally see in the North, and which we have called the aurora borealis, is nothing but the reflection of the radiance of this bright and beautiful city. [Applause.]

Now, one word for Georgia. The old century passed out with incidents that reflected its glow like the summer clouds that make gorgeous the sunset, holding the promise of a bright to-morrow. In no country does the moral and material status attest the history of past progress and encourage the hope of future greatness as in these United States, in which fact every Georgian shows a universal pride, realizing that public prosperity is only the sum of individual successes, and her people are stimulated to activity that Georgia may stand abreast of any State in the Union in the march of progress.

The banking interest is as fair an index of the conditions that obtain as any that may be had, and I am pleased to report that the banks of Georgia are prosperous. Their interests are conserved by men who recognize their offices as a quasi public trust, and seek to discharge the duties of their offices with fidelity. Thus prejudice against banks in Georgia has been minimized, because the officers while lending the power of their institutions to the development of the State's resources have done so within conservative lines and have maintained the confidence of the people. There is no sign of decrepitude in Georgia, notwithstanding the fact that she is one of the thirteen original States, but her robust activity is everywhere in evidence, and the magnificent temple of her prosperity is supported by four pillars—agriculture, commerce, mining and manufacturing. But it would prove too tedious, and consume more than the limit of reasonable time should I mount my Pegasus and undertake to traverse the whole field of Georgia's advantages and attractions. Suffice it to say that in no region of the globe do sunshine and shadow combine to produce more pleasing or perfect conditions, and fortunate is the man who has an investment or a home in Georgia among its happy and contented people. I agree with General Whiting; I am sorry that the distinguished Mayor of this city should have forgotten that the South was an integral part of this nation. I am glad to say that from the tideless waters of your lakes to the swelling bosom of the gulf, from stormy Hatteras to the Pacific waters of the Golden Horn, all of us standing in the shadow of a great national sorrow, have sung but one song, "My Country 'Tis of Thee, Sweet Land of Liberty." [Applause.]

IDAHO. (No response.)

ILLINOIS.

James B. Forgan, of Chicago, Ill.: Mr. President and gentlemen, I supposed that arrangements had been made for some one to answer for Illinois. I did so last year at the Convention as a substitute, but I had a few hours' notice in which to prepare my remarks. I am quite unable, however, at this time to answer for the glorious State of Illinois on the spur of the moment. It is entirely beyond my power, because one needs to study the subject and put his thoughts into words that will do it justice, and I am quite incapable of doing that on a sudden call like this. Therefore, with this explanation, I beg to be excused.

INDIANA.

Mr. Levering, of Indianapolis, Ind.: Mr. President, Ladies and Gentlemen: I have been asked since I came to the Convention how the name of "Hoosier" came to be associated with our State. Well, I will tell you. At an early day all the roads leading across the country came through Indiana, and the inhabitants at that time lived in cabins, the doors being kept shut by a latch string only, and, after dusk, the farmers started in to take off their cowhide boots, and often while they were wrestling with the bootjack a knock would come at the door, and they would inquire, "Who's there?" and the man at the door would say, "I want to come in; let me in." So the knocking at the door got to be so frequent, and, of course, the inquiry "Who's

there?" became so frequent, that it ultimately got reduced to the cry of "Hoosier?" as it sounded so much alike. But we are all there now, and we don't have to wrestle with bootjacks, and most of us wear fine shoes.

The conditions have all been favorable in Indiana during the past year. Indiana has grown rapidly in wealth and in population. Indiana leads all other States in the natural productions of gas and oil. In the manufacture of various kinds of commodities no State in the Union can rival her. Glass, tin plate, wire, pottery and like products.

We stand among the first States in the Union in the amount of school fund; we stand first in railroad area; first in cheap fuel; fifth in grain products, and fifth in the numbers of banks organized during the past year. While statistics are unnecessary, so important has been the growth in bank deposits and surplus that if I had time I would like to state them at length to you. Suffice it to say that they have been very remarkable. Indianapolis was made a reserve city in 1899, and since that time its deposits have grown several millions of dollars. In conclusion, I will simply say that our people are all on the high road to wealth and happiness. [Applause.]

INDIAN TERRITORY. (No response.)

IOWA.

Mr. Pasche, of Davenport, Iowa: Mr. President and gentlemen, I can only say that the banks of Iowa are increasing in number, and that their deposits are increasing. The total number of banks at this time is 1,266, divided into 222 national banks, 220 State banks, 268 savings banks, and the balance private bankers. During the past year a considerable portion of our State has been troubled with too little water, and while there is a shortage in corn and hay in some localities, yet, owing to the good prices generally prevailing, the receipts all over the State will not fall below the average in the last five years of about \$500,000,000.

Incidentally it may be well to mention that our manufacturing industries continue to expand, and this year our manufactured products will represent a value close to \$200,000,000. Our State and savings banks June 30, 1899, to April 14, 1901, increased their deposits from \$77,000,000 to \$112,000,000, and during that period not a single State or national bank failed. There is plenty of money in Iowa to put out on proper security and at as low a rate of interest as anywhere. [Applause.] For some time there was a controversy in our State as to what should be Iowa's favorite flower, and, while it ended in adopting the wild rose, the contest was bitter for several years between the silver leaf and the golden rod, and while the golden rod triumphs the silver leaf adherents are still somewhat active, and, unlike some of the heads of the Iowa corn, which was damaged by the hot winds of the summer, the adherents of the silver leaf are still attempting to sprout tassels on the lifeless heads. [Laughter and applause.]

KANSAS.

John R. Mulvane spoke as follows for Kansas: Mr. President, Ladies and Gentlemen: I am happy to have the privilege of answering for the good State of Kansas. The good Lord has dealt generously with us in the crop year 1901, and has given us sixty bushels of wheat per capita; also has bestowed upon us thirty-three and one-third bushels of corn for each of our million and a half inhabitants. We have a horse for every Jack and Jill, from the babies to grandpa and grandma, not counting the 90,000 mules and asses. We own a milk cow for every two inhabitants and a beef steer and a half to every man, woman and child in the commonwealth. We have for every two persons, from the babe to the oldest, three head of swine—thus our pork for winter is provided for. The average value of our last three years' products, agricultural, stock and mining, has been over \$300,000,000 per annum.

The last of July came good rains and every plow was put in motion, and all the available acres went into fodder and forage crops; wheat, rye, kaffir corn, sorghum, etc., were sown to replace our short grass crop. The continued good season has insured us ample forage for the fall and fodder for wintering our large holdings of stock.

Our banks have deposits of our people's money of over seventy-five million dollars, being over fifty dollars for every inhabitant. Our mortgage debt is reduced to about one-fifth of its highest flood-tide, and the rate of interest on the small unpaid balance has been reduced 33 per cent.

Yearly we have widened the range of our agricultural products. Our dairy interests are now competing with the

best. Our horticulturists are now boasting that we have the largest apple orchard in the world—1,280 acres in one orchard, the same man owning 1,700 acres of apple trees.

We have increased the quantity and improved the quality of our live stock. Have painted our houses, built new barns, tidied up our farms, own the latest improved agricultural implements, have bought our pianos and rubber tired buggies, paid for all, and are now sending our Johnnies and Sallies to college.

For transportation we have four of the best systems of railways in the United States, giving to our people quick and cheap access to the best markets of the world, East and West, and all of Central and South America are at our Southern doors.

With a poor house and a poor farm in ninety of our counties one-third of them are without inhabitants. We drink less whisky and beer and spend more money for literature than perhaps any other equal population in the United States. Our charities are as broad as from the Emerald Isle to India and include the "Heathen Chinese." And we have more schools houses and less illiteracy in proportion.

In the late unpleasantness with Spain, we responded promptly, and gave to our country Funston and a regiment of soldiers, every man of whom wrote his name on the muster roll and made his mark in the Philippines.

In conclusion, I assure you prosperity and contentment are several inches deep all over Kansas, and we are now singing, "Praise God From Whom All Blessings Flow."

KENTUCKY. (No response.)

#### LOUISIANA.

G. W. Bolton, of Alexandria, La.: Mr. President and Gentlemen of the American Bankers' Association: I rise to respond to the call of Louisiana with some diffidence. I have been before this Association on previous occasions where there were two very intelligent and bright young men present from my State. One of them we recently captured from the great city of New York. I had hoped for one of those young men to respond, but I have not been able to see them and make any arrangement.

I have no set speech for Louisiana, but I am never willing to remain silent when the State of my adoption is called upon. The State where the sky has always seemed bluer, the grass greener, the roses sweeter, and the ladies, God bless them, present company excepted, the fairest of the fair. [Applause.]

Mr. President, for the resources of Louisiana and the progress she has made I have no figures to present. Many of you doubtless have attended the Pan-American Exposition at Buffalo, and have seen the showing we there make of our resources and the greatness of our State, which, I think, is an exhibit no State need be ashamed of. The resources of Louisiana have been wonderfully developed in the last ten years, largely from the introduction of an honest and a sturdy immigration from Iowa, from Kansas, and recently from Illinois, attracted by the wonderful development of our rice interests.

As to the banking business, it is in a very satisfactory condition. The banks are increasing all the time, both in their surplus and in their deposits. We have money in many portions of the State to spare, if any of our friends are short. In fact, we have more money on deposit in many instances than we can find a satisfactory use for. We have recently reorganized and revised the State Bankers' Association of our State, and I have the honor to represent that organization at this meeting to-day.

If any of you come to Louisiana and investigate for yourselves you will see a magnificent fruitful soil which needs only to be tickled with the hoe to laugh with the harvest. You will see the immense development in Southwest Louisiana where the landscape is dotted over with rice farms yielding enormous returns to those engaged in that industry; you will see the immense development in our timber interest, in which men from Michigan and Illinois and Ohio have in recent years invested, and where they are to-day receiving returns of 500 per cent.

I invite any who may be present here to come to Louisiana, assuring you that you will receive a cordial welcome, and that the latch string hangs always on the outside.

In conclusion, let me say that we have there a city nestling upon a broad inland sea; a city that is likely soon, when the construction of the isthmian canal is completed, to equal many of the Northern cities of this great country. [Applause.]

MAINE. (No response.)

#### MARYLAND.

Mr. Oler, of the Citizens' Nat. Bank of Balt., Md.: There seems to be little left for me to say, when Maryland is called upon, after all that has been so well said here. Prosperity seems to be so free and so general that I can hardly speak of that. Yet we are busy down in Maryland, in fact, we have always been busy in Maryland. We were busy there at the beginning of the century; we were busy there in 1776, too, when Maryland "400" saved the Continental Army, and thus gave the title "400" to the country. [Laughter.] We were busy there in 1812 when we stopped the victorious march of the British army at Baltimore and when we shut off the British fleet in the Chesapeake. We were busy in the war of 1860—busy on both sides [Laughter], for we were busy trying to keep the Southerners out on the one side, and we were trying to keep the Yankees out on the other. We did not succeed so very well in either case. We were busy in 1898 when that glorious son of Maryland met Cervera's fleet at Santiago and destroyed it, for Schley was a Maryland man. [Applause.]

We are still busy. We are busy carrying baked beans for Boston, and we are busy turning out Panama hats for the world at fifteen dollars apiece. We are busy trying to keep the wealthy and aristocratic young men of the country, who claim now to be members of the "400," from carrying off and marrying our pretty girls. With all due respect to my friend from Louisiana, we claim to have all the pretty girls—present company excepted, of course. We are busy try to keep the capitalists from the East from crossing Mason and Dixon's line and getting into our preserves in the South, for we claim that the South is our particular section to finance.

We are the gateway of the South; their products must pass through Baltimore, and the products of the North must pass through Baltimore in going to the South.

We are doing something in banking, too; I had almost forgotten that. I haven't any statistics to give you. I always like to see the total of anything. I don't know much about banking anyhow, although I am the President of a bank. All I know is that I try to get as much money on deposit as possible, and then try to put it out at as high a rate of interest as possible, and then sit down and look at the results. [Laughter and applause.]

We are busy down our way in raising fine men and fine women. For its men I need only say that after thirty years of a feeling engendered by the war they were willing to break loose from party prejudices when the finances of the country were threatened, and they turned old Maryland into the Republican column and gave 30,000 majority for the sound money doctrine. [Applause.] It would be an invidious comparison, and so I refrain from making it, to call your attention to the present delegation from Maryland. Gentlemen, I thank you for your attention. [Applause]

MASSACHUSETTS. (No response.)

MICHIGAN. (No response.)

#### MINNESOTA.

John R. Mitchell, of Winona, Minn.: I regret, gentlemen, that you are obliged to listen to a substitute, as I know that our sponsor could give you a more interesting account of our State than I can. Upon examination of the annual report I find that Minnesota has not been heard from for several years. Just why there has been this silence I am unable to say. I can state, however, that it is not due to the fact that we have not been favored with the same wave of prosperity that has reached every other State, because we have, in the fullest sense of the word.

Conditions with us have changed to such an extent over what they were a few years ago that the money market of St. Paul and Minneapolis has become one of the chiefest in the country. This is due, of course, to the rapid accumulation of wealth within the State, as is evidenced by the enormous increase in the combined deposits of National and State banks as compared with what they were ten years ago. The aggregate deposits of our National and State banks to-day are about one hundred million dollars, while ten years ago they amounted to only \$59,000,000. Our increase in cash resources has come entirely from the development of our natural resources. It has not been made up of deposits from other States. Very few of the banks represented here have any credit balance with the bankers in Minnesota. What we have belongs to us. You may have some money loaned in order to help move our enormous grain crop this

year, but it is not as much as you have been accustomed to loan us in previous years. It is a reasonably safe prediction to make that in a few years Minnesota will be in a position to move its own crop.

Minnesota is a State of diversified resources, the most important of which are its agricultural resources. From the best information obtainable our crop statistics this year are as follows:

80,000,000 bushels of wheat, valued at.....	\$40,000,000
5,250,000 bushels of barley, valued at.....	2,000,000
30,000,000 bushels of corn, valued at.....	13,500,000
55,000,000 bushels of oats, valued at.....	9,900,000
4,000,000 bushels of flax, valued at.....	4,600,000
7,000,000 bushels of potatoes, valued at.....	3,500,000
Total value.....	\$71,850,000

For the number of inhabitants, Minnesota is to-day the greatest dairy State in the Union, and one of the best evidences of the good quality of our butter is the fact that it won first prize at the Paris Exposition of 1900, and is in the lead for the first prize at the Pan-American Exposition. It is estimated on reliable authority that there is a total investment in our creamery industry and farm dairying industry in the State of \$165,925,000, from which an annual income of \$34,600,000 is produced.

The timber resources of Minnesota have been heavily drawn on in the past, yet it is estimated that the standing pine in the State amounts to more than thirty billion feet. The purchase of cut-over pine lands has become quite a popular investment recently, the lands being resold to farmers in small tracts. Thus it appears that our timber lands are being transformed into agricultural lands. Our mineral resources are also a source of large revenue. It is an undisputed fact that we are now mining more ore in Minnesota annually than is mined in any other State in this country. What the discovery of iron ore in our State has been to Minnesota and the country at large would be difficult to overestimate. The low cost of mining our ore and transporting it to the furnaces, together with the improved method of manufacture, has given our country the enviable position to-day of controlling the iron and steel situation of the world. Quoting from a brief history of the iron ore industry which I recently prepared, it can be said that "Since it is an established fact that the prosperity of our country depends so largely upon the condition of the iron industry, the logical deduction is that the commonwealth of Minnesota contributes more toward making this country the most prosperous one on the face of the globe to-day than any other State in the Union. [Applause.]

MISSISSIPPI. (No response.)

MISSOURI.

Mr. Wade, of St. Louis, Mo.: Mr. President, Ladies and Gentlemen: Missouri in her agricultural resources, her manufacturing industry and in her commercial business, is happy and prosperous.

I have been instructed by the Missouri delegation to say a few words apropos of the Louisiana Purchase Exposition, which is the subject uppermost in the minds of all Missourians at this particular time. We have concluded to eclipse every exposition that has been held on the face of the earth at the approaching show in St. Louis. To do that we have been provided with the funds, and doubtless many of you will be surprised when I tell you that before one dollar is received at the entrance gates for that show fifty millions of dollars will have been expended. Now I do not want you to accept statements of that character without some proof. The great Government of the United States has come to our rescue with five millions. The city of St. Louis has added another five millions, and the citizens of St. Louis have contributed five millions more. Those of us who are active in the conduct of the exposition fully realize that we will get another fifteen millions from the bankers before we open the gates. The States and Territories of the United States are bound to expend ten millions in exhibiting and exploiting their resources. Then every great nation on the face of the globe will be reached and they will furnish the rest of the money.

We have as an exposition ground the handsomest plot ever set aside for the use of such an enterprise. We have the exposition captained by one of the ablest men of the world. We have a steady hand at the helm in the great banker of the Mississippi Valley, a man who is bound to see that it is not only a social but a financial success as well.

We have a people in St. Louis that are overflowing with hospitality, and in their behalf, and in behalf of the State

of Missouri, and in behalf of the States and Territories of the Louisiana Purchase, we bid you come to our city and go home happy and better people. [Applause.]

MONTANA.

J. E. de Carle, of Miles City, Mont.: I had supposed Montana would have a much larger representation here than it has. I believe there are only two delegates here to-day from Montana. As it is, the lot has fallen upon me to speak in behalf of the State.

As to banking, I cannot enlighten you very much. Montana, as you know, is one of the youngest States in the Union, but she is one of the largest producing States in mineral wealth. Last year Montana produced \$70,000,000 in copper, gold and silver. Montana is one of the largest States in the Union, embracing a greater area than all of New England, excepting Maine.

We also have a larger range of territory devoted to cattle and sheep growing than any other State. Last spring from the two towns which my colleague and I represent we shipped over sixteen million pounds of wool, which came from Eastern Montana. A good many of you may not understand how the sheep are ranged there. I have had people ask me if we allow them to range out on the hills without any care. No, let me tell you that for every 2,500 head of sheep there is a herder provided, and during the last few years the ranches have put up hay to provide for a hard winter, and they are cared for. The cattle range very much at large, but always in the spring our cowboys round them up thoroughly, branding all the calves and getting them into condition for shipment in the fall season. Although at the last election Montana went Democratic, and it was thought that when Democracy was defeated and free silver was not put up as the main issue that it would be a drawback to Montana, but I venture to say that if election was to-day, whether free silver was the paramount issue or not, Montana would vote for sound money. [Applause.]

Montana claims to have one of the show places on earth—the Yellowstone Park; and I think if any one wishes to have a most enjoyable trip during the summer vacation they cannot do better than take a trip through the Yellowstone National Park.

I might add that we claim to have in our State one of the greatest statesmen of the land—Tom Carter. [Laughter.] We have recently sent to the United States Senate one of the richest men in the world—William A. Clark. I won't discuss the methods by which some allege he was elected; it is enough for me to say that he is there all right. [Laughter.]

I feel that in coming here to this, my first, Convention, I have been greatly benefited, and I wish to assure you all that it will not be the last as well as the first time, and although we have not a State Association in Montana, and therefore Montana could not vote for members of the Executive Council, yet I trust that before another year goes around you will have her vote in the Council. [Applause.]

NEBRASKA.

Mr. Guerne, of Nebraska: Mr. President and Gentlemen of the Convention: In the absence of our Vice-President I have been asked to respond for Nebraska, and you will find my very excellent speech in that little volume of poem and song by Colonel Branch, entitled "Proceedings of the American Bankers' Association, 1901." [Laughter.] I say, very excellent speech. I mean that it ought to be, because I told the fellow who is getting it up for me that he should give us the best he had in stock—I mean the best he had on tap, as I am in Milwaukee. [Laughter.] For nothing is too good for Nebraska.

Several of the gentlemen who have spoken here have talked about the prospects of their States, the Panama hat industry, and other subjects. Some of them have claimed great things, as for instance the gentleman who preceded me claimed Yellowstone Park. Now that is a part of Nebraska, too. There is something in counting on prospects. Now we don't count prospects in Nebraska among our assets. We are like the young fellow who after marriage came the first baby, and he said that realization was so much more impressive than anticipation. [Laughter.]

We have the corn, the wheat, the oats, the rye, and the barley, all matured. We have the cattle and the hogs and the sheep and the horses and the goats, too; and we have splendid schools and colleges, and tens of thousands of beautiful women and splendid men, and as much as seven hundred or eight hundred bankers. Everything is on the increase with us. The products of our farms and our manufactures

are increasing wonderfully. Our wealth and our deposits and our bank clearings are increasing in like proportion. The happiness and contentment and the prosperity of our people increase every day—yes, everything that I know of in Nebraska except certain blasted hopes and the interest question [laughter] is on the increase.

I must say to you who are gathered here how much we are pleased to be with you. I came here by way of your suburb some 85 miles down the lake, and as I came along I was pleased to observe some nice golf grounds, which reminded me that the people back here are taking on evidences of civilization. [Laughter.] Then I noticed down nearer Chicago a city called Zion. Well, I declare I never expected to see Zion anywhere around here. I thought it was a place held in store for good bankers at some future period. But there it was, and the principal thing I wondered at was that they had located it so near Chicago. [Laughter.] Then the sign posts along the road interested me. By the way, at Zion the sign read, "The City of Zion, 6,650 acres." Why that would give to each truly good man in Chicago a whole section of land. [Laughter.] But this is digressing a little from what I started to tell you. I saw some signs along the way. Do you know, I believe in signs. For instance, if you have got a poor promissory note you shove it off on a rich old duffer and tell him to sign it, and he signs. [Laughter.] But this sign that I speak of said, "Fifty miles to Milwaukee," and then 49 and 48 and 47, and so on, and the only thing printed on that sign was that beautiful and touching legend, "The beer that made Milwaukee famous." [Laughter.]

Well, gentlemen, we thank Milwaukee for her hospitality. The cup that she extends has no raised bottom. In its contents there are no dregs, but rather it is the clear amber, the pure golden tint, the nectar of friendship and hospitality. And, gentlemen, I close with the good old couplet that we used to write in our girls' autograph albums: "May your joys be as deep as the ocean, your sorrows as light as its foam." [Laughter.]

NEW HAMPSHIRE. (No response.)

#### NEW JERSEY.

Samuel H. Blackwell, of Princeton, N. J.: I cannot refrain from responding for New Jersey, although I did not come here to make a speech. After all the good things that have been said here there does not appear to be much left to say about New Jersey. Nevertheless, we are proud of New Jersey in every way. New Jersey is a State containing a peaceful and prosperous people. It is essentially a State of homes. We have within its borders a great college—Princeton University, and we have an ex-President of the United States. New Jersey is a State that is in a highly prosperous condition. She is out of debt and does not owe a cent. Her money is deposited with her banks, and is provided toward paying her school fund. We are not like the gentleman from Connecticut, who said he was between the devil and the deep sea. On one side of us we have Philadelphia, the city of Brotherly Love, and when we cannot get what we want from New York, why, we turn to Philadelphia and we can always get it. [Applause.]

NEW MEXICO. (No response.)

#### NEW YORK.

F. B. Schenck, of New York City: Mr. President and Gentlemen: Responding for the State of New York, I may say that we do not care to boast of the great figures which may be told. We rather boast that we are akin and nearly related to all these other States which are reporting themselves here so happy, prosperous and contented.

We might boast that all roads lead to New York. We are very glad of it and grateful for it. We feel that when New York is prosperous it is evident that the country is prosperous, too.

We are glad of the opportunity that these conventions afford us to meet all those who do business with us in New York. A lady from Chicago came to me a little while ago and wanted to know if she could get her check cashed. I told her I thought she could, and I sent her to the paying teller. He said, "Madam, I do not know you." She replied, "I know that, but we want to get acquainted." [Laughter.] Now these bankers' Conventions are splendid instruments for acquaintanceship, and we New York bankers appreciate them especially because of the fact that they give us an opportunity to get acquainted with those with whom we do business, and every one does business with New York.

I do not think it is necessary to give you any figures. In talking yesterday with a gentleman from Kansas, I found

that he knew more about New York banks and New York news and Wall Street matters and the wealth of great men in New York than I did myself. Indeed, I find that every banker all over the country reads the bank report, and they know whether we have 10 per cent. or 25 per cent. reserve, and it behooves us to be very circumspect when we go abroad, therefore, for you know all about us. [Applause.]

NEVADA. (No response.)

#### NORTH CAROLINA.

Mr. Brown, of Raleigh, N. C.: It was my privilege four years ago in beautiful Detroit, and again a year ago in magnificent Denver, to answer to the call for North Carolina. Upon those two occasions with becoming modesty, I hope, I claimed for my State about everything of which any other State could boast. It seems necessary now, therefore, to add only that if since then anything new or beautiful or useful has been developed, whether by invention, by discovery, or by creation, whatever it is and wherever it is, it can be found duplicated or improved upon in North Carolina. [Applause.] The new century presents a hopeful view to the old State. We recognize that divine wisdom guards the nation and the State as it does the individual. In full sympathy with the spirit of progress, we hear with gratification the expanding power and enlarging influence of our country. We are a loyal people, and we deeply lament that American soil ever gave foothold and that the pure air of this land ever gave the breath of life to one, unnamable let him ever be, who lifted the hand of violence against so pure a man as William McKinley. We rejoice to believe that President McKinley's work was well done, and that in dying he, perhaps, did more for the elevation of our people than many years of added life might have accomplished. We rejoice to believe that his mantle has fallen upon worthy shoulders, and to President Roosevelt we give the assurance of our confidence. [Applause.]

The President: We shall be obliged to suspend this call of States, gentlemen, and take up other business.

#### MEMORIAL TO PRESIDENT MCKINLEY APPROVED.

Mr. Hardy: I am instructed by the Executive Council to report recommending the adoption of the preamble and resolutions offered by Colonel Herrick this morning, and referred to us for immediate action.

On motion, the resolution offered by Colonel Herrick, of Cleveland, Ohio, relative to the monuments to be erected at Canton and at Washington in memory of the late President McKinley was unanimously adopted.

The President: We shall now have the pleasure of hearing from Mr. A. B. Stickney, of New York, President of the Chicago Great Western Railway Company, upon the subject of "The Medium of Exchange and the Banking Function."

#### The Medium of Exchange and the Banking Function.

[Mr. Stickney's paper will be found in full on pages 50 to 55 of this SUPPLEMENT.]

The President: We have enjoyed this address immensely. Ordinarily we should now adjourn for luncheon, but nobody will want to miss an address from the Secretary of the Treasury, whom I now have the pleasure of presenting to you. (Applause.)

#### Address of Honorable Lyman J. Gage.

Mr. President and Gentlemen of the American Bankers' Association:

You perceive that I forgot to bring my voice with me. I left it somewhere between the summit of the Rocky Mountains and the city of Milwaukee. Perhaps it will come to my aid a little later, but it will require great patience on your part if you tolerate me during the fifteen minutes during which I will take your time.

It seems to me that anything anybody is liable to say after the magnificent and well ordered speech to which you have just listened must be in the nature of an anti-climax. I was pleased to hear that cold, deliberate, ruthless statement of Mr. Stickney. He got at fundamental truths and fundamental principles, and he applied them with the skill and the calmness and the kind indifference of a surgeon amputating a limb. But I am

glad, and I think you are all glad, that he spoke from outside of the counter. If he had spoken from the inside of the counter he would have been suspected of promoting some scheme in the interest of the money power. He spoke truthful words on behalf of that great multitude who represent industry, enterprise, commerce and trade. I am glad he is outside of the counter because his voice will reach far, and it will carry with it the spirit of sincerity and disinterestedness. I do wish one thing more; I wish he represented Minnesota in the halls of Congress. (Applause.) With the high respect which I entertain for both of those legislative bodies I do not think it is any aspersion on them to say that for true doctrine in finance and political economy there is much needed there, and there is great need for the courage and firmness and clearness which has been evidenced by Mr. Stickney in his remarks to-day. I do not think I should venture to come on at this time, if my voice or my word did not in some way supplement to some degree the thought which he has expressed; I think they do.

[The rest of Secretary Gage's remarks will be found under the heading, "The Defects of Our Treasury System," on pages 47 to 49 of this SUPPLEMENT.]

The President: We have had an unusual meeting, particularly the two formal addresses to which we have just listened. I think we shall all consider it a privilege to express our thanks to Mr. Stickney for his very able address, and to the Secretary of the Treasury for his so-called informal talk. The Secretary makes informal talks which require very formal attention.

Gentlemen, I will ask you to express your thanks to these gentlemen by rising. (The entire house rose.) Mr. Stickney and Mr. Gage, I have the pleasure to state that the thanks of this Association are unanimously tendered for your addresses.

Secretary Branch: I would announce to the Convention that the Local Committee has requested that the fact be made known that the entertainment to-night will be at the Exposition and not at Whitefish Bay, as was the intention, when the time for holding this Convention was first fixed for September.

The President: Gentlemen, the Convention will stand adjourned until ten o'clock to-morrow morning. I hope every member of the Convention will be in his seat promptly at that hour. Adjourned to Thursday, October 17, 10 A. M.

## THIRD DAY'S PROCEEDINGS.

Thursday, October 17, 1901.

The President: The Convention will please come to order and members will stand while prayer is offered by Rev. J. Beveridge Lee, D.D.

## PRAYER.

We give Thee thanks, most gracious God, as we assemble in Convention this morning. We find in our hearts a desire to worship Thee as the God of to-day's life. We find in our minds the inclination to turn aside in a worshipful moment for the blessing of God upon to-day's work.

O Spirit of the living God, energize each of our faculties into the largest possibility for Thee. Tranquillize our spirits by the calm of the divine pardon. Subdue our wishes into a will and a resolve to do all things according to the will of God.

We give Thee thanks, O God, for life and health. We thank Thee for the power to live and power to think and power to work and power to love. Make us more perfect. Make us more the men we ought to become. We want to be manly men. We want to be Christ-worded men. We want to be men who are praiseworthy in business; men who are earnest in religion; men who are winsome in all the social relations of life.

We pray Thee, O God, that Thou wilt lead us to recognize our responsibilities. Thou who dost know the hearts of men, Thou who dost weigh the spirits of men in a balance, incline our hearts to Thee.

We pray Thee to put the best men in the highest places. Put the men of greatest trustworthiness in the places of greatest responsibility. Impress upon us the sense of our obligations. Make us to become responsive to all the trusts laid upon us. Make us men of probity and integrity and honesty and exactness. Make us to be those who realize not only a sense of dishonesty, but a sense of disloyalty. May we be true to our feelings that incline us to do that which is honorable. May we be true to that which inclines us to be honest in our dealings.

We pray Thee that Thou wouldst bless those before you, and all those engaged in financial affairs in our country. Bless those who are in the lesser positions; those who are the clerks as well as those who stand at the head of the institutions. We pray that all of them may be inclined by the teachings of truth and righteousness to do rightly man for man.

We beseech Thee to bless our country. Bless those in authority in all its affairs, executive, administrative and judicial. We pray Thee to bless us in our civil affairs, and may we promote to highest positions men of integrity and uprightness.

Bless us in our homes—those homes from which so many of us are to-day separated.

Bless us in our individual lives, teaching us better and better the meaning of life, and how to make the most of life; leading us to know God and to live for God, and leading us out to walk more largely with God in our daily life.

We ask the pardon of our sins in Jesus Christ our Lord. Amen.

The President: A part of yesterday's business was left unfinished, and we will therefore resume the Call of States. I will ask the Secretary to proceed with the Call of States.

## Call of States (Continued.)

NORTH DAKOTA. (No response.)

## OHIO.

J. R. Hughes, of Columbus, Ohio: Mr. President and gentlemen: I was not selected by the Ohio delegation to speak for the State, yet at the same time I do not like to have the modern mother of Presidents passed by in silence. Everybody knows that every one great has come from Ohio, and I say reverently that Ohio, in the President whose death we mourn, produced the greatest man this country ever had. If it shall be the will of the American people the next time when we meet to select a leader for the position of chief executive of our country they can be found by the dozen in Ohio, and you will make no mistake if you select an Ohio man. I can say this without being charged with having said it in a spirit of egotism, because I have not the honor or good fortune of having been born on Ohio soil. I come here representing one of the principal banks in the capital city of Ohio. I have not the honor of being an officer or a worker in that bank; I represent the bank as its counsel. I can say, however, that the banking interest in Columbus is, like everything else in Ohio, exceedingly prosperous. And I want to say for Ohio that I was pleased to hear yesterday the happy reports from Kansas and from Colorado and from Nebraska and from the other Western States, all children of the great State of Ohio. [Laughter.] Who can go beyond the Mississippi, who can pass the line of Eastern Indiana and not find in all of these Western States the children of the great State of Ohio? Away down in Louisiana, as a gentleman said yester-

day, Ohio enterprise has been felt. You see an Ohio man cannot go anywhere but what enterprise and success follows in his footsteps. [Applause.]

I am pleased to meet this distinguished body of gentlemen. I said to my wife yesterday, as we sat here and looked over the faces in this audience, that certainly America should feel proud of the intelligence and ability displayed in the faces of her bankers. As the Secretary of the Treasury remarked yesterday, the bankers of America are progressive men, and I believe that when we go to our respective homes and take up our tasks in our banks and come to consider what shall be best, not only for our banks, but for the people of this great country, because the bankers of this country are patriotic, I think we will follow the suggestions made by Mr. Gage. Even if we do not get the principal bank in Ohio, we will have an Ohio man managing it in New York. [Applause.]

## OKLAHOMA.

Otto A. Schuttee, El Reno: In rising to respond for Oklahoma, I would say first that she is only twelve years old, yet she is large enough to wear long dresses. What we want in Oklahoma principally is statehood. We think we are entitled to it from the fact that the average population of the States of this Union when they were admitted to the Union was 59,000. We have to-day over 500,000, and twice the number of school children that the several territories of this Union had as population when they were admitted as States.

We raised last year thirty million bushels of wheat. We had a taxable wealth of \$60,000,000. We have 38,000 square miles of area. A great many people think Oklahoma is too small to be admitted to the Union. If you stop to figure you will find that we are as large in area as Ohio. We have thirteen millions of bank deposits. That is doing quite well for a child twelve years old. We have 11,000 miles of railway, 2,500 public schools and a dozen colleges, 800 post offices, 175 newspapers, and not a poorhouse in the territory. [Applause.] We raised last year, as I said before, thirty million bushels of wheat. We also raised fifty million bushels of corn, twelve million bushels of oats and one million bushels of fruit, half a million head of live stock, 150,000 bales of cotton, 500 carloads of melons, 1,000 carloads of potatoes, and a little of everything else, including almonds and bananas. We want capital, labor and more people. We took the gold medal and several diplomas on corn, cotton and vegetables at Chicago, and the highest award at Paris on cotton. We think for a child only twelve years old we have done remarkably well. There is not a State or Territory in this Union which offers better inducements for the investment of capital and for returns thereon than Oklahoma, and we invite you to visit us. We have also had the honor of having held within the borders of our territory the only lottery ever conducted by Uncle Sam. [Laughter.]

## PENNSYLVANIA.

James H. Willock, of Pittsburg: I have been so engrossed by the interesting proceedings of this Convention, both in this house and out of it, that I almost forgot that I might be expected to respond to this call.

The delegates here from Pennsylvania, as well as the much larger number who have been detained at home by the exigencies of business, wish to join their voices with yours in this grand chorus of prosperity. We are very thankful for the blessings we have received, as well as those we expect to receive. We know this Convention will do us much good. We know from the experience of other cities that it will do Milwaukee much good. Why, only last month, when we were expected to assemble here, I noticed by one of the newspapers that the permits for new buildings to be erected in this city were 3295 per cent. larger than for the corresponding month last year, and twice as much as for any other city in the country on the percentage plan. [Laughter and applause.] So you see they are beginning to derive a benefit from our visit already.

We have met the Milwaukee bankers and we know they are good fellows. [Applause.] If I had time to tell you about the great prosperity we have experienced in Pennsylvania the figures would be astounding. No matter where it is, in financial, manufacturing, commercial or any other department of industry. The shipyards on the Delaware River have under construction at present ships of the aggregate value of over twenty million dollars. The freight that went out from Pittsburg in the last twelve months foots up the enormous total of sixty million tons. I notice from a recent report that the building permits issued for the construction of new buildings in Philadelphia in the month of September

amounted to \$1,500,000, and in Pittsburg during the same month it amounted to about the same sum. Under the act of March 14, 1900, we have had eighty new national banks formed in Pennsylvania. We have to-day some 525 national banks in the State, with assets of about \$770,000,000. We have two hundred and seventy odd State savings banks and trust companies, with assets of over one thousand million of dollars. We bankers who have been in business for some time do not always look with complacency upon the organization of new banks in our neighborhood, but still we recognize that it is the great prosperity and demand of business that encourages their organization. Even philanthropy is prospering in Pennsylvania. We have one gentleman who has given very largely along those lines, and within the year he selected a committee of gentlemen and said to them that he wanted to formulate a plan for a great industrial school to be located in Pittsburg, and that he would pay the cost of it. Well, these were modest, intelligent, public spirited citizens, and they went to work to see what they could do, and last week their plan was perfected. It involves the expenditure, including the endowment, of about fifteen million dollars, and we know the gentleman that I have referred to will keep his word.

When we go back from here it will be to tell our associates that we have enjoyed the very able addresses we have heard, and that we realize more than ever what a great Association this is and what a wonderfully prosperous, beautiful and hospitable city Milwaukee is. [Applause.]

RHODE ISLAND. (No response.)

SOUTH DAKOTA. (No response.)

TENNESSEE. (No response.)

TEXAS.

Edwin Chamberlain, of San Antonio: The banking business in Texas is steadily growing. In the organization of national banks under the new law Texas leads with 90 banks, or over one-eighth of the whole.

Our farmers have had some discouragements in the partial failure of their crops, but on account of their prosperity last year it is not affecting the general conditions of business in the State.

Texas is as rich in natural resources, in deposits of minerals and materials, in agricultural possibilities, as any State in the Union, and vastly richer than many States.

It is there that nature has assembled more closely than anywhere else in the world the raw materials which supply industrial enterprise.

It is there where you will find within the next quarter century the center of iron, steel and cotton manufacturing interests of the South. With cattle, cotton, rice, sugar, timber, coal, iron, granite, marble, zinc, oil and other natural resources, what may one say of its future? The unexpected has happened to Texas in the matter of developing her natural resources. The recent discoveries within her boundaries of vast quantities of fuel oil, which is of value in the developing of the world's industries, has given an impetus to her manufacturing interests which is destined to make her a formidable competitor in the field of industrial enterprise to some of the older States, which must pay the freight on the raw material to the factory and the return freight on the manufactured goods.

With this fuel we shall be able to start factories in every village and hamlet that is located near any natural product. The cotton factory has come to the cotton field, the rice mill to the rice field, the iron foundry to the iron mountain, the packing house to the cattle on the ranges.

We are learning by time and experience of capital its right to protection and fair treatment. Public sentiment is now taking a calmer view than a few years ago. Texas is beginning to realize that to develop her natural resources she must have outside capital. The business and conservative element are demanding conservative issues instead of wild vagaries and irrational prejudices.

Even the celebrated anti-trust law, which was aimed at nothing less than the total exclusion of all combinations of capital from doing business in the State and has so injured its credit, has failed to check the movement of consolidation, the concentration of human effort on great undertakings. Visiting capitalists are assured that combinations of capital would be welcomed in the State, and that this law, which has heretofore frightened these corporations, was designed only to prevent consolidation for the purpose of controlling prices. The Lone Star State is pressing forward, though, to take her place with her sister States, to share with them that com-

mercial supremacy due her in accord with her vast extent of area. [Applause.]

UTAH. (No response.)

VERMONT. (No response.)

VIRGINIA. (No response.)

WASHINGTON.

Miles C. Moore, of Walla Walla: Mr. President and gentlemen of the Convention: I once read a story of Mark Twain and Bill Nye, who were going to speak from the same platform one night, and Mark Twain said: "Ladies and gentlemen, I expect to talk to you until I am tired, and after I get through Mr. Nye will talk to you until you are tired." [Laughter.]

Now if I had my voice with me I might talk to you until you were all tired. I seem to have lost my voice somehow, but that is an affliction common, you know, to distinguished men. [Laughter.]

I suppose you realize that a man who hails from the State whose name begins with "W" is at a very great disadvantage on an occasion like this, where he speaks on alphabetical call. You were regaled yesterday with all the good stories and you have heard about most of the wonderful things in this country, and perhaps there is not much left for me to tell you. We have been told that some men are born great, and some are born in Ohio. [Laughter.] However, being an Ohio man myself, I appreciate that. Yesterday, after the speaking and when you all seemed dreadfully tired, I made up my mind that I would borrow the opening sentence in the great speech of Webster in reply to Haynes, and I am not paraphrasing it, when I say that I should enter upon no encomium on the State of Washington. She needs none; there she is, behold her and judge for yourselves. But, reflecting that you have all had a rest and that it has not been the privilege of all of you to behold our magnificent scenery of fertile valleys and plains and snow capped mountains, or to look out upon the western ocean, beyond which lie half the population of the human race, I want to submit a few facts and stuff you with a few statistics, because we have statistics up in Washington, too. Last year our farmers raised 20,000,000 bushels of grain. Our lumbermen marketed 1,100,000 feet of lumber. Our fishermen caught \$3,000,000 worth of salmon. Our miners mined 2,500,000 tons of coal. But it is not of present conditions that I wish to talk to you so much. It is rather of the rapid expansion of Oriental trade. Already twenty-five great ocean steamships run in and out of Puget Sound engaged in the Oriental trade. Against this 25 per cent. San Francisco, where my friend Wilson lives, has but nine per cent. We want you gentlemen to know that the seat of empire is going to be on Puget Sound. Our frontier bankers used to say that the star of empire had been arrested in its western flight and would stand over the State of Washington, and there it would cast its brilliant light forever. I regret to say, however, that one morning in May, 1898, it suddenly shot out somewhere over the Philippines. [Applause.] We accept the situation and will take whatever benefit we can from it. When you gentlemen get home and have leisure to do so, I want you to take down a map of the Pacific Ocean and study it. Note the position of Washington. Then cast your eye down the Central American coast, the great countries that surround the Pacific Ocean. Look at them all and realize that nearly one-half of the population of the human race occupies those countries. I want you to reflect what the wonderful trade possibilities are when we have succeeded in breaking down by peaceful methods the Chinese Wall and have established trade relations with those countries beyond the seas.

There are a few things that we are very much interested in in Washington. We want liberal shipping laws. We do not want to pour money into the coffers of steamship companies already rich. But we want laws which will stimulate the building of new vessels and put this country's flag in the lead upon the high seas. We need an international bank. Some one said yesterday that trade did not follow the flag, but that it followed the draft. All this will give us a compact republic. While we accept the responsibilities that come with newly acquired possessions, I would like to say that proper expansion is expansion within the proper lines of our western republic. [Applause.]

WEST VIRGINIA.

A Delegate: Gentlemen, West Virginia sends greetings to this Convention, and its assurance that although we do not claim all the wonderful things on earth, yet we are prosperous. We have unlimited courage, plenty of energy,

and intellectual and forceful men among us. What we especially want is a little more money to develop our industries.

I am sure that we who are here from West Virginia, as well as all who are here from other parts of the South, will be very much benefited by this gathering—by the addresses we have heard and by the social intercourse afforded us. [Applause.]

#### WISCONSIN.

John Johnston, of Milwaukee: Gentleman, the speaker selected to extol the virtues of Wisconsin is unfortunately absent. I understand that you do not need to be told much about Wisconsin. You are here and you can draw your own conclusions. I notice that our friend from Pennsylvania has been studying the building statistics in this city. Let me tell him that that is merely a small illustration of the condition all over the State. Visitors to St. Paul in London, when they stand before the tomb of Christopher Wren, who planned that majestic building, read the inscription:

"If you wish to look for a monument look around you."

The building itself is a sufficient monument for Christopher Wren. So it is here; just look around you.

I do not wish to eulogize our men or praise our women. I notice that gentlemen from most of the States brag that their women are the most beautiful and the best of all. I am glad to observe that the men of this country are advancing to that position. I long ago believed with the poet that while we speak of the lords of creation, a mightier power is behind the throne, and that the hand that rocks the cradle is the hand that rules the world. [Applause.] A gentleman from Connecticut said the other day that in his State they were situated between the devil and the deep sea—Boston and New York—and perhaps that was some reason why their bank deposits were not larger. When I came to Wisconsin the bank deposits were three dollars per head to every adult in the State. Now they are \$50 per head. We have St. Paul and Minneapolis on the one side and Chicago on the other, and we are in pretty nearly as bad a situation as our friend in Connecticut. We get very little money from outside; most all of our deposits is our own money. I think Wisconsin is very well situated physically. If you look at the map you will see that Wisconsin stands with her feet upon that great, rich and solid State of Illinois, while its right hand always faces beautiful Lake Michigan, and its brain is always kept clear and cool by the waters of Lake Superior. So I think physically its location can hardly be surpassed. Wisconsin means the "Gathering of the waters." I think in time, too, it may mean the gathering of the peoples, for I believe we have a more cosmopolitan population than any other State in the Union. We have here people from all the central and northern provinces of Europe and a large immigration of the Eastern States of this country, and, although we have as much foreign population as any State, I am proud to say that Wisconsin, in proportion to its population, gave the largest majority for honest money of any State in the Union. [Applause.] So if we are foreigners, we have not the crank notions that those in a great many States have who do not have so many foreigners. Wisconsin, while increasing in material wealth, is not forgetful of the fact that mere wealth does not constitute a great people. We have a wonderful school system, beginning with the kindergarten and ending with one of the finest universities in the land. And our school system pays, too; and because it pays our Legislature is always liberal in voting ample funds to sustain it.

Gentlemen, I need not occupy your time further. We have been delighted to have this convention here, and for a laid over convention we tried to make it as successful as possible. We hope it won't be many years before you again give us an opportunity to entertain you, and then you will see just what we can do. [Applause.]

WYOMING. (No response.)

#### VIRGINIA.

W. M. Habliston, of Richmond: Gentlemen, I am taken by surprise in being called upon to respond for Virginia, and I can only say I am glad to meet the bankers here from all over this country. We were glad to welcome you to Richmond last year, and we shall be glad to welcome you there again.

Virginia is enjoying to the fullest sense the general prosperity of the country. Manufacturing and other industries are prosperous. The banks of the State are prosperous. I do not know what further I can say. We would like to see you in Virginia again. We will be glad not only to have you

come yourselves for a visit, but we should be glad if you will come and live among us. We will assure you always and at any time a most hospitable welcome. [Applause.]

#### EXTENSION OF BANK CHARTERS.

Henry Dimse, of New York: Mr. President: During the first session of the Convention an important resolution was introduced, but I learn that it was not presented, through some misunderstanding, to the Executive Council. We all know that our national bank system is one that should be fathered. As I said two days ago, the charters of more than 1,700 national banks of the United States will expire within the next two years, and it seems to me—and I think I voice the sentiment of some members of the Executive Council—that a resolution treating on this question should be introduced. I therefore present the following resolution and ask unanimous consent that it be referred to the Executive Council with the request that immediate action be had upon it:

*Whereas*, More than 1,700 national bank charters will expire within the next two years, and realizing that it is for the best interests of this country that they should be extended,

*Resolved*, That we, the delegates to the American Bankers' Association in Convention assembled, urge the various representatives in Congress from the different States to pass such laws as will continue the charters and life of such National banks, as was done in 1882; also further

*Resolved*, That a copy of this resolution be sent to every member of Congress.

The President: Gentlemen, you have heard the resolution offered by Mr. Dimse, of New York. It seems to be upon a subject that concerns vitally many of our members. Is it the pleasure of the Convention that it be referred to the Executive Council for immediate report? If so, all in favor of that course will signify by saying aye; those opposed, no.

Carried.

The President: The Executive Council will please take this resolution under immediate consideration.

#### EXPRESS COMPANY TAXATION.

Mr. Hillyer, of Georgia: I introduced a resolution on Tuesday which by consent of the house was referred to the Executive Council for action. I would be glad to know what action the Executive Council has taken on that resolution. It was a resolution, you will remember, in regard to the action of the express companies, and asking that the report of the committee be received and approved.

The President: Was not your resolution amended by Mr. Hill?

Mr. Hillyer: It was referred to the Executive Council upon his motion, and I consented to that.

The President: The Chair would state that the resolution was referred to the incoming Executive Council for action.

Mr. Hillyer: That is exactly the information I wish to get. I was not willing to have the resolution referred to the incoming Executive Council, and I do not think it was so understood by the members of the Convention, although if I am wrong in this I would like to be corrected. I thought it was referred to the present Executive Council, so that it might be reported upon during this meeting.

The President: The Chairman of the Executive Council is not at the moment in the hall, and if Mr. Hillyer will call this matter up again when Mr. Hardy comes in perhaps he can get the information he desires more accurately.

#### PROPOSAL TO PRINT MR. STICKNEY'S PAPER.

Mr. Chandler, of Kansas: After the reading of Mr. Stickney's address yesterday we were in somewhat of a hurry for adjournment and, while we passed a motion thanking him for his address, I feel we should go a little further. We that heard the address were all greatly edified by it. We were benefited by it. I feel, however, that this address should be put in a form so that it could get before the bankers of the entire coun-

try and also before the members of Congress. I think it is one of the most important questions we have ever had before us, and I feel that this is an opportune time to take up the question and that we should press it to a final settlement.

I therefore move that it is the sense of this convention that the thanks of the association be and they are hereby extended to Mr. Stickney for his masterly presentation of a subject so important to every class of business, and that the Secretary be and is hereby directed to have the address published in pamphlet form and distributed together with this resolution thereon.

The motion was seconded from all parts of the hall.

The President: This motion would call for an appropriation and action by the Executive Council.

Mr. Chandler: Then I offer the resolution and request that it go before the Executive Council with directions to report upon it immediately.

S. G. Cooke, of Herington, Kansas: I would suggest that Mr. Stickney's plan may not only do away with bank crises in this country, but it may prove to be the system that we are all looking for and have been looking for these many years. We in the West have felt that while we lacked any sort of a system, yet we did as well as we could under the present laws, and that the ideal system had not yet been attained. On behalf of the West I want to say that we heartily approve of the plan outlined by Mr. Stickney, and I trust that the campaign of education which Mr. Chandler's motion contemplates will result in the adoption of a plan that will greatly further the economic development of this country.

The President: Gentlemen, as many as are in favor of this motion will say aye; those opposed, no.

Carried.

The President: The Executive Council will please take this resolution in charge.

#### RESOLUTION REGARDING BANKRUPTCY LAW.

J. S. Davis, of Georgia: I have a resolution to present and I think its importance warrants the consumption of a few moments in this meeting. It is with reference to the repeal of the bankruptcy law:

*Whereas*, The bankruptcy act has had time to serve the purpose intended by Congress, to give relief to the honest, oppressed debtor; and

*Whereas*, Its further operation will entail loss upon both the creditor and debtor and the general public by reducing lines of credit, restricting business and decreasing its general volume, thereby checking the wonderful development of the country promised through right conditions; therefore be it

*Resolved*, That this Convention, through the Executive Council of the American Bankers' Association, memorialize Congress to repeal the bankruptcy law.

The President: Is it the wish of the Convention that this resolution be referred to the Executive Council? If so, as many as are in favor of that course will say aye; those opposed, no.

Carried.

The President: We will now listen to an address by Mr. P. C. Kauffman, of the State of Washington, on "The Financial and Commercial Future of the Pacific Coast."

#### The Financial and Commercial Future of the Pacific Coast.

[Mr. Kauffman's paper will be found in full on pages 58 to 61 of this SUPPLEMENT.]

The President: We shall next have the pleasure of an address by Mr. Walter D. Coles, referee in bankruptcy, of St. Louis, Mo., entitled "The Federal Bankrupt Law."

#### The Federal Bankrupt Law.

[Mr. Coles' paper in full will be found on pages 61 to 63 of this SUPPLEMENT.]

The President: Ladies and gentlemen, we shall now have the pleasure of listening to our long time friend, a gentleman who has for a considerable length of time been a friend of the banks—the Hon. James H. Eckels,

formerly Comptroller of the Currency of the United States, and now President of the Commercial Bank of Chicago.

#### Assets Currency.

[Mr. Eckels' paper in full will be found on pages 55 to 58 of this SUPPLEMENT.]

#### RESOLUTIONS OF THANKS.

Lewis V. F. Randolph (President of Atlantic Trust Company), New York: Mr. President, I want to utter one word of earnest protest against the doctrine which we have just now heard promulgated of free and miscellaneous and dangerous banking. I do not think we should countenance it. (Some applause, mingled with hisses.)

Cornelius A. Pugsley (Member of Congress from Peekskill, N. Y.): Mr. President, I move you, sir, that the thanks of this Convention be tendered to Mr. Eckels for his eloquent and able address.

This motion was seconded from various parts of the house.

The President: Gentlemen, all in favor of tendering a vote of thanks to Mr. Eckels will please rise. I do not suppose there are any who are opposed.

Mr. Walker Hill, of St. Louis, Mo.: Yes, Mr. President, put the negative also. There may be some who are opposed.

The President: Those who are opposed to this vote of thanks will please rise. (No one rose.) There, I thought so. It is an unanimous vote.

Mr. Randolph: I did not vote because I am opposed to such a dangerous doctrine.

Mr. Hillyer, of Georgia: I move that the thanks of this Association be tendered to the Milwaukee Club for courtesies extended; to Mr. Frank G. Bigelow and wife for the reception tendered to the members of the Association at the Deutscher Club; to the Milwaukee Bankers' Association for the provisions made for the entertainment of the Convention; to the Chamber of Commerce, the city officials, and the Milwaukee Electric Railway & Light Company for courtesies extended to the members of the Convention; to the ladies of Milwaukee for the social enjoyment afforded the wives of delegates, and to the press for its full reports of the proceedings of this Convention.

The motion was seconded and adopted by a rising vote.

#### COMMITTEE ON INTERNAL REVENUE TAXATION CONTINUED.

The President: Is there any unfinished business?

Mr. J. D. Powers, of Kentucky: The Committee on Internal Revenue Taxation made a report yesterday, through Mr. Hepburn, but the committee was not continued. I now move that the committee be continued, owing to the fact that some very important matters have been passed by this Convention. The motion was seconded and carried.

#### MEMORIAL TO PRESIDENT MCKINLEY.

The committee to whom was referred the matter of preparing a suitable memorial on the death of President McKinley reported through Mr. T. C. Kauffmann, of Tacoma, Wash., as follows:

We, the members of the American Bankers' Association, are saddened by death's removal of our honored Chief Executive, William McKinley. His fame rests securely in the nation that he loved and helped to serve.

We acknowledge to the fullest our obligations to his memory, and desire to put on record this simple testimony to his high character and pure life.

Most deeply do we sympathize with Mrs. McKinley and his family, who have sustained a much greater loss, and may this in some small degree testify to our love and respect for him and our sorrow for his death.

(Signed)

P. C. KAUFFMANN,  
MYRON T. HERRICK,  
J. R. MULVANE,  
C. A. PUGSLEY,  
J. W. WHITING,

Committee.

This memorial was adopted by a rising vote, and a

copy of the same directed to be forwarded to Mrs. McKinley.

#### REPORT OF COMMITTEE ON NOMINATIONS.

The President: The report of the Committee on Nominations is now in order.

*Robert J. Lowry, Chairman.*

The committee appointed to nominate officers of the American Bankers' Association respectfully beg leave to report as follows:

##### FOR PRESIDENT:

Myron T. Herrick, President of the Society for Savings, Cleveland, Ohio.

##### FOR FIRST VICE-PRESIDENT:

Caldwell Hardy, President of the Norfolk National Bank, Norfolk, Va.

##### FOR MEMBERS OF THE EXECUTIVE COUNCIL FOR THREE YEARS:

Wm. G. Mather, President American Trust Company, Cleveland, Ohio.

E. F. Swinney, President First National Bank, Kansas City.

F. H. Fries, President Wachovia L. and T. Company, Winston, N. C.

P. C. Kauffman, Cashier Fidelity Trust Company, Tacoma, Wash.

##### FOR VICE-PRESIDENTS:

Alabama—E. B. Young, Vice-President Eufaula National Bank, Eufaula.

Alaska—B. M. Behrends, of B. M. Behrends' Bank, Juneau.

Arizona—Wm. Christy, President Valley Bank, Phoenix.

Arkansas—John G. Fletcher, President German National Bank, Little Rock.

California—Jas. K. Wilson, President San Francisco National Bank, San Francisco.

Colorado—J. A. Hayes, President First National Bank, Colorado Springs.

Connecticut—Jabez Amsbury, Cashier Danbury National Bank, Danbury.

Delaware—John H. Danby, Cashier Union National Bank, Wilmington.

District of Columbia—Chas. C. Glover, President Riggs National Bank, Washington.

Florida—F. C. Horton, Cashier American National Bank, Pensacola.

Georgia—E. D. Walter, Cashier National Bank of Brunswick, Brunswick.

Idaho—Howard Sebree, President First National Bank, Caldwell.

Illinois—E. J. Parker, Cashier State Savings L. and T., Quincy.

Indiana—Henry Eitel, Vice-President Union Trust Company, Indianapolis.

Indian Territory—Jas. R. McKinney, Cashier Durant National Bank, Durant.

Iowa—J. L. Edwards, Cashier Merchants' National Bank, Burlington.

Kansas—C. Q. Candler, President Kansas National Bank, Wichita.

Kentucky—H. Clifton Rodes, President Citizens' National Bank, Louisville.

Louisiana—Wm. J. Knox, President Bank of Baton Rouge, Baton Rouge.

Maine—E. Stetson, President First National Bank, Bangor.

Maryland—H. B. Wilcox, Cashier First National Bank, Baltimore.

Massachusetts—D. G. Wing, Vice-President Massachusetts National Bank, Boston.

Michigan—D. W. Briggs, Second Vice-President Bank of Saginaw, Saginaw.

Minnesota—A. A. Crane, Cashier National Bank of Commerce, Minneapolis.

Mississippi—C. R. Sykes, Cashier First National Bank, Aberdeen.

Missouri—J. B. Thomas, Cashier Bank of Albany, Albany.

Montana—M. A. Arnold, Cashier First National Bank, Billings.

Nebraska—C. F. Bentley, Cashier First National Bank, Grand Island.

Nevada—H. M. Gorham, President Bullion and Exchange Bank, Carson City.

New Hampshire—Wm. C. Walton, Cashier New Hampshire National Bank, Portsmouth.

New Jersey—Samuel H. Blackwell, Cashier First National Bank, Princeton.

New Mexico—J. M. Cunningham, President San Miguel National Bank, Las Vegas.

New York—G. S. Whitson, Vice-President National City Bank, New York.

North Carolina—John F. Bruton, President First National Bank, Wilson.

North Dakota—C. B. Little, President First National Bank, Bismarck.

Ohio—T. C. Stevens, Cashier Merchants' National Bank, Toledo.

Oklahoma—Otto H. Schuttee, Cashier Citizens' National Bank, El Reno.

Oregon—H. W. Corbett, President First National Bank, Portland.

Pennsylvania—W. L. Gorgas, Cashier Harrisburg National Bank, Harrisburg.

Rhode Island—H. J. Wells, President Rhode Island Hospital Trust Company, Providence.

South Carolina—W. Jones, Cashier Carolina National Bank, Columbia.

S. Dakota—B. A. Cummins, Cashier First National Bank, Pierre.

Tennessee—N. P. Le Sueur, Cashier American National Bank, Nashville.

Texas—J. Z. Miller, Sr., President Belton National Bank, Belton.

Utah—John E. Dooly, President Utah National Bank, Ogden.

Vermont—C. P. Smith, President Burlington Savings Bank, Burlington.

Virginia—H. E. Jones, President Dominion National Bank, Bristol.

Washington—N. H. Latimer, Manager Dexter, Horton & Co., Seattle.

West Virginia—H. R. Warfield, Cashier Elkins National Bank, Elkins.

Wisconsin—Geo. L. Field, Cashier First National Bank, Ripon.

Wyoming—I. C. Whipple, Cashier Stockgrowers' National Bank, Cheyenne.

Hawaii—J. H. Fisher, of Bishop & Co.

The committee composed of delegates from the various State associations of banks and bankers throughout the country beg leave to submit as their nominees for membership for three years on the Executive Council the following names:

John L. Hamilton, Jr., Cashier Hamilton & Cunningham, Hoopston, Ill.

J. J. Sullivan, President Central National Bank, Cleveland, Ohio.

Ralph Van Vechten, Cashier Cedar Rapids National Bank, Cedar Rapids, Iowa.

J. R. McAllister, Cashier Franklin Nat. Bank, Philadelphia, Pa.

Frank G. Bigelow, President First National Bank, Milwaukee, Wis.

The President: Gentlemen, it is necessary to vote for these nominees by ballot.

On motion of John R. Mulvane, of Topeka, Kansas, the Secretary cast the vote of the Association for the nominees named, and they were declared elected.

The President: Colonel Herrick, I present to you this badge of your office, which is the most valuable gift within the power of the American Bankers' Association to bestow. Gentlemen, I commend you to the best efforts of your able President. (Applause.)

#### REMARKS OF PRESIDENT-ELECT MYRON T. HERRICK.

President-elect Herrick: It is difficult to find words to express my appreciation of this renewed expression of your confidence and friendship. We are most fortunate in this twenty-seventh meeting. I never have witnessed any larger attendance. We have been fortunate also in being able to give expression to the country in this most signal manner through Mr. Stickney, Mr. Gage and Mr. Eckel's addresses of the dangers that are lurking in our financial system. It is often the case with the banker who stands behind the counter that he does not fully know what takes place on the outside, as it needs, as Mr. Gage said, some strong hand to show us our defects. When we know, then the Association has the courage to lead, and if we have defects in this system, as I am sure we have, we have the courage and we have the ability when our attention is called to them, as we have an opportunity through an association of this kind, to bring the full power of the Association to bear upon Congress to correct the evil. We have had in the new responsibilities that have been so well extolled to us, that are coming upon this country, as bankers—those responsibilities have come upon all of us as citizens—and we have had in the past four years a lesson upon the duties of citizenship which is a great blessing to this country and whose power and force will be felt for generations to come. We are assuming those responsibilities. We have had a better consciousness of the duties of citizenship which will be lasting and will enable us to meet those obligations which have come upon us. We have a wise man presiding at Washington who is filled with Americanism and patriotism, and who is able to lead us on to those greater glories, and a man who has our confidence that he will do it. (Applause.)

Gentlemen, what is your further pleasure?

PRESENTATION OF PUNCH BOWL TO RETIRING  
PRESIDENT ALVAH TROWBRIDGE.

On motion of Mr. Johnston, of Milwaukee, the thanks of the Association were tendered to the retiring President for his able performance of the duties of the office during the past year.

Mr. Walker Hill, of St. Louis, in behalf of the Association, presented to the retiring President a handsomely engraved solid silver punch bowl.

Mr. Trowbridge returned his thanks in these words: Gentlemen, I am too much overcome to be able to frame a proper acknowledgment of this handsome gift. I can only say that as long as there are any Trowbridges left they will say that in Milwaukee in 1901 one of the family met a great many friends and he did not know how to conduct himself, and this will be a memorial of the fact that he had more friends than any one

else. Gentlemen, again I thank you from the bottom of my heart. (Applause.)

President Herrick: Gentlemen, I present to you Vice-President-elect Caldwell Hardy. Mr. Hardy, I present to you the pin which I have worn for the past year, and I can only say that if you are diligent in your duties you will some day be President. (Applause.)

Vice-President Hardy: Mr. President and gentlemen: I thank you for the honor bestowed upon me. It is beyond my deserts, but nevertheless it is a great gratification to me, and I will endeavor to fulfill the duties of the office to the best of my ability. (Applause.)

ADJOURNMENT.

President Herrick: If there is no further business to come before the Convention, I declare the twenty-seventh annual meeting of the American Bankers' Association at an end.

THE FOURTH NATIONAL  
BANK OF THE CITY OF  
NEW YORK OFFERS TO DE-  
POSITORS EVERY FACILITY  
WHICH THEIR BALANCES,  
BUSINESS AND RESPONSIB-  
ILITY WARRANT.

# TRUST COMPANY SECTION

## AMERICAN BANKERS' ASSOCIATION,

Fifth Annual Meeting, Held in the City of Milwaukee, October 16, 1901

### INDEX TO TRUST COMPANY PROCEEDINGS.

Business Abroad Analogous to Trust Cos.	Pages 100 to 103	Address of Welcome	Page 107
Powers of Fiduciaries Outside the State	Pages 104 to 105	Reply to Address of Welcome	Page 107
Trust Company Forms	Pages 105 to 106	Report of Secretary	Pages 107 to 108
Detailed Proceedings	Pages 107 to 112	Report of Executive Committee	Page 108

### *The Business in Foreign Countries Analogous to that of Trust Companies in the United States.*

By HON. CHARLES FRANCIS PHILLIPS, President of The Corporation Trust Company of Delaware, New York City.

The subject upon which I am asked to speak is one abounding in interest, and concerning which a great deal may be said that is eminently suggestive and practically useful, though it cannot be treated in precisely the way in which a casual observation of its title in the programme would lead one to expect.

As a matter of fact, and in the strict sense of the term, there are no trust companies in Europe or the Orient and none in the Latin-American countries, barring the Mexican Trust Company, a purely American foundation, and one or two others, all in a nascent state; nor, so far as I am aware, have corporations anywhere outside of the United States and some portions of Canada yet undertaken to do, in a conjoint and aggregate form, any substantial portion of the work which is customarily and regularly performed by trust companies in our midst. Indeed, the ideas underlying corporate fiduciaryship are the product of our special development, at once vigorous, rapid and intelligent, in the realms of industry, commerce and finance, though the sources whence these ideas have drawn their inspiration may be easily discovered not only in the teaching but also in the practice, of the financiers of the Latin race, to whose superb gift of analysis and co-ordination, and to whose profound knowledge of basic principles the modern business world of both hemispheres is indebted for its best theories and its most successful methods of exploitation and management.

But, if actual conditions make it impossible to institute direct comparisons, it is easy, and let us hope that it may be somewhat profitable, to observe in what way the functions analogous to those of American trust companies are performed in the older world.

And here, on the very threshold of our subject, it becomes necessary to remark that long centuries of sincere and enthusiastic devotion to the principle of concentrated, as opposed to divided or collective, authority, and the sentiment, sustained as well by habit as by tradition, of respect for personal prominence and ability and of confidence in the leadership of the specially trained and experienced few, have operated, in substantially ever part of Europe, to cast upon chosen individuals those duties and responsibilities which more and more each day become, within our own confines, the

prerogative of associated effort and of combined obligation. Even in England, which has given us, along with our language, so large a part of our laws and customs and so many of the components of our national character, the individual trustee is in such esteem as to make the success of corporate trusteeship on a very large scale, at least for the immediate present, extremely doubtful. You all remember, I fancy, the effort made by J. Spencer Balfour, about the year 1885, to turn to account, through the Trustees, Executors and Securities Company, the idea which finds so ample and so profitable an expression in many of the financial institutions of our great cities; and doubtless you remember quite as well the absolute failure of that company to realize its purpose, outside the field of simple promotion. For a while it promised exceedingly much under the auspices of those who had created it, and its founders' shares, whose par value was only ten pounds, were sold, when they could be bought at all, for the enormous sum of eight thousand pounds; but lack of achievement, enforced modification of plan and complete reorganization followed only too soon.

In England, and, generally speaking, throughout British territory, great enterprises are sustained far more largely than here by credit, independently of direct security; and in all those sections of the world the moral risk of an undertaking, which has always to do with its promoters and managers, and the inherent merit of the scheme itself as a basis of development or improvement, are more closely scanned and more seriously weighted than the possible lien of the values emitted. Hence, English railroad and other industrial mortgages, which, if these were very numerous, would suggest the formation of trust companies on the American plan, are scarce commodities in the market, various sorts of debentures and preference shares taking their place in obedience to the instinctive belief of the business community that personal worth and responsibility, coupled with thorough knowledge and wide experience, are, as elements of protection, superior to material and legal guarantees in the shape of fixed encumbrances. It may therefore be said that the trust companies of the British Empire are, in effect, its men of character, skill and wealth, whose names mean more to the investing public

than liens of any sort. Much fiduciary work, of a qualified character, is, of course, done by banks; but it is done as an incident to their general business and not as a specific undertaking.

In judging the situation as it stands in relation to our Anglo-Saxon brethren, we must, however, remember that England, which is the soul of British finance all over the globe, is an ancient, a small and homogeneous country, with traditions that are, in many respects, more powerful than laws, and which has not to face, as this country must, the problems arising from the absorption of foreign peoples, the rapid increase of population, the restless aspirations of the multitude, the ceaseless development of a practically unlimited home territory, the incessant creation of new enterprises, and the important political issues which are inseparable from the freshly assumed responsibilities of a world power. Hence, although, everywhere and always, it is the individual mind, moved by providential vocation, that guides human destinies, whether they be material or moral, and however they may be influenced by what we call general conditions, it is nevertheless true that in this country, largely dominated as it is by the direct action of the masses, the aggregate man and the aggregate form of effort have a prominence which they nowhere else enjoy, whether in the domain of government or in that of economies. Other countries may, sooner or later, find it advantageous to imitate many of our institutions, and our trust companies among the rest; but the trust company as we know it here is likely to remain for a long while a distinctively American form of business facility.

It is true that a few of our greatest trust companies, as, for example, the Guarantee Trust Company of New York, have established branches in London and some other foreign cities; but the officers of these institutions assure me that the operations of their branches are, from necessity, confined mainly to the issue of letters of credit and to the purchase and sale of exchange and of current securities designed for investment. These transplanted financial models may, however, serve as educational factors, and so, in the long run, do a work for which they were not specifically or even consciously established. They have, in fact, helped to stimulate the creation, on a considerable scale, of safe deposit vaults and like conveniences; though they have failed thus far to give any noticeable impulse to the extension of fiduciary work through corporate mediumship.

As to the provisions so necessary to be made, in an active community, for the care of long time deposits, both the English and Continental banks and similar institutions have, from time immemorial, done more than has ever been undertaken by either the banks or the trust companies in America, and have done it more broadly, more efficiently, more cheaply and more satisfactorily, thus furnishing us with precedents eminently worthy of respectful study.

In Germany, Austria and some other parts of Continental Europe there exist, in great numbers, what are called mortgage banks, institutions created to aid agriculture, which must always need considerable funds for uncertain periods, and to promote the interests of rural and urban land owners, large and small; and these banks, which subsist on their own capital and on deposits received under special conditions and paying a fair return, undertake, to a certain extent, some classes of work which are commonly assumed by trust companies here, such as the receipt, exchange and distribution of securities in cases of organization, reorganization and consolidation; but their fiduciary activities are neither numerous nor of broad application. It is in France that we find more fully developed than anywhere else the idea of such intervention as here constitutes the most beneficial function of trust companies and kindred institutions; and, since the time allotted to this paper is necessarily very restricted, I shall ask you to permit me to confine myself almost entirely to a

view of what French finance has achieved in the field which it is my present duty to hastily explore, it being premised that trusts arising out of the private relations of life, such as those of executor, administrator, guardian, committee in lunacy and the like, are, in France and in other parts of Continental Europe, even more than in Great Britain, relegated to the individual, and exercised by a limited class of persons, whose ability, knowledge, experience and probity mark them as pre-eminently qualified for tasks where delicate and sympathetic appreciation are often as essential to ultimate and thorough success as are business tact and watchfulness and careful legal procedure.

The role assigned in France, and in some other countries, to boards of trade, chambers of commerce and other commercial and quasi governmental bodies, often render not only inexpedient or unnecessary, but even impossible, certain trusts which, in our midst, constantly arise from the exigencies of ordinary business, such as those relating to bankruptcy receiverships and liquidation; and so it happens that what we have mainly to consider in the present case are those trusts, direct or implied, which spring from economic development, the alternate concentration and distribution of capital, and, in a particular sense, the regulation of credit, a thing even more vital in old than in new countries, in dense and highly organized communities than in those of relatively scant population and less complicated formation. And here it becomes imperative to remark that our own country, so justly esteemed the model of liberal and progressive government, the home of general and unstinted opportunity, and the friend of broad and vigorous initiative, has proven itself to be, in respect to the common financial needs of all who must work for a livelihood with either head or hands, the least democratic of the great civilized powers. To so large an extent is this true that one may safely assert that what is somewhat difficult of attainment here by men of tolerable substance, is, in France, within the easy and constant reach of the most insignificant of toilers. Let an ordinary workman apply to one of our large trust companies for a mortgage loan of three or four thousand dollars on his modest tenement, or let a petty tradesman seek to secure from it in permanency such accommodations as will enable him to fully develop his humble enterprise, and the truth of my statement will be quickly confirmed. The fact is, that the whole machinery of higher finance in France, as represented by public institutions, forms a single trust company of unbounded responsibility, acting, in many respects, gratuitously for its beneficiaries, imprinting with its moral guarantee the bulk of all the securities which constitute the savings of the people and the reserve power of the nation, and, by its highly ramified operations and by the facilities and immunities which flow from them, making useless many of the forms of procedure which give rise to the work and assure the profits of the enterprising trust companies which are to be found in every quarter of our own land. This will scarcely be believed without illustration; but illustration is more than easy, and it is likely to be instructive.

One of the most conspicuous functions of our trust companies, apart from such as are technically fiduciary, is to gather together, whether through interest bearing accounts, certificates of deposit, debentures or otherwise, the long time funds of the community, and those which are not regularly needed in the quick turn over of daily commerce, and to lend them on the pledge of securities, on mortgage or in some equally safe manner, to those who require cash for legitimate speculation, or who, in construction or development, or with a view to family settlements, must expend an amount of money which cannot be prudently withdrawn from business operations or obtained, without inconvenience or disadvantage, from the outright sale of real property or of special investments. This function is certainly a most useful one, and in the performance of it an immense

volume of funds is wisely and beneficently employed; but whether the trust company discharging it be a small one, with two or three millions at its service, or a large one, commanding fifty or a hundred millions, or even more, the policy pursued is, with slight exceptions, always the same. Money is taken and lent in blocks of thousands; and the larger the blocks, consistently with the circumstances of the case and the prudent conduct of affairs, the more completely the management is satisfied. Depositors and borrowers who deal in petty sums are respectfully referred to the savings banks and the building societies, admirable institutions in their way, but frequently cumbersome, and, in the scientific sense, always far from economical. But this is not the case in France; and there, as the result of a more direct and democratic policy, the corporations most analogous to our trust companies, such as the Société Générale, the Crédit Lyonnais, and the Crédit Foncier, have obtained proportions so large as to make even the most prosperous of our trust companies, and of our banks as well, seem very small indeed.

Let us examine for a moment the methods of the Crédit Foncier, an institution eminently typical, which, alike in good times or bad, can easily furnish a hundred millions of dollars, at substantially a moment's notice, to any enterprise or series of enterprises deserving it, and whose mortgage loans amount to probably not less than five or six hundred millions of dollars, scattered all over France in sums varying from a hundred to several millions of francs. This institution has, of course, a very large capital, but one wholly inadequate to its immense operations. It has, however, so thoroughly proven its devotion to the common good by aiding the community in detail and the public as a body, and by offering, year in and year out, to even the humblest dealer the most favorable rate for his little deposit, and the readiest succor in his small wants, that, when it needs money, as it often does, it can obtain it in unlimited supply by the mere issue of its long time debentures on no other security than its own reputation, and thus stand prepared to advance the funds which build up enterprises that must be slowly developed, like railroads and great industrial establishments, or to respond to the never ceasing demands of the great army of workers whose systematic industry and thrift, thus supplied with capital, have made France, in a broad sense, and in proportion to its population, the richest country in the world, in spite of wars, a vast standing army, heavy taxes and occasional commercial catastrophes like that of the Panama Canal.

The securities which come to this institution in virtue of its co-operation in the upbuilding of prosperity, and which are, no matter what may be the prevailing conditions, scrutinized by it as carefully as the collateral of a call loan would be scrutinized by us in critical times, it sells at a slight profit to the great public, who, relying on its moral guarantee, not only buys in a single day the whole of each issue, but in the majority of cases tenders impatiently from five to twenty times the amount of the emission. Whoever, during a visit to Paris, has chanced to enter the Rue des Capucines, on an offering day of the Crédit Foncier, will recall very vividly the impression made upon him by an orderly crowd of ten or fifteen thousand men and women, of almost every class and condition, calmly waiting, hour after hour, in the hope of getting a small allotment of the day's securities, either for themselves or those who depend upon them, and confiding in the institution which they know so well for that wise forethought and positive protection which widows and minors and *cestuis que* trust would here have a right to demand from the fiduciary corporations, which are governed by ourselves and our associates. When there is question of borrowing instead of buying, the humblest city householder, or the remotest farmer owning a few hectares of land, is well aware that the highly perfected system of this wonderful institution will promptly secure for

him the few thousand, or it may be only the few hundred, francs he needs, and upon terms as good as can be got by the great proprietor who wishes to mortgage for millions of francs his vast factory, his luxurious hôtel, or the wide demesne of his château. He probably does not know what a trust company means, but he knows perfectly well, in his own way, what a trust company is, for his knowledge is drawn from personal experience, and, though the trust which operates in his favor is not a legal one, but is voluntarily assumed and administered without direct authorization, he sees that it gives to him the best of securities as an investment for his savings, the highest price when he wishes to convert his holdings into cash, a constant market for whatever he must sell, a borrowing capacity which, in the measure of his wants, is as good and as certain as that of the richest banker, and above all, that assurance of their treatment and watchful interest which permits him to get not only what he wants and when and where he wants it, but to discharge his obligations quickly or slowly as he may wish, and either in a single sum or by that kindly process of amortization through which the principal of a debt is paid while one seems to be paying only the interest.

When we approach other establishments than those of which the Crédit Foncier is the type, and enter a field where banking, in the ordinary sense, presents itself as the main feature, the same principles apply and the same facilities exist. Institutions like the Crédit Lyonnais and the Société Général, in order to meet the wants of all, maintain not only great central bureaus in the principal cities but numerous branches all over the land, as do many of the British banks, and deal as cheerfully and as courteously with a matter of a hundred francs as with one of a hundred thousand, each branch having all the facilities of the main office, and serving as an automatic and costless distributor of capital, without those disturbances which are here incident to the compulsory flow of currency which occurs whenever the crops must be moved or some unusual condition be met at points distant from the financial centers. The incessant turn over of money in the hands of these institutions, its elasticity and fluidity under their system of management, surpass anything to which we are accustomed in this country; for, practically speaking, except as against operations deemed to be unwise or dangerous, no honest borrower in town or country is ever refused what he may reasonably ask, be the times prosperous or trying. Of course, such facilities, covering so broadly the field here occupied in part by banks and in part by trust companies, and administering, absolutely without limit, to the needs of all classes, and to active and continuous as well as to casual and incidental business, would not be possible if our methods were observed, for at times the resources of any one of the typical institutions I have named might be taxed to an extent which, under our system of management, would bring about either an abrupt curtailment of facilities or possible disaster. But in France even the largest financial institutions look upon rediscount and mutual accommodation as a most proper and advisable source of relief under all circumstances, and banks and similar establishments whose capital, surplus and deposits range from one or two hundred millions of dollars to twice this amount, and which are therefore stronger than any of the banks of our own country, and are certainly entitled to be jealous of their credit and standing, think nothing, at any time, of rediscounting their loans with each other or with the Bank of France to the extent of many millions of francs, thus giving to their resources a liquidity and a responsiveness to passing conditions the lack of which in our own system all of us have felt on many occasions. This solidarity of operation and of policy, coupled with the system which makes the credit of these institutions equal to cash for operations large and small, and throughout the country and all of its dependencies as thoroughly as in the heart of Paris, is

a phase of economics demanding our most thoughtful attention.

But at the bottom of the whole fabric of French finance, so democratic in its character, and, in the commercial and industrial sense, exhibiting so largely an unsolicited fiduciary character, stands the Bank of France, itself the very essence of the spirit of which we have spoken. This bank, by all odds the most powerful in the world, and, at the same time, the most directly subservient of popular necessities, has never, even in the times of war or revolution, refused to administer to the honest requirements of the community; and yet, in spite of its liberality, its losses are always insignificant, never, so far as I have been able to learn, having risen as high as the one hundredth part of one per centum of its operations, and being, of course, wholly lost to sight in the immense volume of its profits. The source of its security lies always in the unbounded aid given by it to legitimate business and in the confidence it thus inspires, it being, in the last analysis and in virtue of its wise generosity, its own clearing house, and offsetting its obligations against its resources by the simplest processes of bookkeeping, without inconvenient dispersion of funds.

In the same way in which the *Crédit Foncier* has made itself a voluntary trustee for the long time operations of the country, the Bank of France has, on its side, made itself a like trustee for the rapid operations of modern commerce, securing, directly or indirectly, to every worthy trader, however humble, constant and liberal credit, by encouraging the habit of replacing open accounts by acceptances, and thus making each man's bill case, instead of his ledger, the stronghold of his business. It demands two names on every commercial bill, so as to secure the record of a legitimate transaction, but it will discount any good bill that is not less than forty francs, or eight dollars, and does, as a matter of fact, discount in each day of the year, among the numberless trading documents which pass through its hands, from twenty thousand to fifty thousand inland bills of exchange of which not one exceeds in amount a hundred francs, or twenty dollars. As to loans upon securities, where, of course, a single name suffices, it will accept any collateral that is substantially solid, whether it represents the shares of a street railway in Milwaukee, the bonds of a water works company in the City of Mexico, the stock of a bank in China, the consols of England or Russia or the rentes of France itself. It wishes to give to every Frenchman, so far as wisdom may permit, the facilities necessary for the prosecution of any legitimate business at home or abroad, and to do this in a manner affording the utmost ease consistent with ordinary prudence.

It may seem but little pertinent to my subject that I should speak in so marked a way of an institution which

is pre-eminently a bank and not a trust company; but I do so in order to explain how it happens that other institutions, which from their very nature must do much that is expected of trust companies here, can do it readily and always, and without risk or even inconvenience. These other institutions know that in their hour of need they can, with the certainty of prompt response, apply to the Bank of France for any relief they may require, and that the Bank itself is safe in granting such relief. But it is not its six hundred millions of dollars of metallic reserve, coupled with other resources just as boundless in their way, which give to the Bank of France its wonderful strength, important as its cash and securities are in the estimate of its influence. The secret of its power lies in the fact that it has made itself the trustee of the nation's credit, and that, by perfecting a system which secures instant accommodation on any scale, however large or however small, for every proper transaction of industry, commerce or finance, it has become the reservoir of the nation's wealth and the adjuster of the nation's accounts, rarely making, or being expected to make, any other output of cash than that which constitutes the small change of the daily life of a great and energetic people.

We have much to learn from our colleagues abroad, and I believe that we are disposed to profit by our opportunity, though young and vigorous peoples, temporarily raised above the necessity of close economy, are somewhat prone to believe their own judgment the best that exists.

Some years ago I laid before many of the ablest officers of our banks and trust companies all the ideas I have advanced in this paper and many more of a kindred nature, and offered, with their co-operation, to put them to a test, so far as circumstances might prudently allow; but although I everywhere got a respectful hearing, and sometimes a sympathetic one, I was told that my suggestions were in advance of the times. They may have been; but some of them have, from the sheer force of events, been since carried into effect, and others are daily presenting themselves directly to the consideration of able and experienced students of finance, and will not fail to command attention. Indeed, I am sure that the trend of modern civilization and the ever growing unity of the human family, commercially as well as socially, will bring us, in respect to the work of both banks and trust companies, to adapt to our new and somewhat unique conditions the plans and expedients which have been evolved from the larger experience, the profound thought, and, I repeat it advisedly, the more democratic financial procedure of the older world, which, though it may have learned some lessons from us, has taught us, and has still to teach us, many more than we are likely to be able to offer to it for very many years to come.

## *Powers of Fiduciaries Outside the State of Their Appointment.*

BY FREDERICK VIERLING, Trust Officer of Mississippi Valley Trust Co. of St. Louis.

In this paper the consideration of the question indicated in the title will be limited, relating only to express trusts legally created and not contravening the law against perpetuities and duly accepted by the fiduciary, the discussion not touching in any way the many points of difference arising out of implied trusts and illegal trusts, so-called, nor matters of agency.

We are all familiar with the character of the different kinds of trusts and the offices of the fiduciaries, known as executor and administrator, guardian or curator, receiver, assignee and trustee.

As a general rule, all natural persons capable of confidence and of taking and holding either the legal title or beneficial interest in property may hold it in trust for others; and corporations may hold property and execute trusts where it is within the scope of their corporate existence, such as trust companies, which are given comprehensive powers to execute trusts of every description.

The subject naturally divides itself into the following three points of discussion, to wit:

1. Where the fiduciary is a natural person and the trust is created: (a) by act of the parties, such as trusteeships and assignments, and (b) where the trust is created by appointment of the various courts under the law having jurisdiction in the premises, such as guardianships and curatorships, receiverships, administrations and executorships, the latter being under probated wills nominating an executor, who is appointed by the court to execute the will, and deriving his powers from both the will and the law:

2. Where the fiduciary is a corporation authorized by law to accept and execute trusts; and

3. Where the property of the trust is personalty and where it is real estate.

### I a.

It is one of the attributes of the ownership of property that the owner has power to dispose of it as he chooses, so long as he does not trespass on the rights of others nor act in a way contrary to law.

It is a well established right, among others, that the owner may by a conveyance in trust create a trust of his property for the various purposes with which we are familiar, to take effect during his lifetime, or by will he may create a trust independent of the duties of his executor, to take effect after his death. Either of the trusts so created is by act of parties, and the trustee has all the powers over the trust property that may be delegated to him by the owner, and the power of the trustee over the trust property in another State is the same as in the State where the trustee resides. Under our national Constitution the citizens of each State are entitled to all the privileges and immunities of citizens in the several States, and under this provision a citizen of one State may acquire, own and dispose of property in another State just as can a citizen resident, in that other State, and our national Supreme Court has repeatedly decided that this provision applies equally where the property is conveyed to a nonresident trustee in trust.

Another fiduciary relation created by act of party is where a debtor assigns all his property for the benefit of his creditors. As a general rule the assignee need not be a resident of the State where the property is situate and takes the title to all property of his assignor wherever found; the assignee becomes the legal owner of the property and has the same power and control over it as if he were the absolute owner. This general rule must be qualified, as where the laws of the foreign State where some of the property is provide for

statutory assignments only, thus prohibiting general assignments other than statutory; in such cases the general assignee cannot assume charge of the property in the foreign State without complying with the statutory requirements and conditions, and if the assignee must be a resident he cannot obtain recognition at all. Assignments are still permitted under the State laws, though under the national bankruptcy act an assignment is an act of bankruptcy and the debtor's matters on application of any person interested will be taken charge of by the bankruptcy court and the assignee be ousted. Questions relating to assignments, therefore, are no longer of greatest importance.

### I b.

Where the fiduciary is appointed by the various courts under the law having jurisdiction, as trusts for minors and insane persons, receiverships and administrations, the appointment in contemplation of law is not by voluntary act of party. These are instances where the courts step in and appoint legal representatives for owners to protect their property interests where they themselves have no legal capacity, as guardians and curators; or where there is danger of waste and where conflicting interests are involved, as receivers; or where the owner is dead, as administrators and executors. In law these legal representatives are considered officers of the courts, and, as these courts have complete jurisdiction only in their own States, they can give their officers no greater territorial power than their own, and the appointment of such officers has no effect on property beyond the territorial limits of the State in which the appointment is made. (In some of the States citizens of another State may be appointed, and in such cases the foreign representative has the same powers as a citizen of that State would have if appointed.) The general rule is modified to some extent, as follows:

As to administrators and executors, by the principle that they, as such, are the legal representative of the deceased owner of all his property and may collect assets in a foreign jurisdiction if payment or delivery is made to him voluntarily, so that resort to the foreign courts is not necessary; or where the foreign statutes in a spirit of comity give the domiciliary administrator or executor power to act.

As to guardians, etc., upon principles of comity the authority of a guardian appointed in the State of the ward's domicile will sometimes be recognized by the courts of other States, and in some States statutes have been enacted enabling foreign guardians of nonresident wards who have property in the State to obtain authority to act in reference to such property or to remove it from the State.

As to receivers, it is well settled that they will be permitted to sue and act in jurisdictions other than where they are appointed, where this will not result in the violation of any principle of public policy or law.

### II.

The fiduciaries we have spoken of in this general way are natural persons. The general principles heretofore indicated must be further modified when applied to corporate fiduciaries. A corporation, so far as its inherent power to do the business authorized by its charter is concerned, can engage in business anywhere, and is not limited by the bounds of the State of its organization, nor prohibited from doing business in other States, unless the laws or public policy of such other State deny them the right. It has been said a corporation can have no legal existence beyond the bounds of the State by which it is incorporated and can exercise

none of the privileges conferred by its charter in any other State except by comity and the consent of the latter. Comity is presumed to exist and does exist until a State expresses an intention to the contrary in some affirmative way, by direct enactments on the subject or by its public policy deduced from the general course of legislation or by settled adjudications of its courts of last resort. Our national Supreme Court has said that corporations of other States are not "citizens" within the meaning of the clause of our Constitution above referred to. It follows that a State may discriminate in favor of its own corporations against corporations of another State. Our States have quite generally adopted laws regarding foreign corporations, permitting them to do business under restrictions more or less severe.

### III.

In contemplation of law, personalty is situate at the domicile of the owner, though actually at some other place, and if the property of the trust is personalty, it is a general principle that a transfer to the fiduciary valid according to the law of the domicile of the grantor will be recognized in the State where the property may actually be. In all cases the validity and effect of conveyances of real property is determined by the laws of the State where the property is situate, and these vary as to forms of conveyances and acknowledgments required, and the only rule is in each instance to follow the statutory requirements of the several States. In some States corporations are not permitted to hold real estate, and in such States a corporate fiduciary could not take and hold title.

### IV.

I have looked over the statutes of the various States for enactments regarding the several classes of foreign fiduciaries touching upon their right to do business in the several States. I find that practically all the States

permit foreign corporations under restrictions to do business generally, but all do not provide for corporate fiduciaries. Where the State knows no corporate fiduciary under its own laws, it is almost safe to conclude that foreign corporate fiduciaries will not be recognized, as, on principle, a State will not allow a foreign corporation to do an act within its limits that it does not permit its own corporations to do.

Most of the States by enactments permit foreign executors, administrators and guardians to represent their trusts in the State under various restrictions, usually requiring bond and proof of their appointment in the domiciliary State, but sometimes permit them only to do specific acts; there are but few States whose statutes deny such foreign fiduciaries any recognition. As to foreign assignees, receivers and trustees the statutes are for the most part silent. From the trend of legislation there is a marked spirit of comity between our States, which I am indeed glad to see. In many instances it means the proper business management of a trust by ONE fiduciary familiar with all the affairs of the estate. This is of great importance to the beneficiaries, saving double court costs and fiduciary fees and enabling the ONE fiduciary to derive for the beneficiaries the incalculable benefits of a harmonious and uniform management of the whole estate, just as in the case of the former owner himself. I am an advocate of even more liberal laws on the line of the recognition by the other States of fiduciaries of sister States than we find at present; and as no beneficiary or creditor of an estate is denied the privilege of redressing his wrongs, whether he be a resident or nonresident of the State, there is no sound reason why there should be any hostility whatever toward foreign fiduciaries properly appointed under reasonable regulations as to giving bond and the performance of his duties.

## *Trust Company Forms.*

By MR. ARTHUR HEURTLEY, Secretary of the Northern Trust Company, Chicago, Ill.

The subject upon which I have been asked to address you is one of interest to every Trust Company officer. And while interesting in the abstract, it is a topic that one cannot deal with in rounded periods, and over which one cannot indulge in any flights of rhetoric. For it is pre-eminently an every-day, practical question; and if I fail to treat it as fully as I might or should do, I trust my sins of omission and commission may be pardoned, owing to the fact that because of circumstances beyond my control my time for preparing this paper has been somewhat limited.

The first need of a Trust Company, after it has been duly organized and has found a suitable location in which to transact its business, is to have suitable books and blanks for preserving the details of its transactions from day to day. The officers are usually men who have had some experience in bank work or in the practice of the law, but have seldom had an opportunity to make any study of the forms of accounting suitable to the business of a Trust Company, and, therefore, have been obliged to either obtain assistance from older Companies or to work out their own salvation as best they could.

At the last meeting of the Section a committee was appointed to prepare a set of forms suitable for a Trust Company to use, and the result of their labors is now in the hands of many of our members.

The prime requisite Trust Company forms should possess is simplicity. Too much stress cannot be laid upon this point. Many a book or blank is made so complicated by rulings and headings as to mystify any one except those who have been accustomed to using it constantly.

Trust Company forms should tell their story plainly; so plainly that any one of average intelligence could understand how they were to be used. Every book and form should be planned with reference to the entire system of accounting, so that the forms taken together will make a complete and harmonious whole. Through all the books there should run a chain of entries, so made as to bind them together; cross references should be made, and every entry should show on each book or form from whence it was derived. It should never require the services of a chartered accountant to check a proper system of trust accounting. The errors that will occasionally creep in should be found by an almost automatic operation of the system itself, combined with a careful checking of the entries each day. Every entry made on one book should be capable of being checked from at least one or two other books kept by different clerks. If this plan is carefully followed up, combined with the proper custody of securities and cash, it seems to me that serious errors in the accounts, as well as defalcations, will be prevented.

The cash and securities should never be in the custody or control of the same clerks that keep the books. Where it is practicable there should be a double custody of all securities. In any event, a careful record should be made of every security, interest coupon or valuable paper taken to or from the cash vault, and receipted for by the proper officer or clerk.

There is no particular mystery about accounts or book-keeping generally. Given a good practical system of accounting, with simple forms handled by clerks of reasonable intelligence, whose work is carefully watched by the officers, and whose efforts to improve the forms

they use are met by proper encouragement, the result will be very satisfactory.

Perhaps it will be of interest if I attempt to briefly discuss the principal forms to be used by a Trust Company.

The first book required is a Register of Trusts. When a trust is accepted by the Company it should be entered upon this book, which should show the name of the trust, the filing number given it, the date of acceptance, source of appointment, the total amount of the estate or trust fund, the attorneys connected with the trust, etc.; also the date it is finally closed. In short, the Register should give a brief history of the trust, and it is of great utility as a book of ready reference. This book should have an index. At this point I desire to say that in my opinion the plan of giving every trust a number by which it is known all through the records is a good one. It renders the correct filing of papers, etc., much more certain, and from practical experience I can safely recommend it. All papers referring to the trust should be filed under the number assigned it, and all securities belonging to the trust, and filed in the cash vault, should be placed under a similar number.

Next to the Register of Trusts comes the Cash Book, the General Journal and General Ledger. The entries should be made first in these books, then from the same tickets the proper entries should be made in the Trust Journal and posted in the Trust Ledger. It is from the Trust Ledger that all statements of account should be made, and the pages should be so ruled and arranged that the stenographer can take the book and copy the entries as made, the result being an account in proper form for filing in Court or to send to the beneficiaries in the trust estate.

A Stock and Bond Ledger should be kept, in which all the stocks and bonds owned by the Company, or held by it in any trust capacity, should be entered, showing the amount of each kind of security in the possession of the Company. This book is not only an additional check upon the Trust and General Ledger entries referring to stocks and bonds, but is also a ready reference book to turn to in case an officer of the Company desires at any time to know the amount of any particular security under the control of the Company.

One of the important books that should be kept is a Register of Securities, containing not only bonds and stocks, but notes as well, with full data regarding each class of security. The securities held by each trust should be entered by themselves. The book should provide for a record of interest or dividend payments, so that from time to time when the book is examined the information as to such payments can be readily obtained.

A Daily Balance Sheet should be kept in which all the totals should be brought together for the information of the officers; also a Tickler showing the due dates of notes, etc., to be collected from time to time.

A Daily Memorandum Tickler is also a useful book to have, in which should be entered sundry memoranda relating to the various trusts that might otherwise be forgotten at the time when most needed.

The Real Estate Loan Records should be very complete, as these books are being constantly referred to, and entries when made should be carefully checked by another clerk than the one making them. This rule should apply to all books kept by the Company. Full and complete records should be kept of all matters relating to rentals collected, insurance, etc., also of any securities that are past due or are of doubtful value.

The expense account should be abstracted in a book kept for that purpose, and carefully compared and checked with the General Ledger. It is also advisable to keep for future reference in a book prepared for that purpose memoranda of all conversations had with prospective clients. All tickets from which the original entries are made should be clear and concise in form, giving in themselves all the information necessary from which to make perfect entries on the books.

I have not attempted to deal with the many special forms of books and blanks relating to bond trusteeships or to the registration and transfer of stocks. The large majority of Trust Companies handle very little of this class of business, as it naturally goes to larger financial centers. But I have endeavored to treat of those forms which would prove useful to almost every Company in the country doing a trust business.

I am aware that the Loose Leaf system of book-making is receiving much attention in these days. And I am prepared to admit that there are many minor books in which it can be used to advantage. But I have had, and still have, a prejudice against its use for books of original entry, as it is not a difficult matter to take out a leaf from a book made on this principle, while it is almost impossible to detach a leaf from a book properly made and bound in the regular manner. The book of Trust Company forms referred to a short time since contains the ideas of the committee upon this subject.

In closing let me suggest that it would be well for every Trust Company to have one man in its service whose duty it shall be not only to keep books in touch with its system of accounting, but to constantly endeavor to improve and simplify its forms. Again, I repeat, make the forms as simple as is consistent with full and complete entries. See that every account on the General Ledger is checked by entries made on another book or other books. For example, the stock and bond account in the General Ledger should agree with the balance sheet of the Stock and Bond Ledger, and also with the totals of stocks and bonds shown in the Register of Securities. Then the officers of the Company will seldom be troubled over their system of accounting. The business is eminently one of details, which demand constant watchfulness and attention, and the system that renders this work easy to the officers and employees is the one to follow.

# Detailed Report of Proceedings.

Fifth Annual Meeting TRUST COMPANY SECTION, held at Milwaukee, October 16.

## PROCEEDINGS OF MEETING.

Meeting called to order by the Chairman, Mr. William G. Mather, of Cleveland, Ohio, at 10:20 A. M.

Chairman: Gentlemen, the fifth annual meeting of the Trust Company Section of the American Bankers' Association will now please come to order. The Rev. Mr. A. A. Kiehle will make the prayer at the opening of the session.

### PRAYER.

Mr. Kiehle: Almighty God, our Heavenly Father, Thou who art the author of all life, the fountain of wisdom, we would not enter upon any duty, we would not engage in any undertaking, without imploring Thy blessing. Thou hast said, If any of you lack wisdom let him ask of God, who giveth to all men liberally and upbraideth not, and it shall be given him. We pray that Thou wouldst grant wisdom to Thy servants who have come to our city from different parts of our country to discuss questions and make plans of great moment and of far-reaching power. We thank Thee, O God, for the great banking institutions of our country, that they are among us as towers of strength: we thank Thee for what they have done to aid in the happiness and prosperity of the people of our country and in making us a power among the nations of the world. We thank Thee that these great institutions are in the hands of representative men, men high in character; and now, as they are met in Convention, we pray that the discussions in which they shall engage and the plans they shall make may be the means of adding to the prosperity and the happiness of the people and of advancing our civilization.

We ask especially for your blessing to rest upon this Trust Section of the Convention: be with them in all their deliberations and all their plans, and out of it all may these Thy servants become even more efficient in the great and beneficent work in which they are engaged; and so we pray that Thou wouldst bless not only this Convention but all similar conventions where men are met together to discuss vital questions not only to this country but to humanity. And unto Thy name we give the praise forever more. Amen.

Chairman: The next matter on the programme is the roll-call of the Secretary of the Section, but I think we can dispense with that because we will have the register of the names of all those who are present, and they will be published as being at the meeting.

The next matter, therefore, on the programme is the address of welcome by Mr. Howard Greene, President Wisconsin Fidelity Trust & Safe Deposit Company, Milwaukee, Wis.

### Address of Welcome by Mr. Howard Greene.

*Mr. President and Members of the Trust Company Section of the American Bankers' Association:*

I am very glad that the opportunity has fallen to me to welcome you to our beautiful city. We are proud of Milwaukee. It is a clean city; it is a well governed city, and it has a charm and character more peculiarly its own than other American cities.

Half a century ago a general westward movement from New England, New York and Pennsylvania scattered a thin settlement over the older States made from the Northwest Territory and settled sparsely the southern part of Wisconsin, giving us our early merchants, bankers and professional men. Then followed some of an alien race led by the stirring men exiled from the Fatherland by the Revolution of '48. Some of these, like Carl Schurz, soon became leaders in American thought and affairs; very many gave their lives freely in the service of the country of their adoption. I cannot emphasize too strongly the influence of these men mingling with those of Puritan descent, learning free government and an alien tongue, and giving to the American life about them something of the German cheerfulness and warm-heartedness. Then came a third and larger wave of immigration; that brought us the thrifty sons of Poland, Norway, Germany and Sweden.

To-day a major part of our population are of foreign birth or descent, but in no case do they form a distinct element of the community, as do the miners in some sections of Pennsylvania or the French-Canadians in parts of New England. Their pride it is to Americanize in speech and manner as rapidly as possible and to own their own homes. They own their own homes.

No part or quarter of our beautiful city can be called congested in the sense that word is usually applied. To our city of homes you have received such a greeting as can only be extended by a home owning, home loving people. No city whose hospitality you have enjoyed has given you a more cordial greeting. We have had the pleasure of entertaining many gatherings of representative men in Milwaukee, but never have we been more highly honored than by the presence of this association in Milwaukee to-day.

In the name of the city and in the name of our hospitable people I bid you a most cordial welcome. (Applause.)

Reply to Address of Welcome by Mr. William G. Mather.

Chairman: Mr. Greene, to you, as representing the citizens of Milwaukee, I, on behalf of the Trust Company Section, wish to state our very great appreciation of your kind words of welcome and of the very warm and delightful hospitality with which you have greeted us here. It gives us great pleasure to come to this flourishing city of the Middle West, inhabited, as you have said, by this cosmopolitan population, which shows the results of the influences of this diverse population. Your city is a city of beautiful homes and of remarkable public buildings, it seems to me, for this section of the country. I remember at a meeting in the city of Cleveland, where we are trying to have a grouping of public buildings, and to do more in that line as we see them in Europe, in making them conform to certain harmonious lines in the development of the city, that among the achievements that were placed before us in an illustrated lecture delivered by an eminent New York architect were shown views of several public buildings in Milwaukee, and your city was held up as an example of civic development to the other cities of the country. Particularly did we notice that beautiful building, your library, and your city hall.

Milwaukee, as we all know, is represented by its commerce and manufactures all over the world. While in Europe this summer I saw in England and in Germany and in Sweden, machinery and engines which had come from Milwaukee, one of the greatest manufacturing cities of high-class engines in the world. We all know how celebrated you are for your beer, which is an element which adds very much to the comfort of the population of the country, and I believe some of it is sent abroad--at least you make what is called export beer. Your manufactures of leather are all over the world, and all over this country.

As I say, Mr. Greene, we feel it a great privilege to come to this city with its diverse population and influences, its magnificent example of the growth of the Middle West in all that pertains to civic development, and we thank you most heartily for the very cordial and generous welcome with which you have met us. (Applause.)

### Report of the Secretary Mr. James Branch.

Chairman: The next order is the report of Mr. James R. Branch, Secretary of the Trust Company Section.

The Secretary then read his report.

Motion was made, seconded and unanimously car-

ried that the report be accepted and spread on the minutes:

It is as follows:

NEW YORK, October 7, 1901.

Balance September 1, 1900.....	\$1,717.51
Appropriation of Executive Council at Richmond.....	2,000.00
Received from sale of books of Trust Company Forms.....	1,727.80
	<u>\$5,445.31</u>
Cost of Trust Company Forms.....	\$263.91
Other disbursements.....	593.96
	<u>857.87</u>
Balance.....	\$4,587.44

Since September 1, 1900, special letters have been written to every Trust Company in the United States not members of the Association, inviting them to join. At that date there were two hundred and eighteen (218) Trust Companies enrolled in the Section. Eleven of these have withdrawn from the Association, but as one hundred and forty-one (141) have been added to the rolls, the net gain is one hundred and thirty (130), an increase of 60 per cent. over last year's membership.

Respectfully submitted,

JAS. R. BRANCH, Secretary.

#### Report of Executive Committee.

Chairman: The next order of business is the report of the Executive Committee by the Chairman, Mr. John Borne. I regret to say that Mr. Borne, owing to serious illness in his family, has telegraphed to us that he cannot come, but he has sent to us a short report which I will read.

Report of Chairman of Executive Committee read, received and filed.

It is as follows:

*To the Trust Company Section of the American Bankers' Association:*

In presenting the report of the Executive Committee it seems unnecessary to go into details of the progress made by the Trust Company Section during the past year, as these are given in full by the Secretary, Colonel Branch.

The election of a permanent Secretary at last year's meeting was a wise step, as it has resulted in a systematic effort to increase the membership, as well as the revenue.

It is agreeable, therefore, to note that there has been a material increase in the former, which now numbers 348; and that the Section closes the year with an increased cash balance in hand.

The beneficial influence of these yearly meetings cannot be overestimated. Papers on topics of general interest are presented and customs and functions in vogue in various localities are discussed, with an educational result; and the officers of the various Trust Companies meet on a social footing. Altogether the effect is to weave the entire Trust Company fraternity into harmonious relations which are bound to result in the general welfare.

JOHN E. BORNE,

Chairman Executive Committee.

Chairman: The first paper is entitled "The Business in Foreign Countries Analogous to that of Trust Companies in the United States," by Mr. Charles F. Phillips, President of the Corporation Trust Company of Delaware, New York City.

After each one of these papers the subject is thrown open for discussion, and as you who have been present at various meetings remember the helpfulness and interest of those discussions, I hope that you will all participate then, and anything that comes to your minds in connection with the papers as they are read, that you will kindly present to the meeting, so that our discussions can be full and beneficial, and I would also request that when any one gets up to speak he will kindly announce his name and the company that he represents.

**The Business in Foreign Countries Analogous to That of Trust Companies in the United States.**

[Mr. Phillips' paper in full will be found on pages 100 to 103 of this SUPPLEMENT.]

Chairman: The very interesting and instructive paper is greatly appreciated by us all, and is now open for discussion, remark or question. Mr. Phillips has evidently treated the subject so fully and exhaustively that it seems to be satisfactory to us without further question. However, I hope that there will be some discussion on the paper.

Mr. Edward J. Parker, of Quincy, Illinois: The

gentleman delivering the welcoming address did not mention in the tide of immigration the Frenchman. This paper, philosophical and practical as it is, discloses a reason why the Frenchman does not emigrate and therefore another reason why France is not the successful colonizing country which Germany and England have been. We are all struck by it in going to France, aside from the social and artistic graces and love of home of the Frenchman. I think this paper opens up something to us which almost comes to us with the force of a secret disclosed. Contrast the operations of those two great French banks with the condition of the borrower in most of our American cities, I mean the small borrower. Already we see parish churches and some philanthropic citizens opening up avenues for the small borrower to get a loan, but every day almost we witness the hardship to the small borrower, knowing full well that he is paying from 10 to 40 per cent. to the chattel mortgage lender. Therefore the hardship comes in to the American laboring man which the Frenchman does not realize at all. We are too busy in our trust companies to take up this matter of small mortgage loans, I think, and we turn them aside, and I have thought for a long time in the city in which I live that it is my duty as a man of philanthropy to try to organize a small local mortgage company to make these small loans which afterward could be used in a trust company and add to the assets of the trust company that of the mortgage loan company, so it may increase its work.

The paper has opened up to me one of the secrets why the Frenchman stays at home and does not emigrate. He lives in a pleasant country and he gets accommodated if he is a poor man, while the small American borrower does not, and I simply throw out the suggestion that we ought in some way as citizens, if not as trust company officers, to put a check on these usurious rates of interest and hardships suffered by the workingman and other men who are compelled to borrow small sums on mortgages. (Applause.)

Mr. Phillips: The gentleman has spoken very much to the point in regard to the main idea underlying my whole discourse. In regard to the interest paid for loans in France, I would say that it scarcely ever exceeds 3 per cent., even if the loan is a very small one, and not only is the facility for securing small sums on mortgage universally existent, but in the way of ordinary common business the smallest man can get as readily as Rothschild himself all the accommodation he actually needs, providing it is based upon existing operations of an honest and proper character, and he is an honest, law-abiding fellow. Suppose that in some quarter of Paris there is a small grocer with a capital of \$1,000 or \$1,500, who deals with working people. He can afford to give a credit of \$5.00 to \$20.00 as a limit to those around him, if he knows them and considers them to be perfectly upright people regularly employed, and what he does is this, and this is the secret of his success. If he trusts a workingman who is getting perhaps \$5.00 or \$6.00 a week, for 40 or 50 francs worth of groceries, and is willing to give him two or three months' credit, instead of putting that account on his books he immediately draws a bill on that workingman, who accepts the bill; the grocer keeps it as long as he can, and when he cannot keep it any longer he sends it to the grocery jobber. The bill is already accepted and has two names on it, and the jobber takes it and puts on a third name and keeps it as long as he can, and he passes it on to the sugar refinery or some such institution, and these institutions put the bills in the banks when they have too many of them and sometimes take 40,000 bills in a bunch and rediscount them in the Bank of France; and so every day in the year there are one or two thousand bills at least coming into the Bank of France, each bill not representing over \$10.00, with endorsements that represent perhaps two hundred or

three hundred millions of dollars; and the Bank of France is only too glad to get those little bills, and they keep small trade going, and if it happens that a man cannot honor his bill, he goes to the holder and explains the circumstances, pays something on the bill and gets it extended, and he never fails to pay in the long run, because if he does he will never get any more credit from anybody at all, and honesty in business is thus promoted, and the losses are practically nothing. Even after the Franco-Prussian war, when the Bank of France had to furnish \$1,500,000,000 as an indemnity, and had only \$600,000 in the bank, yet not one of those bills was ever passed up to profit and loss, and that would not be permitted, and with the exception of \$5,000 or \$10,000 all that vast quantity of bills was paid; so that you will observe that the loss even during that period was only \$5,000 or \$10,000 on bills amounting to ten billion dollars of our money; so that the loss is absolutely insignificant, and it is all explained by this system of lending assistance in a small way and at a small interest and on the best security possible—namely, the life work and possessions of every man in the country.

Mr. Eugene A. Merrill, Minneapolis, Minn., President the Minnesota Loan & Trust Company: I have been very much interested in the paper read and the remarks of our friend from Quincy, Mr. Parker, and I would hardly like to interrupt the philanthropic thought which is going out; but it strikes me that it is very different doing business in different localities. I have known New England bankers who were thoroughly good men who would make a failure in California. If that is true, is it not more true that methods which might obtain in France or Europe would hardly be practicable in this country? Those of us who have been offered credit for our clothes in London, when we were unknown, and for long time, realized that our Western merchants would not do that sort of business and expect to get their money. As a matter of fact, we have in this country a transient population. The Frenchman does not move about; the American does. I will venture to say that if loans were made in this country as has been suggested by the reader of the paper, that in very many cases, when they came to collect the loan made in Wisconsin to a party here they would find that the debtor was in Texas or in California. In other words, you cannot make loans in the same way and with the same degree of assurance of their being paid here as you can in France.

Then again, there are doubtless different laws and methods of collection. Of course if a man is permanently located in one place he can get credit, for if he does not pay he loses his reputation; but if he is located one year in Chicago and the next in New York and the next in San Francisco, his credit is not very much affected by his not paying.

Again, in this country, where we have liberal homestead laws and similar laws, favorable to the debtor class, there is no way of reaching the debtor.

I only throw these suggestions out to show that there are certainly difficulties which will prevent the adoption of the ideas which have been so ably set forth. I only wish to add that I am in full sympathy with my friend Parker in his ideas regarding the hardship that is brought to our poor community, or those without capital, when they have to pay such high rates of interest to chattel mortgage brokers, and I would be glad to do anything I could in the direction of relieving them; but it seems to me that we have got many practical questions to answer and difficulties to solve before we can adopt methods here which are perfectly safe and practicable in Europe.

Mr. Phillips: It might be applied very largely here, and if a person were likely to move away and were getting a small loan without security, which might be done here, but which would not occur in France, he would get an endorser who is known—that is the only

thing that ever can be done anywhere under such circumstances.

Paper on Trust Company Forms, by Mr. Arthur Heurtley, Secretary of the Northern Trust Company, Chicago, Ill., was then read by Mr. H. M. Young, of the Northern Trust Company, of Chicago.

Mr. Young: I am very sorry that Mr. Heurtley is not able to be present, for the reason that he is familiar with the subject and I am not, my connection with the Company having been confined to its legal department.

Mr. Heurtley's paper is as follows:

#### Trust Company Forms.

[Mr. Heurtley's paper in full is given on pages 105 to 106 of this SUPPLEMENT.]

Chairman: The paper is now open for discussion.

Mr. A. J. Enright, Secretary Missouri Valley Trust Company, St. Joseph, Mo.: I would like to ask if any member present has ever proposed a docket used by their Company for keeping a record of trusts arising in the Probate Court?

Mr. Frank H. McCulloch, of Chicago (of McCulloch & McCulloch, lawyers): I have prepared such a book for our own use, and it has been used in several Chicago institutions. I do not know just what the gentleman wanted to know about it.

Mr. Enright: I wanted to see one of the forms.

Mr. Henry Eitel, of Indianapolis, Ind., Vice-President Union Trust Company: For our probate department we have had prepared a special book, and it is practically a copy of the book kept in the court house by the county clerk, and we enter the estate, the name of the attorney, the general condition of the estate and whether it is real estate or personal property, and make a notation of all court entries and court orders. When a Trust is closed we make an entry of the closing of the Trust, and in that way have practically a synopsis of the court record, and if at any time it is necessary to refer to the original entry, we have the dates and can go to the court house and look up the original papers. In addition to this we have also found very useful in our Trust Company a book in which we copy all wills, or where there is a simple Trust created we copy a synopsis of the Trust contained in the original will, and in this way we can refer to any will that has ever come into our office. It frequently happens that a Trust is created where the carrying out of the provisions of the will will extend over a period of from fifteen to twenty years, and the will often gets misplaced or it is difficult to refer to it, and in that event we find this record very useful.

Mr. Orde: I was impressed with the first remark which was read, that the first essential of a Trust Company book was simplicity. I would like to make this one suggestion. The gentleman inquires for a probate book. Two gentlemen have replied that they have a probate book. Now, the information contained in the probate book referred to by the gentleman from Indianapolis is also contained in the Trust register described by Mr. Heurtley in his paper, and I want to suggest that too many books are very easily secured, and a great many of them may be neglected. The trouble about Trust Company books in my experience is that you have so many books that they do not check one another, and you cannot make them check one another. Now in the Trust register, as has been suggested, you may call it Trust docket or index, but in the original book of entry, when a Trust is received, it matters not whether it comes from the probate court or from a chancery court or by private contract, you have one original Trust register, and on that register you would set aside a page or two pages, if necessary, and put on it the general information relating to the Trust, the name of the Trust, the name of the estate, the name of the attorney, your number, the court number, the terms at which settlements are required, and if you have a will you abstract your will right in that book, and I think that

instead of having a separate book for wills or for the probate court. I cannot conceive of any difficulty, especially under the laws of my State, Missouri, why you should have one book to keep a Trust which comes from the probate court, of the deceased person, and another book to keep a record of your Trust which comes from a chancery court, or a Trust which is created by private contract. You should have one general Trust register, and on that you put this general information. Whenever you file a settlement, enter that on your Trust register; if you submit an annual statement to your beneficiary, you enter that on your Trust register; and in our system we enter also claims on this general Trust ledger. I find in an experience covering three or four hundred Trust estates that there will not be 5 per cent. of them that cannot be properly recorded and carried on one good page of such a register. When I say we enter claims, I mean claims upon which we receive notice, not of the ordinary transactions of the Trust, etc. In the case of the estate of a deceased person, the executor must be notified, and when you make a final settlement you can refer to your register and see that all claims have been paid, and I make these suggestions for the purpose of saving some one from getting too many books, for I have seen, from experience, that that can be very readily done.

Mr. Souther, of Springfield: I would like to ask if the forms prepared by the Trust Company Section and offered for sale are on inspection here?

Secretary: No, they are not. In fact, they are all sold except one copy.

Mr. Souther: Will there be another lot issued or printed?

Secretary: I should think there would be if there is any demand for it. It was originally intended to print 100 copies of those forms, selling them for \$35, but we found that by cutting down duplicate forms we could get the book up cheaper, and we sold 150 instead of 60.

Mr. Parker: I should like to mention two points illustrating methods. I put this question to Mr. Heurtley once: How do you carry the details of your business? He opened at once one of the books referred to by the reader as the daily tickler. Right here let me say, as our business grows we cannot handle it properly unless we adopt careful methods. To illustrate: The gentleman in charge of the Commercial Department stepped into Mr. Heurtley's office and asked him a question pertaining to a Trust. Mr. Heurtley turns to his book. "Why," remarks the officer, "Mr. Heurtley, you should remember that without taking up this time." "No," Mr. Heurtley replies, "my record is sufficient, and then he is dismissed from my mind."

Two matters are facilitated by that daily tickler: First, there is a complete record; when he walks into that office in the morning and opens that book he knows what he has got to attend to that day, whether it is the collection of interest or the payment of insurance or the clipping of coupons or the collection of rent or a vacancy, and all that, it is all on that book. Any gentleman in the Commercial Department who chooses to investigate and keep the general run of the business can see at a glance the condition of affairs in his administration by the use of this daily tickler. I was in the office of the Mississippi Valley Trust Company when Mr. Hays came into Mr. Breckinridge Jones's office, and I said in his presence, "Mr. Jones, what is your method as to the daily current of business?" "I will show you," he said. On his desk there were several sheets. They had a mixed business, and every Trust that was open and which required anything to be done concerning it was entered on those sheets on his desk. Every box rented in his safe deposit is there, names of new customers, accounts closed and reasons given, all large accounts opened are on that sheet daily, and there is a key to all mixed business on the desk for the next ten days. "So," he says, "I have a complete key to the whole business daily." Some clerk must go around

and pick it out here and there, so that in the morning all the executive officers are in position to keep the run of their business. If you have a new customer or have lost an old one, there is the fact or there is the reason. That is systematized, and I would like Mr. Hays to supplement my remarks, because he can tell you more than I can as to his particular form, because I think right there lies the most important aid to all of us who are doing a mixed business in our Trust Companies.

Mr. Frank P. Hays, Bond Officer Mississippi Valley Trust Company, St. Louis: I have but very little to add to what the gentleman has just stated. We have different departments in our Trust Company, besides the Trust Department. We have reports from the heads of the different departments, that are made out early in the morning or late in the evening and are sent to the desk of the Vice-President, Mr. Breckenridge Jones, showing the business done for the day ended. Reports come from the Trust Department showing all business done there of any importance. From the Banking Department and from the Real Estate Department and from the Bond Department similar reports are made. We have a Bond Department that looks after the investments of the Company, and also provides investments for the customers of the Company. Reports are made daily.

Mr. Frederick Vierling, Trust Officer Mississippi Valley Trust Company, St. Louis, Mo.: On those daily reports we do not enter into matters of detail, only essential matters, to bring before Vice-President Jones the main points of the transactions of the day. One thing we put on our Trust Department statement is the question, Is a daily statement made? If that is made it means the books are up, but often books in such institutions are behind. We always try to keep books right up to date, and I think that one essential for officers to know is that their clerks are sometimes very lax, and if you do not keep after them they get behind, and that is the first request that we put on our form that we use: "Is the daily statement made? Answer—Yes." Then, of course, we show cash receipts, etc.

Mr. Reninger, of Allentown, Pa.: It may be possibly interesting to the first gentleman who asked a question in reference to the probate book for me to say that just fifteen years ago we opened what we called a probate docket, and Trust No. 1 was entered and has been regularly followed during that period, the book being in form as outlined by the gentleman here. There is only one book which we call our Trust docket, and at any time reference can be made to every Trust which we have had in this period of fifteen years. It may be interesting to know that that works out to our entire satisfaction. Only one book for that purpose is required, in which are noted facts pertaining to every Trust from its beginning to its winding up, with space set apart for copies of papers, such as the particular clause in the will under which the Trust is being operated. I will be pleased to furnish a form of that book if desired. It is an old book, but answers the requirements up to date.

Mr. Hays: I wish to add that if any gentleman present would like a copy of the forms we use we will be glad to furnish them. I refer to the Mississippi Valley Trust Company.

Chairman: The next paper will be on the subject of "Powers of Fiduciaries Outside the State of Their Appointment," by Mr. Frederick Vierling, Trust Officer Mississippi Valley Trust Company, St. Louis, Mo.

The paper is as follows:

**Powers of Fiduciaries Outside the State of Their Appointment.**

[Mr. Vierling's paper in full will be found on pages 104 to 105 of this SUPPLEMENT.]

Mr. Reninger: Mr. Vierling is known in St. Louis to be so thorough in his department that whenever he attempts to write a paper or make a talk the balance of us keep silent, because we always know he covers

the subject fully. His paper was exceedingly interesting and very instructive.

Chairman: We all appreciate the excellence of Mr. Vierling's paper and the truth of the remarks just made. Still I feel that we will be glad to have a discussion on the subject and remarks upon it, and if it were possible to pick a flaw in Mr. Vierling's paper and thus to strike him, we would give him a chance to hit back, and he is fully capable of doing it.

Mr. John W. Taylor, Cashier City Savings Bank, Pittsburgh, Pa.: I move that a vote of thanks be extended to the writer of the paper. Of course, many of us who are lambs in the fold may feel timid, but next year we will grow bolder.

Motion seconded and unanimously carried.

#### NOMINATIONS AND ELECTIONS.

Chairman: The next business before the meeting is the nomination and election of three members of the Executive Committee to serve for three years. The gentlemen whose terms expire this year are Frank P. Gibson, of The International Trust Company of Denver, Col.; Otto T. Bannard, of The Continental Trust Company of New York City, and Arthur Heurtley, of the Northern Trust Company of Chicago, Ill.

Mr. Bannard's resignation was offered to the mid-summer meeting, and Mr. L. L. Stanton, of New York, was appointed in his place temporarily. Those three places on the Executive Committee are to be filled and the Chair will entertain nominations.

The following gentlemen were then placed in nomination:

- E. A. Potter, President American Trust and Savings Bank, Chicago.
- Mord Carter, of the Danville Trust Company of Danville, Ind.
- Louis L. Stanton, Vice-President of the Standard Trust Company, New York.
- Mr. Reninger, of Allentown, Pa.
- C. J. Rhoads, Treasurer of the Girard Trust Company, Philadelphia.
- F. J. Wade, President Mercantile Trust Company, St. Louis.

Motion made that nominations be closed and that the Section proceed to ballot.

Mr. Enright: Before that question is put I would like to second the nomination of Mr. Festus J. Wade, of St. Louis, the President of the Mercantile Trust Company, a very able and self-made man, and a man of large affairs. My idea in doing this is to suggest that we should pick very prominent men for these important positions, and not simply to advertise some man less well known.

Mr. Emerick: I would like to second the nomination of Mr. Reninger, of Allentown, Pa. I know the gentleman and know that he would make a good executive officer.

Mr. Stanton's nomination was also seconded, and it was stated that it had been the custom in cases of that sort to re-elect the retiring member who has served for the unexpired term.

Nominations closed.

Motion made, seconded and carried that the Section proceed to elect by ballot.

President appointed as tellers Messrs. Thatch, of Cleveland, and Hays, of St. Louis.

A motion was made, seconded and unanimously carried that the three men receiving the highest votes shall be declared elected.

Chairman: One word of suggestion and advice, and that is, in electing members of the Executive Committee we should bear in mind especially this qualification—namely, that the men will attend the meetings and will show enough interest to attend the meetings both of the Convention and of the Executive Committee. It makes no difference how prominent a man may be in financial circles, he will not do us any good if he does not attend the meetings.

Mr. Reninger: I wish to make a statement in connection with the nominations.

The nominations are closed.

Mr. Reninger: As one of the nominees I wish to make a statement.

Chairman: Very well.

Mr. Reninger: So that there may be no mistake in regard to geographical distribution, I would say that one of the gentleman nominated is Mr. Rhoads, of Philadelphia. I happen to live just 50 miles away from that nominee, and I do not want to stand in the way of Mr. Rhoads's election, if the election is to be territorially distributed, and I would rather withdraw as one of the nominees if I would stand in the way of the elevation of Mr. Rhoads. What say you, gentlemen?

Voices: "Sit down."

Mr. Emerick: Mr. Reninger is Chairman of the Trust Company Section of the State of Pennsylvania. He has attended, I believe, all the state meetings and all the national meetings for a number of years and has always taken an interest in this work.

The tellers' report was then made, showing that Mr. Stanton received 44 votes, Mr. Potter 38, Mr. Wade 25, Mr. Reninger 24, Mr. Rhoads 16 and Mr. Carter 5.

The Chairman then declared Mr. L. L. Stanton, Mr. Potter and Mr. Wade duly elected for three years.

Motion was then made that the election be made unanimous.

Unanimously carried.

Mr. John Skelton Williams, of the Richmond Trust & Safe Deposit Company, was nominated for Chairman for the next year.

Motion seconded.

Motion was made, seconded and unanimously carried that the rules be suspended, nominations closed, Mr. Williams be declared elected by acclamation, and that the Secretary cast the ballot of the convention for Mr. Williams for Chairman for the ensuing year.

Unanimously carried and so done.

Mr. Williams: I desire to express my thanks and appreciation for the high honor which you have seen fit to do me on this occasion, and will say that I shall take great pleasure in doing what I can to advance and promote the interests of this Section, both during the term of my office and afterward. (Applause.)

Mr. Howard Greene, of Milwaukee, was placed in nomination for Vice-Chairman.

Mr. John E. Borne was also placed in nomination for Vice-Chairman.

Mr. Gibson: I have worked with Mr. Borne on the Executive Committee, and know that he was a very active man and had the interests of the Section at heart, and I am very sure that in that capacity he would serve most acceptably.

Nominations closed.

Mr. Phillips: I desire to second the nomination of Mr. Borne. He is a man of capacity and diligence and of wide acquaintance and large influence, and I think we almost owe it to him to continue him in a position where he can be of service to the Association, and where his ripe judgment and rich experience can be always placed at our disposal, as well for our counsel as for the formation of our plans.

(The same tellers were appointed.)

#### SUGGESTIONS REGARDING WORK.

Chairman: We will be glad to receive suggestions as to the work of the Section, and I trust that you will now all give free expression to your opinion in regard to this work, and any suggestion for improvement.

Mr. Orde: I have this suggestion to make, and that is that we devote more time to the work of the Section during the Convention. My suggestion is that we have our first session on the first day of the Convention, and, if possible, at an hour that will not conflict with the sessions of the general Convention. While our work is distinctive from that of the banking feature of the Convention, yet a large majority of our members are also interested in the technical work of the Bankers' Convention, and want to attend both sessions. So far

as the papers and discussions are concerned, we get them in the printed report, but a very great advantage of this Section is meeting together, and meeting each other personally, so as to facilitate future business, as well as the matter of pleasure, and I think if we had our meeting the first day of the session, and had a second meeting afterward, we would accomplish a great deal more work, and that it would be more satisfactory in every respect.

Mr. Manley: Mr. Orde's suggestion is a most apt one. We could very readily divide up our meetings. We could have a meeting on the first day of the Convention, and a shorter session each day during the Convention, which would make our sessions more profitable.

Mr. Phillips: I think it would be well to bear in mind that much good fruit would come from an exchange of ideas during the year. Many good thoughts may occur to us after we have gone away, and if those thoughts were promptly communicated to the Secretary of the Section, possibly good results might follow.

Mr. H. L. Cabell, of Richmond: It seems to me that one of the best things ever done by this Section is the publication of that book of forms. I understand that our membership increased 130 last year, and I think it would be very well to recommend the proper committee to have a second issue of that book made, so that our new members can supply themselves with it.

Mr. F. J. Wade: I think a question box might be a useful thing. I have been in the business only fifteen months, and perhaps it is not necessary for me to ask questions, but I believe a discussion on various points would be of very great benefit to us, especially to those who are new in the business. I think that even young as we are we might also be able to make a suggestion here and there, beneficial to even the older members, and that some such method as that would make these meetings a greater success.

Mr. Reninger: It might be well to establish some relation between this Section and the States, the same relation as exists between the American Bankers' Association

and the various State Associations. Pennsylvania, in its Association, has organized a Trust Company Section. In some States the Trust Company Sections are not recognized in the State Bankers' Association, and in such States it might be well to form a Section of Trust Companies. If that were accomplished the relations would become closer and this Section would find its membership increased.

Mr. E. J. Parker: Mr. Breckinridge Jones told me that when they commenced business in St. Louis they went to Louisville and interrogated the Trust people there, and he jotted down the points that he would like to inquire about; and by the time he had got to St. Louis he found that he had a list of some 70 questions.

#### ELECTIONS COMPLETED.

The tellers then made their announcement that Mr. Borne has received 36 votes and Mr. Green 14.

The Chairman then announced that Mr. John E. Borne was duly elected.

Mr. Merrill: If the Trust Company is to meet each day, inasmuch as we would all like to hear the opening proceedings of the American Bankers' Association, I would suggest that the afternoon of the first day would be suitable for our work.

Chairman: The Trust Company Section nominates each year one of its representatives to represent it, as a body, in the Executive Council of the American Bankers' Association, for three years. Mr. Breckinridge Jones, of St. Louis, has been the representative of this Section so far. His term expires this year, and it is customary to have the nomination made by the Executive Committee, and the Executive Committee which has been recently elected will meet to-day and make the selection.

Mr. Gibson: Before we adjourn I should like to move that the thanks of the Executive Committee and of the Section be extended to Mr. Greene and the other officers of the Milwaukee Trust Companies for their interest and assistance in making this meeting a success.

Carried by rising vote.

Adjourned.

## Winslow, Lanier & Co.,

17 NASSAU STREET,

NEW YORK,

## BANKERS.

DEPOSITS RECEIVED SUBJECT TO DRAFT.

INTEREST ALLOWED ON DEPOSITS.

SECURITIES BOUGHT AND SOLD

ON COMMISSION.

Act as Fiscal and Transfer Agents.

Also as Agents for Corporations, for the payment of interest and dividends.

FOREIGN EXCHANGE, LETTERS OF CREDIT.