The Commercial & Financial Chronicle

BANKERS AND TRUST SECTION.

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BANKERS' AND TRUST SECTION

OF THE

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The CHRONICLE comprises a number of added Sections, issued periodically, and which form exceedingly valuable adjuncts of the weekly issues.

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WILLIAM B. DANA COMPANY, PUBLISHERS,
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INDEX TO ADVERTISEMENTS.

A complete index to the advertisements appearing in the present issue of the Bankers' and Trust Section will be found on page 1622.

THE BANKERS' COMMITTEE ON CURRENCY.

The committee appointed at the New Orleans Bankers' Convention last November to report on needed reforms in the country's currency system filed its report last week at San Francisco. The occasion on which the report was published, being perhaps the largest Bankers' Convention ever held in this country, the financial importance of the names signed to it and the frankness with which the report makes recommendations on several controverted points, lend a good deal of importance to the document and call for special notice.

The report starts out by showing that the actual circulating medium of the United States is at present larger than in any previous period of the country's history. This, as our readers are aware, was decidedly within the facts. The report pointed out very concisely that the per capita circulation at the opening of last September was $29.60, as compared with $28.55 twelve months before; but the comparison might profitably have been carried further back. The Treasury's figures show a total estimated circulation outside the Treasury of $2,388,902,178 at the September date in 1903, comparing with $2,264,932,945 the year before, with $2,197,789,824 in 1901, and with $1,792,096,545 in 1898. The per capita circulation on the date last named was $23.96, which makes a far more striking comparison than the figures of the Committee's report. Not the least noteworthy feature is the important part played by gold in this increased circulation. At the date named in 1898 gold coin and certificates in general circulation amounted to $666,166,175. At the September date this year their aggregate was $1,014,531,078. We have added these figures in order to supplement those given by the Committee, and to reinforce their argument.

This point deserves emphasis for the reason that the one matter on which any member of the Committee dissents from the general report is the proposition to repeal the law restricting retirement of bank note circulation. Mr. George Q. Whitney dissents on this point from his colleagues, Messrs. Charles S. Fairchild, H. C. Fahnestock, Myron T. Herrick, Homer S. King and John J. Mitchell, assigning as his reason that it seems to him "to be inconsistent to in the same report recommend a method for an increased circulation and to insert a provision urging a means by which the circulation may be at any time diminished." But it seems to us that Mr. Whitney, in his dissent, does not take account of the arguments advanced by a majority of the Committee for the repeal of the $3,000,000 per month contraction limit. Such repeal the majority report describes as "the first and most important requirement." It is necessary, they go on to say, "so that the expansion and contraction will be automatic and governed by the surrounding situations. Under the present restrictions many banks are unwilling to issue currency for temporary and legitimate needs, which they would issue if they felt certain that their currency could be retired when no longer needed."

It will be observed from this citation that the majority of the Committee is not arguing for restrictions of the circulating medium per se, but rather for a reasonable opportunity for expansion and contraction as circumstances warrant. We do not think that Mr. Whitney would contend that in a time of slack demand from trade, when need of active circulating medium was at a minimum, the situation would be benefited by increase in bank notes outstanding, whether compulsory or voluntary. The entire theory of bank circulation takes into reckoning the supposition, at any rate, that notes will respond to trade requirements both in issue and retirement. The trouble with the present law is that it virtually says to bankers issuing notes, You may take out instantly all the circulation that you want, whether the trade demand for it exists or not; but you may not call it back again even for the sake of saving yourself from a loss on the bond collateral, except on conditions which will make the reduction process extremely slow. It is, we believe, a well recognized fact in banking that this restriction of the retirement privilege operates as a handicap against the taking out of circulation by the banks.

We cannot agree so heartily with the Committee's remarks on emergency circulation, which are as follows:

Emergency circulation could, within careful limitations, be safely permitted upon the actual deposit with the Treasury Department of securities acceptable to the Secretary of the Treasury. And upon such deposits circulation could be issued promptly to meet actual emergencies, which would not be possible if time were taken for the examination of general assets by the Secretary of the Treasury and Comptroller of the Currency. A tax of 6 per cent. per annum should be imposed upon such emergency circulation to ensure and hasten its return to the issuing bank; this tax to be set aside as a safety fund to secure the United States Treasury for the redemption of notes so issued. This emergency circulation should be issued without any distinguishing mark from other national bank circulation, except to substitute the words "secured by bonds approved by the Secretary of the Treasury," instead of the words "bonds of the United States" for being amply secured, there should be no discrimination against it beyond the 6 per cent. tax. To further liberalize the circulation, your Committee recommends that the United States tax on circulation should be uniform on the issue of currency based on all classes of United States Government bonds.

The mere question of a 6 per cent. tax on the emergency circulation, to insure and hasten its return to the issuing bank, is a fairly debatable matter. It is, we hardly need say, the system now pursued by the Imperial Bank of Germany, and in one form or another advocated by numerous commercial bodies here, including the New York Chamber of Commerce. The part of the Committee's plan to which we object is their proposition to allow this emergency circulation to be "secured by bonds approved by the Secretary of the Treasury." Our own feeling is that the Secretary of the Treasury has quite enough responsibility already thrust upon him which he does not court, and which as a public officer he ought not to have. Mr. Fairchild himself will recall his own remarks as Secretary of the Treasury regarding even so routine a matter as selection of Government depositories for a large public surplus. He then remarked, and very rightly in our judgment, that this was a responsibility which ought not to be put upon any officer of the Government. This is decidedly our view of the matter, and we should greatly regret to see such compulsory intrusion of the Secretary into the field not only of money market, but of security market activities. It is scarcely possible that the discretion allowed the Secretary under such circumstances would be wholly without influence on the market. But in so far as he had any influence it would embarrass the Secretary in his plans and place him in an inevitably false position.

We are glad to be able to concur without question in the rest of the Committee's report. Particularly we indorse the following clear and businesslike statement of the necessity for changing the law regarding Customs receipts. The Committee says on this head:

In the opinion of your Commitee the most serious need is the reform of the Sub-Treasury system in such wise that the money withdrawn from the banks for customs duties, as well as internal revenues, shall be deposited in the banks and thus be made available for use in the community from which it has been withdrawn. Such a reform could be inaugurated by giving to the Secretary of the Treasury discretionary authority to permit deposits to the extent of 50 per cent. of the capital and surplus of national banks of customs receipts as well as internal revenue receipts guaranteed by securities acceptable to the Secretary of the Treasury. Such an arrangement would render impossible the embarrassments which have frequently occurred as the result of Treasury accumulations.

The Committee might have added that the forbidding of such use of customs revenue in public deposits is an utterly obsolete inheritance from the days of paper money and Civil War, having no more reference to the needs or safeguards of the present time than would a statute regarding the price to be charged for gold in exchange for legal tenders.

The final recommendation that the tax on circulating notes should be uniform on the issue of currency based on all classes of United States Government bonds is a proper move toward uniformity. The law as it stands to-day, under the Act of March 14, 1900, provides that circulation based on the 2 per cent. bonds shall bear a tax of ¼ of 1 per cent. semi-annually, leaving for circulation based on bonds of other classes the old proviso that the issuing banks shall pay "in the months of January and July a duty of ½ of 1 per centum. each half year upon the average amount of its notes in circulation."

THE GROWTH OF THE PACIFIC STATES.

The fact that the bankers in their annual gathering convened at San Francisco the present year serves the excellent purpose of directing attention to the growth of the Pacific Coast States. The advance of this section of the country in population and in wealth and material prosperity has been no less striking or marvelous than that of any of the other remoter parts of the country. Governor Pardee, in welcoming the assembled delegates, spoke of California as the land where roses bloom the year round and nature always turns her smiling face toward him who trusts her for his sustenance—"the Western boundary of the United States, where the great Pacific sends his surges thundering to our very doors—the Great Pacific that soon will bear upon his calm untroubled bosom such argosies as trade and commerce have not seen before." The language is flowery, of course, but are the Governor's statements out of accord with the facts or are his suggestions of future prosperity too glittering and glowing? A careful survey of the situation, we think, warrants the assertion that there is no exaggeration in the Governor's remarks.

The progress made by California in its comparatively brief period of existence, and the development of Oregon and Washington within a still briefer space of time, have been simply wonderful. California received her first noteworthy impulse in material prosperity in the gold discoveries of 1848-9. She was admitted as a State into the Union on September 9, 1850, a little over fifty-three years ago. The Census of 1850 showed a population of only 92,597. At the Census of 1900 the number of inhabitants had increase to close to a million-and-a-half—1,485,053—and the population now, of course, is well above that figure.

The continued growth and development of the State is all the more significant, in view of the fact that the basis on which its early business activities rested, namely, the gold production, has been gradually dwindling in importance. For the twelve years subsequent to the discovery of gold in California up to and including 1861, her total gold product was, in round numbers, $670,000,000, an average of more than $55,000,000 per annum. For 1890, on the other hand, the value of the gold produced was only $12,500,000. In the more recent years there has been an increase in the annual output, but even for 1902 the gold product was valued at only $17,124,941, being considerably less than one-third the average of the twelve years up to and including 1861. Yet from 1860 to 1900 the population increased from 379,994 to (as already stated) 1,485,053, showing that while the gold discoveries furnished the occasion for the early start, the State's advance in the more recent decades has rested on broader and surer foundations—upon its agricultural, mineral and other resources. We shall give figures presently furnishing evidence of the State's progress aside from the increase in population.

What is true in these particulars of California is true no less of the States further to the North on the Pacific Coast—namely, Oregon and Washington. Oregon was organized as a territory on August 14, 1848, but was not admitted as a State until February 14, 1859. As recently as 1870 its population was only 90,923; the 1900 Census showed a total of 413,536, and there has been further decided gain since then. The State of Washington has a still more magnificent record. Organized as a territory on March 2, 1853, it was not admitted as a State until November 11, 1889. Even in 1880 the population was only 75,116. Twenty years afterward, in 1900, we find numbers increased to 518,103, and the three years since then have witnessed a development surpassing all previous records.

On May 9 next year it will be a hundred years since the formal transfer of the territory included in the Louisiana Purchase negotiated by President Jefferson—a centennial which the St. Louis World's Fair is to commemorate. Any one cognizant of the history of the Lewis & Clark Expedition sent out by President Jefferson to explore this new territory, which comprised a strip extending from the Gulf of Mexico to the North Pacific States, and who has read of the hardships and trials endured by those explorers, cannot fail to wonder at the marvelous transformation that has occurred in the hundred years since then. That expedition—as important and as full of perils as any ever undertaken in the world's history—required from the time of its start at St. Louis on May 14, 1804, to its return to the same point two years, four months and nine days. At the present time, with the network of railroads spanning the country, the journey can be made in a few days.

Many facts and figures could be cited to show the progress of the Pacific States. We shall have to confine ourselves to a few leading indications. First of all, to emphasize the growth of that part of the country in financial importance, we present the following table which we have compiled from our files, and which shows the total of the yearly bank clearings of San Francisco, Los Angeles, Seattle, Portland, Spokane and Tacoma for 1892, for 1894, and for 1901 and 1902. We have selected the years named because in 1892 the totals were pretty generally at the maximum reached up to that time, and the succeeding two or three years were a period of depression when clearings fell off in a marked way, while 1901 and 1902, on the other hand, constitute a period when gains were at a very rapid rate:

BANK CLEARINGS ON PACIFIC COAST.

	1902.	1901.	1894.	1892.
San Francisco.	$1,373,362,025	$1,178,169,736	$658,526,806	$815,265,486
Los Angeles...	245,510,095	162,378,060	46,897,766	39,208,109
Seattle	191,885,973	144,634,367	26,980,927	55,520,536
Portland	154,741,110	122,735,450	56,582,519	109,718,783
Spokane	88,469,202	58,856,224	14,058,318	....
Tacoma	75,739,840	50,622,549	29,095,641	48,011,206
Totals	$2,129,714,245	$1,726,306,392	$832,141,987	$1,067,724,120

Taking the six points collectively, we see that the aggregate of clearings in 1892 was roughly $1,067,000,000; that from this there was a drop to $832,000,000 in 1894, that 1901 saw the total up to $1,726,000,000, while in 1902 there was a further advance to $2,129,000,000. Every one of the points has shared in the wonderful upward movement, clearings at San Francisco in the eight years from 1894 to 1902 having risen from $658,000,000 to $1,-373,000,000; those of Los Angeles, from $47,000,-000 to $245,000,000; those of Seattle, from $27,-000,000 to $192,000,000; those of Portland, from $56,000,000 to $154,000,000; those of Spokane, from $14,000,000 to $88,000,000, and those of Tacoma, from $29,000,000 to $75,000,000.

Every one knows that the foreign trade of the Pacific Coast has been expanding in a very rapid way during the last few years. Figures on that point will be useful and instructive, and we have accordingly had prepared the following statement, showing the merchandise exports from the Pacific Coast for 1890, for 1895 and for 1902 and 1903:

FOREIGN EXPORTS FOR FISCAL YEARS ENDING JUNE 30.

	1903.	1902.	1895.	1890.
Puget Sound District, Washington†	$32,500,013	$33,788,821	$5,805,193	$3,320,775
Willamette District, Oregon‡	10,796,373	12,132,818	5,084,847	3,370,815
San Francisco, Cal....	33,502,616	38,183,755	24,873,148	35,962,078
Minor ports...........	809,880	734,201	280,324	1,765,832
Totals Pacific ports*.	$77,608,882	$84,839,695	$36,049,512	$44,419,500

* Not including Alaska and Hawaii.
† Includes Seattle, Tacoma, etc.
‡ Includes Portland, etc.

The figures cover the fiscal years ending June 30. It will be seen that in the late year there was a falling off of about $7,000,000 in the total (as compared with the high figures of 1902), due to a loss of $4,000,000 in breadstuff exports and a loss of $1,500,000 in the cotton exports, the latter occasioned mainly by a diminished demand from Japan. Nevertheless, the total after this reduction still stands at $77,608,882, as against $44,419,500 in 1890, and but $36,049,512 in 1895. Comparing 1903 with 1895 the Puget Sound merchandise exports have advanced from $5,805,193 to $32,500,013; the Portland exports, from $5,084,-847 to $10,796,373, and the San Francisco exports, from $24,873,148 to $33,502,616.

One other statement must suffice to complete our review of the progress of the Pacific States. In the figures above we have been dealing with the total of all merchandise exports. The wheat and flour exports, of course, play a prominent part in these totals. We have thought it would be interesting to show these wheat and flour exports by themselves for the latest year (that is, the twelve months ending June 30, 1903) as compared with the exports from the leading cities of the Atlantic Coast and the Gulf Ports and the Lakes for the same time.

WHEAT AND FLOUR EXPORTS FROM UNITED STATES.

	Wheat, bushels.	Flour, barrels.	Total in bushels.
Puget Sound District....	8,928,909	1,986,206	17,866,836
Willamette District......	8,657,932	808,604	12,296,650
San Francisco...........	8,549,954	872,941	12,478,189
Totals for Pacific Coast	26,136,795	3,667,751	42,641,675
New York...............	17,403,409	4,538,270	37,825,624
New Orleans............	17,836,356	1,111,362	22,837,485
Baltimore	6,847,262	3,168,668	21,106,268
Galveston	16,308,842	317,497	17,737,579
Philadelphia	5,361,407	2,704,963	17,533,740
Boston	6,429,178	1,061,772	11,207,152
Newport News..........	2,954,438	1,618,727	10,238,709
Superior	3,604,811	501,976	5,863,703
Portland	3,585,151	203,781	4,502,166
Chicago	2,850,725	27,806	2,975,852
Duluth	1,897,583	53,989	2,140,533
Mobile	48,955	263,929	1,236,636
Norfolk	154,319	145,479	808,974
Other	2,035,221	56,960	2,291,541
Totals	113,454,452	19,442,930	200,947,637

It will be seen that the shipments from the Puget Sound district alone of wheat and flour in the twelve months ending June 30, 1903, amounted to 17,866,836 bushels, a total exceeded by only three other points—namely, New York, New Orleans and Baltimore. In addition to the shipments from Puget Sound (Seattle, Tacoma, etc.), the exports from San Francisco were 12,-478,189 bushels, and the exports from the Willamette district (Portland, etc.), 12,296,650 bushels. Adding the three together we get a grand aggregate of 42,641,675 bushels exported from the Pacific Coast, which surpasses New York's total and also that of New Orleans and every other point in the country, the exports from New York in the same period of twelve months having been only 37,825,624 bushels; those from New Orleans, 22,837,485 bushels, and those from Baltimore, 21,106,268 bushels. Outside the three points named no other port in the country during the twelve months sent out as much as 20,000,000 bushels of wheat and flour.

With these evidences of past growth before us, is it too much to expect that future growth will be equally and possibly more rapid? It is idle to prophesy, but considering the evidences of activity and development which are so conspicuous on every side, the efforts making by railroads to build up vacant sections, the springing up of new centres of population, the multiplication of steamship facilities, the acquisition by the United States of its new island possessions like Hawaii and the Philippines, with which necessarily trade facilities will be cultivated—in view of all this is it too sanguine to expect that fifty years hence the Pacific Coast section will have assumed an even more advanced position in the march of commerce and trade? As Treasurer Ellis H. Roberts well said, the sea which was dominated in turn by the Phœnicians, the Greeks and the Romans "is a litle inland lake compared with the mighty ocean which connects the Occident with the Orient, which beats upon America and Asia and Australasia and holds in its lap islands upon which nature has lavished its most precious treasures." Given such advantages, can any one speak too confidently of the possibilities in store for the Pacific Coast States?

THE BUSINESS SITUATION.

By O. D. Ashley, ex-President of Wabash Railroad Co.

October 20, 1903.

The troubled waters of Wall Street, occasioned mainly by over speculation and the accumulation of unsalable securities, have hardly subsided, and the whole atmosphere breathed by the business community is still permeated by the vapors of suspicion. But the force of the storm has probably exhausted itself, and we are nearing if not already on the improving grade, although the process of recovery is likely to be attended by setbacks, and to be slow and gradual. For more than two years conservative men have vainly uttered warnings, only to be brushed aside as pessimistic in a period of undeniable prosperity. It is evident, however, notwithstanding these hasty rejections of unwelcome advice, that the warnings have been heeded by an intelligent part of the community, and the result has been a decided check to a multitude of ambitious speculative schemes.

This unwelcome visitation with its severe losses, while damaging in its effects not only upon the speculative ardor of the enthusiastic crowd of Wall Street operators, but likewise on general business, will probably avert a more serious and widespread disaster by checking the growth of unsound and unhealthy movements, which have been the most dangerous feature of the times. The consummation of the numerous schemes of promoters required the distribution of huge blocks of securities which conditions rendered unsalable. In consequence of this indigestible state of the market many holders who were caught with these securities undistributed have, instead of receiving handsome dividends, suffered materially, and their schemes have come to naught. Fortunately, the majority of the underwriters have been men of large wealth, well able to meet their guarantee, and to carry the burden of the securities they had assumed until a market could be found to absorb them. It is this peculiar allotment of a vast amount of property in capitalized form which is likely to save us from the disastrous results of its distribution among small investors, who could not have carried such a mass of unsalable securities without deplorable consequences. As it is, the task of carrying these enterprises in their newly capitalized and experimental form will remain with the originators and guarantors of the schemes. The process of development must now be undertaken by men of means, who can well afford to wait for practical demonstrations of value, which time only can furnish.

It is, of course, well understood that extensive movements in the field of speculation have not been confined to industrial stocks, although many of these belated schemes have figured conspicuously in recent troubles. The same imprudent disregard of financial conditions and the dangers of inflation has been displayed in railway combinations, by consolidation or ownership control, in bewildering succession and of startling magnitude. The lawsuit now pending against the Northern Securities Company interfered seriously with many proposed arrangements to control acquired properties; but the schemes of acquisition and concentration have continued through syndicates and other organizations, the final disposition of which may be influenced by the result of the Northern Securities litigation. Meantime some of these grand propositions remain in the first stages of formation and development, while distribution is checked by the adverse turn of the speculative tide. Here, again, the projectors, and in one sense the underwriters, who have furnished the capital for these huge undertakings, have been obliged to hold their investments and to wait for more favorable opportunities of distribution.

It thus appears that, to a very large extent, the difficulties of the situation caused by the recent speculative reaction have fallen upon those who can bear the reverses without causing widespread disturbance. Unfortunate and unwelcome as this responsibilty must be to the parties involved, it is infinitely better for the business community than the infliction of such losses and the placing of such burdens upon a host of small operators and investors. The adjustment thus forced upon the originators and supporters of these incomplete schemes will possibly save some of them from utter failure, while those of substantial merit will eventually recover from their temporary difficulties.

The continued depreciation in the market value of securites, which have for several years been gradually absorbed by the investing public for income on savings, has, of course, occasioned loss to holders in the changed valuations, and many small speculators have doubtless been caught in the shrinkage; but these are small disasters compared with the burdens which have fallen upon underwriting syndicates, the members of which have been called upon to pay up and carry the dead weight of stagnated undertakings.

The trouble in the present instance is claimed to have arisen from a heavy demand upon involuntary buyers, obliged to redeem their underwriting pledges. Forced thus to assume obligations, they have necessarily turned salable securities into cash to meet their engagements. This is a prominent cause of the "forced liquidation" which has disturbed the Stock Exchange.

Confidence, which is vital in all progressive movements, and especially in financial undertakings, has been rudely shaken, and it will require months of soothing and encouragement to restore the equilibrium thus disturbed. It will come, nevertheless, and with much less shock and disaster than would have followed in case of a wide distribution of the unsalable securities. The pressure of liquidation has been heavy upon those who could bear it, not, of course, without feeling its severity, but with much less of trouble and distress than would have resulted from a successful manipulation of the stocks and their absorption by comparatively weak holders.

The conclusions naturally to be drawn from the foregoing propositons are: that the crisis in our commercial, industrial and financial affairs will be much less severe and of much shorter duration than would have followed a collapse after unchecked expansion.

The substantial facts, which have been the foundation of our prosperity during the last six or seven years, remain and must come to our relief as soon as uneasiness and alarm subside; but, meanwhile, we can scarcely hope to escape a period of moderate contraction in all branches of business and industrial enterprise commensurate with the violence and extent of the interruption. Men hesitate to embark in new projects under the chilling effects of a falling stock market, and even contemplate less in the way of extension and improvement in going concerns. In short, the whole tendency of such visitations is to suggest caution and moderation, and these influences alone will restrict enterprise and limit activities. If, however, the causes of the interruption are temporary the recovery will be the more rapid, and the lesson taught by the experience of the year will have beneficial effects. In this point of view the condition of the country, its productive resources and its industrial prospects become unusually interesting and deserve careful consideration. Admitting the probabilty of some diminution in the volume of trade and manufacturing industry, which will be neither permanent nor seriously injurious, it will be difficult to find anything else of a discouraging character. Crop conditions, which are of vital importance, are, upon the whole, quite favorable, and the demand for the products of manufacturing and mining industry will increase again as soon as confidence in our financial situation is fully restored. If this proves to be a correct diagnosis of the case, we shall simply have passed through a process of repair and restoration, much to our permanent advantage.

Statistics of our foreign trade show a decline in the volume of exports and a considerable increase in imports; but the balance is still largely in our favor, even in the declining stages of our export trade. For the seven years ending June 30, 1903, the exports show a balance over imports, in round numbers, of $3,500,000,000, and in the quarter ending September 30 the figures give us a further considerable increase.

Whatever the disposition of this great trade balance may have been, whether in the payment of our bonded indebtedness to Europe, or in cancellation of the loans of foreign bankers in aid of our industrial schemes, it must enure in some shape to the advantage of the country. It is a solid credit in some form and is distributed through the country in the ratio of production. There is no escape from this conclusion. A sound argument may be founded on this in favor of the stability and soundness of the producers and manufacturers. It is equivalent to a guarantee of solidity and strength, which should remove all forebodings of the effect of our recent bubble explosion.

The gross receipts of railway traffic are large, and, although somewhat irregular, continue to show a satisfactory increase even over the great traffic of the previous year. In net earnings, however, the comparison is less favorable, owing to the increase in operating expenses and the higher prices of materials used in construction, maintenance and repair. The remedy will doubtless be sought in higher rates of transportation.

Labor disturbances are one of the most, if not the most serious, of the obstacles to a revival of business prosperity. They interfere with progress in every direction: building is arrested in the process of construction; factories close their works and trolley cars struggle feebly through the streets, or cease running altogether; and the strike mania seems to have seized the laboring classes just when the continuance of prosperity appears doubtful. Adjustment will doubtless follow vexatious and expensive delay; but just now, when shrinking values create alarm and distrust, and when severe losses suggest inaction and economy, the demands of labor appear untimely, as well as unreasonable. Eventually these labor questions will be settled upon the principle of "live and let live." Any addition to the prevailing distrust is distinctly injurious to the interests of the workingman, and it is, to say the least, unfortunate that alleged grievances should be urged so persistently at such an inopportune time. No reasonable man objects to the proposition that labor should fairly participate in the prosperity of the country; but the question of division requires careful examination, and to be permanent must be equitable. Any other method of solving the labor problem will prove lacking in efficiency and permanence. Bankers, merchants, manufacturers, miners and workingmen should unite in the support of measures calculated to restore confidence.

Legislation by Congress in regard to so-called "Trusts" has been rendered superfluous by the automatic operation of natural law. The great tendency in the formation of these combinations, as well as the principal objection to them, is the claims made of overcapitalization of the industries consolidated. At fair valuations of the properties no reasonable objection could be offered to such combinations; but to give a fictitious value to them, and then to share this fictitious capital with promoters and underwriters, with the expectation of influencing a distribution of the watered stock to a credulous public, and thus to secure enormous profits, required unscrupulous methods and ingenious manipulation. The disastrous failure of many of these inflated concerns brought the promoters to a sudden halt, and at the same time, closed the market to those well under way. It is in carrying out their engagements with these last named that the underwriters are now troubled. The "Trust" problem has solved itself. Legislation will be unnecessary unless to bar the way to future speculations of this character.

One of the most conspicuous evidences of the discriminating character of the recent break in security valuations is to be found in the condition of the money market, which at no time since the decline commenced has shown any tendency to panic. Rates of interest have been higher and discriminating on time loans, but an abundant supply has been available on call at from two to three per cent. upon satisfactory collaterals.

As a matter of fact, we have passed through much of the crop moving period, during which some disturbance is generally anticipated in New York, without the usual draft upon Eastern balances; this, of course, is in part due to the lateness of the crops and in part to the fact that the Secretary of the Treasury is depositing Government funds in interior cities wherever he finds evidences of a need. But the entire absence of panic in the money market is a convincing proof that the interrupted speculation and falling prices are not founded upon weakness or impending trouble in the general business situation. The small number of mercantile failures also attests the soundness of trade conditons, and there are no visible signs of serious trouble in legitimate business operations. Hence the pessimistic conclusions, hastily formed, in regard to the future prosperity of the country, are not warranted by the facts of the case. The truth is that real and substantial prosperity has, unfortunately, had an exhilarating, not to say intoxicating, effect upon the oversanguine classes of the community, and the result has been overspeculation and inflation in every direction available to the enterprising agents of schemers and promoters. The reaction, which has been progressing, and from the effects of which we are still suffering, is a severe but wholesome check to the wild and extravagant movements which threatened real disaster. The episode, unpleasant as it may be to the interests involved, should be considered as a relief and not as a menace.

An unprejudiced view of the case will lead to the conclusion that instead of interfering with the real prosperity of the country, the restraint placed upon speculation will prove to be highly beneficial. If this is a correct view we are justified in expecting an early renewal of business activity upon a substantial and permanent foundation.

THE WORK OF THE CONVENTION.

That the American Bankers' Association is steadily growing in importance and influence is attested not only by the increasing interest shown in its annual conventions, but also in the steady enlargement of its membership. This last is becoming a feature of such decided prominence as to merit special comment and emphasis. The Secretary of the Association, Mr. James R. Branch, reports that in the thirteen months from September 1, 1902, to October 1, 1903, there was a net addition to the membership of 826, and he states that this is the largest number of banks ever added to the rolls of the Association in the same space of time.

The total of paid membership on October 1, 1903, is given as 7,065. Over seven thousand members is certainly an imposing list, and the record is the more noteworthy in view of the circumstance that the growth has occurred mainly during the last few years, as becomes evident when comparison is made with September 1, 1895, and it is found that the total of paid membership at that time was but little over fifteen hundred—1,570. What is still more significant, however, particularly as illustrating the magnitude of the financial interests represented in the Association's membership, is the fact that the aggregate capital, surplus and deposits of the members is given by Mr. Branch as $10,547,230,405. Think of a bankers' guild or organization which has behind it 10½ thousand million dollars!

Next to the report of the Special Currency Committee appointed at last year's convention, and which we review at length in a preceding article, the action and developments of most consequence were those in relation to the proposition to have the Association engage in the fidelity insurance business for the purpose of bonding employees and the plan for a general money order system. The suggestion that the Association do its own fidelity insurance was strongly advocated in an exceptionally able report by the Committee on Fidelity Insurance. The Committee on Fidelity Insurance was established some five years ago and has rendered services of great value to the members of the Association. Rates for writing bonds have been considerably reduced as a result of its efforts, and the Committee also some time ago copyrighted a form of bond which is now very extensively used and which, it is admitted, contains many advantages over any form of bond previously in use. The Committee thinks that the time has now arrived when the Association should do its own bonding business. In its report, therefore, it recommended that the Association establish what was to be known as the American Bankers' Guaranty Fund, under the management of a Board of Trustees to be appointed by the Executive Council, to guarantee the fidelity of the employees of banks which are members of the association. An amendment to one of the articles of the constitution was offered with the view to creating this "American Bankers' Guaranty Fund."

In support of its contention the Committee pointed out that the members of the Association are now carrying $133,705,570 in bonds and are paying annual premiums of $388,779 against a loss averaging for the past ten years not to exceed $45,000 per annum. In view of such figures the Committee felt that the bankers of the United States are paying an excessive rate for this class of insurance. The Committee is convinced of the practicability of such a plan, saying:

"It is not an untried experiment, for it has been in practical operation in England for thirty-eight years under the Bankers' Guaranty & Trust Fund, and for thirty-seven years under the Colonial Trust Fund. The number of employees bonded in the Bankers' Guaranty & Trust Fund is almost identical with that of the membership of this Association. The average losses in this country vary only seven cents on the $1,000 from that in foreign countries, as shown by statistics gathered by this committee.

In addition to these companies we have the evidence of the Union Bank of London, which established a fund in 1890; the London & City Midland, which established a fund in 1889; the Bank of Scotland's Guarantee Fund, established in 1869; Glynn's Guarantee Fund, established in 1865, and the Bank of England Guarantee Fund, established in 1841. All these funds have and are being successfully managed and are highly recommended by the leading banks of England, and in our own country we have the Adams Express Company and the American Express Company, who bond their own employees.'

As it happened, though, these suggestions of the Fidelity Committee were opposed by the Executive Council. The result was that the report led to very extensive and active discussion, and that the proposition, after long debate, was eventually defeated—at least for the present, as may be seen by reference to the detailed report of the proceedings which we give on subsequent pages. It was argued, and apparently with much force, that owing to its importance, the matter should go over for another year for further consideration. A motion, however, to refer the proposed amendment to the Executive Committee was lost by 120 to 138. The proposal to amend the Constitution so as to allow of the formation of the surety arrangement proposed, also failed to carry. The vote in this instance was 133 yeas to 98 nays, but as constitutional amendments require a two-thirds vote this majority was not sufficient for the adoption of the amendment. It is obvious that the matter is not to be allowed to rest here—unless indeed the fidelity companies should greatly reduce their rates—for the Convention the next day adopted a resolution continuing the existence of the Fidelity Committee.

The other important step taken at this year's convention was the vote in favor of a plan for a general money order system. This is a subject that has excited active discussion in the past, and Mr. L. P. Hillyer, Cashier of the American National Bank of Macon, Ga., read an instructive paper on "Money Orders of Bankers' Associations," in which he dealt with the extent and profitable nature of the business. He pointed out that the Post Office now does a daily business in money orders of over $1,200,000, averaging about $7 per order. As to the express companies, he cited figures to the effect that in the year ending December 31, 1899, money orders were sold by all express companies to the number of 10,135,052, aggregating a total amount of $120,040,277. These express money orders averaged $11.84 per order, and the average rate was 10 cents per order. Mr. Hillyer noted that it was estimated that a clean profit of $3,000,000 is annually made by the Government and the express companies in the selling of these orders; and the business is steadily growing. The meaning of the action of the convention is that the banks in the Association will have a uniform bank money order system, and will compete in business with the express companies and the Post Office. The idea is to put into effect a reduced fee schedule and to make provision so that a bank money order may be cashed at any bank in the country. The point of greatest difficulty will be how to make such money orders safe in every contingency. As Mr. Hillyer well said, the most successful Bank Money Order System ever devised, or that can ever be devised, will ultimately fail if an occasional order is allowed to go to protest.

Brief reference may be permitted to the annual address of the retiring President, Mr. Caldwell Hardy, President of the Norfolk National Bank, of Norfolk, Va. This address was in admirable taste and form. While Mr. Hardy's remarks were necessarily general in their nature, they covered quite a variety of topics, and were in harmony with the generally accepted views of those best qualified and experienced to form correct conclusions on the subjects touched upon.

The papers read at the convention all dealt with timely topics, and most of them were of wide and general interest. They were also of an unusually high order of merit. We can recall no Convention that excelled in this respect. Treasurer Ellis H. Roberts spoke at length on "The Effects of the Inflow of Gold," and furnished an interesting array of figures in support of his thesis. Mr. William B. Ridgely, Comptroller of the Currency, in his discussion of "The Business Situation and the Currency," took a broad view of the existing reverses in financial circles. He argued with much force that the great prosperity in business which the country has enjoyed in recent years has been based on the very best foundations—that it has been the result of the most legitimate causes and forces, and that all these are not only still in operation, but give every evidence of continuance. He also took occasion to point out that it is a mistake to suppose that Wall Street alone is to blame for the troubles that have occurred or that Wall Street alone is to suffer from their effects. In his opinion it may be necessary "to pause a little to get our breath after the pace we have gone, but if there is any serious check it will only be because we have lost our nerve and courage." Nor can we omit mention of the address by J. E. McAshan, Cashier of the South Texas National Bank, of Houston, Texas, on "The Money Supply of the United States." This was an eloquent discussion of the subject which is attracting so much attention, though Mr. McAshan's views do not accord entirely with our own.

It is significant that all these speakers, as well as President Caldwell Hardy, dwelt upon the great increase in the money in circulation in the United States which has occurred in recent years, and the most of them seemed to think with Mr. Hardy that "we have had, so far, all the currency we have needed, and that an increase of it just at this time would lend a further undesirable stimulus to speculation." An entirely different attitude appears to be held towards propositions for an emergency circulation to cover needs on special occasions or at special seasons of the year, Mr. McAshan in particular having urged provision for such circulation.

THE SAVINGS BANK SECTION.

The present was the first annual meeting of the Savings Bank Section, it having been established at last year's Convention of the American Bankers' Association. In the brief period of twelve months which have elapsed since then it has developed into a body of considerable power and influence, forming an important addition to the Association and furnishing a new source of strength to the same. One would have hardly supposed that the new Section could so quickly have become a demonstrated success. The Secretary, in his report, was able to state that the membership now numbers 548, representing about half the savings banks in the United States. A more creditable showing than this was hardly possible. The success achieved is due altogether to the indefatigable efforts of the Executive Committee and of the tireless Secretary of the new Section, Mr. William Hanhart, who went ahead with great vigor and persistency to secure new members and to carry out the work of the new Department.

The papers read at the Convention and the deliberations and discussions on the floor offered evidence, too, that in the Savings Bank Section a field of great usefulness has been opened up. The papers were all pertinent to the work of the body, and they bear indications of having been prepared with care and deliberation—not hastily or perfunctorily, as happens when the task is delayed too long.

Mr. Willis S. Paine, ex-Superintendent of Banking of this State and now President of the Consolidated National Bank of this city, contributed one of the papers. His theme was " Savings Banks that Have Failed." Out of his abundant experience he was able to furnish some pointed instances of bank failures, and to make certain valuable generalizations as to the causes of such failures, and the precautions to take to prevent their recurrence. An allusion in his address to the possibilities of the growth and development of Socialism has excited wide comment, and subjected him to much adverse critcism. Mr. Paine believes that Socialism is a coming danger in this country—that to a material degree it will be the " ism " of the future. He refers to the magnitude of the immigrant arrivals and to the fact that a great change has occurred in the character and composition of this foreign influx. The greater portion of the immigrants now consists of classes which do not readily adopt our customs. They are of a low order of intelligence, fitted only for low grades of manual labor, the American spirit is foreign to them, and they are " non-assimilating." Adverting to the talk in financial circles concerning " undigested securities," he declares that quite as great an evil in the body politic is liable to follow from what may be termed " undigested aliens."

From this bare reference to the matter, one might perhaps be warranted in concluding that Mr. Paine's remarks on the point in question were not strictly germane to his theme. Careful reading of the whole paper, as we publish it on subsequent pages, will serve to correct erroneous impressions on that score. We are not of those who sniff danger from the source indicated, but it is well that the reader should understand that Mr. Paine's argument is a connected one throughout, and that his reference to Socialism fits in perfectly as a part of it. Mr. Paine has a high and lofty idea of the functions and usefulness of savings institutions. He would foster their growth and encourage their use, and he would have the State safeguard and protect the interests committed to their care. He points out that savings banks are a latter day institution, which fact is evidence that in the development of the world's civilization the moral and material keep each other company, and progress to a common end.

Any institution, he well says, that encourages frugality and provides means for the safe keeping of savings serves a better purpose in inducing provision for the future than do almshouses for the improvident. He regards savings banks as " bulwarks against Socialism." In this sense he thinks the action of the Legislature of New York State, year before last, in levying an annual tax of one per cent. on the surplus and undivided earnings of savings institutions was a mistake. He also notes that outside of New York and New England there are but few States where fully protective savings bank legislation exists. If, therefore, Socialism is to be the " ism " of the future, as he fears and predicts, he would oppose to it patriotism and wise and remedial legislation. This in substance is his argument, as we understand it, and whether or not one agrees with him, in his premises or his conclusions, no fault can be found with the general nature of the advice he gives.

The paper of Secretary Hanhart on " Trust Accounts in Savings Banks " was both interesting and instructive. It contains some sound and sensible suggestions on the subject discussed and which cannot but prove helpful to those administering savings bank affairs. The hints given furnish an excellent illustration of the advantages which follow from mutual association with the resulting interchange of experience.

The paper of Mr. Charles E. Sprague, President of the Union Dime Savings Institution of this city, entitled " Some Thoughts on Bond Accounts," is also one the perusal of which must prove profitable to every bank official, and in fact to all those who have occasion to make bond investments. Mr. Sprague discusses the treatment of accrued interest, and also the proper way to deal with the premium or discount on bonds purchased at a price in excess of or below par. He objects to the practice of annulling premiums and discounts in such cases and treating them as nonexistent. He points out that many institutions of high standing state all their bonds at par, charging off at once to profit and loss all premiums paid, but argues that such a course is not correct. As a bank at each recurring interest date recovers part of the premium paid through the excess of interest which it receives on the par of the bonds over the interest yield at which the bond was purchased, he would charge off the amount of the difference, thus gradually diminishing the premium, until at maturity the bond would stand on the books exactly at par. It appears to us that this method is the correct one. No one interested in the subject can afford to pass Mr. Sprague's paper by.

Mr. Lucius Teter, Cashier of the Chicago Savings Bank, in speaking with reference to "Savings Bank Advertising," expressed the opinion that savings banks *should* advertise, and in most cases *must* advertise to enable them long to continue a steady growth. He argued, however, in favor of dignified advertising. "Don't publish a list of your directors in the local paper or put a card in the church calendar and a picnic program, and let it go at that. Rather carry out a definite policy of publicity, manfully telling the people who you are, where you are, and what you can do for them." He believes, furthermore, that savings bank officials should keep in close touch with their depositors. This last, of course, is a condition hardly possible in a large city like New York.

Mr. Fred. Heinz, President of the Farmers' and Mechanics' Savings Bank of Davenport, in treating of "The Dangers Threatening the Savings Banks," had in mind mainly the possibility of the establishment of Government Savings Banks. He well said that to keep the present savings banks in popular favor, it is absolutely necessary that the greatest safeguards be provided for the safety of the deposits. Some of the suggestions he made to that end showed that his viewpoint was that of the West. He offered a motion that a committee of three be appointed to report on the statutory enactments of the savings banks in the different States, with the view to preparing a general bill that might be used in all the States, to be presented for consideration at the next annual Convention. A bill equal to meeting the diverse and varied requirements of every one of the States would seem not easy of attainment, but the Convention adopted the resolution, and the Committee of three has accordingly been appointed.

THE TRUST COMPANY SECTION.

The Trust Company Section continues to show growth the same as the other departments of the American Bankers' Association. Secretary Branch reports that while 16 companies have withdrawn during the year, no less than 103 new members have been added to the rolls, affording a net gain of 87, and raising the total membership from 414 on September 1, 1902, to 501 on October 1, 1903, an increase for the thirteen months of 21 per cent.

One of the most important reports submitted the present year was that of the special committee appointed last year to devise a system for the audit of Trust Companies. This committee has found it impossible to formulate a general plan, but has, nevertheless, rendered useful work and offers some valuable suggestions. It appears that there are few Trust Companies that have auditors strictly so-called—in New York City not any. Each company has periodical examinations made either by a committee from its Board of Directors or by an expert accountant or audit company employed for the purpose. The methods of the Trust Companies vary greatly, though all strive to accomplish the same result. The reason why it has been impossible to formulate a general plan is that a system suitable for a large Trust Company, carrying on a general Trust and banking business in New York or Chicago or other large city, would be practically useless for a small company carrying on a Trust business pure and simple in a small town. Speaking generally, the committee says it may be declared that the business of each Trust Company differs from the business of the other Trust Companies; that nearly every one has its specialties and that these differences are so very wide and so very marked as to cause the greatest variety in the methods of keeping accounts, records, etc.

While, however, the committee could not carry out the instructions to formulate a general system or plan, it gives the members of the Trust Company Section the benefit of the information gathered by it, and appends the separate suggestions of three auditors—namely, E. C. Jarvis, of the Northern Trust Company, Chicago; T. R. Robinson, of the Fidelity Title & Trust Company, Pittsburgh, and of Claude Hamilton, Assistant Secretary of the Michigan Trust Company, of Grand Rapids. The committee also makes suggestion as to the adoption of certain elementary safeguards which can be utilized by all Trust Companies, large or small, such as that bookkeepers be frequently shifted and that the custody of all securities should lie in two officers, neither having access to the securities unless accompanied by the other.

Only three papers were read before the Trust Company Section this time. One was that of Lyman J. Gage, ex-Secretary of the United States Treasury, and now President of the United States Trust Company, of this city. Mr. Gage's subject was "The Problem of Wealth and the Trust Company as Trustee." He pointed out that when a man becomes possessed of wealth he frequently learns that wealth is a burden and often a heavy one. He discovers an innate tendency in accumulated treasure to take unto itself wings; he finds that money flies as well as "talks;" he is apt to learn how easy it is to lose in an hour the careful savings of months and years, and he begins to realize that when he loans *money* he is apt to borrow *trouble*.

In his charities he finds that he has become "a kind of human Providence to a dependent group, for the members of which, in varying degrees of duty, it is his pleasure to extend a protecting and helping hand." Sooner or later the obligation must be discharged to make a wise disposition of his fortune, and Mr. Gage argues strongly in favor of using the Trust Company as administrator, executor, or guardian or trustee. "Enjoying perpetuity, it is not subject to the vicissitudes of death; controlled by the provisions and limitations of its charter, it is kept by the strong hand of the law within the limits of conservative operations. Presumably managed by a competent Board of Directors, the beneficiaries of the Trust have the advantage of the collective wisdom of experienced men, and in financial matters 'in a multitude of (experienced) counselors there is safety.' Inspected by independent officers of the State, any wrong doing by the officers of a Trust Company cannot long remain undiscovered. Possessed of ample capital, the beneficiary is guaranteed against loss through errors of willful dishonesty. Moreover, the Trust Company in managing many estates can do so with an economy not possible to individual trustees."

Mr. Philip S. Babcock, the Trust Officer of the Colonial Trust Company, of this city, talked about "Escrows: A Varied and Profitable Feature of Trust Company Business." He dealt with escrows not in a narrow and restricted sense, but in the larger scope in which they have come to be used in recent years, such as in corporate reorganizations or yet again in the organization of new companies where a Trust Company is selected to hold the stock in escrow and deliver it as sold. He points out that in this last instance there is always the danger of the Trust Company being held liable for the representations and promises contained in circulars and prospectuses even when its services have been limited to distributing such papers. He also gave illustrations of the numerous amount of work and the multitudinous details often involved in the large consolidations which have become a feature of the day. His remarks were along a new line and decidedly interesting.

The third paper was that of Mr. P. C. Kauffman, of the Fidelity Trust Company, of Tacoma, Wash., on "The Trust Company Movement in the Pacific Northwest." Like Mr. J. Dalzell Brown, of the California Safe Deposit & Trust Company, in a paper read last year, Mr. Kauffman was obliged to point out that the Trust Company had not yet become a recognized institution on the Pacific Coast in the sense that it has become such here in the East. He declared that to give the history of the Trust Company movement in a section of the United States in which it has but started is almost as difficult as to write a biographical sketch of a new born infant.

Of the three States comprising the Pacific Northwest, Oregon, Washington and Idaho, but two of them, Washington and Idaho, have enacted legislation regulating the organization and management of Trust Companies, and these laws are of too recent a date to admit of any judicial construction or practical experience as to their adaptability and value. He gave, however, a description of the Trust Companies organized under the general corporation laws of the States referred to, and showed that they have made considerable advance, despite the many drawbacks to their development which have existed.

Mr. Kauffman depicted in glowing terms the possibilities opening up to the Pacific Northwest, and laid great stress on the fact that in the development of the commerce of the Pacific Coast the opportunities for usefulness for the Trust Companies in that section will be very great. Upon these Trust Companies will ultimately devolve the work of financing the great enterprises that will open up the abundant riches and resources of that part of the country.

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Farmers' and Mechanics' National Bank..................... 1598
Fourth Street National Bank... 1598
Girard National Bank........... 1703
Girard Trust Co.....Inside Front Cover
Lybrand, Ross Bros. & Montgomery 1586
Philadelphia National Bank..... 1599
Smith (Edward B.) & Co......... 1599
Sterrett (J. E..)................ 1587

PITTSBURG, PA.

Carothers (James) & Co......... 1704
Hill (Geo. B.) & Co............. 1705
Holmes (N.) & Sons............. 1704
Robinson Bros.................. 1704
Robinson & Orr................. 1704
Union Trust Co................. 1705
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Ladd & Tilton.................. 1568
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BANKING SECTION

AMERICAN BANKERS' ASSOCIATION.

29th Annual Convention, Held at San Francisco, October 20, 21, 22 and 23

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The Business Situation and the Currency.

By WILLIAM B. RIDGELY, Comptroller of the Currency.

During the years of very active and prosperous business which we have had since the country began to recover from the depression following the panic of 1893, there has been a very marked improvement in the fundamental condition of our people and the amount of both capital and wealth they have produced and saved. This is especially true among the farming and producing classes, who have not paid off a vast amount of debt, but have accumulated money and property of all kinds to a greater extent than ever before. There has been a great increase in the volume of money in circulation among the people, and there is more money in the banks to their credit. Since 1896 there has been a greater increase in the amount of money in circulation than during any other like period, and about 80 per cent. of this increase has been in gold. We are continuing to add about eighty millions a year to our gold in circulation and about one-half of all the currency in circulation is gold. Our prosperity in business has been based on the very best foundation. It has been the result of the most legitimate causes, and forces, and all these are not only still in operation, but give every evidence of continuance. As is always the case, however, in such times, this movement of activity has been accompanied by a large amount of speculation, not only in stocks, bonds and securities, but in many other lines, and credits have become more and more expanded. In stock speculation and promotion especially we have gone too fast, with the inevitable result of a serious collapse, and such a decline in prices that people are becoming alarmed and beginning to ask if this may not end the whole movement of prosperity. This causes doubt and increasing hesitation in business circles. There is also a demand for financial and currency legislation, or governmental aid in meeting the situation as it exists at the present time. While these important questions are all more or less connected and interwoven, the business situation is not to any very great extent due to currency or financial causes, and it is not to legislation we should look for permanent relief. If we had a better, and especially a more elastic, currency system, we might have been spared from some disturbances. If the surplus revenues of the Government had not been taken out of general circulation, there might not be so much fear of a tight money market. But, on the other hand, if there has not been the most absolute confidence in the soundness of our currency, the disturbances in the markets for securities of the past two years would probably have spread very much farther, and doubtless ended in a serious crisis with severe industrial and commercial depression. If there had not been a large surplus revenue and plenty of money in the United States Treasury, the Secretary might not have been able to render the assistance he has to the money market on several occasions when he checked trouble due to causes entirely apart from all questions of currency or governmental finance. It is true that there are some changes in our Government financial system and paper currency which are needed and which might be made to very great advantage. If they were in force, these changes might now be very useful, but this situation is not due to the lack of them. We should make such a change in the collection and disbursement of the National revenues as will prevent the withdrawal of vast sums of money from business just when most needed. There is nothing so sacred about Government funds that they should not be handled through the banks like other people's funds so they would produce the least possible derangement of business. If any of the great corporations should handle its funds as the Treasury of the United States does and lock up such a vast sum of cash in its own vaults, legislation would immediately be demanded to stop it. We should at once pass such legislation as is needed to have the Treasury stop it and let money and business alone as much as possible. The less the Government has to do with business and business with the Government, the better for both.

I am a thorough believer in currency reform and agree with those who wish to see the greenbacks retired, the silver withdrawn down to the point which is practically subsidiary coinage or currency, leaving nothing in circulation but gold, as coin or certificates, and a real bank note circulation by gold reserves with such regulations for issue and redemption that it would be a matter of indifference to the banks whether their credits remained with them as deposits or were circulating as notes. This is the only true solution of our currency matters, and I hope to see it some day accomplished. This, however, is a thing which can only be gradually done, and has little or no practical bearing on the present business situation. We have another very different system in force, and it is with it we have to meet and cope with our present problems. It has two very great advantages. Our people are used to it, and have had no experience with any other. Only the veterans in business remember anything different. Its greatest advantage is, however, its absolute safety and soundness. Realize what this has meant in the last year or two, and especially in the last few months. If there had been the slightest doubt or uncertainty in regard to any of our currency, our standard of value, or our national finances, the squalls we have thus far stood so well would have developed into a cyclone that would have swept the whole country, leaving ruin and disaster on every side. It is a very good system which resists such strains, and there is great force in the argument that this is not the time for any very radical change if we should now attempt any at all. What is needed now is business sense and good judgment, not legislation. We may need currency legislation as we have needed it for years, but it is not to meet this situation, and there is no use to delude ourselves with the hope that legislation will help us out of trouble due to overexpansion and speculation. We need all the reserve money we can get, but legislation will not produce it. We must wait for the accumulation of gold, the only real reserve money. It will be no real help to make a further large increase in bank note circulation and no one would think of adding to the volume of the greenbacks. No legislation can change fixed capital to productive capital. That is merely a question of time, and there is nothing to do but to wait for it.

There is also a tendency toard recrimination and placing the blame for present business conditions on some one else; for one section of the country to blame another; for the West to say it is all the fault of the East and Wall Street. Some very foolish people say they are glad to see the speculators lose because they alone are to blame and the rest of the people will not be hurt. There can hardly be any more mistaken view than this: There is no man, woman or child in the civilized world so poor, so remote, or obscure as not to be more or less affected by the large movements in the financial centers. Very recently I have known personally of enterprises in the mountains of North Carolina, in California, in Hawaii, in Alaska and in the Philippines whose proposed operations have been curtailed on account of the uncertainty of the money market. The result is that the amount of money to be spent for wages and supplies among people so widely separated in different parts of the world has been reduced, and these people who, if they have ever heard of such matters, regard themselves as far beyond their reach and influence, have been directly affected in the amount of their wages and incomes and the prices of their products. These are only examples of thousands of similar cases, and no one can say he is not concerned. The ramifications of business in all parts of the world are so intricate and far-reaching that what affects the money market in any large way reaches us all. It is true that there has been overspeculation, much of it wild and foolish; some of it fraudulent and dishonest. It does no good, however, to scold and blame the speculator. He always follows and participates in such a movement and always will until human nature changes. The purely gambling speculation on margins is only the fringe of the great trading and dealing in stocks and securities in Wall Street, which is a necessary part of modern business. Do not misunderstand me as defending or even excusing this speculation. There is entirely too much of it, and too many business and professional men, bankers and bank officers, have been tempted and acquired the habit of speculation during the last few years of rapidly advancing prices. It should be stopped if there is any way to do it, and you, as bankers, can do as much to discourage, if not prevent it, as any one can. This sort of speculation, however, is not by any means a chief or leading factor in the situation. The whole movement since the revival in business came has been more or less speculative, and just as business has been unduly depressed and prices lower than they should have been, we have gone to the other extreme. Wall Street and the speculators are perhaps not so very much more to blame than the rest of the country. Where is the man or the bank entirely free from sin to cast the first stone? You may not speculate on the Stock Exchange, or underwrite promotions, but it will be hard to find the bank whose officers or chief customers are not in some local promotion or combination which is more or less speculative. Properly enough, too, in many cases perhaps, for it is often one of the best services a bank can render its own community to encourage local enterprises which are legitimate, and which are to be in honest and competent hands. The strongest claim which is made for our system of locally owned, independent banks is that they develop local institutions, and are able to lend their credit to worthy local enterprises and deserving men where personal knowledge of the moral risk justifies credit which would not otherwise be granted. The interests of the whole country are so bound up together that no one section can truthfully say we have plenty of money and can take care of ourselves no matter what happens in Wall Street. The manifestations, of course, come in the financial centers, where there are daily quotations of prices and rates of interest and weekly statements of bank conditions, but people in all parts of the country are doing business and lending or borrowing money in the financial centers, especially in New York. Every day there are transactions and negotiations there affecting widely scattered parts of the country, and no one can tell how soon or to what extent these may influence his own business, the returns on his investments, his savings account, or his insurance policy, the market for the products of his farm, his mine or his factory, the sale of goods from his store or his wages, and the cost of living for his family. No one is so isolated or self-contained as to be entirely free from the effects of any important financial change or disturbance.

This is no time for any feeling or discussion between different sections of the country, classes of people, or lines of trade as to who is most to blame or who can stand it best. We are all face to face with the situation and equally interested. It is no time for passion or excitement, panic or fear, but for quiet, calm consideration, courage and firm action based on good judgment and conservatism. Considering all the circumstances and the pace at which business has been going for the past few years, it is not so surprising that there has been such a decline in the prices of securities, but rather that the country has stood it all so well, and that there has been no panic, so little trouble with the banks and so few failures. There could be no clearer demonstration of the inherent strength of our conditions and of the absolute confidence in our currency and Government finances.

Beginning with the stock panic in May, 1901, there have been repeated and tremendous slumps in the prices of stocks and securities, collapses and failures in railroad and industrial syndicates, combinations and underwriting, any one of which, had our situation been less strong, would have produced a bad panic and a disastrous commercial depression. That we have stood it all so well is the best possible ground for the belief that it need go no further, and that there is no reason for its reaching into general business and producing any great depression. As Secretary Shaw has so well said:

"There exists to-day no one fact, and no combination of facts, the logical sequence of which suggests disaster. If disaster comes it will be psychological and not logical. The microbe, if it exists, is in the mind; it is not elsewhere."

It has been evident to any careful observer for more than a year past that our bank loans have been expanding too fast. The total loaning capacity of the banks of the country, as a whole, is limited by the amount of cash available as reserves for the deposits created by the loans. The credits loaned by the banks stay in the banks as deposits. The money may be transferred from bank to bank; but, as a whole, the money stays in some bank and the deposit continues as a deposit. In the report of the Comptroller of the Currency for 1902, there is a table given, showing the amount of coin and all forms of currency in circulation and the proportions held in the United States Treasury, in the banks, and now in either the Treasury or the banks; in other words, in circulation among the people. Except in unusual years like 1893 and 1896, these proportons do not vary much. The Treasury holds 12 per cent. to 13 per cent.; the banks 32 per cent. to 33 per cent., the people 53 per cent. to 55 per cent. of the cash, and these proportions have hardly varied at all, while the total money in circulation has increased from eighteen hundred million to twenty-seven hundred million dollars. The great bulk of the loans remain as deposits in some bank, and the chief limit to loans is the reserve for these deposits, and the total loaning power of the banks, therefore, depends upon the amount of deposits for which they can supply reserves.

In the article I read before your convention in New Orleans a year ago, I gave the figures showing the decline in the percentage reserves in all the National banks at the following dates:

December, 1896	32.42 per cent.
October, 1897	31.70 per cent.
September, 1898	30.27 per cent.
September, 1899	29.38 per cent.
September, 1900	29.67 per cent.
September, 1901	27.65 per cent.
September, 1902	25.74 per cent.

At the date of the last call, September 9, 1903, the National banks showed 26.60 per cent.

Exactly similar figures for all the banks, State and private and National, are not so accurately compiled, but about the same proportionate decrease in percentage of reserves has taken place in all the banks of the country. In this same period, while the percentage of reserves to deposits was continuously on the decline, the amount of cash held in the banks increased from 974 million dollars in 1896 to 1,411 million dollars in 1902. In about the same time the total loans of banks increased from about four billion to over seven and one-half billion dollars. This available loaning power was a very potent factor in the great business revival which we have seen in the last few years. Its existence could not have produced the revival without the aid of favorable industrial and commercial conditions, but without this available expansion of loans and credits the revival would not have taken place. There has, however, been another and perhaps more important change in this loaning power than increasing loans and the lessening percentage of reserves, and that is the way in which it is now employed. The loaning power still exists—in fact, it is in operation as the loans are now outstanding. In 1897, when the expansion began, we had passed through a period of most drastic and thorough liquidation. Everyone had been living and working economically and paying their debts. Not only the total amount of loans but the portion of loans absorbed for fixed capital was at a minimum. The loaning capacity was, therefore, available for employment in any way which promised safety and profit, and perhaps we were for a while more intent on the profit than the safety. Now, however, we have had a period of extravagant living and working and prices of all kinds are high. It takes more money or credit, which is what is used in business, to do the same volume of business. What is more serious, a vast amount of this loaning capacity has gone into fixed improvements, which are either unproductive or very slowly becoming productive. There is one field in which the loaning power has been absorbed, which is not so fully appreciated because there are no figures to show its amount, and the facts are not so widely known; and that is in the purchase of farming lands. It has been very largely a movement from some of the older Western States, where the prices of farming lands have become comparatively high, into the States further West or into Canada, where a man can buy two or three, or even five or ten, acres of the cheaper lands for the selling price of one acre of his old farm. This movement has not only taken accumulated savings of the older communities, but large sums have been loaned to make these purchases of lands. This is a very important factor to-day in many of the middle Western States. It is not an unusual thing to hear from a local banker or from a bank examiner that fifty to a hundred thousand dollars has thus been taken from a small town, and the total amount of this must run up into many millions of dollars. Much of the loaning power of the Western banks has been thus absorbed which was formerly used in the purchase of brokers' commercial paper and loans on collateral in Chicago and New York. Another large proportion of the loaning power is absorbed in carrying increased quantities of old and new securities, some of them of more or less doubtful value. This is the situation which has called a halt and set us all to thinking, not the lack of a comparatively few millions of currency to move the crops or the accumulation of the surplus in the Treasury. Of course, those are factors of great importance, but they not the leading or controlling factors in this situation.

The power to loan still exists; the money is still in the banks for reserves, and there is as much money as ever in circulation outside of the banks and the Treasury. The question now is not so much the power as the disposition or willingness to loan. How far will the country go in the tendency to contract these loans? That is a question for the bankers mainly to decide. For about a year there has been a steady, almost uninterrupted decline in the prices of all stocks and bonds. It has, however, been so comparatively gradual that there have been no bank failures, and very few stock exchange failures, as the result, and so far general business has not been seriously checked. From a strictly banker's standpoint, his situation has been in one respect much improved. However hard it has been on those who have made the losses, the bank loans on stock exchange collateral are now readjusted upon the much lower basis with at least as much margin and probably more than on the higher range of values. A break in prices which, if a banker knew it was coming, would be very terrifying, is now past and the banks have not been hurt by it. The explanation of this is that most of the people who have made the losses had the money to lose without losing the money of the banks. Many of them made it on the rise in prices and only have given up part of the profits. There probably never was a time before in the history of the country when such a decline in stock prices could have happened and found the people so well prepared for it and the whole country with such powers of resistance and recuperation. We are in an entirely different condition, and this is what gives such foundation for hope and firm faith in the future. The way business has stood the decline in stocks is an evidence of strength, not weakness. There may be, and doubtless will be, some hesitation and curtailing of other lines of business as the result, but there is no occasion to be nervous or hysterical about it. We should keep cool, and where our calm judgment approves be bold and courageous. If we have been too hopeful, do not let us all at once become too pessimistic. Let each bank stand by its customers and stand by the country, as it deserves. It never was in better condition when facing any such situation.

Contrast the position of the railroads to-day compared with a few years ago, when more than one-fourth the mileage and many of the most important lines were in the receivers' hands. You have no more of railroad receiverships. The roads are on an entirely different basis. The country has filled up so that they have a vastly increased volume of permanent traffic; their tracks, machinery and organization are so improved that they can handle their business far better than ever before. There is no comparison which can be made of the condition of the country to-day with what it was only a few years ago which does not show the surest foundation for enduring prosperity, and there is no part or section of the country of which this is not true.

During the last ten years the balance of trade in favor of the United States has amounted to over three and three-quarter billions of dollars. For the single year 1901 this was 679 million dollars. Although the alarmists complain of a considerable falling off for the year 1902 it was still almost one-half a billion dollars, or about twice as much as it had ever been in any year of our history previous to 1898. The aggregate wealth of the country has increased fully 50 per cent. since 1890. We are producing and adding to our stock of gold every year about 80 millions of dollars, and almost an equal quantity of silver. The annual value of our farm products steadily increases, and for the year 1903 it will be at least five billion dollars. The deposits of all banks in the United States have increased since 1895 from 4,900 millions to 9,525 millions, almost double. The deposits of all banks in the State of Texas for this same period have increased from 35 million to over 80 million dollars, about 228 per cent. In the State of Iowa the increase has been from 78 million to 211 million dollars, over 270 per cent.; in Kansas it has been from 35 million to 84 million dollars, or over 250 per cent; in Nebraska from 35 million to 84 million dollars, or 228 per cent.; in California from 200 million to 406 million dollars, or 203 per cent. In Oklahoma and Indian Territory, where, in 1895, the total deposits were considerably under two million dollars, there are over 27 million dollars on deposit in the banks. The aggregate deposits in all the banks in the States west of the Mississippi River have increased from 701 in 1895 to 1,700 million dollars in 1903, or 242 per cent. The three States of Minnesota, Iowa and Missouri have more bank deposits now than all the States west of the Mississippi had in 1890, and the States of Washington, Oregon and California have 40 million dollars more bank deposits than all the other States west of the Mississippi had in the year 1890.

But it is almost unnecessary to quote figures and statistics to you who are the custodians of the funds and thoroughly familiar with all the business of your home communities. No one knows better than you bankers what a great increase there has been in the wealth and prosperity of your own people at home; how many of them are out of debt and have money in your banks who ten years ago seemed hopelessly buried under a burden of debt they could never pay. You of the South know that the change in Southern conditions is a revolution, and that with good crops of corn and cotton your people are better off to-day than they have ever been before. You of the farming States, the West, the mountains and the Pacific slope, have seen whole States which were apparently bankrupt, where farms would not sell for the mortgages on them, raise year after year record-breaking bumper crops, and many of these mortgages paid off with the proceeds of one or two years' harvest. You have seen farms produce in one year crops of greater value than the land would have sold for before the crop was planted. You have seen your people pay off their mortgages and your bank deposits double and treble within the last few years.

You of the reserve cities, who are at the centres of business and commercial life, have seen equal prosperity among your merchants and manufacturers. You know how your country bank customers have prospered and how their balances have increased with you; how many of them that used to have to borrow of you are competing with you and lending money to your own city customers. Every State in the Union, every section of the country has shared in all this. It is no sudden effervescence or bubble of speculation, but the natural, inevitable result of potent existing and continuing forces. It is not going to disappear or vanish in a day because of a slump in stocks or the collapse of a few underwriting syndicates. It may be necessary to pause a little to get our breath after the pace we have gone, but if there is any serious check it will only be because we have lost our nerve and courage. The course of business to-day very largely depends upon the bankers. If the banks continue to act wisely and conservatively, as they have, they can avert anything like serious trouble and keep the country in shape for a continuance of very prosperous times. In doing this they can perform a most patriotic service to the country, and, as is usually the case, the patriotic thing to do is the wise and sensible business course as well. The banks have only to stand by and look out for the best interests of their customers and stockholders. If each bank takes care of its own business and own people and stands by them now there need be and will be nothing more serious than a period of waiting and perhaps some readjustment of prices, which might in the end be a good thing for every one. The speculations, promotions and combinations which have run their wild course were caused by and were not the cause of prosperity. Prosperity came as the result of the productivity of our fields and forests, our mines and factories, the tremendous energy and activity of our people applied to the most wonderfully productive country in the world. It should not and will not cease because the speculative attempt to discount the future and overcapitalize earning power has met wtih foreordained and inevitable failure.

Effects of the Inflow of Gold.

By Ellis H. Roberts, Treasurer of the United States.

The discovery of gold in California lifted the production of the yellow metal in the United States from $889,000 in 1847, to $60,000,000 in 1852, and from 1850 to 1860, produced an average of $55,000,000 a year. The event marks an epoch. In twenty-one of each of the years since, our mines have turned out less than $40,000,000, while in 1902 they gave $80,000,000. Out of this situation pregnant problems arise which call for thought. What place is more fitting for their study then just here where we stand, where we foregather with the home shepherds of the golden fleece? The American Bankers' Association, representing over fourteen billion dollars of resources, and all the activity of the nation's thrift and enterprise, meets on the Pacific Slope. We have from many points crossed the broad continent to look upon the waters of the new Mediterranean, the ocean of peace. Upon it the scenes are set for the grand drama of the future. The sea which was dominated in turn by the Phœnicians, the Greeks and the Romans, was of waters dyed with blood; it is a little inland lake compared with the mighty ocean which connects the Occident with the Orient, which beats upon America and Asia and Australasia, and holds in its lap islands upon which nature has lavished its most precious treasures.

California has learned that there is health more precious than gold, because she has used her gold wisely. She clings to actual coin as currency, and has never wavered from fidelity to it as a standard. Under her sky, in her atmosphere, amid her gardens and her ranches, we cannot fail of a true perspective and of a healthful exaltation in our practical discussion.

In the United States at the beginning of this month of October, the gold in the stock of money was $1,277,362,651; the amount held by the Treasury was $654,811,716; and in circulation in coin and certificates, was $1,016,648,693.

If this Association could order this stock brought before it and could get the metal here in solid mass, we should have a cube of nearly sixteen feet, weighing 23,539 tons, and requiring 147 freight cars to move it. Were all coined into eagles and placed edge to edge, the line would be 2,116.84 miles long, say from New York to sixty miles west of Colorado Springs. (See Table A at close of address.)

Of the world's production in 1902, amounting to $290,000,000, the United States furnished $80,000,000.

In gold in stock, in circulation and in official holdings our country surpasses every other nation. The stock of Great Britain is $528,000,000, so that ours is double. The increase in five years here has been $376,021,387. In that period, Great Britain has added $90,000,000; France, $137,700,000; Germany, $95,000,000; Austria-Hungary, $55,300,000, while Russia lost $10,400,000, and in several other countries there has been a reduction. In all of Europe, the total gain in the same interval has been $449,600,000 from which is to be deducted the falling off in several nations of $26,000,000, and thus a net increase is shown of $423,600,000. (See Table B at close of address.) At the present rate our gain before this calendar year ends, in stock of the yellow metal, will exceed that of all European countries. Remember also that their population is five times that of the United States.

Let us concede that some excess crept into the estimates of earlier years in our stock, and has been carried forward; but the methods of calculation in France and Russia render it certain that like excess in greater degree exists in their records. The ratio is therefore practically accurate.

An interesting comparison is that by persons. Our stock of gold is $15.80 per capita; that of France is stated at $24.36; of Germany, $13.54; of Austria-Hungary, $6.01; of Russia, $5.70; of Switzerland, $9.06; of Sweden, $3.42; of Norway, $3.73. (See Table C at close of address.)

With greater assurance and accuracy, we can consider and contrast the holdings of the Treasury of the United States and of the foreign central banks. Let us take two dates five years apart and look at the totals and the changes in the interval, September, 1898 and 1903. The Bank of England in that period lost in gold, $2,264,000; the Imperial German Bank, $38,683,809, and Russia, $132,240,000, while gains are reported in the Bank of France, of $127,640,000; of Austria-Hungary, $79,120,000. The aggregate gains in all the European States were $261,867,000, and the losses $181,571,000. Thus the net gains in official holdings in those States for five years were $80,000,000, and were equal to that of one year of our Treasury. (See Table D at end of address.)

The banks, National and other, own $322,000,000. Our Treasury holds now $655,000,000. A fair comparison with foreign official holdings permits us to combine these sums, and to reach as the treasure on which our financial system is based $977,000,000, hard on to a billion dollars. The public and private credit of the British Empire rests on $166,856,000 in the Bank of England; of Germany on $170,371,000 in the Imperial German Bank; of Russia on $404,396,000 in the Imperial Bank; of France on $494,506,000 in the Bank of France. Exclude the gold of the banks; our Treasury alone holds 3.9 times more than the Bank of England; 3.8 times more than the Imperial German Bank; nearly three times more than Austria-Hungary; 62.1 per cent. more than Russia, and 32.6 per cent. more than France.

This plethora of the precious metal in our country presents three problems interesting and important. What is to be the effect on our currency? What on prices and wages? What on our world relations?

Paths may be opened for our investigation if we look back to the decade following the discovery of gold in California and study the conditions from 1850 to 1860. In that period our country produced gold of the coinage value of $550,000,000, an average of $55,000,000 a year. (See Table D at close of address.) With population ranging from 23,000,000 to 31,000,000, activity marked all branches of industry. In the census years the value of manufactures produced ran up from $1,019,106,616 to $1,885,861,676—an increase in ten years of $766,755,060. In the decade our National wealth increased by $9,023,836,000. Imports of merchandise grew from $173,509,526 to $353,616,119, more than double; from $7.48 per capita to $11.25; and exports from $144,375,726 to $333,576,057, again more than double, and from $6.23 to $10.61 per capita. The money in circulation increased from $330,256,605 to $435,407,252, and from $12.02 per capita to $13.85. Of this, bank notes were in 1850 $131,366,520, and in 1860 $207,102,477, and specie at the two periods, $154,000,000 and $235,000,000. Prices of food and clothing advanced, and up to 1855, a general increase occurred of 11 per cent., but in the sum of articles chosen for index, there was a fall of 2.3 per cent. before 1860. Pig iron, a typical product, went from $20.88 in 1850 to $22.75 in 1860. In Great Britain from the decade 1848-1857 to 1858-1867, there was an advance in index prices from 89 to 99.

The panic of 1857 befell in that decade. Howell Cobb, Secretary of the Treasury, pronounced "the undue expansion of credit, which engendered schemes of improvident speculation, leading to rapid fluctuations in prices and habits of extravagance the principal cause for the embarrassments in the commerce of the country." Others vehemently attributed the disastrous revulsion to the change in the tariff made by the act of March 3, 1857, reducing rates by twenty per cent. Looking back the student may ask, was not the shadow of the Civil War a contributing cause? It is certain that all branches of business were prostrated, and that the distress was wide and intense. The banks suspended, but the Government kept on paying coin. While paralysis fell upon enterprise, the country was not exhausted as in the panic of 1837. Industry and commerce had been rushing on too fast, and the brakes worked suddenly with a severe shock.

To-day the contrasts with that period are many more than the parallels. No sectional strife disturbs the national serenity. Our huge railroad system binds all States together, and connects ocean with ocean and the gulf with the great lakes. Our industries are more varied and so have a broader base. Enterprise takes more extensive range. They cannot be so easily toppled over. From 1890 to 1900 the annual product of our manufactures grew from $9,372,437,283 to $13,039,279,566. Our imports of merchandise ran up from $789,310,409 to $849,941,184, and our exports from $857,828,684 to $1,394,483,082. We are 82,000,000, with so many electric brains and hearts beating to many rhythms and with chameleon desires. To such, general and sudden change does not come so readily as to a smaller population with simpler methods and with narrower experience. The severest cyclone cannot cover a continent, but has a short and narrow path.

Our currency rests absolutely solid on its rock bottom of gold. Some ghost-seeing Macbeth may discern weird sisters on the blasted heath, casting their incantations together, with the refrain:

"Double, double, toil and trouble,
Fire burn and cauldron bubble."

He may dread the rush of United States notes for redemption, may suspect that some Secretary of the Treasury will use silver for official payments, may tremble at the hazard of wild legislation. He forgets that $260,000,000 of the United States notes are of denominations of $10 and below. How can they be gathered in any large volume? The silver dollars are scattered everywhere, while the silver certificates are all but $27,000,000 in 10s and below. The people need all small notes and clamor for more. They are beyond reach by any secretary for large payments. The power of Congress is vast, but it cannot climb Niagara, nor can it overcome the majestic force of this yellow flood of $80,000,000 a year.

Some critics complain that gold is not a cheap currency. That is true, and it is its merit; it is secure beyond doubt. Cheap currency may be devised, if that is wanted, but it will have all the qualities of cheapness; it will be weak, unstable, dubious. Gold is worth all it costs. It goes masterfully everywhere. It stands sure and steadfast itself, and all allied to it takes on its strength and power. Our yellow metal passes in St. Petersburg and Pekin, in Hongkong and Tokio, and the United States note and silver certificate march with it in equal favor. The American people were urged to make fiat money, because it was cheap, and to coin silver at 16 to 1, because it was cheap. They rose above the temptation and declared not once but twice and always that they want not cheap money, but the best in the world. And they have it, and the annual inflow of $80,000,000 assures it to them and rewards their wisdom.

Possible peril lies on another side. Our circulation is undergoing an immense and continuous inflation. In five years the money in circulation in this country has run up from $1,816,516,392 to $2,404,617,069, an increase of $588,020,677. The strength is that of this growth, $358,604,872 has been in gold, coin and certificates, an annual addition in that form of nearly $72,000,000. We are to confront a further increase in our circulation, of which gold will constitute not far from $80,000,000 a year. That precious metal, including the certificates standing for it, is now 42.27 of the total, and its share advances steadily.

Since October 1, 1898, the circulation for each person in the United States has run up from $24.24 to $29.75, and the part of gold in it from $8.78 to $12.57. While nowhere else are checks and drafts and like instruments used to the same extent as with us, no other country has so much money per capita in circulation save France, which claims $39.22, where checks are much less used than here. Great Britain has $18.29, and Germany $20.48; Canada, $14.39; Russia has only $6.50. (See Table C at the end of the address.) Differing from notes of National banks, gold is money of final reserve and redemption, and the credit built upon it is higher and broader, so that the potential inflation may be carried further.

In this country cash is used for only ten per cent. of transactions; in some localities for less; in others for perhaps fifteen per cent. Cries for more money have been often heard in the land; no one has said how much. The due limit for circulation has not been established. Alexander Hamilton quotes Postlethwaite as supposing that the quantity of cash necessary is one-third of the rents to the proprietors, or one-ninth of the product of the lands. This really only names other unfixed quantities as the standard. We have passed far beyond such limit. The theory has been proclaimed that the circulating medium should keep exact pace with the population. Conditions vary in different countries and at different periods. In the same land at periods not remote from each other large aditions to the currency cannot fail to affect enterprise, industry and commerce, the cost of living and the prices of commodities. But the currency is only one factor bearing on production and consumption. We shall err radically if we treat it as the absolute dictator.

With due allowance then for contrary influences, how far and in what direction is the vast inflow of the yellow metal carrying us? The blind may see that in the past five years business has been expanded in some directions in an unparalleled degree. Credit has naturally been multiplied at least to four times the amount of cash added to our supply. The exploitation of gigantic industrial corporations ran on at a dangerous speed, fortunately to exhaust itself by its own excesses. Promotion of stocks and bonds is not industry; it is speculation, and that finds help and impetus in inflation. In that way the inflow of gold has magnified if not wholly caused the frenzy and the excesses in industrial securities. Those who have climbed too high into the realm of credit must come down, and here the descent, unlike that to Avernus, is not smooth and pleasant. The promoter who has failed to distribute his stocks and bonds may be punished, and those who have petted his schemes may suffer. But a shrinking of inflated securities to their true value is not a public calamity. Individuals may be crippled, industry and enterprise may have to rest on their oars. Our financial system cannot totter, much less be wrecked. Undue favors may have been shown by some banks to promoters, but they are correcting their blunders and looking out for more healthful business.

Prices of commodities have undoubtedly been borne upward by the inflation. Special influences have affected iron; Besemer pig, which was $10.25 in August, 1898, cost $21.75 at the same time in 1903; steel billets in the same interval have risen from $14.75 to $34; No. 2 red winter wheat which was 74 became 74½; mess pork from $9.75 jumped to $18.25, and family beef from $11.50 to $15; cotton from 5 11-16 advanced to 8 9-16; Ohio fleece wool fell from 28 to 27.

By index numbers the advance of all commodities has been from $76.808 to $97.891, or twenty-one points. On full examination, the Employers' Association of Chicago finds that the cost of living in this country has increased fifteen per cent. in five years. Carroll D. Wright, head of the Bureau of Labor, wth all the data of the Anthracite Coal Commission, declares the advance to be from fifteen to seventeen per cent. These figures may be accepted as authoritative.

Advance in wages follows increase in cost of living. In recent years it has come fast and strong. Large railway companies and other corporations have added fifteen per cent. at one step to wages paid, to meet the recognized advance in cost of living. The drift had been downward in wages from 1893 to 1898; since it has been steadily upward. In many cases it has exceeded the rise in the cost of living. The general average may safely be stated at from fifteen to twenty per cent. Persons with fixed incomes are burdened with the heavier cost of living without any offset, as they have the benefit of a fall in prices of commodities, when that occurs.

When wages go up, the purchasing power of those who earn them rises in equal measure. This process affects prices of commodities, and adds always to the consumption which again gives impetus to production and trade.

No one can deny that the golden inflow contributes to the currency a share growing more rapidly than the total circulation, all at parity; that it lifts prices and wages, incites activity in industry and trade, and pushes enterprise forward, while it also tempts to undue inflation of commercial and stock-jobbing credit.

How do these influences bear upon our world relations? First of all, our surpassing wealth in gold has placed our national credit on a plane above that of all other countries, and never before held by that of any government. British consols bearing 2½ per cent. interest, long the foremost type of credit, have recently sold below 87, while consols of the United States bearing only 2 per cent. range from 108 to 110, and the loan of 1925 commands 136. This American republic alone among nations always in time of peace reduces its debt, and after a war makes rapid payment of the cost. Only unbridled folly, not conceivable, can shake this solid structure.

Obviously the supremacy of our national credit adds to the strength of the republic in commercial credit, general esteem and international influence in all the world. We fear no evil from exports of gold, for we can well spare more than Europe can pay for in American obligations, in merchandise or in any form of securities.

The productiveness of our people justifies this rank. In manufactures the American people are far and away beyond rivalry. Against our thirteen billion dollars of annual product Great Britain shows $4,263,000,000; France, $2,900,000,000; Germany, $3,357,000,000, and Austria-Hungary, $1,596,000,000. These four great nations turn out in manufactures $12,116,000,000 a year, or a billion dollars less than does this country alone.

The scale of living in the United States is such that we consume a great deal of what we make. We spend more than the same number of people anywhere on earth. Our agriculture helps to feed Europe—indeed, many of its inhabitants would starve without our grains and meats. How much of the products of the farm shall be exported depends on the crops in all lands and on the purchasing power of our foreign customers.

But we invade the old world with our manufactures by reason of the skill and energy of American labor and the methods devised by American genius. We run electric roads beside the Pyramids; we furnish harvesters for Russia; we build bridges in the Soudan and in Burmah; send locomotives to farthest Manchuria, help Germany to load coal, sell shoes to Austria, scatter sewing machines everywhere, and our watches keep time on the Danube, the Nile and the Orinoco. Our high wages have not yet checked our invasion of the markets of Europe and Asia. Increasing home consumption affects to some degree the exports of our merchandise, for we ship only what our own people do not use, but the more we make the more we shall sell.

The exports of our manufactures for the eight months ending with last August were $278,519,872, and 32.4 per cent. of our total exports; for the like period of the preceding year they were $279,532,992 and 34.79 per cent. of all. In the fiscal year 1903 they were $408,187,207 and 29.32 per cent. of all, while in 1902 they were $403,641,401, and 29.77 per cent. of the total exports.

Note now a remarkable contrast. Mr. Chamberlain in opening his era-making crusade for his new fiscal policy at Glasgow, October 6th, showed the trend in British exports of manufactured articles. He must have startled his hearers by declaring that since 1872 the export trade of Great Britain has increased only 7½ per cent., while her population has grown 30 per cent. Still more: to the United States and Europe—"protected countries," he calls them—the export of manufactured articles has fallen from a hundred and sixteen million pounds sterling in 1872 to seventy-three and a half million pounds in 1902; that is, from $564,000,000 to $355,000,000, a loss of over $200,000,000. Evidently the United States and not Great Britain has become the workshop, not only of Europe but of the world.

Upon the marvelous golden inflow American mechanism moves in triumph. Our agriculture is still dominant in our wheat and meats and fruit and cotton. The remarkable growth is in our manufactures, now constituting nearly a third of our exports, prodigious and rock-ribbed are our material and financial conditions. Predictions can prudently be based upon them. But the minds of men are a shoreless and chartless sea, and no one can tell when or why pallid fear may brood horribly upon its waves. The nerves of the multitude are a vast electric system which some accident may start into sparks or even flame and shock and far-reaching utterances. Into this mystic region our theme does not lead us, even if we had the courage to enter there. We have been studying what can be weighed and measured, a stream whose course and force can be quite clearly mapped.

This golden flood is without peer in its magnitude. It has brought to our people and our Government treasures richer than any before recorded in human annals. It has covered the continent and blessed all the inhabitants. Its source and its current are not exhausted. It continues to spread itself over every valley and plain, fructifying as the waters of the Nile. Bankers may do much to direct it into right and beneficent channels. They can prevent its diversion for sinister and harmful purposes. The strippings of the surface of the mines have been brought to us. Riches from lower levels are within sight. If the American people are prudent, will let their common sense and cold reason govern, they shall see that the prosperity they enjoy is the earnest of more to come, of material achievement beyond the scope of prophecy, deserving to be adorned with moral and spiritual flower and fruit which shall glorify humanity.

Table A.

SPACE OCCUPIED BY OUR STOCK OF GOLD AND WEIGHT.

One cubic foot of standard gold is worth $326,340.

$1,000 of new gold coin weighs 53.75 Troy ounces.

The diameter of the eagle ($10 piece) is 21-20 of an inch.

The stock of gold is estimated at $1,277,362,651, (October 1, 1903), and if no allowance be made for abrasion will weigh 2,353.9 tons (Avoirdupois weight).

Reduced to a solid mass, it would contain 3,934.2 cubic feet, and would fill a vault that measured 15.785 feet on all sides.

If coined into eagles and placed edge to edge, it would make a line 2,116.84 miles long.

If placed on board freight cars, with 16 tons in each car, it would require 147 cars.

With an estimated population of 80,831,000, this stock of gold gives a per capita of $15.80.

TABLE B.

STOCK OF GOLD IN VARIOUS COUNTRIES, AS SHOWN BY LATEST AVAILABLE RETURNS.

Increase in five years and average annual increase.

Country.	Jan. 1, 1898.	Jan. 1, 1903.	Increase for 5 years.	Annual. average.
Great Britain	$438 000,000	$528,000,000	$90,000,000	$18,000,000
France	810,000,000	947,700,000	137,700,000	27,540,000
Germany	668,500,000	763.500,000	95,000,000	19,000,000
Austria-Hungary	227.700,000	283,000,000	55,300,000	11,060,000
Bulgaria	1,000.000	1.400,000	400,000	80,000
Denmark	15,300,000	15,500,000	200.000	40,000
Italy	96,500,000	101,500,000	5,000.000	1.000,000
Netherlands	21,900,000	38,500,000	16.600,000	3.320,000
Norway	7,800,000	8,200,000	400,000	80,000
Portugal	5 200,000	5,300,000	100,000	20,000
Servia	1,200,000	1,400,000	200,000	40,000
Spain	45,500,000	79,100.000	33,600,000	6,720,000
Sweden	8,600,000	17.800,000	9,200,000	1 840,000
Switzerland	24,000,000	29,900,000	5,900.000	1,180,000
Increase for five years			$449,600,000	
			Decrease.	
Russia	$756,600,000	$746,200,000	$10,400,000	$2,080,000
Belgium	30,000,000	19,700,000	10,300 000	2,060,000
Finland	4,300,000	4,100,000	200,000	40,000
Greece	500,000	400,000	100,000	20,000
Roumania	14,500,000	9,500,000	5,000,000	1,000,000
Decrease for five years			$26,000,000	

TABLE C.

CIRCULATION OF EUROPEAN COUNTRIES, PER CAPITA.

From latest attainable figures.

Country.	In gold.	Total.
Great Britain	12.69	18.29
France	24.36	39.22
Germany	13.54	20.48
Austria-Hungary	6.01	8.72
Denmark	5.96	11.23
Italy	3.12	9.68
Netherlands	7.55	29.29
Norway	3.73	8.91
Sweden	3.42	10.75
Russia	5.70	6.50
Switzerland	9.06	18.57

TABLE D.

HOLDINGS OF GOLD BY OFFICIAL BANKS IN EUROPE.

Bank.	Sept., 1898.	Sept., 1903.	Increase.	Decrease.
Bank of England	$169,120,856	$166,856.001	......	$2,264,855
Bank of France	366,865,969	494,506,107	$127,640,138	......
Aus.-H'garian Bank	142,184,531	221,304.087	79,119,556	......
Imp'l German Bank	209,055.107	170,371,298	......	38,683,809
Nat'l Bank, Belgium	21,295,804	14,709,808	......	6,585,996
Netherlands Bank	20,984 348	19,187,636	......	1,796,712
Bank of Spain	51,526,502	71,265,026	19,738,524	......
Nat'l Bank, Italy	58,768,500	94,137,576	35,369.076	......
Imp'l Bank, Russia	536,636 500	404,396,417	......	132,240,083
Total	$1,576,438,117	$1,656,733,956	$261,867,294	$181.571,455

TABLE E.

FINANCIAL CONDITIONS IN 1850 AND 1860.

	1850.	1860.
Population of the United States	23,191,876	31,443.321
Wealth	$7.135,780,000	$16.159,616,000
Net ordinary receipts of United States	43,592,888	56,054,599
Customs	39,668,686	53.187,511
Imports of merchandise	173,509,526	353,616.119
Per capita	7.48	11.25
Exports	144,375,726	333,576,057
Per capita	6.23	10.61
Value of manufactures produced in census year	1,019.106,616	1,885,861,676
Increase in ten years, $766,755,060.		
Balance in United States Treasury	32,827,082	33,193,248
Total money in circulation	330,256,605	435,407,252
Per capita	12.02	13.85
Bank notes	131,366 520	207,102,477
Estimated specie	154,000,000	235,000,000

AVERAGE PRICES.

	1850.	1860.
Cotton upland middling	11⅝	11
Wool medium fleece scoured	83¼	1.02½
Salt mess pork	11.87½	16.50
Sugar, refined	8 2-3	10
Pig iron	20.84	22.75

Average prices, 1850: Food, 85.5; cloths and clothing, 91.3; fuel and lighting, 102.6; metal and implements, 114.8; lumber and building materials, 102.2; drugs and chemicals, 123.6; house-furnishing goods, 125.6; miscellaneous, 107.7. All articles, 102.3.

Average price, 1860: All taken at 100.

Average prices in Great Britain, 1848-1857, 89; 1858-1867, 99.

The Money Supply of the United States.

By J. E. McAshan, Cashier of the South Texas National Bank, of Houston, Texas.

Coming as I do from the busy life of a banker, in whose never ceasing grind I have spent almost a third of a century, it can scarcely be expected that my remarks will be as Academic as those of other men who have made the study of theoretical finance a specialty. There are, however, some things to be said of the money supply that will be recognized as truth by a majority of bankers in this magnificent commonwealth, whether they be from the city or from the country.

Volney, in his great work on the ruins of empires, classes the banker with the tyrant, and other oppressors of mankind. At a recent banquet in New York, given to bankers, one of the orators under the influence of enthusiasm, patriotism, remorse and other stimulants, said, "It is a good thing for us bankers occasionally to get together for the purpose of seeing what we can do, whom we can do and how we can do them." I see before me representatives of this honorable profession of tyrants and doers from all parts of this great country. I see before me those who angle for trout and suckers in New York, and those who, with equal impartiality, skin the festive cat and larger fish on the shores of the great lakes. I see my fellow doers from the prohibition woods of Maine, of Kansas and Carrie Nation, to the boundless hospitality of wide open San Francisco.

We, who represent the tyrannical profession of bankers, are gathered here from the land of icicles and bicycles, from the home of aromatic wooden nutmegs, from the land of the magnolia and the home of the mocking bird. In fact from everywhere I see before me members of that noble profession who do others for fear that others will do them, and I am confronted with the question, "The Money Supply of the United States."

What are we going to do about it? What can we do about it? Secretary Branch, in his letter to me suggesting this discussion, invited me to limit my remarks to two thousand words, so if I leave anything unsaid on this question, just lay it on my time limit. The request of the secretary reminded me of one of my friends. The friend had a little boy who asked a great many questions. One day his father said, "Dick, you take up too much of my time asking questions." "Well," said Dick, "just answer me one question and I will let you off. It will only take you a minute." "All right, if it will only take a minute, fire away." "Well," said Dick, "just tell me how to work miracles and how to make condensed milk." Dick's question remained unanswered. I am inclined to think that I would show you a miracle if I should make a thorough discussion of the money supply of the United States in two thousand words.

What do we mean by the Money Supply of the United States? We do not mean the supply of money that has accumulated in the vaults of the Government. This needs no discussion. We all know that the Treasury of the United States is overflowing with money. It has even been suggested that the reason the banks are so short on cash is because the Treasury is so long on it as to have about one-fourth of our circulating medium under its control. It is even hinted that Wall Street, with all its matchless ability and vulpine cunning—this last phrase is not original—disapproves of the Independent Treasury system. It is even spoken in whispers that our great captains of finance spend days, and even nights, in brain work trying to evolve some plan by means of which they can do the Secretary, establish a community of interest, as it were, between Wall Street and the Treasury, and exchange some Treasury fatness for Wall Street leanness. The courting is all done by the financiers.

Why does this condition exist? The Democrat will tell you that it is by an abuse of the taxing power of the Government; that a larger proportion of the people's money is withdrawn from circulation than is needed for the expenses of the Government. They are all Democrats down our way, except Federal office holders and other wards of the nation. The Republicans will say that such is not the case; that this preponderating preponderance of wealth is due to a laudable effort on the paternal part of our paternal Government to protect our little infant industries, such as the United States Steel Corporation. Meantime the banker is up against it. He who would give the glad hand must show the marble heart. His few days are full of misery.

The banker is a hybrid in politics; he is neither a Democrat nor a Republican. He is composed mostly of legs and baldness. Legs, the more conveniently to straddle political fences, and baldness brought on by herculean mental efforts to know on which side of the fence to fall at the right time. It is a tremendous job for a banker to think; when he does something is sure to drop. Two of my friends were running for office. They met in our bank one day. One said the other was no Democrat. The other said the other was another. The air became blue; the temperature began to rise; the electric fans fairly churned hot air. I saw that I had to speak or lose both their accounts. Unless I did each would think I had said all the complimentary things which each had said of the other. So at the first pause in hostilities I said, "Gentlemen, don't you think that in the discussion of such gigantic questions we are liable to run the economic center of immensities into the political conflux of eternities?" They both said they did, and at the same time, with a paralytic smile, bade me good-bye, and went away my friends. I had fallen on the right side of the fence, but just consider the waste of gray matter involved in such an effort. No, my fellow tyrants, we are not expected to discuss the money supply of Uncle Sam. That will be all right so long as he has unlimited powers of taxation and requires United States bonds as security for United States deposits.

The money supply under discussion is that of the country at large; the money which is available for business; the money which is available for paying deposits when our depositors withdraw a part of our working capital to work on themselves. It is a mystery to me what becomes of the money at certain seasons of the year. There are times every year when the whole country has an abundance, or seems to have. Interest rates seem searching for zero; loans are paid off, and from New York to San Francisco and from Maine to Texas, all the banks seem loaded with swag. There are other seasons when there is a great scarcity of it. Where does it go? New York does not have it; Chicago does not have it. I think from all appearances here it emigrates to San Francisco. The country does not have it. It exists but is so nimble that we cannot find it. The fact that the whole country, under normal conditions, has at certain seasons of the year an abundance of money, in spite of all financial piracy and buccaneering, is proof that under ordinary conditions the money supply of the United States is sufficient for our commerce. The comparative volume of money in circulation compared to the volume of trade, is greater in the United States than in any other country of the world. I make this as an assertion. I am not going into statistics. Figures never lie, but statistics are sometimes misleading. A railroad company sometimes borrows money for years to pay its dividends, still expert accountants can figure out that their stock is a gilt-edged security.

Under normal conditions our money supply is ample; even now, circulation is being retired more rapidly than the law permits. In February and March, with large deposits, we sometimes carry a reserve of eighty per cent. and blazon to the world our great riches. The solvency of a bank is gauged by the magnitude of its debts; the insolvency of other corporations is gauged by the same standard. We see this reserve melt in the balmy days of May to sixty per cent., and in beautiful poetic June to fifty per cent., in business-like July to forty per cent. and in the dog days of August to a poor, pitiful twenty-five per cent. down to the disgraceful level of New York, and we wonder how the mighty have fallen so low.

We then write our central correspondents to find if they have any money; that while we do not expect to use our credit. Oh, no. As a matter of form we write to them and they write back that they have none, but in case our scruples are removed against using our credit, that we are such valued customers that they will impair their reserves for our sake. Now the question is, how can we avoid charging prohibitive rates of interest, when our deposits are melting like the beautiful snow. How can we avoid that mental strain that is required to make a banker look cheerful when the whole beautiful realm of nature seems hung with crape and in mourning; when the waves of the sea seem to chant dirges; when the winds in the woods seem to whisper requiems; when the thunders on the mountains seem to growl funeral marches, the prairie breezes howl lamentations, and even the sea, and wood, and prairies, and mountains, make our vacations a travesty and a farce.

How can we relieve our central reserve correspondents from the embarrassment of impairing their reserves out of mere politeness to us? How can we do these things and not violate the fundamental principles of American liberty and sound economics? I believe that the creation of money is an attribute of sovereignty, and should not be delegated to private persons. I believe that assets currency is an injustice to depositors. Nothing should ever be done to impair the security of the depositor. I believe that the right to issue unsecured currency by individuals is monopolistic and un-American. It would be the bestowal of unjust and unequal privileges and would be wrong. These are the fundamental doctrines of my financial creed. I am, however, not a dreamer, an idealist or an enthusiast. Emergency conditions require emergency remedies. I recognize conditions as they exist and would like to see a remedy devised, for it would result to the interest of agriculture, manufacturing, commerce, mining and transportation, which constitute the entire circle of human enterprise. There are times of the year when the volume of money is not sufficient, and no one knows this better than the farmer, the country merchant and the country banker.

When the earth has yielded her increase, when the harvest moon hangs high in the heavens, when the sound of the thresher is heard in the rice fields, when the darkeys sing amid the sugar cane, when the great Northwest pours its grain in golden floods all over the land, when old King Cotton holds his imperial court in the snowy fields of the fleecy staple; when the withered banners of the corn are still, and gathered fields are growing strangely wan; while death, poetic death, with hands that color whatever they touch, weaves in the autumn wood his tapestries of gold and brown; when everywhere in this mighty nation, from the ice fields of Alaska to the shimmering glory of the Mexican gulf, from the unfriendly woods of distant Maine, where the God of Day sheds his beams of gold at dawn to the radiance of the Queen of Night, who at the self same hour sheds her silver light over the Philippine Archipelago, then it is that the banker realizes that our currency needs relief in order that the American banker, the American farmer, the American merchant and the American manufacturer may handle to the best advantage the fruits which have been so bountifully provided under the Providence of God. How can this be done and not violate sound economics?

I would like to make a suggestion, not as a cure-all, but simply as a suggestion subject to fewer objections than any I have seen brought forward. The relief should be on the emergency plan pure and simple, and permissible only in emergencies and for the public good. It should be in the interest of the people and not classes, and should be taxed out of circulation the moment the emergency is past. It should be safe and elastic. It should be uniform. It should be of such a character as not to weaken public confidence in banks. In short, it should be a currency based upon sound economics and patriotism. An unsecured bank circulation would be as safe as are the deposits of the bank, for the resources of the banks are guarantees of their payment, and whoever would deposit money in a bank would accept the bank's note. This, of course, would only operate locally.

It seems to me that a perfectly satisfactory emergency circulation could be devised along the following lines. Authorize the Secretary of the Treasury to issue Treasury notes to the National Banks to the extent of twenty-five per cent. of their paid in capital, on the following terms and conditions: The loan of these notes to the banks to be a general liability of the banks, secured by the several and proportional obligations of the stockholders of the banks to whom the notes are loaned. This pledge of the stockholders to be in the form of a stockholder's vote and to be in the nature of a continuing guarantee. This obligation to be in addition to the present general stockholders' liability of one hundred per cent. This loan of Treasury notes should not be made indiscriminately, but only to such banks as have stockholders whose responsibility is unquestioned, and has been ascertained by the Treasury agents, the bank examiners.

Thus, when a bank showed among its liability any emergency circulation, instead of creating any uneasiness in the public mind, it would promote confidence and be a badge of honor or merit as showing that the stockholders of the bank had been ascertained by Treasury agents to be good and responsible men. The irresponsible bankers would thereby be eliminated. Such notes should be redeemable at the Treasury or any sub-Treasury. A duty should be charged upon such circulation, so low during the harvest season that banks would be encouraged to take them out, and thereby facilitate the commerce of the country, and this duty should be so high during the time that the emergency does not exist as to force the retirement of the notes and thereby prevent inflation. This duty should be at the rate of about three per cent. from July to January at the rate of about ten per cent. from January to July.

The proceeds of this duty should be held as a safety fund out of which to pay the expenses of the issue and redemption, and for the purpose of redeeming those notes loaned to any failed banks. As most banks are well and wisely managed, this safety fund would no doubt be ample for all purposes, and it is not likely that a call would ever have to be made upon the bank stockholders to reimburse the Treasury for the loan of these notes. The banks should be required to hold a reserve against these notes and the notes should be redeemable in any lawful money of the United States, and their redemption and retirement once a year should be made compulsory in case the ten per cent. duty was not a sufficient inducement for all banks to do so.

Along these lines, in my opinion, an emergency circulation could be devised that would be elastic. It would respond to the needs of trade. It would be safe, for it would be guaranteed by the liquid wealth of the banks and the accumulated capital of the stockholders. It would not impair public confidence in the bank's solvency, for its issue would be an evidence of merit, of the responsibility of stockholders. It would not only provide money for crop movements, but it would provide an enormous resource that could be utilized in times of panic and thereby be a positive benefit to every class of citizens. The depositors of a bank are from every walk of life, and in time of panic need to be saved from their own thoughtless ignorance and folly.

It may be thought that this suggestion is class legislation, and if it is subject to this taint, the taint is so small as hardly to count. Its benefits would be so far reaching, wide spreading and various that the entire commonwealth would receive them, and the special privilege so hedged around by safeguards, personal liability and taxes that it could not be abused. This personal liability and tax feature may make any suggestion unpopular in some quarters. There is a great disposition on the part of most men to share benefits and avoid responsibilities. There is an old and honored American sentiment which says that they who dance should pay for the music. If this addition were made to our currency system it would be as nearly complete as we can hope to make it.

The time allowed for my address has now expired. I put forward my suggestion modestly, tentatively and hesitatingly, not as a universal panacea, but as an improvement. The area of this country is as great as all Europe. Our facilities for commerce and exchange, our oceans, our vast inland seas, our navigable streams, our canals, our vast network of railroads, comprising thousands of miles give us avenues of trade which no other nations ever enjoyed and which tend to the production of wealth with a rapidity not to be measured by any standard of the past. These things produce a traffic requiring at certain seasons of the year a volume of currency unprecedented in the marts of trade.

Let us hope that the glory and fame of the United States may not be tarnished by unwise financial policies. May this nation, whose victorious arms on land and sea have astonished the world, whose triumphs in mechanical arts and sciences have won the applause of nations, whose far-reaching commerce has invaded and subdued, by gentle yet compelling force, Europe, the Orient and the isles of the sea, making it the arbiter of the world's destiny, while not aiming at the world's empire. May this nation, which in civil liberty and education, uplifts and upbuilds the human race, and shall be the luminary for all the ages yet to be poured into the lap of empires from the secret caverns of time. May this nation, which seems to have been reserved by the God of Nations for the manifest destiny of dominating and redeeming the globe, which has evinced a spirit of patriotism, and whose battle hymns have rekindled the altar fires of the earth; let this nation formulate a financial theory at last, not narrow, perverted or selfish; not tainted with the odium of caste or lax with the taint of unsoundness, but such a theory as may be in keeping with the sublimity of our history and the magnificence of our Destiny.

Money Orders of Bankers' Associations.

By L. P. Hillyer, Cashier American National Bank, Macon, Ga.

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

A more appropriate name could not have been given those small evidences of debt issued by the Post Office and the Express Companies than "Money Orders." They are just what their name implies—Orders for Money. They have been used by the public for many years, and have always been honored when properly presented for payment. Not only the upper and middle classes of the United States, but the ignorant negroes of the South, the half educated foreign laborers of the Northern and Western States and the heathen Chinee of the Pacific Slope have been taught to believe in the solvency of these Orders. They are perfectly familiar with their form, shape and color, and they know that the Government of these United States guarantees the payment of one, while the great and powerful Express Companies guarantee the payment of the other. They have the same faith in these Orders as they have in the actual money of the Government.

Without going into details, but just to show the size to which the Money Order business of this country has grown, I will mention the fact that the Post Office now does a daily business of over $1,200,000, averaging about $7.00 an Order. As to the Express Companies, reliable figures can be had from the Brief issued by the American Express Company in its suit with the Government on the war revenue tax some years ago, and from which I quote the following: "In the year ending December 31st, 1899, Money Orders were sold by all Express Companies to the number of 10,135,052, aggregating a total amount of $120,040,277.65. The Express Money Order averages $11.84 per order and the average rate was 10 cents per order." It has been estimated that a clean profit of three million dollars is annually made by the Government and the Express Companies in the selling of these orders, and the business is steadily growing!

In view of these facts it is but natural that there should have been a general agitation among the Banks of America to recover this Money Order business. In 1894, the Texas Bankers' Association adopted what was called the "Reciprocal Draft," for the purpose of competing with the Post Office and Express Companies. This was a special form furnished to members of the Association, limited in amount to $200.00 and cashed without discount by any member. The Association expended considerable money in supplying the forms and advertising matter. A number of Banks expended an additional amount to advertise it. Efforts to popularize this instrument proved futile, the public seeming slow to recognize a "draft" as equal to a "Money Order." The Georgia Bankers' Association in 1896, two years afterwards, adopted what was called a "Circular Check," which, likewise, ran its course. It has been thought by the friends of these enterprises that neither instrument was properly named. Both should have been called "Money Orders." It would have taken two decades to have taught the masses what was meant by the terms "Reciprocal Draft" and "Circular Check." But the Bankers of the Lone Star State, with that same determination and heroism displayed by their forefathers when they gained their independence under the gallant Sam Houston, would not give up the fight. With renewed enthusiasm they have adopted what is now called the "Bank Money Order," which has been in use for several years. The Texas Money Order is drawn on New York, Chicago, St. Louis, Kansas City, New Orleans and other points, and bears the insignia of the Association in the form of a shield. In an address made by Mr. J. W. Butler, the Secretary of the Texas Bankers' Association, he said: "The system of Money Orders, issued under the auspices of the Texas Bankers' Association, has proven quite a success. For many years the subject of how to combat the inroads of the Express Companies and the Post Office engaged our Conventions. We found the key to the problem when we decided by resolution that the members of our Association would make no charge for cashing Bank exchange when $200.00 or under. Besides benefiting the members by this enterprise, we have enlightened our Association. The Money Order idea is largely to be credited for the increase of membership in the Texas Association from 239 at its introduction, to the present splendid number of 470, and the system is a potent factor in retaining this large membership. To summarize the advantages of the system: First, your exchange bears the statement: "Bank Money Order." This enables you to advertise your exchange as "Money Order," which term is well understood by the public. Second, you offer an order that will be cashed without discount almost anywhere in this country. We have not had reported a single instance where a Bank charged for cashing one of such Orders.

The Missouri Bankers' Association, which boasts of the largest membership in proportion to the number of Banks, has recently adopted a Money Order System. So has that active and wide-awake Minnesota Association, and I am informed that Kansas and California have a Bank Money Order system of some kind. Washington, Nebraska, New York, Michigan, Louisiana, Tennessee and Virginia have already adopted, or contemplate adopting, a Money Order system in the near future. Thus it will be seen that the idea is a popular one, and it will not be long before many other States will be giving these Money Orders a trial. I believe that to a large extent the State Associations will succeed with these Orders, but it is my fixed opinion that until a Money Order system can be devised whereby its Orders will be cashed—not *almost* everywhere, but *everywhere*—as readily as are the Orders issued by the Post Office and the Express Companies, the Post Office and Express Companies will not be very much annoyed by our competition. The business obtained by these very wide-awake and enterprising State Associations will not grow to any great and magnificent extent until they adopt some plan which will make the Money Orders issued by the little Banks of Ty Ty, Georgia, and Lickskillet, Texas, just as good as the Orders issued by those mastodon Banks in the great Reserve Cities. Not only must they do this, but they must establish the fact in every State of the Union that an Order issued by one Bank is as good as an Order issued by any other Bank. The wise and progressive leaders of these State Bankers' Associations are endeavoring to have their Money Order systems adopted by all the other States. When they succeed in this, a long step forward will have been made, but the system will still be incomplete. It is absolutely necessary for every Money Order issued to be as good as gold, and the question has been asked: "How can it be made so?" It is infinitely easier for the public to become posted as to the reliability of the Post Office and Express Companies than it is to learn about the standing of thousands of different Banks from Maine to California. In answer to this, it is argued that no one ever saw a financial statement of the Express Company, and yet the public buys its Orders by the thousands. This is not a good argument. It is an easy matter to gain the confidence of the public, and so long as honest methods prevail this confidence can be retained; but let one act of dishonesty or insolvency be committed and that confidence is lost forever. It sometimes happens that the payment of an Express Order is delayed for a time because some office is short of ready cash, but we have yet to learn of the absolute repudiation of an Express Order because of the Company's insolvency. Until we learn of this the confidence in Express Money Orders will continue to increase; but if an Express Company should ever fail and its Orders be flung back upon the buyers as worthless paper, it will take fifty years to outlive the prejudice that will be formed against them. The most successful Bank Money Order system ever devised, or that can ever be devised, will ultimately fail if an occasional order is allowed to go to protest. It is not enough to win success—we must deserve it! It is not enough to secure the confidence of the people who buy our Orders, but we must also secure the confidence of the Banks in every State and Territory which may be called upon to cash them. We must make our Orders safe. These Money Orders must have something behind them besides the Bank which issues them. May the day never come when the Orders issued by any of our members can be justly styled "Wild Cat Orders." There must be some solvent guarantee that no matter if the Bank of issue fails irretrievably, its Orders will be promptly paid. An absolutely successful Bank Money Order will never be attained until this is done. These State Associations will some day find this guarantee and all will be well, but that day will be greatly hastened if our American Bankers' Association, with its power and influence, would lend the State Associations its mighty aid! Now is the appointed time for us to act. We, who have banded ourselves together for the purpose of promoting the interests of the Banking Fraternity, should help them in this Titanic struggle!

"It is more worthy to leap in ourselves
Than tarry till they push us!"

I will not weary you with the details of the various ways in which this help might be given, but I am sure that success awaits our efforts. We have but to start the machinery in motion with the right men in control, and we will have a Money Order that will stand the test—not for an age, but *for all time!* It will become so strong in the minds of the people that they will hoard these Orders in times of panic with the cash they draw from the very Banks which issue them. Let us help them, not carelessly, but cautiously and advisedly. The wisest financiers of this world are American Bankers, and the wisest of American Bankers are members of this Association. It is an idle tongue that will declare these Bankers unequal to the task proposed. Before we turn our faces to the East, let us instruct our Executive Council to assist the State Associations in their heroic fight. Let the Council choose the wisest, brightest and most active to perform this work, and you may be sure that the Money Order system they approve will close forever the ranting mouths of moss-back critics. They will give us a Money Order that cannot be altered or raised, an Order that will be uniform in shape, size and color, so that it will be easily recognized wherever seen, an Order which in five years, with the tremendous advertising and backing which the Association alone can give, will be as familiar to the Filipino as his Spanish coin—an Order which will rival in stability the notes issued by that Gibraltar of Banks, "The Mother of Threadneedle Street"—an Order that will be as readily cashed in St. Petersburg as Chicago, in Paris as New York, in Vienna as San Francisco—an Order that will bring back to the Banks of this country millions of profit which, in their blind indifference, they have been giving away. Let us trust this work to the clever men whom the Executive Council will appoint. These men will think twice before they act. They will make no unwise move, nor

"Like the famous ape,
To try conclusions, in the basket creep
And break their own necks down."

They will not venture on this financial sea in a weak and saucy little boat, whose untimbered sides will spring a thousand leaks should

"The ruffian Boreas once enrage the gentle Thetis,"

but they will make their way in a strong ribbed bark that will ride safely and majestically on every wave and hurl defiance at every storm.

Education of Bank Clerks.

By J. B. Finley, President Fifth National Bank, Pittsburgh

The American Institute of Bank Clerks is unique as an educational effort in the industrial world. It is the first concerted attempt, national in scope, made in the United States on the part of a single profession to benefit and uplift by educational methods the standard of efficiency of its employes. Without precedent, much had to be learned from experience. It speaks well for the wisdom and foresight of the founders that two years' practical conduct of affairs has demonstrated that no radical change of plan is necessary.

During the past year work among the Chapters has been carried on with increasing enthusiasm and with much benefit to the members. Semi-monthly meetings have been held at which papers prepared by the members have been read and discussed and addresses have been made by prominent bankers and public men. Debates have been held by the Chapters, and the judges on such occasions have been, in the main, bankers. One of the most interesting features of the Chapter work for the past year has been debates between Chapters of different cities. These gatherings have been largely attended, not only by members of the Chapters taking part in the debates, but by Chapter members from other cities. In November of last year a debate was held at Cleveland between Cleveland and Pittsburg Chapters, on the question, "Was Secretary Shaw's Action Judicious in Accepting Security of Other Than United States Bonds for Government Deposit?" This debate was won by the Cleveland Chapter, for the affirmative side. A return debate was held between these two Chapters at Pittsburg on February 21, 1893, the subject being "Resolved, That State Banks and Trust Companies Should be Required to Keep the Same Reserves as National Banks." There were present on this occasion representatives from the Chicago, Cincinnati, Alexander Hamilton and New York Chapters. The winners this time were the Pittsburg men, who argued in favor of the affirmative side of the question.

The third debate, and the most successful yet held, took place in Cincinnati on May 30, 1903, between representatives from the Chicago, St. Louis and Baltimore Chapters on one side and Cleveland, Cincinnati and Pittsburg Chapters on the other. The subject was, "Resolved, That it is for the Public Good That National Banks be Permitted to Issue Currency Based on Their Assets." Cleveland, Cincinnati and Pittsburg, for the negative side, were adjudged the winners.

In addition to formal debates between Chapters, discussions have been frequently held between members of the same Chapter on practical subjects relating to banking. Such discussions and debates have stimulated the interest of bank clerks in financial and economic questions, and attracted new members to the Chapters, and correspondingly increased the enthusiasm of the old members. The value of this training to the clerks from an educational point of view can hardly be overestimated, and the advantage that must accrue to their employers is no less evident. The Institute work has been supplemented by social reunions of Chapter members, where closer relationship and fraternal spirit have been fostered that must go far toward making the bank clerks realize the all-important fact that the Chapters are not a collection of isolated clubs, scattered about the country, but are parts of a homogeneous organization of which the American Bankers' Association is the head.

It is gratifying to note that bank officers and bankers of prominence throughout the country are taking increasing interest in the Institute and urging, not only upon their employes, but upon their associates, the importance and value of the work in which it is engaged. There is now scarcely a State Bankers' Association that does not at its convention make commendatory mention of the Institute. Chapter officers have been invited to address many of these conventions on Chapter and Institute work.

In the report of the Secretary last year, mention was made of the book "Industrial Methods in the United States in Relation to Banking and Currency," which members of the Chicago Chapter were engaged in preparing. This work is progressing in a satisfactory way and there seems to be no doubt that the volume will be completed by December next and in press shortly thereafter. A prominent publishing house has offered to bring out the book. Several Chapters are taking steps to procure libraries. St. Louis Chapter has established a library which at present contains two hundred standard works on financial and economic subjects.

There have been many instructive courses of lectures delivered before the Chapters. Notable among them are "History of Banking in America," by Prof. Carl C. Plehn, of the University of California, before the San Francisco Chapter; "Contracts," by Ralph Robinson, attorney at law, before the Baltimore Chapter; "Negotiable Instruments Law," by Thomas B. Patton, before the Alexander Hamilton Chapter, and "Banking Law Talks," by Prof. Leslie Tompkins, of the New York University, before the New York Chapter. Almost every Chapter in the Institute has enjoyed something of this sort. In addition there have been a number of addresses on various subjects by prominent men. Among those who addressed the Chapters within the past year are Hon. Chas. N. Fowler, of New Jersey, Chairman of the Banking and Currency Committee of the National House of Representatives; Hon. Lyman J. Gage, ex-Secretary of the Treasury; O. P. Austin, Chief of the Bureau of Statistics, Washington, D. C.; Milton E. Ailes, ex-Assistant Secretary of the Treasury; Harry Coope, LL.M., of the United States Treasury Department; James W. Sample, Chief of the Department of Issue, United States Treasury; B. E. Walker, General Manager Canadian Bank of Commerce, Toronto, Canada, and Hon. Bird S. Coler, ex-Comptroller, New York City.

To the fact that the Chapters emphasize the attainments and accomplishments of their members is due the many promotions that have been made to official positions from the ranks of Chapters. No better evidence of the practical work of the Institute could be found.

The Institute now has on its list thirty Chapters, twenty-five of them strong and vigorous—two in New York, one in Baltimore, Boston, Brooklyn, Buffalo, Chicago, Cincinnati, Cleveland, Denver, Detroit, Grand Rapids, Hampden County, Mass., Hartford, Kansas City, Los Angeles, Louisville, Milwaukee, Minneapolis, Philadelphia, Pittsburg, Providence, Richmond, St. Louis, St. Paul, Salt Lake City, San Francisco, Toledo, Topeka, Washington.

The Bulletin has now over 5,500 paid subscriptions divided about equally between Chapter members and non-Chapter members. The issue for August 15 was mailed as follows:

Alabama, 16; Alaska, 1; Arizona, 17; Arkansas, 19; California, 401; Canada, 18; Colorado, 41; Cuba, 1; Connecticut, 107; Delaware, 9; District of Columbia, 51; Kentucky, 33; Louisiana, 25; Maine, 25; Maryland, 206; Massachusetts, 156; Mexico, 6; Michigan, 148; Minnesota, 303; Mississippi, 23; Missouri, 223; Montana, 30; Ohio, 361; Oklahoma, 7; Oregon, 22; Pennsylvania, 593; Porto Rico, 2; Rhode Island, 123; South Carolina, 11; South Dakota, 24; Tennessee, 9; Texas, 52; Utah, 47; Florida, 41; Georgia, 60; Hawaii, 3; Idaho, 9; Illinois, 541; Indiana, 50; Indian Territory, 8; Iowa, 109; Kansas, 76; Nebraska, 49; Nevada, 2; New Hampshire, 17;

New Jersey, 125; New Mexico, 3; New York, 426; New York City, 556; North Carolina, 35; North Dakota, 28; Vermont, 9; Virginia, 64; Washington, 27; West Virginia, 16; Wisconsin, 193; Wyoming, 3; Foreign, 27. Total, 5,587.

THE BULLETIN in its general conduct has adhered closely to the policy laid down by its founders, and the fact that its subscription list has continued to grow is sufficient evidence that the policy is a wise one. THE BULLETIN has won a high place in the estimation of many, as is attested by the large number of highly commendatory letters that have been received. It in no sense pretends to encroach upon the field of the general banking and financial publications of the country. It is first and last a bank clerks' paper, the official organ of the Institute. Its object primarily is educational, and it makes no attempt to gather and print news items, except so far as they refer to the work of the Chapters and to the courses of study of the Correspondence School. In its columns preference has been given to addresses and papers prepared and read by Chapter members, to special articles by Institute men, and to addresses delivered by prominent men before the various Chapters. The editorials have been brief and have been carefully restricted to the advancement of the Institute work. In its "Among the Chapters" department have been printed news of the various Chapters, reports of their debates and discussions, notices of special work undertaken, &c., with the object of making this department as complete an official report as possible of all that goes on within the Chapters.

In the "Collateral Reading" department there has appeared general information of educational interest, not only to students in the Correspondence School, but to Chapter members and to other subscribers. This has been a popular department. In the "Talks with Students" department has appeared matter relating to the different subjects of study of the Correspondence School and of helpful interest to the students in the various courses. Difficulties met with by the students while pursuing their studies are here discussed and the way shown to overcome them. The Correspondence department is an important one, for in it are printed, and where possible answered, letters of inquiry from members of the Institute relating to their daily work.

The Bulletin finds great favor with employes of country banks. Through it they are kept in close touch with their fellows in the larger cities and are made familiar with the practices and methods of city institutions and are thus qualified to render more efficient service to their own banks and to reap the larger rewards that such service commands. The proof of this is contained in such letters as the following:

> I inclose draft to renew my subscription for the BULLETIN. It would be impossible for me to get along without it. I think we get more information from the BULLETIN for the same money than from any other source I know of. It is certainly a very valuable publication.

The Bulletin is also appreciated in the city banks, as is shown by the following letter from the cashier of one of the most important banks in the city of New York:

> I expectantly await its publication and read it with increasing interest from month to month. In my opinion it supplies a long felt want. Its proper use among the bank clerks of the country cannot but serve to minimize the tendency that is always more or less prevalent among clerical workers, to confine themselves to mere machine-like performance of their duties. If your paper did no more than induce men to think it would be worthy of their support, but it does far more than that, and I must join with its numerous other friends in wishing it long continued success.

The Correspondence School is an invaluable department of the Institute. The good work it has accomplished is but the beginning of what can be done. The urgent need for such work has been demonstrated. Another year's experience has proved the undeniable truth of the statement contained in the Secretary's report of last year, which is as follows:

> The Correspondence School of Banking does for the country bank what his city cousin gets out of the Chapter. The two avenues of improvement and advancement which the Institute opens to bank clerks are characterized by the way in which they are employed by the clerks. The young men in towns and villages and the smaller cities of the country take up the correspondence courses of instruction, while their cousins in the larger cities get together in Chapter organizations and give attention to essay reading, debates, investigations, etc., all more or less in the direction of study, under the auspices of specially engaged teachers.

The proportion of Chapter-member students to the whole number of students is about ten per cent., which supports the statement in the Secretary's report that the Correspondence School finds greater favor with the bank clerks in localities where chapter membership is not available. The number of students is at this date approximately 800.

In the conduct of the school the general policy as originally outlined has been adhered to. The favorite courses have been those relating directly to the practical operations of banking. Commercial law holds a close second place and the remaining courses are about evenly distributed.

Experience has shown that it is perhaps advisable to revise the courses by combining those that are logically related. At present there are sixteen courses. Each of these is an independent subject that must be supplemented by one or more of the others to secure the comprehensive training that is necessary for efficiency in any department of bank work. It is this practical desire that animates the majority of the students rather than the desire for scholastic attainment in any one special branch. It would be in the interest of the students, therefore, if some such policy of concentration were carried out. It is feasible. It would better equip the students for the practice of the banking profession and would do so at a smaller expense than under the present policy. The plan proposed for such revision of studies may be found in the printed reports.

It has been demonstrated that bank clerks, especially those outside of the larger cities, are alive to the need of such instruction as the Institute affords. Generally speaking, the Institute is a success and its influence will in time reach a majority of the bank clerks of the country.

The primary object of the American Bankers' Association is "to promote the welfare and usefulness of banks." How can that object be better attained than by maintaining an educational system through which the bank clerk may acquire a thorough knowledge of the theory of banking? I have endeavored to show you what the Association, through its Committee on Education, has done and is doing in this direction. The question arises, What, if anything, can be done to create a greater interest in the movement and make it more effective. I suggest for your consideration a closer alliance or affiliation between this Association and the Institute. This can be accomplished by providing for the appointment of the Board of Trustees by the Executive Council, and for an annual examination in such branches as shall be appointed by the Executive Council, the passing of which shall entitle the candidate to the certificate of the Institute. These are greatly prized and sought after by the bankers and bank clerks of the United States, as are the certificates of the Institute of Bankers in London by the bankers and bank clerks of Great Britain. The value of these examinations is becoming yearly more appreciated, as is shown not only by the increasing number of candidates, but by the fact that many of the leading banks and bankers of London and the provinces now give prizes to those of their officials who pass them. It has been said by one of the leading bankers in Chicago, "The benefit of these examinations to the future race of bankers cannot be overestimated. To educate the clerk of to-day, who is to become the manager of to-morrow, is to lay a foundation of a better and more substantial system."

Never in the history of banking in this country were thoroughly trained bankers so greatly needed as at present. Men of sound and healthy judgment with which to direct the use of trained faculties and powers. Education in a broad sense comprehends all that disciplines and enlightens the understanding, corrects the temper, cultivates the taste and forms the manners and habits.

Special or professional education aims to fit one for the particular vocation or profession in which he is to engage. While the chief aim of the American Institute of Bank Clerks is the education of bank clerks in the science and practice of banking, its effect will be to broaden and liberalize them, enlarge their views, widen their outlook, quicken their sympathies, beget an increased public spirit, make them more efficient and better qualified to perform the duties of the positions they now occupy and fit them to fill advanced positions when called upon to do so. What more laudable or profitable work could the American Bankers' Association undertake?

Detailed Report of Proceedings.

TWENTY-NINTH ANNUAL CONVENTION, HELD AT SAN FRANCISCO, OCTOBER 21st, 22d and 23d.

FIRST DAY'S PROCEEDINGS.

Wednesday, October 21, 1903.

The Convention met at ten o'clock a.m., at the California Theatre, San Francisco, Cal., October 21, 1903, being called to order by the President, Mr. Caldwell Hardy, of Norfolk, Va.

Prayer was offered by the Right Rev. William Ford Nichols, Bishop Episcopal Diocese of California.

The President: We will now listen to an address of welcome to the city of San Francisco by Hon. E. E. Schmitz, Mayor of the city.

Address of Welcome by the Mayor of San Francisco.

Mayor Schmitz: As the Chief Executive officer of this city, and on behalf of all her people, I extend you a hearty welcome.

You who have come from the distant centers of our national life have done us signal honor by selecting this far Western outpost of our American development as the meeting place of your important convention, and it is the desire of our citizens that your welcome shall be not only to our city, but also to the hearts and homes of our people. For whatever be the fact in other lands, we recognize that in the life of the American banker there is always room for the play of the impulses of the heart and of the influences of the home.

We welcome you, not alone for the advantages which may in the future accrue through your visit to the city, of which we are so proud, but also for the achievements which have already been made possible for San Francisco, and indeed, for all California, through the conservative, yet abundant confidence of the men who control the financial arteries of the nation—the bankers of the United States. (Applause.)

Our State and our City have great natural advantages; we glory in our sunshine, our fruit and our flowers; we exult in our great mineral and other material resources, but we know that without the aid of capital, co-operating amicably with the hands of labor, all this natural wealth, unproductive, would be dead and would contribute nothing to the prosperity or advancement of our people. Inert wealth is barren of advantage.

The future holds for San Francisco great possibilities from the internal resources of our State, from the establishment of local industries and enterprises, as well as from the commercial development which will arise from our new policy of national expansion, from the annexation of the Hawaiian Islands, from the acquisition of the Philippines, from the opening doors of Oriental empires, from the Isthmian Canal—yet we all know that without the generous yet conservative regulating hand of capital at the throttle the engine of commercial prosperity may explode its boilers, or run off its track, leaving ruin instead of advancement, wreck or stagnation, instead of affluence and progress. You have great power. We realize that in your commanding hands, through which daily ebbs and flows the tide of the nation's wealth, you hold in a large measure the commercial and industrial destiny not only of the city of San Francisco, not alone of the State of California, but, indeed, of our entire country, and of all your fellow citizens.

The people look upon you largely as the middlemen of commerce and industry, the balance wheel between those who pay and those who receive. They know that through your advice and judgment the scales may hang even or uneven between capital and capital, as well as between capital and labor, and they live in the confident hope that your judgment and your advice will alwaye be such that conditions of peace may ever prevail, both in those commercial competitions in which capital vies with capital, and in the industrial competitions in which capital meets with labor, ever bearing in mind that these factors of our national progress are, and ever should be, co-ordinately and reciprocally interested for their own benefit and protection in creating and maintaining such conditions that capital may always have safe and constant investment in order that labor may have steady and remunerative employment.

These problems and many others being largely in your hands, our community recognizes the importance of your gathering, and the seriousness of your deliberations and is greatly interested in them.

You are the financial engineers of our country. You determine the lines of our commercial and industrial action.

It is for you to solve the great problems arising from the demand and supply of our medium of exchange in the various sections of our country. It is for you, like financial physicians, to hold your hands on the nation's financial pulse and to determine the ailments, if any, which exist, and the remedies to apply.

You all realize and know that the prosperity and well being of the nation are not measured merely by the amount of money stored in the banks and safe deposit vaults, but largely also by the advancement and progress of the masses of the people, and by the peace and contentment which may prevail among her citizens.

In the consideration of the questions which may come before you, this element will, I am sure, be accorded such attention as will assist in the development of our national prosperity and pride, and will redound to the benefit and advantage of every element of our population, irrespective of class, condition, financial or social station.

To the great credit of you who control the finances of our country, let it be said that in almost every emergency you have been ready and prompt to act for the community's common good.

It may be especially appropriate in this presence also to say that the banking element of San Francisco has ever been especially ready to co-operate with the rest of our citizenship in everything which tended to the upbuilding and uplifting of our city, its business and its enterprises, or which conduced to its material advancement and progress, and that our bankers have for that reason always enjoyed the good will of the great majority of our people.

Gentlemen of the Convention, once again I welcome you.

Address of Welcome by George C. Pardee, Governor of California.

Gentlemen of the Bankers' Convention:

It is not often that the Governor of California has an opportunity such as this. Whenever the Governor has faced even a single banker, the latter has listened only as long as he pleased. To-day, however, the tables are turned. The Governor must, out of sheer politeness, if for no other reason, be listened to as long as he wants to talk. And to think that he has, not one but such a multitude of bankers, even the assembled representatives of the whole American banking world, completely at his mercy, fills the Governor's soul with a great and consuming joy. My "paper" to-day, for once, must be "accepted" without "protest;" the "drawer" has the "drawee" at a great disadvatnage; no "discount" will be allowed; it is a "sight draft," without "grace," "second and third" not only "unpaid," but even unissued. Gentlemen, there is but one thing for you to do, and that is to shelter yourselves behind the customary "no recourse;" for you had but one, and that I have removed by seeing to it that yonder doors are locked and carefully guarded.

I suppose I ought to have begun this address of welcome by asking you the question with which, it is said, every Californian greets those whom he for the first time meets—viz., "How do you like California?" What we really mean by that question is really not "*How* do you like California?" but "How *much* do you like California?" For we know that everybody likes the Golden State, and we always judge of the intelligence and intellectuality of the stranger within our gates by the degree of love he expresses for California. So, as I look out over your faces to-day, I am sure that you like California better, almost, than any other place on earth.

But you are not strangers within our gates. You are our welcome guests. Welcome to the land where there are no lightning rods nor cyclone cellars; where no one dies from heat nor perishes with cold; where roses bloom the year around, and Nature always turns her smiling face toward him who trusts her for his sustenance. Welcome to the Western boundary of the United States, where the great Pacific sends his surges thundering to our very doors—the great Pacific that soon will bear upon his calm, untroubled bosom such argosies as trade and commerce have not seen before! Welcome to the Golden Gate, which opens on to fat Cathay, and through which, ere long, will flow the "wealth of Ormus and of Ind!" Welcome to our mines, our forests, our mountains, our valleys, soon to team with millions where but scattering tens of thousands now reside! Welcome to the dizzy depths and towering heights of the Yosemite! Welcome to the green and gold of our orange and lemon groves! Welcome, in a word, to California! For you there is no latchstring and no key—our doors are all ajar!

"Better loved ye canna be;
Wull ye no coom back agen?"

The President: We will now listen to an address by the Hon. James D. Phelan, representing the bankers of San Francisco.

Address of Welcome, by Hon. James D. Phelan, President of the Mutual Savings Bank of San Francisco.

In providing three welcoming speeches the Committee no doubt desired to express, as by an object lesson, that you are thrice welcome; and in welcoming the Bankers' Association to San Francisco we are not unmindful of the compliment of your coming. We thank you for having come.

In one sense our city is remote from the money centers of the country, and in another sense the money centers are remote from us. San Francisco is nearer the geographical center of the United States than the cities of the East. At one time we were the outpost, but now we have Alaska and our island possessions far to the westward, and we feel less the sense of isolation. We are on the road, instead of being at the end of the road. The convenience of travel and the rapidity of communication, and, more than all, your actual presence, have convinced us, however, that you come not as strangers, but as neighbors, fellow citizens of our great Republic, bound together by hooks of steel, as Shakespeare has defined the ties of friendship; that our interests are one, and that better acquaintance will result in common advantage.

You, gentlemen of the Bankers' Association, represent the great Eastern money centers; we represent the financial center of an important subdivision of the country. Unparalleled natural resources, found in our mountains and valleys, lie behind us, and a great waterway stretches before us.

San Francisco is the chief port of the United States on the greatest of the world's oceans—an ocean which in turn washes the shores of the most populous of the world's countries. So we have the prestige of position in the commerce of the Pacific.

The early history of our city, however, has been associated more intimately with the discovery of gold. The reason for our city existed before the discovery of gold, and it will stand until man's thirst for gold is satisfied. Ours, therefore, is an eternal city, sitting, like Rome, upon its seven hills.

Our claims as a financial center are undisputed. We speak in the capitals of the world for the wealth of California, and we have here the facilities for doing the necessary work. The precious metals are coined in the mint located in this city, and the Sub-Treasury holds the large collection of customs and internal revenues made in this port, although the National Banks do their best to keep it in circulation. We have 7 National Banks, 25 commercial Bank and Trust Companies, organized under the laws of the State, and 9 Savings Banks. In the State there are 61 National Banks, 210 State Commercial Banks, 68 Savings Banks and 19 private banks, with a total of $570,000,000 of assets.

In the past sixteen years there has been a net increase of 33 National Banks, 122 Commercial Banks and 34 Savings Banks, which shows the rapidity of the growth of banking institutions. The total clearings of the San Francisco Clearing House for the year 1902 were $1,373,336,000, and Bradstreet's report of the clearings for the last week shows San Francisco seventh on the list of American cities with $32,826,000, ranking every city West of Pittsburg, excepting Chicago and St. Louis. Los Angeles is twenty-second, with $6,500,000, and Seattle twenty-seventh, with $4,800,000. San Francisco is the New York of the Pacific Slope, and the capital of what President Roosevelt called during his recent visit "the West of the West. Its financial stability seems to be insured by the diversity of its resources. In California a total failure of crops is unknown. Not only like the Middle West have we cereals and cattle, but all kinds of minerals, including mineral oil, and all kinds of agricultural and horticultural products find yield in abundance; and so the gold fields, golden grain, golden fruits are all tributary to the city by the Golden Gate, where mechanical skill also makes its home; where the "Oregon," the pride of the navy, and the "Olympia," the flagship of Dewey, were built, and where the municipal arms bear the appropriate motto, worthily won, "Gold in peace and iron in war."

It is true that we have labored under the disadvantage in the past of having high priced fuel, but now oil and the power generated in our mountain streams and transmitted to the cities make us independent of the world. Obliterating the Middle West, submerge the populous East, and bury the country's metropolis deep in one of its yawning subways, California could still stand alone, a self-sufficient commonwealth.

But what has developed our State? The Eastern immigration; and where do we market our products? In the Eastern States. Without you, we would be a province; with you, we are an empire. Our interests are interdependent. If any calamity befell you, to whose sympathetic ears would we recount our glories? Your tourists and your home seekers freely come without the compulsion of calamity.

We have read of the great floods in Wall Street, which reminds us of the freshets in Western streams after a thaw and using a Western term, they call the streets of Gotham cañons formed by the granite walls rising on either side. You have also your scenic wonders, and in the neighborhood of the Stock Exchange is what they call the "pit," which now seems bottomless—caused either by glacial action, or the erosion of water. Like the sunken road at Waterloo—suggestive description of the battle of giants now being waged—the Napoleons of finance will soon fill it up.

We have had our speculative experience, but not since the '70's, in the manipulation of Nevada mining shares, which demoralized business and impoverished the people. The pit was the threshold of the pitfall. Mining in California had no such effect, for it was conducted legitimately by the pioneer. But it may be interesting for you to know what effect the discovery of gold in California did have, and its subsequent yield to date of $1,380,000,000. It gave character to the State for all time, and at a critical period strengthened the Union cause. Historians tell us that the yield of California gold was no insignificant element in the success of Union arms. California was a loyal State, and its gold production gave credit to the Federal Government at a time when it was most needed, and which enabled it to carry on the war. We are told by a distinguished authority, to wage a successful war three things are necessary: "First, money; second, money; third, money;" and here is where the pen is mightier than the sword, and the banker more potent than the battery!

The men who are the custodians of the people's money should never be estranged from the people's cause, but should aid every legitimate enterprise; and, if needs be, finance every necessary war. The banker is an important integral part of any community, and must cast his fortunes with it. If San Francisco suffers, its bankers are the first to feel the pain, and that is true of all other bankers in every other land.

The banker is not a mere money-lender. He controls the motive power as well as the brake of industrial undertakings. His judgment, if wisely exercised, either prevents failure or speeds success. There are illustrious examples. After Isabella had pawned her jewels, Columbus was not half equipped for the voyage, but he was finally outfitted by his bankers, the Pinzons, who made possible the discovery of America, and if they did not receive their contingent 33 1-3 per cent., at any rate, like their client they did not go to jail, which was something. I think they also got their boat back.

Robert Morris was the banker of the Revolution, and when he with others pledged to the cause "his fortune and his sacred honor," he banked on the success of Washington, just as Washington banked on the financial skill and patriotism of Morris.

Conservative and enlightened banking is a high and worthy pursuit—to keep safe the money of the people and advance the interests of city, State and nation. So we welcome you for the power of your position and the worthiness of your work.

But to return, How did the discovery of gold give character to financial California? It logically put us on a sound money basis. During the period of rag money we adhered to our own monetary system. A merchant who paid his debts in depreciated currency was discredited. The Legislature gave us a specific contract law, which stands to-day, and which has been upheld by the Courts, enabling any citizen to contract for the payment of his bills in gold.

To meet these conditions, Congress after it had created National Banks, authorized National Gold Banks, and I believe the First National Bank of San Francisco was the first gold bank established under that act. After the resumption of specie payments the reason ceased and the law was repealed.

Unlike the usage elsewhere, however, you will still find gold in common use among our people, and you will confess that there is some satisfaction in handling the basic metal itself in our daily exchanges. It is akin to dealing with the principal instead of with his representative. The five, the ten and the twenty dollar piece circulate freely, and in this wide world there is no coin more beautiful than the double eagle of Uncle Sam. Stamped on the precious metal itself, whose weight, fineness, color and form evidence its intrinsic virtues, solid yet brilliant, are imaged the lineaments of the Bird of Freedom and the Goddess of Liberty—the one to soar abroad, respected everywhere; the other to symbolize at home domestic industry. And if the coin is inscribed with the message, "In God we trust," it asks nothing impossible of God!

Our people do not like paper money, nor paper capitalization. In common with your own purposes, they look for security in real values. And so California is a safe field for banking as well as for bankers, and that is one of the reasons why you were bidden hither, and you, although not unaccustomed to saying "No," and to say it graciously, accepted our invitation. We thank you for it. We invite you now to share the love we bear our State, to which you have been introduced perhaps in extravagant phrase; but it can best and most truly speak for itself.

And, on behalf of our bankers, I extend you again a most hearty welcome.

Reply of President Hardy to Addresses of Welcome.

To you, gentlemen, who have so warmly and eloquently welcomed us, let me express the hearty appreciation of the members of the American Bankers' Association. The fame of your beautiful city and of the great Pacific coast, with its glorious climate, its wealth of fruits and flowers, not forgetting your more material wealth, has become as world-wide as the great ocean upon which many of us look out for the first time. The cordiality with which your hospitality is tendered us, leaves the impress of its sincerity, and we come prepared to enjoy it to the full and take home with us any that may be left over.

One of my early recollections is of sitting in open-eyed wonder, listening to the marvelous tales of one of the old "forty-niners," an old friend of my childhood days. His tales of trial, privation and adventure, among those rugged pioneers who first wrested from mother earth her hidden treasures of yellow metal, have now grown familiar to all; but, how little did even those brave spirits dream of the glorious civilization, wealth and culture whose foundation they were laying. The wonderful creation of your energy and toil which you set before us, marks an advancement which speaks more eloquently than words of your courage, wisdom and enterprise. Your achievements reflect a noble ambition; we rejoice with you in this opportunity of sharing their enjoyment and wish you Godspeed in the further development of the bright future before you. Your Golden State, through its Golden Gate, is "casting its bread upon the waters" of the great Pacific and from the Orient will, in time, receive a return equalled only by the great wealth developed within its own borders. It will take but a few years of this twentieth century for your commerce to show more development than has taken place in the 400 years since Balboa first gazed upon the great waters of the Pacific. When we separate to return to our homes we shall carry with us an example which we may all strive to emulate.

Once more, in behalf of the members of the association, I thank you for your hearty welcome; it is worth coming 3,000 miles for.

Annual Address of Caldwell Hardy, President American Bankers' Association.

Another year has passed since our last convention, and we come together impressed, as we are at each of our annual gatherings, with the momentous tide which has swept us along into history, the history of a commercial and financial epoch such as has never been witnessed before, the future of which holds an interest for all of us, and is equalled only by the giant forces which have been instrumental in our progress. To attempt to review in detail these events would be impossible, but I shall aim to touch briefly on some salient points bearing on our finances and commerce.

OUR DEVELOPMENT.

A few years ago we were engaged in a battle of the standards, an uncompromising and decisive struggle between a debased and the gold standard, recognized by the enlightened world; but, fierce as was the contest, the intelligence of our people arrived at the sound conclusion, as it always does, and in the final adherence to the gold standard laid a new corner-stone of prosperity. And what has enabled us to build on this foundation the widespread edifices of our national growth? Good crops, as the fountain source, lending a new impetus to the wheels of industry, insuring abundant employment for labor in our fields, our mines, our factories and our railroads. A conjunction of these re-awakened energies sent pulsating through our arteries of commerce an increased demand and production, responsive to each other. Good times have come again to our farmers and our manufacturers, and our railroads have been burdened with our crops and products and the return merchandise purchased with their proceeds.

The unprecedented prosperity of the past few years, growing out of these conditions, brought us last fall to a climax of high prices for commodities and securities of all kinds. The same sunshine which brings to its full fruition our rich harvests also fosters the tares, unless they be plucked up. So among the substantial edifices of our prosperity have sprung up artificial commercial structures, which have failed, signally, to stand the test of time. Over-sanguine people, some probably not over-scrupulous (but there are few people more capable of making trouble than your full fledged unadulterated optimist), swept away with the craze for making money or anxious to profit by this craze in others, had been capitalizing and recapitalizing schemes of all kinds and inducing people, with paper profits, to underwrite flotations which they were as unable to carry as Gulliver was to lift himself by his boot straps. The boom had gone too far and the pessimists predicted open disaster, the natural reaction set in, money was in demand at increasing rates, extended credits were being withdrawn, collaterals and securities were closely scrutinized and a general house-cleaning begun where it was most needed, in the weeding out of over-capitalization and inflated securities.

We have gone through a period of liquidation in speculative circles of the most drastic character, without serious results except to the few who have gotten too far beyond their depth. The process is not yet complete and the way is still strewn with cripples and "indigestible" securities, but that general business conditions are sound no one can doubt. That we shall have an ebb and flow in the tides of industry is as certain as the cycle of seasons, and the source of these tides comes from our mother earth to the tillers of our soil and, as seed time and harvest yield returns, so shall our prosperity be.

A WORD OF CAUTION.

Let us review, briefly, the attitude and relation of some of our banking institutions to the conditions and incidents referred to, and the methods pursued by them in the prosecution of their business. I refer especially to the vicious policy of paying high rates for deposits, particularly savings and time deposits. The incidents of 1893 and the next few subsequent years left their indelible impress upon the minds of most of our older bankers, but there are not wanting signs that these lessons have been forgotten. If there is any class of men more than others who should never take speculative risks it is those who are handling the earnings and savings of others, and the seeking of deposits at high rates of interest, which can only be earned by speculative investments, is a menace to sound banking. Savings depositors for safety of principal rather than alluring interest rates, which are necessarily coupled with greater hazards, should carefully shun such institutions, of which there are, however, happily, but few.

Our banks, indissolubly linked with the commercial interests of our country, have been as a whole eminently conservative, and the present confidence in their stability and soundness attests the ability and fidelity with which you, their representatives, have discharged your great responsibilities.

HAVE WE OVERTAXED OUR WEALTH?

The vast increase in our national wealth is unmistakably attested by the enormous increase in bank deposits, in the aggregate value of our marketable securities, of manufactured products and our industrial plants. That we have successfully stood the liquidation through which we have passed is another unmistakable evidence of our wealth; but, after all, have we not been attempting to develop our resources, even in a legitimate way, more rapidly than our capital would conservatively permit of? Our steady increase of population, healthy as it is, is almost infinitesimal compared with the field before us in undeveloped resources of our country. The population which our country could successfully maintain is so far beyond the ken of human knowledge that it remains for generations yet unborn to solve the question. If this be so, has not our development outstripped our wealth; and, if so, what is the remedy? Certainly not by seeking to push the development on borrowed capital or inflated credit, but by contenting ourselves with cutting our garment according to our cloth, building steadily, only as our resources enable us, paying as we go, owning what we buy.

CURRENCY.

The changes have been rung on it and rightly. I fear you would be reluctant to admit that you know more about it than your Bible, but I suspect you think you do all the same, and if there is anything about which a banker thinks he knows more, and probably knows less, it is the currency. The conditions existing in this country differentiate the currency problem for us from that of any other country that has ever had a paper currency, and every man's views are more or less theory when he has had no opportunity of demonstrating them practically. What part has the currency problem played in the stirring commercial events to which I have alluded? The vast majority of us feel assured we have had, so far, all the currency we have needed and that an increase of it, just at this time, would lend a further undesirable stimulus to speculation. The enormous production of gold in the last few years (about which we are to have some very interesting figures from one of our distinguished guests) has been either lost sight of, or, if studied, will furnish food for thought. The advantages claimed for the bank circulation of other countries over our bond secured notes have much merit from a scientific standpoint, and would have more from a practical standpoint if the element of risk could be eliminated which has brought disaster in some instances—notably, in that of the Australian banks some years ago. The practical question is, could it be satisfactorily grafted on to our banking system, and if so, how? The idea of a "central bank" or a "branch banking system" is repugnant to our conception of free government and institutions, and, unless I mistake the temper of our people, will never be accepted. Neither will any form of currency be accepted which does not carry with it the some confidence of security which our bank notes now enjoy.

The discussion of the matter from an academic standpoint can be prolonged indefinitely, but what the practical banker wants is details which will carry conviction to his mind as to how such a currency can be so guarded as to fulfill the conditions outlined. What we need is a currency to be used, not for the purpose of creating new liabilities, but to enable us to move our crops without distress and to liquidate comfortably liabilities already created. We shall, probably, arrive at some solution of this question, first, in the shape of a limited circulation, so highly taxed as to permit only of its temporary use from time to time, and be governed further by the results of this experiment. I should use here the popular term of "Emergency Circulation," but for a recent protest from a friend in discussing this subject, which suggests the paraphrase that "a rose by some other name would smell sweeter," he says:

"Why will people continue to refer to this needed adjunct to our currency by a title (emergency) that would preclude any sound banker from using it, when he would thereby confess that he had reached a point where air was not sufficient for his lungs, and he was using oxygen, equivalent to the doctor's saying he was on his last legs and that there was only one hope of saving him, and that was extreme measures. We don't want an extreme unction currency."

At your last convention resolutions were adopted authorizing the appointment by your president of a committee of seven citizens of the United States to consider and report to your next convention on the "Currency Question," and, in pursuance of these resolutions, the following gentlemen were appointed on the committee provided for:

C. S. Fairchild, New York Security & Trust Company, New York; H. C. Fahnestock, First National Bank, New York; Myron T. Herrick, Society for Savings, Cleveland; J. J. Mitchell, Illinois Trust & Savings Bank, Chicago; J. C. Van Blarcom, National Bank of Commerce, St. Louis; Homer S. King, Wells, Fargo & Co. Bank, San Francisco; George Q. Whitney, Whitney National Bank, New Orleans.

They have given the matter serious and earnest consideration and their report, which will be presented to you to-day, reflects the care and conservatism with which they have discharged the duty imposed upon them.

SUB-TREASURY SYSTEM.

The natural function of a bank is to gather the money of the community that it serves and distribute it in loans on good security among those who need it, and the bank that performs this function with the greatest care and success best serves the interest of its people. The money of the country should stay in the channels of trade, and the miser who gathers his gold and hoards it is a parasite on the body politic, but when the government by taxation gathers money in advance and in excess of its needs, and withdraws the same from the channels of trade, it is doing exactly what the miser does. No other intelligent people would have so long rested passively under such a system, and we should voice our demands for a reformation of this pernicious practice in no uncertain tones.

The disposition of a secretary to minimize this difficulty should not depend upon an individual construction of the law, but the statutes on the subject should be made so plain as to make the duties of the secretary ministerial only, and so regulate the operations of the government as to meet its requirements without friction with the general finances of commerce.

A discussion of the currency brings us irresistibly to the consideration of this antiquated method of handling government funds, and the report of our currency committee, heretofore referred to, accentuates the necessity for dealing with this subject as a question to be first disposed of, precedent to the undertaking of any currency reform. The demoralizing effect of the annual talk regarding locking up of money in the Treasury is almost worse than the actual withdrawal of the funds. Remove the cause of the discussion and the ending of it will be quite as beneficial as the actual freeing of the money. I hope it may be your pleasure to push vigorously the reform recommended by the committee in this respect.

INDUSTRIALS.

A consideration of our present development and conditions would not be complete without reference to our corporations of the present day, standing as they necessarily do in such intimate relationship to banking.

In the formation of our great industrial corporations we have been confronted with new and strange conditions, so experimental in character that we can as yet reach no conclusion as to what will be their destiny. Eliminating those of a fraudulent or fictitious character, nearly all of them have been subject to criticism in the matter of capitalization, and the weak point, I might say, with all of them has been the failure to provide a reasonable working capital. A considerable number of minor corporations with local credit were able to secure on a legitimate basis an aggregate of bank accommodation, largely in excess of that which could be secured by many of the consolidated corporations into which these minor concerns have been merged. The necessities for enlargements and improvements have not been adequately provided for, and the working capital has often been further impaired by the illegitimate declaration of dividends. That the follies and peccadilloes of these enterprises have not brought more serious consequences to the whole body politic is a cause for congratulation, but it is a subject for regret that there have been so many innocent sufferers from their operations.

RAILROADS.

There has been a greater creation of securities in the consolidation of many of our railroads than actual values, apparently, justify, and where this has been the case we naturally cannot lend our approval, but the concentration of management and control has brought about a stability of rates, which has created an established value for their legitimate securities without hardship to the patrons of the roads. It is a serious question whether the aggregate market value of all of our railroad securities equals the amounts originally expended in the construction of them with even a moderate return upon the investments. The reduction in the cost of transportation by reason of the great improvement in the physical conditions of the roads has made it possible to move freight profitably at rates which would have formerly been considered impossible. I do not mean to suggest that the roads should be left entirely free in the matter of fixing rates, but the reasonable concentration of their management should rather facilitate their control in this respect by conservative legislative enactment. The enormous increase of business developed by our prosperous condition has so overtaxed existing facilities as to necessitate extensive improvements, which have brought the roads into the market with borrowings which have seriously taxed our resources; but, where these improvements have been undertaken on a legitimate basis, there is, apparently little reason to apprehend any difficulty in carrying them to a successful completion and utilization.

PUBLICITY.

A word on this subject, as it relates to all public corporations. Some criticism has recently been made of the publication of the weekly New York bank statement. I use the incident merely to point a moral. The form and method of making this statement has been, more or less, a subject of discussion for some time past. If the form and method of publication is not as accurate as it should be, make it what it should be, but do not suppress it. The publication, occasionally, of an individual bank statement, which it subsequently develops is not legitimate, would be a poor excuse for the suppression of bank statements in general, and I think a suggestion that we do away with bank statements would be unanimously vetoed. Bank statements, in general, convey fair and intelligent information as to the status of the banks and, if the same publicity from other public corporations could be required, a most important service would be rendered the public. The great insurance companies, which look to the public for support, recognize the wisdom of publicity by publishing full detailed reports. And where this principle is not voluntarily recognized the States, by wise legislation, have protected the public by the establishment of departments for the supervision of the companies. The government has now taken up the work along more general lines through its new Department of Commerce, and I can but think that the movement will meet the approval of the best banking thought of the country.

OUR ASSOCIATION.

For details of what has been accomplished during the past year I shall refer you to the report of the chairman of the Executive Council, within whose province the active work of the association lies more particularly, and the reports of the various committees.

Our membership continues to show a healthy and gratifying increase, and has now risen beyond seven thousand. The work of our Protective Committee has been pushed with the vigor and intelligence which has characterized it for years past. Your Committee on Uniform Laws has continued its valuable work, and we look forward to the time when the law of negotiable instruments shall be the same in all of our States. The work being done by our Committee on Education is only equalled by the undeveloped field before it. There may have been doubts, at times, in the minds of some of our members as to the value of this work, but the results achieved, as set forth in the committee's report, leave no further room for question. What more eloquent tribute to this work could be paid than that which I received in a recent letter from one of our prominent members, reading: "Already four of the most prominent men in instituting our chapter have been raised from 'the ranks' to officials in the banks with which they are connected." Your Fidelity Committee has devoted itself with painstaking care and assiduity for several years to the protection of your members against the unfaithfulness of employees and establishing of a uniform and fair form of bond, at reduced rates, which has resulted in the saving of many thousands of dollars to our members. The work of the committee has brought it to the point of outlining the future possibilities in the establishment of a "Bankers' Guaranty Fund." This would seem to be the logical conclusion of this work, and unless such a plan be adopted the committee has, probably, accomplished all it can do. The success which similar funds have met with in England and the establishment of them by large banks and other corporations attests their practicality. I cannot too strongly urge upon you the careful consideration of the report of the committee on this most important matter.

In reviewing the various subjects touched upon I have not hesitated to criticize, where I have felt it necessary, and to display a danger signal where it seemed to be required, but while counseling conservatism I would not have you count me a pessimist. Banking has developed into a profession and not a mere trade. We are insisting upon a more adequate preparation for business, for a larger education, a deeper knowledge of principles and economics and a fuller appreciation of the principles which should govern the relations of men in banking and commercial life. The achievements of our association in protective, educational and legislative work accentuates the possibilities of organized effort, and our growth in membership and influence are the tangible returns of the seeds which we have sown. May our future years continue to be filled with the further fruition of our efforts. Who can recount the friendships formed and tell of the memories of pleasant intercourse graven deep in our hearts, for which we are indebted to our beloved association? These may not be weighed and measured by scale and rule, but still would alone be sufficient reason for our existence.

Let us turn our faces, then, to the bright future of our country and our association. When the rising sun today first touched the easternmost border of our country it looked down upon the richest and most prosperous nation in the world, and when to-night it shall have cast its last rays on the Golden Gate, and passed on to Hawaii and the Philippines, it will leave behind the most enlightened and progressive people it has ever shone upon—we, of our great Republic.

The President: The next business in order is the annual report of the Secretary.

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

October 1, 1903.

To the Members of the American Bankers' Association:

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

	Paid membership.	Annual dues.
September 1, 1875	1,600	$11,606
September 1, 1885	1,395	10,940
September 1, 1895	1,570	12,975
October 1, 1903	7,065	76,538
The interest on $10,000 Government 4s, 1925, $400.00, makes a total income of		$76,938

In the past year 313 members have been lost through failure, liquidation, and withdrawal from the Association, reducing the membership Sept. 1, 1902, to 5,926.

One thousand one hundred and thirty-nine members have joined since Sept. 1, 1902, making a net gain over last year's total membership of 826, which is the largest number of banks ever added to our rolls in the same space of time.

The total membership is composed of

2,941	private bankers and banks with a capital and surplus below	$50,000
1,501	banks with capital and surplus between	$50,000 and 100,000
1,930	banks with capital and surplus between	100,000 and 500,000
357	banks with capital and surplus between	500,000 and 1,000,000
333	banks with capital and surplus	$1,000,000 and over

The aggregated capital, surplus and undivided profits of our members amount to $10,547,230,405.

Respectfully submitted,

JAMES R. BRANCH,
Secretary.

The President: The next business in order is the annual report of the Treasurer, Mr. George F. Orde.

Report of the Treasurer, Mr. George F. Orde.

CHICAGO, ILL., September, 1903.

To the American Bankers' Association:

Gentlemen: I have the honor to submit the following report of receipts and disbursements since the beginning of the current fiscal year—viz., September 1, 1902:

RECEIPTS.

Balance, September 1st, 1902	$63,718.52
Proceeds of $10,000 U. S. Reg. 5 per cent. bonds of 1925, at 135 3-16 net	13,518.75
Interest on bonds	700.00
Proceeds sale of 17 copies Trust Company Forms	208.08
Proceeds set of "Bulletins"	25.00
Dues from 1,067 members 1902-'03	7,436.45
Dues from 2,112 *old* members paid in advance for 1903-'04	23,255.00
4,563 bills for membership dues for the ensuing year (subject to the deduction of unpaid bills), deposited with the Northern Trust Company Bank, Chicago, Ill	49,060.00
	$157,921.80

DISBURSEMENTS.

Standing Protective Committee	$38,199.65
Committee on Fidelity Insurance	2,060.55
Committee on Education	7,693.92
Committee on Uniform Laws	55.50
Trust Company Section	478.88
Savings Bank Section	696.50
Expenses of New Orleans Convention	5,761.42
Proceedings, 1902	3,962.74
Distributing Proceedings, 1902	1,135.97
Circular letters (23,650)	180.79
Stamped envelopes	1,111.54
Printing, stationery, etc	324.08
Salaries	15,656.75
Sundry expenses	543.48
Expenses Executive Council meeting, April 21st, 1903	2,639.48
Rent	2,033.34
New York Telephone Company	167.21
Petty cash	120.00
Travelling expenses of Secretary	271.25
Premium on officers' bonds	56.25
Office fixtures	410.00
Returned dues received in error	15.00
Account drafts deposited August 31st, 1902	30.00
Drafts charged back (234), account of dues for year 1902-'03	1,935.00
Balance August 31st, 1903	72,382.47
	$157,921.80

Balance August 31st, 1902 ....$72,382.47

The National Bank of Commerce, New York, holds for account of the American Bankers' Association $10,000 United States registered 4 per cent. bonds of 1925, at a market value of $13,500. Respectfully submitted,

GEO. F. ORDE,
Treasurer American Bankers' Association.

The President: If there is no objection the report will be referred to a committee for audit, this committee to consist of Mr. Cambell, of the Hanover National Bank, New York; Mr. McAllister, of the Franklin National Bank, of Philadelphia, and Mr. George M. Reynolds, of the Continental National Bank, of Chicago. This committee will submit their report later.

The next business is the report of the Executive Council, by Chairman E. F. Swinney.

Report of Executive Council, by E. F. Swinney, Chairman.

Mr. President, Ladies and Gentlemen:

The reports of your various committees will give in detail the work of the Association for the last year. The statement of the Secretary shows that membership has grown in a most satisfactory manner, especially when we take into consideration that a large majority of the banks were already members.

The income of the Association has increased, but not in proportion to the expenses, the main item of expense being that of the Protective Committee, on account of the running down and breaking up, to a large extent, of organized bands of dangerous criminals, who worked in all sections and perpetrated some of the most daring robberies ever undertaken. Their report will give full detail as to the work, and the Association is to be congratulated on the signal success in this direction.

At the meeting of the Council in New York last spring a committee was appointed to take up the question of revising the dues of the Association. This report will be presented to you, and the Council unanimously urges its passage.

The work of the Currency Committee, appointed by the President under resolutions passed at New Orleans, is clear and to the point, and their suggestions are well worth the careful consideration of the Association, and the Council would unanimously recommend its approval by the Association. This committee being composed of financiers of national repute from all parts of the United States, their views naturally represent what they consider the welfare of the country at large and not in the interest of any one particular section. From personal interviews with members of the committee at various times, we can appreciate the care and great consideration given the subject, and their efforts deserve the highest commendation of the Association.

The work of the Committee on Education is showing its good effects. Their expenses have been decreased, and we believe their efforts will bring still better results.

The Committee on Fidelity Insurance offer the following resolution:

AN AMENDMENT TO THE CONSTITUTION OF THE AMERICAN BANKERS' ASSOCIATION, SO AS TO PERMIT FIDELITY INSURANCE.

An amendment to Article 3 of the Constitution of the American Bankers' Association by the addition of section 11:

Sec. 11. The Executive Council shall appoint a Board of five trustees for the management and administration of a fund to be known as "American Bankers' Guaranty Fund." Said fund shall be established for the purpose of enabling such of the members of this Association and their employees as may elect to become subscribers and contributors thereto, and to avail themselves of the advantages thereof, to provide, by means of a general co-operation among said members and their employees, a fund from which said members may be reimbursed for losses arising from the dishonest acts of their employees. Said Board of Trustees shall establish rules and regulations for the government and management of said fund, and the rules and regulations formulated and adopted by the Trustees shall be binding upon all the contributors to and beneficiaries of said fund. Vacancies in the Board of Trustees shall be filled by the Executive Council, and it shall be the duty of the Council to annually appoint an Auditing Committee to audit the books and accounts of said Trustees; but nothing herein contained shall be construed as creating any financial liability by the Association on account of said fund.

The Council appreciates the great efforts the committee has made in working out and considering this question, but after careful consideration of the ills which might arise should the Association adopt their report, recommend that it be not adopted.

I would ask that no action be taken on this resolution until after we have the report of the Committee on Fidelity Insurance.

The next, a resolution, which will be read by the Secretary.

This resolution was offered by Mr. Lewis E. Pierson, Vice-President of the New York National Exchange Bank:

The Secretary read as follows:

BANK MONEY ORDER SYSTEM.

Resolved, That this Association adopt a bank money order system, and that the President appoint a committee of five (5) to devise a plan whereby members can be furnished uniform back money orders with proper advertising matter in connection with the same at a minimum cost.

The report of this committee shall be rendered to the Executive Council, which is hereby empowered and requested to authorize such expenditure as shall, in their judgment, be proper to enable the committee to carry out its recommendations.

Mr. Swinney (continuing): The Council recommends the adoption of the foregoing resolution.

The following resolution is offered by Mr. Stephen M. Griswold, President of the Union Bank, of Brooklyn, N. Y.:

INTEREST ON DAILY BALANCES.

Whereas, The practice of paying interest on daily balances to individual depositors has grown to the extent of impairing the prosperity of many of the banks of our country, be it therefore

Resolved, That it is the sense of this convention that conservative banking demands that no such interest shall be paid.

Resolved, That the foregoing resolution be referred to the Executive Council for consideration and action.

The Council places the papers desired before the Convention.

The next is a resolution from Mr. George J. Seay, of Scott & Stringfellow, of Richmond, Va. This is a long resolution, and in view of the report we will have from the Currency Committee, the Council would suggest that it be laid upon the table. However, if any one desires it, we can have it read.

Mr. J. M. Holley, President of the Wisconsin Bankers' Association, La Crosse, Wis.: What is the tenor of the resolution, Mr. Chairman?

The Secretary: It is a letter received from Mr. Seay, who is the President of the Virginia Bankers' Association. I will read it, if you desire.

GOLD STANDARD—ALL KINDS OF MONEY EXCHANGEABLE FOR GOLD.

The Secretary read the resolution, as follows:

Whereas, By act of Congress, approved March 14th, 1900, the dollar consisting of 25.8 grains of gold, nine-tenths fine, was made the standard unit of value in the United States, by which the value of all property shall be measured, tested and proved; and,

Whereas, By the provisions of the said act the notes of the United State known as Greenbacks, amounting to $346,681,016, together with the notes of the United States known as Treasury Notes, given for the purchase of silver bullion, amounting at that time to $86,770,000, all of which notes being used as currency, passing from hand to hand, each dollar for the value of a gold dollar, were expressly made redeemable in standard gold coin; and,

Whereas, There are other forms of currency in daily use among the people, passing from hand to hand, each dollar for the value of a gold dollar, equally based upon the good faith and credit of the United States, and equally entitled to be measured, tested and proved by the same standard of value; and,

Whereas, It was declared in terms in the said act that all forms of money issued or coined by the United States should be maintained at a parity of value with this standard; therefore be it

Resolved, That we, the members of the American Bankers' Association, in convention assembled, believe it to be wise that all forms of currency should be made equally redeemable in standard gold coin, and that only by such provision can parity at all times and under all circumstances be effectively maintained, and that failure to so provide for the redemption of all forms of currency alike in the standard unit of value will continue to be construed as a discrimination against such forms as are not made redeemable, and that we further believe that the only thing that can be done to make our financial system sound and safe and solid is to get down to one legal tender, and that is gold, and then to bank upon a currency circulation enlarged beyond the present authorized issues of the National banks, and based upon the credit of the legitimate trade of the country, and rigidly safeguarded under the law; therefore, be it further

Resolved, That we urgently recommend that proper laws be promptly enacted to render the gold standard inviolate, and, to that end, that the Secretary of the Treasury be directed to maintain at all times on a parity with gold the legal tender silver dollars remaining outstanding, and that he be directed to exchange gold for legal tender silver dollars when presented to the Treasury.

That the coinage of one million and a half of silver dollars per month, now required by law, should cease.

That the Secretary of the Treasury should be authorized to coin the silver bullion in the Treasury into such denominations of subsidiary silver coin as he may deem necessary to meet public requirements, and, as public necessities may demand, to recoin silver dollars into subsidiary coin.

Mr. Swinney (continuing the Report of the Executive Council): In view of the fact that there is already a currency report before the Convention, the Council thinks it would be wise to lay this matter on the table.

It is the custom to appropriate five thousand dollars to be used by the city in which the annual convention is held, for the purpose of aiding in defraying the expenses. This matter took its usual course, but the bankers of San Francisco declined to accept same, wishing to pay, themselves, all the expenses for this meeting.

It is useless for the Council to make any remarks on this subject. Their extreme generosity and lavish hospitality speak for themselves. (Applause.)

The report of the Committee appointed last spring in regard to revising the dues of the Association will also come in here.

The Secretary read the report referred to, as follows:

RECOMMENDATION AS TO REVISING DUES.

SAN FRANCISCO, October 21, 1903.

To the Executive Council, American Bankers' Association:

At a meeting of the Executive Council, American Bankers' Association, held in New York City in the spring of 1903, the undersigned were appointed a committee to consider and report to the Council regarding the increase in dues of members of the Association.

Your committee have given much time and consideration to the subject. The conditions existing show a disbursement account of the Association largely in excess of the income. Last year the income was slightly over seventy thousand dollars, and the expense account was something over ninety thousand dollars. With this condition it is necessary, unless we curtail in the work of the Protective Committee, to increase the dues. The Protective Committee shows such practical results and is such a striking feature of the Association that the logical duty of the committee is to frame a plan for the equitable increase of income. This we have done on the plan outlined below. The present schedule of annual dues is as follows:

ANNUAL DUES.

Private Bankers and Brokers and Banking Firms	$5.00
Banks and Trust Companies with less than $50,000 capital and surplus	5.00
Banks and Trust Companies with $50,000 and less than $100,000 capital and surplus	10.00
Banks and Trust Companies with $100,000 and less than $500,000 capital and surplus	15.00
Banks and Trust Companies with $500,000 and less than $1,000,000 capital and surplus	20.00
Banks and Trust Companies with $1,000,000 and over capital and surplus	30.00

Your committee recommends a revision of the different classes of members and establishment of dues for each class according to the following schedules:

CAPITAL AND SURPLUS.

	Dues per year.
Below $100,000	$10.00
$100,000 to $250,000	20.00
250,000 to 500,000	25.00
500,000 to 750,000	30.00
750,000 to 1,000,000	40.00
1,000,000 to 2,000,000	50.00
5,000,000 and over	75.00

Results of these changes will increase the income of the Association on the basis of the present membership about $35,000.

Respectfully submitted,

Chairman: A. H. WIGGIN,
CALDWELL HARDY,
F. G. BIGELOW,
J. L. HAMILTON,
J. R. MCALLISTER,
W. L. MOYER,
W. T. FENTON.

The foregoing report was accepted at the meeting of the Executive Council held October 20, 1903, at San Francisco, and it was voted by the Executive Council that the resolution be recommended to the Association for adoption.

Therefore: Under instruction from the Executive Council of the American Bankers' Association I beg to offer the following resolution:

Resolved, That the following schedule of membership charges to take effect beginning September 1, 1904, be adopted:

CAPITAL AND SURPLUS.

	Dues per year.
Below $100,000	$10.00
$100,000 to $250,000	20.00
250,000 to 500,000	25.00
500,000 to 750,000	30.00
750,000 to 1,000,000	40.00
1,000,000 to 2,000,000	50.00
5,000,000 and over	75.00

The President: If there is no objection the report will be received and filed as is customary.

Mr. Lewis E. Pierson (of the New York National Exchange Bank): Mr. Chairman, I move that the resolution on Bank Money Orders come up for discussion after the address of Mr. Hillyer this morning.

The motion was seconded by Mr. R. L. Crampton of the National Bank of the Republic of Chicago.

Carried.

The President: The next matter presented by the Chairman's report is the resolution relating to the Fidelity business, and if there is no objection that matter will be postponed, in accordance with the suggestion of the Chairman, until we have the report of the Committee on Fidelity Insurance.

REVISED DUES ADOPTED.

The next matter is the action of the Currency Committee, whose report has been presented by the Council with the recommendation that it be adopted. Mr. Wiggin has offered a resolution that the report, indorsed by the Council, as to the readjustment of the dues of the Association be adopted. Does that meet with a second?

(The motion was seconded.)

The President: It was moved and seconded that the report of the Committee on Dues, readjusting them, as indorsed by the Executive Council, be adopted.

The resolution was unanimously adopted.

The President: The Secretary will now read the report of the Currency Committee, which is referred to in the report of the Chairman of the Council.

The Secretary read the report of the Currency Committee, as follows:

Report of the Currency Committee.

To the American Bankers' Association:

As instructed by the Special Currency Committee appointed at New Orleans to investigate and report on the present currency system of the United States, the chairman of this committee not being in attendance at this convention, I beg leave to submit the following report:

There is at present more real money in the United States than at any previous period in our history. Taking the country altogether there is no scarcity of money, including United States and National bank notes, to meet any legitimate demands of business. Compared with September 1st a year ago the National banking circulation has increased $52,827,551.

The general stock of money in the United States September 1st, 1903, was as follows:

$1,267,733,949	gold coin, including bullion in Treasury.
555,853,494	standard silver dollars.
101,867,228	Subsidiary silver.
17,970,000	Treasury notes of 1890.
346,681,016	United States notes.
418,587,975	National Bank notes. Total, $2,708,693,662.

At the same date there was in circulation

$620,375,159	Gold coin.
394,155,919	Gold certificates.
72,959,012	Standard silver dollars.
455,928,384	Silver certificates.
92,870,952	Subsidiary silver.
17,850,254	Treasury notes of 1890.
335,377,568	United States notes.
399,384,930	National Bank notes. Total, $2,388,902,178,

making a circulation per capita of $29.60, compared with $28.55 September 1st, 1902.

In the opinion of your committee the most serious need is the reform of the Sub-Treasury system in such wise that the money withdrawn from the banks for customs duties, as well as internal revenues, shall be deposited in the banks and thus be made available for use in the community from which it has been withdrawn. Such a reform could be inaugurated by giving to the Secretary of the Treasury discretionary authority to permit deposits to the extent of 50 per cent. of the capital and surplus of National banks of customs receipts as well as internal revenue receipts guaranteed by securities acceptable to the Secretary of the Treasury. Such an arrangement would render impossible the embarrassments which have frequently occurred as the result of Treasury accumulations.

Regarding the question of circulation, the first and most important requirement is the immediate repeal of the present limitations of $3,000,000 per month upon the withdrawal of circulation, so that the expansion and contraction will be automatic and governed by the surrounding situations. Under the present restrictions many banks are unwilling to issue currency for temporary and legitimate needs, which they would issue if they felt certain that their currency could be retired when no longer needed.

Emergency circulation could, within careful limitations, be safely permitted upon the actual deposit with the Treasury Department of securities acceptable to the Secretary of the Treasury. And upon such deposits circulation could be issued promptly to meet actual emergencies, which would not be possible if time were taken for the examination of general assets by the Secretary of the Treasury and Comptroller of the Currency. A tax of 6 per cent. per annum should be imposed upon such emergency circulation to ensure and hasten its return to the issuing bank: this tax to be set aside as a safety fund to secure the United States Treasury for the redemption of notes so issued. This emergency circulation should be issued without any distinguishing mark from other National bank circulation except to substitute the words "secured by bonds approved by the Secretary of the Treasury," instead of the words "Bonds of the United States" for being amply secured, there should be no discrimination against it beyond the 6 per cent. tax.

To further liberalize the circulation, your committee recommends that the United States tax on circulation should be uniform on the issue of currency based on all classes of United States Government bonds.

In the judgment of your committee these modifications of law can be authorized without damage or discredit to the National bank circulation, but your committee cannot recommend any step that will tend toward a return to the miscellaneous circulation which prevailed in the country before the war, or any step which will disregard the history of finance among the commercial nations of the world, nor can it recommend that any note should be issued without the certainty of its redemption in standard coin of the United States.

The above report is signed by

Charles S. Fairchild,
H. C. Fahnestock,
Myron T. Herrick,
Homer S. King,
J. J. Mitchell.

In the foregoing report I am impelled to dissent from the recommendation for the repeal of the law restricting the redemption of National bank circulation to $3,000,000 a month, for the reason chiefly that it seems to me to be inconsistent to in the same report recommend a method for an increased circulation and to insert a provision urging a means by which the circulation may be at any time diminished.

With the exception of this dissent the foregoing report has my hearty concurrence.

Geo. Q. Whitney.

Respectfully submitted,
Jas. R. Branch,
Secretary.

The President: In order that the members may familiarize themselves with the report of the Currency Committee, and be prepared to vote on it intelligently, and give them time for such consideration as they desire, action on it will be postponed, and it will come up under the head of unfinished business Friday morning.

Mr. Moulton (of the Corn Exchange National Bank of Chicago): Mr. Chairman, I would like to inquire if that report provides, among other recitals, that the emergency circulation shall draw interest at the rate of 6 per cent. It bears certain recitals. I do not think it bears that, which was the most important, to my mind.

The President: We will be glad to furnish you a copy of the report, and take that up when we come to discuss it.

The next matter is the report of the Protective Committee. I am sorry to say that the Express Company, owing to the great distance these had to be sent, probably, has failed to deliver copies of this report.

Report of the Protective Committee.

The Protective Committee begs to submit the following report of the work committed to its care by the Executive Council for the year 1902-1903:

Balance as per Treasurer's report, September 1, 1902	$1,764.35	
Appropriated by the Executive Council	36,000.00	
		$37,764.35
Paid account expenses 1901-1902	$2,009.96	
Paid account expenses 1902-1903	36,189.69	
		$38,199.65
Total expenditures	$38,199.65	
Total receipts	37,764.35	
Balance at debit September 1, 1903		$435.30

Keeping pace with the membership of the Association, which has increased in the last five years from 3,385 in the fall of 1898, to more than 6,900 in the fall of 1903, the volume of reports, letters, etc., presented for the consideration of your Protective Committee has grown from 2,000 in 1898 to more than 4,900, which have been considered by them from September 1, 1902, to September 1, 1903. From these have been compiled one hundred and twenty-one circulars of information, which have been forwarded in pamphlet form to members throughout the country, accompanied by forty-eight photographs and descriptions of active criminals selected by the detective agents of the Association for purposes of warning and identification.

Special circulars have been issued in two instances, as follows:

In January, 1903, on account of the frequent attacks by "yegg" burglars on banks in towns and villages with little or no police protection, and as it had come to the notice of the Protective Committee that several members whose signs had been lost or were not readily seen had suffered attack in consequence, a circular was sent to members throughout the country with special information and precautionary advice, urging them to keep their membership signs prominently displayed at the paying teller's window. Several requests to replace lost signs with new ones followed the issue of this circular, and a notable instance of the need of so doing occurred when a band of "yeggmen" who had been active in safe robbery in several States made their first attack, so far as known, upon a member of the Association—the First National Bank of Irwin, Pennsylvania. For some time prior to the attack this bank had been without its membership sign, which had been broken and never replaced. On the night of Decebber 8 its vault was blown open and robbed of $18.30 in loose cash, together with stamps and bonds placed with the bank for safe keeping. The detective agents of the Association traced out the perpetrators, some of whom were directly sentenced for this work, while the others have been sentenced for offenses elsewhere committed. In another instance, at Princeville, Ill., burglars who had entered the Auten & Auten Bank with heavy tools stolen for the work, accidentally discovered its sign of membership, and, placing it upon the paying teller's counter, abandoned their purpose to attack the safe. Subsequently the same men, three in number, successfully attacked the safe of the First National Bank, Abingdon, Ill., a member of the Association, whose sign, as they declare, they did not see. They secured $5,049 from the safe, but were arrested shortly afterward, and the agents of the Association secured the return of a considerable portion of the stolen money. Two of the men have been sentenced, while the third is held for a later term of court.

In July, 1903, a special circular was sent through the country offering rewards aggregating $800, of which the Governor of Missouri offered $300, William A. and Robert A. Pinkerton, conjointly, $250, and the American Bankers' Association $250, for the detention and surrender of William Rudolph, who escaped on July 6 from the St. Louis Prison, where he had been confined with George Collins, charged with murder. On the night of December 26, William Rudolph and George Collins forced the safe of the Bank of Union, Missouri, and secured about $12,000 in cash, which they secreted at the house of Frank Rudolph, a relative of William, in the outskirts of the adjacent town of Stanton. An operative traced the men to the Rudolph house, secured warrants for their arrest and a search of the premises, and approached the house for this purpose on January 24, in company with three local officers. Apprised of their approach, Rudolph and Collins made a sudden attack upon the officers when they had reached the door. The detective was shot down, and the local men put to flight. Rudolph and Collins escaped temporarily, and it was not until March 1 that their capture was effected at Hartford, Conn., by the detective agents of the Association and police. More than $9,000 of the stolen money was recovered, part of it being found at the Rudolph house, and $8,685 being secured from the prisoners at Hartford. Soon after their arrest they were transferred to Missouri, and held in the St. Louis Prison for safe keeping. Just prior to the date set for their trial Rudolph was enabled to escape through a skylight while a disturbance among the other prisoners diverted the attention of the prison guard. The trial of Collins was duly held, and on July 21, at Union, Mo., he was convicted of murder in the first degree and sentenced to be hung. His execution, originally set for August, has been delayed by an appeal of the case.

In the matter of the attack upon the First National Bank, Cobleskill, N. Y., which resulted in the death of the town watchman November 26, 1900, and the subsequent capture of the five living marauders, the committee has now to announce, in addition to the sentence of Edward Jackson last year reported, the sentence of John Murphy to life imprisonment, the electrocution of James P. Sullivan March 24, 1903, and the electrocution of William O'Connor July 7, 1903. William Harris, witness for the State, who has been confined since March 17, 1901, recently escaped from the new Schoharie County Jail.

The important Winnemucca matter, so fully treated heretofore, involving as it did the operations of an outlaw band of train robbers, and enlisting the co-operation of the railroad officials, has resulted in the practical annihilation of the band. Two of its members, now at large, who were engaged in the attack on the First National Bank of Winnemucca on September 19, 1900, are reported exiles who dare not return to the United States, while the third man at liberty, who is also in hiding, is an escaped prisoner, having broken from the Knoxville Penitentiary on June 27, after he had been sentenced for twenty years for passing bank notes stolen in incomplete form in a train robbery, and later completed by forgery.

Similar to the Winnemucca robbery was the robbery of the Stockgrowers' Bank, Bridger, Mont., on December 2, 1902, at noon-day, when Jesse Linsley, Patrick Murray and William Countryman rode directly to the bank from the outlying country and, covering with their revolvers the cashier and one townsman who was in the bank, took possession of $2,338 exposed money and fled. In this instance, however, the men were trailed into the mountains and arrested by the Carbon County sheriff. Their conviction followed, and Jesse Linsley and Patrick Murray were sentenced to eight years each and William Countryman to one year in the Penitentiary at Deer Lodge.

Including the expensive cases mentioned above, sixteen members have been robbed by burglars and outlaw raiders and eleven have been unsuccessfully attacked from September 15, 1902, to September 15, 1903, with a total loss of $49,420.23, comparing favorably with the reported losses of $137,311.28, suffered by non members, fifty-seven of whom have been robbed and forty-one attacked without success.

The attacks upon members have been exhaustively investigated. Thirty three robbers implicated therein have been arrested and twenty six have been sentenced to varying terms of imprisonment. In addition, five "yeggmen" arrested during previous seasons were this year sentenced. In some instances bands known to be guilty of attacking members have been arrested for other offenses, convicted and sentenced, with the co-operation of the detective agents of the Association, because their conviction in the matter of direct interest would have been difficult if not impossible. One band of four men convicted during the year operated last year at Holland Patent, N. Y., where it made an unsuccessful attack upon the safe of the First National Bank.

The only operation by sneak thieves upon the Association occurred when Philip Lamble stole $255 from the National German-American Bank, St. Paul, Minn., on August 19, aided by a confederate at the telephone, whose purpose was to call the paying teller from his cage, and followed this on August 22 by stealing $835 from the First National Bank, Kansas City, Mo., in the same manner. The agents of the Association had secured clues to the identity of the thieves when, on September 1, while operating the same method at Milwaukee, Philip Lamble was discovered at the Germania National Bank, pursued and captured. A package of bills amounting to $500, which he attempted to steal, was recovered.

Following are a few brief and suggestive items bearing on the work for the past year:

1. Robbers who were arrested for attacking a member did so, they declare, in ignorance of its membership. Their statement is credible because they had previously abandoned their purpose to attack a member, from which they withdrew upon the accidental discovery of its membership sign.

2. A band of "yeggmen" who had, heretofore, carefully avoided members of the Association, attacked one last winter. It has been since discovered that the bank had broken its membership sign and been without one for several months.

3. Fourteen members of the Association were robbed by burglars during the season, with a resultant loss of $43,686.18, while fifty-seven successful attacks upon banks not members of the Association resulted in a reported loss of $137,311.28.

4. From May 1, 1895, to September 15, 1903, members of the Association have lost $140,021.73 by the operations of burglars and thieves.

5. From May 1, 1895, to September 15, 1903, banks not members of the Association have lost, as reported, $930,719.75 in the same way.

6. The only forgery organization that operated upon a member during the past season was broken up at the start by the arrest and conviction of its members. There is no similar organization in the field, so far as known.

The culmination of an expensive forgery case was reached this season in the disruption of a new organization led by John S. Brush, a forger of considerable skill, derived years ago in the association of a band of clever penmen, who have been driven out of the business since the formation of the protective feature of the Association. The arrest of Brush is the result of two years' work to fix the responsibility for occasional clever forgeries, dating from August, 1900, reproducing the signatures and indorsements of bank depositors in a manner to throw suspicion on employes having access thereto. In August, 1900, a member was defrauded in New York City, and attempts were made on two members in Newark, N. J., where the presenter was arrested and later sent to the Penitentiary. In December, 1901, two more banks, members, were defrauded in New York City, but, although a careful investigation directed suspicion toward Brush, no evidence could be had until the fall of

1902, when he resumed operations on a broader scale, with George Ross as middleman and Alfred Hearst and Alexander Stone as presenters of his forged checks. So careful was Brush, however, that several banks were operated upon before the evidence would warrant his arrest, which was accomplished December 29, followed by the apprehension of his helpers. George Ross gave evidence for the State, and the other men pleaded guilty. In consideration of his advanced age, sixty-two years, and the long terms previously served by him, Brush was only sentenced to five years in States Prison. Alfred Hearst received a similar sentence, and Alexander Stone was sent to the Elmira Reformatory.

Reports have been received involving the operations on members of the Association from September 15, 1902, to September 15, 1903, of one hundred and forty-five forgers and swindlers, sixty-five of whom have been arrested. Twenty-one of these have been sentenced, while for operations previous to this season there have been seven forgers and swindlers convicted and sentenced. In addition, one forger, who previously served a term for defrauding a member of the Association, was arrested while preparing to go on the road with bogus letterheads and drafts. The detective agents of the Association were prepared to connect him with a series of swindles recently committed, and he pleaded guilty and was sentenced to the Penitentiary for a term of four years.

Many of the successful bank swindles contain an element of the confidence game, and could be easily prevented by bank officers. In this class is the work of an annoying swindler who is now at large. As a stranger, newly arrived in town, he will express his intention of opening an office, and will make some apparent preparation to commence business. Without other formality than the introduction of his prospective landlord, an initial cash deposit and a plausible story along the above lines, he is permitted to deposit drafts for considerable sums, which are found to be fraudulent after he has drawn the greater portion of his supposed balance and left town.

Following is the detailed financial statement of the Protective Committee from September 1, 1902, to September 1, 1903:

RECEIPTS.

Balance, as per Treasurer's report, September 1, 1902	$1,764.35
Appropriated by the Executive Council	36,000.00
	$37,764.35

EXPENDITURES.

Paid Pinkerton expense incurred prior to September 1, 1902	$1,709.96
Other expense incurred prior to September 1, 1902	300.00
Paid Pinkerton expense from September 1, 1902, to September 1, 1903	30,989.69
Salaries and expenses as per vouchers	4,902.00
Paid T. Hanrahan & Co., 1,000 aluminum signs	122.50
Paid Stumpf & Steurer, 1,000 protective pamphlets and expressage	113.50
Paid L. W. Lawrence, 300 ruled and printed forms	7.00
Petty cash	55.00
	$38,199.65
Balance at debit	$435.30

The protective feature of the American Bankers' Association has been in operation since the Fall of 1894. It has fully justified itself in every particular save that of suppressing the "yeggmen," who, as a class of criminals, have become important in the past few years. The operations against these enemies of small banks have been difficult, tedious and expensive. The Committee has left nothing undone to break up these gangs of "yeggmen," but it is evident that much labor and expense will be involved in this feature of the protective work in the future. Bankers in small towns should be on their guard and should make preparations to act promptly and intelligently in defense when attacked, and in the effort to capture the criminals.

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 next report is the report on Fidelity Insurance by Mr. John L. Hamilton.

Report of Committee on Fidelity Insurance of the American Bankers' Association.

To the American Bankers' Association:

The Committee on Fidelity Insurance begs to report that, in pursuance of a recommendation made by the Executive Council at the Denver meeting in August, 1898, and adopted by the Association, "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," we have endeavored to carry out the wishes of the Council and the Association to the best of our ability.

The Committee in this work has endeavored to be absolutely fair with all parties interested, and has endeavored to consider without partiality the equitable rights of the employes, the employers and the Fidelity companies, and in its reports has endeavored to point out the true conditions as they have been found to exist from the carefully gathered statistics reported to us confidentially by the banks of the country. We are satisfied the information we have is the most reliable of any to be had in the United States.

RATES.

The Committee wishes to emphasize the fact that since its appointment in 1898, and the careful study of its reports by many of the members, the rates for writing bonds have become more uniform and have been reduced fully twenty-five per cent., resulting in the annual saving to the members of the Association alone of $132,368.50, a sum of money almost DOUBLE THE ANNUAL DUES of this Association, to say nothing of the benefits the efforts of this committee have been to non-members, which would easily equal that of the saving in premium to the members.

FORM OF POLICY.

We have had prepared by the best legal talent the American Bankers' Association copyrighted form of bond. This bond, we believe, is the best form of bond written to-day. It is equitable to the insurer and the insured, and gives protection to the bank. We are convinced of its merits, as there has never been, to the knowledge of this committee, a contested loss on this form of bond, and there have been cases where, on the same risk, other forms have been contested and the Association form paid.

Another proof that our form of bond is superior is the fact that all Fidelity companies, with three exceptions, exact a higher rate than on their own form for obvious reasons. We need to advance no stronger argument why our members should use the Association's form.

Another proof of its merits is that forty per cent. of the members of the Association have adopted it after a careful examination of its provisions by their attorneys. This is the only bond written that has to stand upon its own merits, as Fidelity companies never offer to write it unless the banks insist upon having it.

An advantage to members who use the Association form of bond is that it is being universally adopted and thereby secures uniformity to banks in case of litigation.

PROTECTION DEMANDED.

The Comptroller of Currency and the Banking Departments of many of the States insist, and the laws of some of the States require, that banks bond their employes, not only for the protection of their stockholders, but for the protection of their customers as well.

The apparent desire of corporate Fidelity insurance or bonding companies to discriminate against the American Bankers' Association copyrighted form of bond has led this Committee to recommend that the American Bankers' Association establish what may be known as the American Bankers' Guarantee Fund, under the management of a Board of Trustees to be appointed by the Executive Council, to guarantee the fidelity of the employes of those banks only that are members of the Association.

From our reports we have learned that our members are carrying $133,705,570.00 in bonds, and are paying annual premiums of $388,779.33 against a loss averaging for the past ten years not to exceed $45,000.00 per annum. We are convinced that the bankers of this country are paying an excessive rate for this insurance, and our convictions are supported by statistics of English companies covering periods of thirty-seven and thirty-eight years respectively. We are convinced that it is not good policy for the American Bankers' Association to single out and authorize the Secretary, or any one the Association might see fit to appoint, to solicit business for some particular bonding company, as is now being done by many State Associations, for a commission which is paid into the treasury of the organization. This method carries a moral guarantee at best, of any company that may be selected, and places the Association in a position which in time might bring serious embarrassment.

Your committee, having carefully studied conditions here and abroad, and having gathered statistics as complete as possible, reported to the Executive Council and the New Orleans convention that unless it was the purpose of the Association to put the information to some practical use, the committee be discharged. It was decided by the Executive Council that this Committee continue its labors for another year, and that its report be published in pamphlet form and sent to the members of the Association, calling the attention of the members especially to this report and asking for their approval or disapproval. Not having a complete list of our members, we sent our report to all bankers of the United States, and in answer to our inquiries received replies from forty-two hundred and fourteen (4,214) members, or about two-thirds of this Association, reporting favorably to the Association taking up the work; three hundred and ninety-three (393) reporting unfavorably, while two thousand and ninety-six (2,096) of the members, or less than one-third—mostly private bankers and bond brokers—were indifferent and did not answer our inquiries. From non-members of the Association we received twenty-seven hundred and sixty-nine (2,769) replies, and of this number, twenty-seven hundred and fifteen (2,715) favored the scheme, while fifty-four (54) opposed. A majority of those banks not members favoring the proposition wrote that if suitable plans were adopted by the Association they would become members thereof. Ninety-one and one-half (91½) per cent. of those answering favored the proposition, and ninety-eight and one-tenth (98.1) per cent. of the non-members answering favored the proposition. Sixty-nine hundred and twenty-nine (6,929) members and non-members are favorable to the proposition, while four hundred and forty-seven (447) have expressed themselves as unfavorable. Ninety-three and nine-tenths (93.9) per cent. of the answers received are favorable to the Association taking up this line of work.

RECOMMENDATION.

The Executive Council at New Orleans decided that if a majority of the banks, members of the Association, were favorable to this proposition the Committee should consider and recommend the best plan for the Association to adopt in the bonding of its employes, and prepare rules and regulations governing the same. In compliance with said directions we have prepared and filed with the Secretary of this Association an amendment to Article Three (3) of the Constitution by the addition of Section Eleven (11), creating the "American Bankers' Guaranty Fund," controlled by a Board of five Trustees to be appointed by the Executive Council. Having considered the different forms of corporations, and owing to the conflicting laws of the different States, under advice of the best legal talent we have decided that there is only one safe and practical way to bond employes, and that is by the creation of a Guaranty Fund in the hands of Trustees. In this manner members will be furnished indemnity, amply secured by a trust fund, giving better protection than they now have and ultimately, we believe, at a rate not to exceed one-third the average rates now paid.

Your Committee is convinced of the practicability of this plan. It is not an untried experiment, for it has been in practical operation in England for thirty-eight years under the Bankers' Guaranty & Trust Fund, and for thirty-seven years under the Colonial Trust Fund. The number of employes bonded in the Bankers' Guaranty & Trust Fund is almost identical with that of the membership of this Association. The average losses in this country vary only seven cents on the $1,000 from that in foreign countries, as shown by statistics gathered by this Committee.

In addition to these companies we have the evidence of the Union Bank of London, which established a fund in 1890 the London & City Midland, which established a fund in 1889; the Bank of Scotland's Guarantee Fund, established in 1869; Glynn's Guarantee Fund, established in 1865, and the Bank of England Guarantee Fund, established in 1841. All these funds have and are being successfully managed and are highly recommended by the leading banks of England, and in our own country we have the Adams Express Company and the American Express Company, who bond their own employes.

Your Committee has prepared rules and regulations for the government of such a fund, similar to those that are successfully used by the English trustees, changing them sufficiently to meet the conditions here. We recommend for the protection of the stockholders and customers of the banks, members of this Association, that they be adopted.

The members of your Committee wish in this, our last report, to thank the officers and members for the many courtesies shown us. We also wish to thank the non-members who have so promptly and cheerfully responded to our inquiries. And we hope that those who have criticised us may eventually be convinced that we have endeavored to do what we considered for the best interests of the American Bankers' Association.

Respectfully submitted,
John L. Hamilton,
Caldwell Hardy,
F. H. Fries,
W. P. Manley,
A. C. Anderson,
Committee on Fidelity Insurance.

The four previous reports of the Fidelity Insurance Committee may be found in the proceedings for the year 1899 on page 57, the year 1900 on page 67, for the year 1901 on page 72, and for the year 1902 on page 99.

Action on Proposition for Association to Bond Employes.

The President: The report of the committee is before you, gentlemen, and the recommendation of the Executive Council in regard to the constitutional amendments will now come up for action.

Mr. Bartlett: I move that the report of the committee be received, and that the committee be discharged with the thanks of this Convention.

The motion was seconded.

Mr. George C. Ramsey, of Helena, Mont.: Mr. President and Gentlemen of the Convention.—I appreciate that it must seem that a man has a good deal of self-assurance to rise here and speak against a carefully thought-out report, such as is the report of the committee we have just heard; but feeling that it is worth the while of the bankers of this country to consider a little before going into the insurance business, or anything that savors of it, I want to submit a suggestion that we should consider a little carefully before adopting the recommendation of the committee. The report is carefully written and thoroughly covers the ground, but several features contained therein, it seems to me, have not been brought to the attention of the members of this Association properly.

I feel that bonding our own employes is something that savors of the insurance business, and is quite diametrically opposed to banking. Insurance is a hazard. Bankers are not supposed to take anything more than minimum hazards, and it occurs to me it would be better to leave this business to the surety companies that are organized throughout the country than to adopt it ourselves.

The purpose of this committee has been carried out, I believe, and has been completed in bringing to the attention of the bankers the value of a form which is adopted, and which is a good one, and which most all surety companies write. But there has been at work a more powerful influence than the committee in reducing the cost of fidelity insurance in this country, and that is the competition between the companies. At present it is so keen that the rates are down to a reasonable figure, and down to a point where the surety companies of this country are paying out in expenses and losses 91 per cent. of every dollar they take in for their fidelity insurance to banks. It leaves just a small margin for profit, and I do not believe that the Bankers' Association could do much better than that, except, perhaps, in the reduction of expenses. I understand the plan is to reduce expenses by not making entry in the different States of this country. Most of the States require an annual license fee before an insurance company can do business, and I understand it is not proposed by the Bankers' Association to make an entry, but to run the business from some central point like Chicago or New York. The danger of that is this, and the reason why State governments require insurance companies to pay license fees and take out charters, and so forth, is in order that they may have attorneys in the different States upon whom service may be made; so that if you get into a dispute with an insurance company and they do not want to pay, you will not have to go to the home office, but you can bring suit against the company in your own State, and the insurance company must come to your State to fight the claim.

It seems to me that this is an important point, because, as human nature exists everywhere in the same old form, there are bound to be disputes between the Executive Committee of this fidelity department and the various individuals whom it insures. Now, if you have a dispute, upon whom are you going to serve process against the American Bankers' Association? You would have to serve it individually on the various members, or you would have to go to the home office. If you have had the experience of instituting lawsuits at distant points you know what that means; you know what it means to go to some distant city. As it is at present, every one of you with a claim against these bonding companies throughout the United States can serve the process against the particular attorney in the particular State, and the company has to bring its attorney. This is an important point, and one worthy of your consideration, it seems to me.

I feel that many points could be brought out in a brief way. Yet, the time of this Association is valuable, and I do not believe I have the right to take up any more of your attention. I think the Committee has performed a valuable service to the banks. The surety companies are in fierce competition for the business, and as long as they continue so we should be contented. If they form a combination, then will be time for the American Bankers' Association to do something in retaliation; but it is not necessary at this time, and, it seems to me, an inappropriate and unharmonious idea for the bankers of this country to take part in the insurance business, which involves such a hazard.

Mr. Bartlett: Mr. President, to avoid misapprehension, I wish to say that I agree with every word that the gentleman who has just spoken has said. My motion was not that the report be adopted, but that it be received, and that the Committee be discharged with the thanks of the Convention. At the appropriate time—and I assume that this is not the appropriate time, there being no motion upon which we are now called to vote—I wish to have something to say along the lines of the remarks so ably made by the gentleman who has just spoken, in proposing any departure from the high and exalted plane occupied by this Association, to the undignified scramble now going on between the surety companies to secure a little more of this bonding business. I apprehend that this is not the time to address remarks to the proposed amendment.

Mr. Hamilton: Mr. President——

(Cries of "Question," "Question.")

Mr. Hamilton: I should like to know if I have the right to speak——

The President: The motion to discharge the Committee would seem to preclude any further discussion. The matter comes before the Convention upon the recommendation of the Executive Council that the constitutional amendment offered should not be adopted. The resolution offered by the gentleman who has just spoken, to discharge the Committee with our thanks, would obviate the necessity of any further consideration of this matter.

Mr. Hamilton: After a motion has been put and seconded, I believe the members of the convention have a right to discuss it.

The President: Yes, I should say so, upon the merits of the question, speaking as to whether the resolution to discharge the Committee should prevail.

Mr. James R. Edmunds (of Baltimore): Mr. President, I rise to a point of order. The Committee has made a report, and it has been received by the Convention. Therefore, it is superfluous to receive a report that has already been received.

The President: The question before the Convention is the motion to discharge the Committee, with a vote of thanks, and the receiving of the report was simply an incident in connection with that.

Mr. William George (of the Old Second National Bank of Aurora): Mr. President, this Convention desires an opportunity to discuss this proposition, and many members are laboring under a misapprehension as to when that time will be. The motion of the gentleman on the other side of the house seems to contemplate a laying aside of this proposition. Several of the gentlemen assembled here, I am confident, wish an opportunity to discuss this matter. The Committee has gone to great labor, taken great pains to investigate the subject, and I personally believe that we are in favor, as an Association, of the adoption of that report, and the carrying out of the suggestions of that Committee. (Applause.)

I move that the motion of the gentleman on the other side of the house be laid upon the table.

The President: It is moved and seconded that the motion of the gentleman who spoke—will you give your name?

Mr. Bartlett: Bartlett.

The President: It is moved——

Mr. Bartlett: If I am not out of order, but if it will bring the matter up for consideration, I will withdraw my motion. It seems to me that the orderly procedure would be, first, the discharge of the Committee, the duties of the Committee having come to an end; and then to take up the recommendation of the Executive Council, to decide whether this amendment should or should not be adopted. My motion went no further than discharging the Committee and thanking it for its labors. Now, I am willing to withdraw that motion if it has embarrassed the Convention, provided my second will consent, in order that the whole question may come up before the Convention for consideration.

The President: There seems to be a desire to consider the question on its merits, and the matter was legitimately before the Convention upon the report of the Committee. If the gentleman who has just spoken will withdraw his motion, as he has suggested, and let the matter come up upon the report of the Council, that will bring the matter, certainly, before the Convention, and it can then be discussed on its merits.

Mr. Bartlett: It was foreign to my intention that the adoption of my motion should table this whole matter, and I therefore withdraw it.

A Delegate: What Bank do you belong to?

Mr. Bartlett: I have a message from the surety companies. I represent the United States Fidelity & Guaranty Company.

Mr. C. P. Miles: This is a bankers' convention, not a surety company convention.

Mr. Bartlett: Have you more than one kind of membership in this Convention, do you admit surety companies to your Convention and deny them voice and vote here?

The President: If your Company is a member of the Association you are entitled to speak. The matter is before the Convention, whether we shall adopt the constitutional amendment.

Mr. William George (Old Second National Bank of Aurora): Mr. President, I move that the report of this Committee be adopted.

Mr. Dismukes: Mr. President, I move that the amendment as proposed be adopted by the Convention.

The President: The question before the Convention is upon the adoption of the resolution that the constitutional amendment offered by the committee be not adopted.

Mr. Edmunds: May we have it read?

(The amendment was read by the Secretary, as follows:)

CONSTITUTIONAL AMENDMENT TO PERMIT BONDING EMPLOYES.

An amendment to the Constitution of the American Bankers' Association, presented by the Fidelity Insurance Committee.

An amendment to Article 3 of the Constitution of the American Bankers' Association by the addition of section 11.

Sec. 11. The Executive Council shall appoint a Board of five trustees for the management and administration of a fund, to be known as "American Bankers' Guaranty Fund." Said fund shall be established for the purpose of enabling such of the members of this Association and their employees as may elect to become subscribers and contributors thereto, and to avail themselves of the advantages thereof to provide, by means of a general co-operation among said members and their employees, a fund from which said members may be reimbursed for losses arising from the dishonest acts of their employees. Said Board of Trustees shall establish rules and regulations for the government and management of said fund, and the rules and regulations formulated and adopted by the Trustees shall be binding upon all the contributors to and beneficiaries of said fund. Vacancies in the Board of Trustees shall be filled by the Executive Council, and it shall be the duty of the Council to actually appoint an Auditing Committee to audit the books and accounts of said Trustees; but nothing herein contained shall be construed as creating any financial liability by the Association on account of said fund.

Mr. Edmunds: I understand that the motion is that that be not adopted.

The President: That is correct.

Mr. Edmunds: Would not the proper motion be to adopt the recommendation of the executive council?

The President: The motion is before the house to not adopt the constitutional amendment. If you wish to offer a substitute to that you can do so.

Mr. Edmunds: Do we vote on the recommendation or not?

The President: We vote directly on the question of whether we adopt the constitutional amendment or not, unless there be a different motion substituted by order of the Convention.

Mr. Edmunds: It does not seem to be straight to me on parliamentary grounds.

The President: You can make an amendment if you desire.

Mr. Edmunds: They make a recommendation and we should vote on that, it seems to me.

Mr. Bigelow (President First National Bank of Milwaukee): Mr. President, I do not think it makes the least difference. The Council has looked into this and in its view the amendment should not be adopted; but a motion to adopt the amendment brings the question as squarely before the Convention, and is a perfectly proper motion, I think. (Applause.) I think we ought not to spend time on the edge of this question, but get right at the question itself. (Applause.)

If it be proper, Mr. President, I wish to say a word, having been a member of the Council, and having considered it with the other members last night. I wish to say that I do not know of any committee that has done its work more thoroughly than this committee has done its work. Every man on that committee is thoroughly in favor of the plan—conscientiously, honestly in favor of it. Of that there can be no doubt, in my mind. They are all of opinion that it will be a great help to have it adopted in the form they have suggested. I disagree with them on that just as earnestly. I only ask now—and it seems to me appropriate—that this Association, individually and as a whole, you men, one at a time and the whole body, shall give some little time and some little thought to the consideration of a question that is as important as this. I think it would be inappropriate and paradoxical for you, applauding on the one hand the work that has been done by this committee, to instantly accept its adoption without looking into it yourselves.

Then again, this Association is not a corporation; it cannot sue or be sued. You make no financial responsibility here. You do not go so far—although in effect you almost do—as to seek to make a corporation of the American Bankers' Association, and then deliberately take up the bonding business. But the Association, throwing the name of the Association around it, gives it a moral support and makes it almost appear that the Association were doing it. You appoint trustees; you are compelled to audit their accounts, and in all real senses you father the plan, while not doing it in law. I confess that I do not like that; I do not think it is a good precedent for the Association. I am not now speaking to the merits of doing this bonding business, but I am speaking of the method of doing it within yourselves—giving it a quasi but not a real indorsement.

The motion now is that this shall become the law of the Association; that the amendment shall carry. I think that a motion to refer it to the new council, and then let it be thoroughly considered by the bankers of the country—and I do not deem that it has been thoroughly considered by the bankers of the country—would be a wiser step for us to take. This able report that advocates this in the strongest terms has been sent to the bankers throughout the country, and they have read it, and they have had confidence in the men on the Committee who have considered it, and they have simply replied in the affirmative; but, as a matter of fact, the bankers that have said they wanted to go into this have not really looked into it themselves.

I move to amend, if it is in order, by referring this question to the Executive Council, with the request that they correspond with the members of the Association.

That motion was seconded.

Mr. Sullivan (President Central National Bank of Cleveland, Ohio): Mr. President, as a member of the Council I am heartily in favor of the motion just made. This same subject was submitted a year ago, and was not recommended for adoption. The committee was then continued and instructed to go on with their investigations. The committee has certainly rendered a very valuable work in the investigation of this question, as evidenced by its report here to-day, and I do think the committee is entitled to great credit for the information which they have brought before us, covering this very important question. I am clearly of the opinion, however, that we should not adopt this report to-day. The Executive Council, at its meeting last evening, decided against it. It has given the subject great consideration, and your Executive Council was not prepared last evening to recommend this for your adoption. I believe that you should give some consideration to the conclusions of your Executive Council. The subject was discussed in its entirety before the council, and the judgment of that council is against its adoption at this time. Hence, I think the motion of Mr. Bigelow is an eminently proper motion to make—that the entire subject be referred back to the incoming council for its further consideration and report. The move proposed is at variance with the general principles of our organization. However, if we can in our deliberations work out some scheme that will be advantageous to us without varying from the principles of the organization, which will result in great saving to the members of the Association, I am in favor of it; but at this time I am opposed to the adoption of the report of the committee, and I am very strongly in favor of referring the subject back to the incoming council. (Applause.)

Mr. C. Q. Chandler (of Kansas): Mr. President, that we should take time to amply discuss this matter none of us doubt, but that this matter should be referred back to the Executive Committee, to be carried over another year, I object. (Applause.) We have had a committee of five eminent genetlmen who have presented a report here that is so plain that it is the A B C of this matter, and there is no reason why this convention right here in San Francisco, before we leave, should not pass upon this subject. (Applause.)

We are not launching out into any new field. Mutual insurance is an old, old thing. The lumbermen of this country are saving themselves hundreds of thousands of dollars every year. The hardwaremen are doing the same thing. The millers are doing the same thing. And now, I cannot see any reason why we as bankers should not save this money for our own profits. The report of this committee shows that premiums of $388,000 are paid into the fidelity companies which the gentleman from Baltimore represents. In turn, those noble companies have given us back $45,000. (Applause.) The net profits to the Baltimore and other surety companies are $343,000, net, out of our pockets. I believe we should give this matter careful consideration. If we have not time now to discuss it, let us set a date right here, before we leave, at which it will be taken up intelligently, and at which time no motion can be railroaded through by surety company representatives. (Applause.)

A delegate arose.

Mr. Chandler (continuing): I have the floor, partner. (Laughter and Applause.) The gentleman who first spoke from the stage—I would like to ask what bank he represents.

Mr. Ramsey: I represent the Union Bank & Trust Company, of Helena, Mont.

Mr. Chandler: He lays stress on the fact that we would not be able to get the proper service if we should have a loss. I anticipate that the five gentlemen to be appointed by the Executive Council will take care of that, and that they will see that we are protected. This insurance, then, will be a voluntary matter; if you are not satisfied with it you need not take it. Those that want to contribute to the Baltimore companies may do so, but fix it so that we who want to can have the benefit of this mutual insurance. (Applause.)

Mr. R. L. Crampton, of the National Bank of the Republic, Chicago: Mr. President, I think it is right to inform the members of this body that the Helena Trust Company is agent for one of the Baltimore trust companies.

Mr. Huston, of Wood & Huston Bank, Marshall, Mo.: Mr. President, the gentleman who has criticised the work of this committee at the same time, in the same breath, almost, has said the work of the committee has been most faithful and most efficient, more so than the work of any other committee, in behalf of the Association. I think I can say that the chief criticism that I have heard directed against the work of the American Bankers' Association has been that it has failed to accomplish results, that its meetings have simply been meetings of good fellows, who went around the country junketing to have a good time, and did not do anything.

Now, Mr. President, there is no question but what the work of this committee, if adopted in this form, will prove of benefit to the members of this Association. On the other hand, if the committee be discharged, simply with our thanks, then everything is undone, and more than undone; because these Baltimore companies, and New York companies, and other fidelity companies know that this having been voted down once will never be taken up again.

I want to make this suggestion: That if this is adopted, we thereby make it possible, not that it is necessary, but that it is *possible*, for the Executive Council at any time hereafter to put in force the machinery that we will create by the adoption of this resolution. Without that machinery, how on earth can the bankers of the country take this subject up if it is necessary to take it up? These gentlemen tell you the bankers have not had opportunity to examine it. There is no plan to examine until some such machinery is adopted by the Association. It is not necessary, even with the adoption of this amendment, for the Executive Council, themselves, to take this up, but it is possible, and it will always be possible, then, for them to take the matter up; and as long as the surety companies know that there is a provision in the constitution of the American Bankers' Association to this effect, you may be sure of equitable rates, and you may be sure that you will be heard. But if you cut that possibility out, you will find you will have the same grievances that you had years ago. The difference is the difference between isolation and co-operation. If a bank needs anything, it needs co-operation, and the defeat of this measure to-day, if it indicated anything, would indicate that we do not believe in co-operation—that it is true we meet simply to have a good time, and that we stand apart. I think it is due to this committee and this Association that we should at least adopt this amendment, whether we are in favor of it or not. (Applause.)

Mr. Thomas H. Wilson, Vice-President of the First National Bank of Cleveland, Ohio: Mr. President, it does not follow that because we have an excellent committee, who have given us excellent results thus far, that the committee are infallible in their recommendations submitted here.

Now, it seems to me that $45,000 as the figures of the defalcations are not truly indicative of the fact about that. It is no disrespect to this able committee to uphold the still larger committee, the Executive Council, who are equally level headed. (Applause.)

Mr. Fred. Heinz: Mr. President, I would like to know by what vote this passed the Executive Council, whether unanimously or otherwise, and whether there were any members of insurance companies on that council.

The President: I would state that the vote was twelve in favor of the report as presented, and eight against it.

Mr. Youmans: I move that the Convention take a recess until half past two.

(The motion was duly seconded.)

(The question was put and the motion was lost.)

The President: The motion to adjourn is lost, and the motion before the house is Mr. Bigelow's motion.

A division was called for.

Motion to Refer to Council Lost.

The President: Those who are in favor of Mr. Bigelow's motion will rise to be counted, after which those who are opposed will rise. The motion is to refer the matter back to the Council.

The question was taken and there were:

Yeas, 120; nays, 138.

A Delegate: I call for tellers.

(The motion was seconded.)

(The question was taken and the motion was lost.)

Mr. Finley, of the Fifth National Bank of Pittsburg: Mr. President, may I speak on the original motion?

The President: The question has now been ordered. I should say it was not in order to speak on this question. We have voted down Mr. Bigelow's resolution to refer it back to the Council. The question now recurs upon the original motion.

Mr. Finley: Mr. President, I certainly think we have a right to discuss the original motion now, not having had an opportunity to do so before. We have been discussing the substitute, and now the original motion is certainly debatable.

(Cries of "Question, Question.")

The President: The gentleman may proceed, but he will please make his remarks as brief as possible.

Mr. Finley: Mr. President, I will say but a few words on this question. I understand from the statement made by the Chairman of the Executive Council that last night when this question was considered twelve were opposed to it and eight members were in favor of it. If that be true, gentlemen, these twelve gentlemen are certainly entitled to your consideration as to their judgment as well as the eight. Those eight gentlemen were members of the committee and so were the twelve. I do not know how many members there were on the Council. We all have the greatest confidence in the members of the committee. They are men whom I have known for years; but we must have equal confidence in the other members of the Executive Council, those who are opposed to this. They have considered this carefully in that small body, and more carefully than we have done it this morning. Now, I do not care particularly which way this goes, but I do think this, that you want to carefully consider the question that the American Bankers' Association should carefully consider whether it wants to go into the insurance business. If they want to go into the fidelity insurance business, why not go into the fire insurance for the banks? and if they should go into fire insurance, why not go into life insurance for the banks? (Applause.)

(Cries of "Question," "Question.")

I, for one, am opposed to this, although, as I said before, I am not very particular about it one way or the other. I hope that, as you have put it in the position you now have, you will vote this down.

The President: The question is on the original motion.

Mr. Chandler: I only have one word to say, Mr. President. We have the greatest respect for the Executive Council, we have the greatest respect for their opinions; but while that is true those who are here in this Convention are also thinkers and use their own gray matter. (Applause.)

Mr. H. R. Lyon, First National Bank of Mandan, N. D.: Mr. President, I will speak for just a minute. Here is a discussion on a recommendation of the Board of Directors. It seems to me that many of you are young fellows, and are just jumping right into this without very much consideration. I want to reply to our friend from Kansas City in regard to these mutual companies. I am a miller. The Millers' Mutual Company has nothing to do with our organization of millers. They are a corporation, they are separate and distinct in every way.

I am also a lumberman, and the lumbermen's organization is separate and distinct from such companies. Now, I think we should go slow on this. There is no reason why we should decide this now before lunch. Let us wait until after dinner. I believe we will not act on this matter as a lot of boys. We are all supposed to be careful, conservative men. I would hate to have a lot of discounts passed on in this way. (Laughter.) I simply ask that we appoint some time this afternoon to discuss this. I am willing the matter be passed, but do not let us precipitate action immediately on this thing, just because we have a clever committee that has done a magnificent work in preparing statistics for us. We must remember that we have also an Executive Council, who are able men, and we ought to take note of the fact that a majority of them are not in favor of this at this time. So I say, let us give a little more time to it. (Applause.)

Mr. Felsinger (President of the New York Savings Bank): Mr. President, I do not desire to discuss this question, but simply call attention to the fact that if we are to vote on it, according to the constitution it will require a two-thirds vote to adopt this amendment to the constitution.

Mr. Fletcher (President of the German National Bank, of Little Rock, Ark.): Mr. President, I suggest that we vote by States. We know that self-interest sometime prompts men to do things. I would like to have the States called, and a vote taken according to their representation in this body. I make that motion, if it is in order.

A Delegate: That is not in order.

Mr. Fletcher: Well, I will withdraw that. I am like my friend from Pittsburg, it matters little with us whether it passes or not. We feel that we can organize ourselves under the suggestion of the committee, without recommendation by this body.

I say, furthermore, that the idea of only paying out $45,000 in losses, and receiving so much, cuts no figure in this question. I have paid insurance on a house for four years, and it has never burned down yet, thank God. (Applause and laughter.) I have been paying, as president of the German National Bank, of Little Rock, indemnity to these companies for years, and none of the boys have ever stolen a cent. That is no reason why we should condemn this insurance policy business. I am decidedly in favor of insuring our employes in a good company to keep them from going to their friends and having them involved in personal liabilities. That is my idea. I think we might as well go along in the good old way.

I have been attending these National Bankers' Association meetings for a number of years. I am delighted to meet with my brother bankers from all sections of the country, and I believe, in the main, they will do the right thing. I am opposed to suggesting legislation of that sort in this body. I thank you. (Applause.)

(Cries of "Question." "Question.")

Mr. Hamilton: Mr. President and Gentlemen of the Convention, there is nothing that pleases this committee more than the discussion of this question as it is being discussed by the members of this Association. It is one of the most important features that was ever presented to you as a body to consider (Applause), and you should consider it carefully. The committee has advocated radical views and radical methods for this Association to adopt. We are convinced that we are right. We have considered every question that the gentlemen raised here from every standpoint conceivable, from every point of attack that we could find would be considered, and after careful consideration for eight years we have come to the conclusion that this is the only practical way to do this business. (Applause.)

When that committee was appointed in 1898 the bankers of this country were paying for their bonds from $1.40 to $10 a thousand, and the gentleman who paid the ten dollar rate informed this committee that he enjoyed a special rate from the insurance company, and if we betrayed his confidence he would hold us individually responsible. We informed him that it was no betrayal of confidençe on our part to inform him that the same company were rating the same risk for other parties at $2.50 per thousand.

At the time this committee was appointed seventy per cent. of the losses were contested by the fidelity insurance companies. Since the work of this committee has been followed up and studied and considered by the membership of the Association, there are to-day but 40 per cent. of the losses being contested. All the time this committee was appointed there was not a single bond written by a single fidelity company in the United States that could be collected under any court of law in any State. (Applause.)

The conditions of those bonds have not materially been improved, but it is now policy for the companies to pay. The gentleman here alluded to the fact that the average loss is only $45,000. He did not understand our position in this matter. The average losses paid are only $45,000. The losses only amount to in the neighborhood of $100,000—the bonded loss—to the membership of this Association. But, actually, the loss paid for the past ten years has not exceeded $45,000. The proposition of creating a Board of Trustees to handle this bond is the only practical way that this can be done. This Board of Trustees would be the custodian of the bonds; they can sue and be sued; they have the same standing in any court of record that any corporation would have, only in a different form of action.

The gentleman spoke here of the possibility of bringing suit against the trustees. That has been provided for in the rules and regulations, which are to be adopted by this Executive Council, if you, in your wisdom, see fit to adopt the amendment to the constitution. I thank you gentlemen. (Applause.)

AMENDMENT TO PERMIT FIDELITY BUSINESS LOST.

The President: Those in favor of the adoption of the constitutional amendment will please rise, after which those opposed will rise.

The question was taken and the President announced that on this question there were, in favor of the amendment, Yeas, 133; nays, 98.

The President: There not being two-thirds in favor of this motion, it is lost.

Mr. Elliott (of Los Angeles): Mr. President and gentlemen, Los Angeles is second in prosperity and progress of the cities of the coast, and as regards hospitality it is second to no city in the United States. (Applause.) Some gentlemen who came on the New York excursion with some others have already registered with us as signifying their intention of being our guests on next Monday and Tuesday. We wish every gentlemen in this house who wishes to visit us on those days, or either of them, to be good enough to register his name, so that we will know how many guests we will have to provide for, and we will try to provide for you with a whole heart that comes from the South.

The President: Gentleman, I wish to call attention to the constitutional provision, which will be found in the programme. It is as follows:

(The Secretary read Section 2 of the Constitution of the Bankers' Association.)

The next report is the report of the Committee on Uniform Laws, by Mr. Frank W. Tracy.

In the absence of Mr. Tracy, the report was submitted by his son, as follows:

Report of the Committee on Uniform Laws.

We have the pleasure to report that we have added to the list two States during the past year—the States of Idaho and Montana. We find it extremely difficult to reconcile the views of the various members of the Legislature in the various States. There is hardly a member of the Legislature but what has his peculiar ideas which he thinks ought to become part of the law, which, if we admitted, we would have no uniform law. As an example in the State of Nebraska, we got the bill nearly through when some members thought it ought to be amended, and it was so thoroughly amended that we had abandon the support of it. What we want is uniformity in all the States. We also hear the statement quite frequently made that this law is offered because of the fact that it comes from the bankers. During the past year we have proven this statement to be unfounded. In the State of Illinois in order to test the matter an agreement was made between your Committee and the Illinois Bar Association by which the Illinois Bar Association was to have entire control of the Bill, while our Committee was to say nothing. I am sorry to say the result was that no bill was passed. But we are not discouraged. We have only to refer to a recent report of the Hon. Lyman D. Brewster, Chairman of the Commission on Uniform State Laws of the American Bar Association, who has lent his time and talents to the furtherance of these measures. He says:

Ten years ago we presented and recommended for general adoption a uniform law on weights and measures. About the utility of this act it would seem impossible to raise a question. Surely the bushel ought to be uniform throughout the country. Well, it has passed four States in ten years. Our proposed acts on wills and deeds shared about the same fate. Three years ago the Conference ventured into the troublous region of divorce, and not a single State, so far as I know, has passed our modest proposed law on divorce procedure intended to restrain tramp divorces and to give the defendant an opportunity to be heard in court. On the other hand, as already stated, the Negotiable Instrument Act, in the form of a short code, has been successfully adopted although thirty-six pages in length. As to its permanency one can only say that in six years only one or two trivial changes have been made, occasioned by the effect of revenue stamps on sight drafts and the like.

It seems that the law for the adoption of a uniform law for weights and measures, which ought to have no opposition whatever, has only passed in four States, in ten years, while we have succeeded in passing our Negotiable Instrument Law in twenty-three States in seven years.

The evolution of the law from a digest into its present practical form is interesting, and I again quote Judge Brewster:

A studious English lawyer—Mr. M. D. Chalmers, now Parliamentary Counsel to the Treasury, a born draftsman and so far removed from a radical "Benthamite" as it is possible for an Oxford man to be—read over carefully all the reported English cases on the law of "Bills and Notes" and put their substance in an admirable digest. This digest proved at once so serviceable that the merchants and bankers of Great Britain insisted that it should be drafted in the form of a code and have the authority of legislative sanction. After its redrafting in the form of a code and a great deal of committee work on it, both in and out of Parliament, by merchants, bankers and lawyers, it was passed in 1882 by both Houses as "The Bills of Exchange Act." It proved to be a success every way both for laymen and lawyers, and was soon adopted in the British colonies.

Equally simple and natural was its introduction into the United States. In 1895 a small body of American lawyers appointed by several States—New York State having initiated the movement—for the purpose of promoting uniform State laws on certain subjects wherein existing laws were varient, uncertain and often conflicting recognized in the English "Bills of Exchange Act," a convenient and excellent basis for an American law on the same subject, and this partial codification seemed to them, after much study thereon, almost the only practicable method of obtaining the uniformity they were deputed to secure.

The result was Mr. Crawford's "Negotiable Instruments Law."

Mr. Crawford proved so ready and able a draftsman that his predecessor, Mr. Chalmers, said in his address before the American Bar Association last summer:

If I could do the work over again I could produce a better act, and I am glad to see that you, in your Negotiable Instruments Act, which has now been adopted by so many States, have in many respects improved on the English measure.

The following is a list of the States now operating under the law:

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. (Three days' grace allowed sight drafts.)
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.
Arizona—September 1, 1901. (Except by clerical error, chapter on Promissory Notes and Checks omitted.)
Iowa—July 1, 1902. (Amended to give three days' grace on each of which demand may be made.)
New Jersey—July 4, 1902.
Ohio—June 1, 1903.
Pennsylvania—July 1, 1901.
Montana—March 7, 1903.
Idaho May 1, 1903.

It is hoped that an earnest effort may be made by each of the bankers of the States noted below, the legislatures ot which meet next winter, to bring to the attention of the legislator of his district the great value of having this act among the laws of the State:

Louisiana.	Mississippi.
Maryland.	Vermont.

FRANK W. TRACY, Chairman.
J. B. BROWN,
HOMER A. MILLER,
Committee.

The President: The next business is the report of the Committee on Bureau of Education.

The Chairman, Mr. Robert A. Lowry, submitted the following report.

Report of the Committee on Education.

SAN FRANCISCO, October 20, 1903.

American Bankers' Association.

Gentlemen: The work of your Committee on Education during the past year has been devoted largely to the American Institute of Bank Clerks. The constructive period in the history of this Institute has been succeeded by the period of crystallization, and the Institute is in the opinion of your Committee no longer an experiment.

It gives me pleasure to hand you herewith the report of Mr. J. B. Finley, President of the American Institute of Bank Clerks. There has been no radical departure from the original plan of operation, for this has not been deemed expedient in view of experience for the past years of the Institute. Still the natural law of development has not been ignored, and wherever an improvement on our original plan has suggested itself it has been adopted, when the success of the Institute or its efficiency demanded it.

During the past year the Institute has suffered a serious loss in the death of its able and enthusiastic Secretary, Mr. A. O. Kittredge. He had the Institute greatly at heart, and had shaped to a great extent the work, which has progressed so successfully. Since his death, however, others have taken up the work, and your Committee feel that it is in good hands. The active management of the affairs of the Institute is now in the hands of the Account, Audit & Assurance Company, and the Trustees of the Institute have considered it advisable to continue for the present the arrangement heretofore existing for the conduct of the Correspondence School of Banking and the publication of THE BULLETIN.

As you are no doubt aware, THE BULLETIN of the Institute is conducted on strictly educational lines, and is intended to be the literary clearly house of Institute work. It is neither a vehicle of banking news nor a magazine of learned financial essays. In its columns the best efforts of individual Chapter members and students are published for the benefit of all, and the fact that THE BULLETIN has some six thousand subscribers is conclusive evidence of its utility as an instrument of education.

Those who have the work in hand are enthusiastic business men, and I feel that the American Bankers' Association cannot do better than to continue this work so auspiciously begun. It is certainly doing a great deal of good in helping those who wish to become efficient bank workers and to perfect themselves in the science of modern banking. Besides it enables banks and bankers to always have a supply of efficient and capable material from which to select the working force of the banking institutions of the country.

It is hardly worth while to consume your time in elaborating upon the work or the feasibility of the plan. As I stated, its experimental period has passed, and it now becomes the duty of this Association to maintain this Institute. We want to continue our work along this line, as the results obtained to this time fully warrant us in expecting greater results in the future.

The balance left over from the last appropriation is about $3,000, same as last year, and your Committee respectfully asks the appropriation of $10,000, or so much as will be necessary to continue the Institute and increase the scope of its usefulness in the educational branch of our Association work.

ROBERT J. LOWRY, Chairman.

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

To the Committee on Education, American Bankers' Association:

The year since the date of the last report to the American Bankers' Association Convention in New Orleans has been eventful. It is practically the third year in the history of the American Institute of Bank Clerks, although only two and one-half years of active work participated in by the bank clerks of the country have passed.

The growth of the Institute has been rapid, and the soundness of the original scheme has been conclusively demonstrated by the fact that natural evolution has occasioned only adaptations.

As stated in previous reports, the work of the Institute is carried on along three distinct but interdependent lines, the CHAPTERS, the STUDENTS of the Correspondence School of Banking, and THE BULLETIN.

The work of the Chapter members was in a sense focussed in the Chapter Convention held at Cleveland, O., September 18 and 19. This was the first meeting of a national character of Chapter members. Twenty-three out of thirty Chapters, numbering some 3,000 members, were represented by 112 delegates, besides which a number of bank clerks, bankers and others attended unofficially.

Papers of unusual excellence by bank clerks were presented, read and discussed with a marked degree of interest, and a showing of intimate and accurate knowledge of the subjects treated developed in the discussion. A spirited debate on a subject of prime importance to banking men was held between representatives of Detroit, Washington and Philadelphia Chapters on the one side and Buffalo, Minneapolis and Providence on the other. The arguments pro and con were well expressed.

Prominent bankers attended the banquet of the Convention and addressed the delegates:

O. H. Stafford, Secretary and Treasurer of the Broadway Savings & Loan Company and the Woodland Avenue Savings & Loan Company, of Cleveland, O.; M. H. Wilson, Secretary and Treasurer of the Western Reserve Trust Company, Cleveland, O.; C. B. Mills, Cashier of the People's Trust & Savings Bank, Clinton, Iowa.

The proceedings of the Convention have been published in full in the October 15 BULLETIN, and it is unnecessary to further repeat them here. The Convention was orderly and business-like in every respect, and compares favorably with conventions of older and more experienced bodies.

The work of the individual Chapters during the year has been attended with abundant evidence of benefits to members, largely increased interest on the part of bankers and the general business public, and enthusiasm in the movement is everywhere displayed. Papers of exceptional quality have been prepared and read by members before their respective Chapters, published in THE BULLETIN, and have attracted wide and favorable attention.

Debates between various Chapters have been productive of good results, and have disclosed a number of ready and fluent speakers among the Chapter members.

Men of national reputation have gone to considerable trouble to address the various Chapters. Bank officers and bankers of prominence throughout the country display an ever increasing interest and appreciation. State bankers' conventions have included in their proceedings commendatory mention of the Institute. At the Convention of the N. C. Bankers' Association, Mr. Caldwell Hardy, President of the American Bankers' Association, said:

It should be remembered in discussing the advantages of the Institute and the expediency of sustaining the work so auspiciously begun, that young men are being trained along the lines of membership in the American Bankers' Association. Up to date, the American Institute of Bank Clerks has been distinctively known as a creature of the American Bankers' Association, and whatever bank clerks have derived from it they have understood to come direct from this fountain source.

It is worth much to the American Bankers' Association as an organization that young men are being thus trained to think of it as their alma mater and that from which they derive substantial benefits. Every bank clerk who is taking a course in the Correspondence School of Banking, or one who is a member of a local Chapter, or who is a reader of THE BULLETIN, is thus being trained for the high responsibilities of membership and representation in the American Bankers' Association.

Mr. O. J. Sands, President of the Virginia State Bankers' Association, at the recent convention at Richmond said:

The American Bankers' Association has taken great interest in the American Institute of Bank Clerks. I commend this work to all our banks and their employees. This institution gives every ambitious clerk opportunities that heretofore could not be procured, and which are of inestimable value to him, and through him to his employer. It provides a correspondence school of instruction so that every clerk, whether a member of a Chapter or not, can receive instruction, and it publishes a semi-monthly paper called THE BULLETIN of the American Institute of Bank Clerks, which should be in the hands of every bank clerk in Virginia: indeed, many officers find much of interest and instruction in its columns.

Col. Robert J. Lowry, President of the Lowry National Bank of Atlanta, Ga., at the recent convention of the Georgia State Bankers' Association, said:

Many of you are doubtless aware of the fact that the American Bankers' Association is maintaining an Institute for the education of bank clerks. It is so managed that any bank clerk can get information that will be very valuable to him, and of course very valuable to every bank in the State of Georgia.

There is issued twice a month a paper known as THE BULLETIN, which is full of suggestions and lessons upon banking from the elementary branches of banking on up through the higher and more complicated problems that arise from time to time in out profession. The subscription list of THE BULLETIN, which embraces subscribers all over the country, is about six thousand.

It was my pleasure to attend a meeting of the New York Chapter of the American Institute of Bank Clerks a few months ago in the city of New York, which Chapter is composed of about four hundred men. I thought I would find bank clerks there of ages ranging from fifteen to thirty years and upward, but I found some of them there as old as I am, and that's getting along up the ladder pretty well. They seemed to be learning, and that Chapter of the Institute was doing a great deal of good. The bankers were there, too, and they took a great interest in it, and one of the bankers told me that the best clerks he ever had he got through that Institute. He had found that they were up to date. Said he: "Take a young man that has been through this elementary education, that has been given to him either by mail or through these Chapters, and he will step right into the place of one that it would take two years to train up before."

Now, I am sorry to say that we have not a Chapter in Georgia. I am very greatly interested in this work, and would like very much to see Chapters in the larger places—I say this because I presume the smaller places could not well afford it. Now I earnestly hope that this association will do something to help the cause along. I have been pretty prominently connected with the movement for some time past, and I would like to have something to shew from Georgia, and to show that I have done some work at home. I hope that commencing now the Georgia Bankers' Association will encourage their clerks to meet together, and talk about financial ideas and propositions, for I am sure it will help them, and help the banks of the State as well.

Now, if you will help me a little along the line of my proposition of getting up some Chapters of the American Institute of Bank Clerks, I will appreciate your co-operation and support in this direction. I especially appeal to Augusta, Macon, Columbus, Savannah and Atlanta—yes, right here at home.

And these are but a few of the many expressions of interest from bankers.

Chapter libraries are being formed, embracing standard works on financial and economic subjects, and are largely employed by the members in their work. That of the St. Louis Chapter now includes some two hundred books of from one to twelve volumes each.

Promotions indicative of the real worth of the Institute work have rewarded many members. Of all the promotions of bank clerks in Chicago during the year, 86 per cent. were of Chapter members, although only one-fifth of the bank clerks of Chicago are enrolled in that Chapter. The president of Buffalo Chapter has been promoted to an assistant cashiership, president of Minneapolis Chapter to like position, and San Francisco Chapter has been similarly honored. St. Paul Chapter was for a time without officers, every one having been promoted to assistant cashiers. And there have been many promotions of Institute members outside of Chapters.

The Correspondence School of Banking, in its important function, cannot be overestimated. It brings the advantages of the Institute to the greatest possible number of bank clerks. Especially helpful to the bank clerk deprived by geographical situation of the chance of Chapter membership, it is also greatly appreciated among Chapter members. But 10 per cent. of the enrolled students are Chapter members, which seems to indicate that this branch of the work is most appreciated by clerks of banks located in the smaller towns—*i.e.*, country banks.

Chapters as a whole are being interested in the work along the line of these plans. Papers on subjects assigned to the various Chapters, after discussion and revision in the author-Chapters, are sent for discussion to other Chapters, and the final product published in THE BULLETIN, whereby it is presented to the students who are not Chapter members and to every other Chapter. Similarly the best papers prepared by the individual student are presented through THE BULLETIN to the Chapter students.

The studies of the Correspondence School are divided into thirteen elective courses on the following subjects:

Practical Banking.	Commercial Law.
Double Entry Bookkeeping.	Practical Finance.
Financial History.	Commercial Geography.
Bank Arithmetic.	Commercial Rhetoric.
Business Correspondence.	English Grammar.
Penmanship.	Shorthand.
Civil Government.	

There are at present enrolled in these various courses some 800 students. When it is considered that one of the largest and most aggressive correspondence schools in the country took years to reach 600 students the success assured to the Corresondence School of Banking, cannot be questioned.

In the studies in Practical Banking, Commercial Law, Double Entry Bookkeeping, Bank Arithmetic, Shorthand, Business Corespondence, Commercial Rhetoric, English Grammar and Penmanship, the examinations are by questions and answers.

Each of these courses is divided into sections. When a student enrolls in many of these subjects his fitness for pursuing the course of study selected is first determined. He is required to furnish information concerning his education, training and experience, and also to specify the special object he has in view in taking up the desired study. If this examination reveals the need of work more elementary in character as a foundation, the student will be officially advised of the fact and such suggestions offered as may be warranted. When the course of study is approved a textbook is sent to the student, together with letters of instruction, and examination questions relating to the first two sections. The letters of instruction are personal letters, adapted as closely as possible to the student's individual needs, telling him how to proceed with his study and what features to lay special stress upon. In accordance with these directions he begins the study of the first section of the course. When he has mastered the first section he lays it aside and answers the examination questions relating to its contents. The answered questions are mailed to the Institute. There they are carefully examined and corrected and marked according to merit. They are then returned to the student, accompanied by a letter of suggestions and criticisms. If the answers of the student show that he has failed to get an intelligent understanding of the subject, that fact is brought to his attention, and he is directed to go over the ground again and to submit to the Institute satisfactory evidence of improvement. When he has complied with these requirements his papers on the first section are returned to him, and he receives the third section of the course with a letter of instruction and the examination questions covering the text.

Thus, the student has in his possession always a section of study waiting for his attention to which he can devote himself promptly, while his work on the section immediately preceding is passing through the mail to the Institute and is there being examined. By this method he can carry on his studies as rapidly as the time at his disposal will permit. When he meets with difficulties that he cannot overcome by earnest, unaided effort the Institute will give him such help and guidance as may be advisable. He has only to write out and mail a clear statement of the facts he cannot understand, and the necessary information and instruction will be promptly supplied.

In the studies in Commercial Geography, Financial History, Practical Finances and Civil Government the preparation of short papers or theses takes the place of examination by questions and answers. The nature of these subjects makes it almost impossible to test a student's knowledge of them by a series of categorical questions and answers. The training the student receives in putting his thoughts on paper, expressed in simple, clear language and arranged in logical sequence, is of greater value to him as an educational discipline than answering disconnected questions about undigested information. After the student has enrolled and has passed the preliminary test of his fitness for taking up the study selected, a textbook is sent him, together with letters of instruction and advice regarding the way he should carry on his work. These are personal letters, based on facts furnished by the student, and their purpose is to meet as fully as possible his individual needs. Each course is divided into sections. When a student begins his work letters of instruction covering the first two sections of the course are sent him, together with a list of subjects relating to the text of these sections. When he has mastered the first section he lays it aside and selects from the subjects on that section one upon which he writes a short paper. This he mails to the Institute, and then begins work on the second section. His paper is corrected and criticised, given a percentage mark and returned to him, along with a letter and subjects regarding the third section. This method is continued to the end of the course.

The tuition fee for each course is $15. This fee includes one year's subscription for THE BULLETIN and also textbook and all instruction and examination papers, which become the property of the student.

Group courses have been arranged by combining the essential features of the elective courses on those subjects most closely related. Students are thus afforded comprehensive training for specific lines of work without the necessity of absorbing the separate course on each topic. The fees for the group courses are materially less than the cost of the same instruction in the separate courses. Special groupings to meet the peculiar needs of the individual student are also arranged at similarly reduced cost.

THE BULLETIN may be described as the warp of the Institute fabric. It is so closely related to the other divisions of the Institute work, in addition to its distinctive character, that anything said about THE BULLETIN reflects at once the whole Institute.

Purely educational, it is of wide influence, already reaching some six thousand subscribers. Every State and Teritory in the Union and many foreign countries are represented on its mailing list.

Evidence of the esteem in which it is held is found in the many appreciative letters received from subscribers. It is the mental clearing house of Institute members, facilitating interchange of ideas. It is the exponent of the Institute to the general banking public. It is esteemed by the bankers of the country as a valuable compendium of banking information.

As generally indicating the success of the Institute as a whole there appear in the following pages of this report typical letters received from subscribers and students, and a list of prominent men who have interested themselves in forwarding the movement.

At once illustrative of what the Institute has accomplished, for an individual, student, subscriber, and Chapter member, and a comprehensive description of the Institute as it appeals to the bank clerk, there is presented also the prize essay on the Institute, written by Mr. W. F. Mackay, of the Cleveland Trust Company, Cleveland, O. Twenty papers, each one worthy of note, were prepared for this competition, all examples of what the Institute has done and an indication of the good it can do.

J. B. FINLEY, President.

The President: The next business on the programme is the address by Mr. L. P. Hillyer, Cashier of the American National Bank of Macon, Ga.

"Money Orders of Bankers' Associations," by L. P. Hillyer.

[Mr. Hillyer's paper in full will be found on pages 1633 to 1634 of this publication.]

RESOLUTION IN FAVOR OF BANK ORDERS ADOPTED.

Mr. Pierson: Mr. President, I believe the decision of the Convention was that the consideration of the resolution in regard to money orders should come immediately after the reading of this paper.

The President: The gentleman is correct.

The question is on the adoption of the resolution offered by Mr. Pierson, as follows:

Resolved, That this Association adopt a banking money order system, and that the President appoint a committee of five to devise a plan whereby members can be furnished uniform bank money orders and proper advertising matter in connection with the same at a minimum cost.

The report of this committee shall be rendered to the Executive Council, which is hereby empowered and requested to authorize such expenditure as shall, in their judgment, be proper to enable the committee to carry out its recommendations.

Mr. Goodall, Vice-President of the Bank of Discount, of New York City: Mr. President, I am glad that the opportunity has come that this question may be decided in the manner in which it will be. I only regret that there are no more people here to discuss it. The only modification or change I would suggest in the resolution, that instead of the President appointing the committee, the Executive Council should be given that power. I offer this amendment, making that change; I offer it in a very friendly spirit, and, if there is any objection, I will withdraw it.

A Delegate: Whom do you represent?

Mr. Goodall: The Bank of Discount, New York City.

The Delegate: Are you connected with any institution using these orders?

Mr. Goodall: Yes, I am a director of the Bank of Discount. (Cries of "Question," "Question.")

Mr. Pierson: Mr. President, the original motion was passed upon by the Executive Council, and recommended by them. The point made was that it seemed to be necessary that that change should come before the Executive Council. I call for a vote upon that.

The President: I think it would be a very strict construction of the constitution to say that a resolution reported by the Executive Council could not be amended by the Association; and therefore, it certainly seems competent to propose the amendment that the gentleman has proposed. The question recurs on the adoption of the substitute for the original resolution.

Mr. Cook, of Kansas City: Mr. President: it seems to me proper at this time to suggest, in view of the late hour and in view of all the facts, and since there seems to be some question about the possible fairness of the President, that the substitute should be voted down and the original resolution prevail.

Upon motion, duly seconded, the amendment offered by Mr. Goodall was laid upon the table.

The President: The question recurs on the adoption of the original resolution.

The motion prevailed.

Thereupon, at 1.30 o'clock P. M., the Convention adjourned until to-morrow, Thursday, October 22, 1903, at 10 o'clock A. M.

SECOND DAY'S PROCEEDINGS.

Thursday, October 22, 1903.

The Convention was called to order at ten o'clock a.m. by the President, Mr. Caldwell Hardy.

Prayer by Rev. George C. Adams, Pastor of the First Congregational Church:

PRAYER.

Our Heavenly Father, We thank Thee for Thy care over Thy people, that Thou hast acknowledged us as Thy children, and that as we look back over the past we can see Thy hand in the development of human character and the upbuilding of divine principles in human souls. We thank Thee for the co-operation and the fellowship of the present day, that men can come together and discuss the great interests that are at stake, and those things that are in their keeping, and that Thy will can be done, and that Thy thoughts can be carried out in the councils of men.

We ask Thy blessing upon us as we meet to-day. We thank Thee for the session of yesterday, we thank Thee for all the discussions that help to bring out great truths in the settlement of great questions; we thank Thee for men whom Thou hast developed, in whom the people have confidence; we thank Thee for the growth to-day of manly, upright character, and that there are in the communities in this land and all over the world so many that the people can trust, that the interests of the poor are secure in their hands; that the thoughts of people going out to them can lead to the security of feeling and to the consciousness that they are safe.

We pray Thee to help in all the discussions of the day. Grant that that which shall be said and done may be in accordance with Thy will; help us to remember that we are stewards of Thy possessions, that the silver and the gold are Thine, and Thou hast loaned them to us for a little while, and shortly we shall give account of our stewardship. We pray Thee to help us remember our obligations as Thy stewards, and when we are called upon to give an account of our stewardship we shall be found to be faithful. Guide and bless those that have been left as we have come across the continent, bless the homes out of which these many have come, and grant that all efforts of the present day may result in great good in the bringing in of Thy faith. We ask it in Jesus' name. Amen.

The President: I have a telegram here which I will read.

(The telegram referred to reads as follows):

CLEVELAND, OHIO, October 19, 1903.

Caldwell Hardy, President American Bankers' Association, San Francisco:

Please express to the members of the American Bankers' Association my deep regret at my inability to attend the twenty-ninth annual convention. The members of the Association may feel, as I do, a justifiable pride in the strong position which the Association has taken in the country for conservatism and progression. I sincerely hope the convention may be the most successful in the history of the Association.

MYRON T. HERRICK.

The President: The Secretary has two announcements to make.

The Secretary: The California Society of The Sons of the American Revolution has sent the following invitation:

SAN FRANCISCO, October 21, 1903.

Secretary American Bankers' Association, California Theatre:

Dear Sir.—Inclosed please find circular relative to the annual dinner of this society, to be given here to-morrow evening.

It is altogether likely some members of your Association now visiting this coast are members of our society.

If so, we extend to them through you a cordial invitation to attend this dinner as our guests, and if they will comunicate with me, arrangements will be made to accommodate and welcome them.

Yours respectfully,
A. D. CUTLER,
Chairman Dinner Committee, 134 Market Street.

The California Promotion Committee, of San Francisco, writes as follows:

THE CALIFORNIA PROMOTION COMMITTEE OF SAN FRANCISCO.
SAN FRANCISCO, October 19, 1903.

Mr. Caldwell Hardy, President American Bankers' Association, Palace Hotel, San Francisco:

My Dear Sir: The California Promotion Committee, representing the leading commercial organizations of the city and State, tenders a most cordial invitation to the members of the American Bankers' Association to visit the headquarters of this committee, at 25 New Montgomery Street, this city.

As the objects of the committee are entirely unselfish, and as it is composed of the leading men of San Francisco, all of whom are glad to welcome the American Bankers' Association, I will most heartily appreciate the bankers calling at our headquarters and obtaining our literature upon all portions of the State. The Promotion Committee is a unique organization, supported entirely by subscription. Such interest has been manifested in the work that organizations of other committees representing a great amount of capital have come to study our methods.

I feel certain that apart from the literature and information your members can obtain regarding this great State at our headquarters, they will be glad to understand the workings of the organization, which is so conspicuous, a result of California patriotism.

The Promotion Committee, therefore, begs that the courtesies of its headquarters may be thrown open to the members of the American Bankers' Association, and that the spirit of this letter may be formally declared to all guests now in the city.

Hoping to have the pleasure of meeting you personally, I beg to remain, cordially yours,

RUFUS P. JENNINGS,
Executive Officer.

This is a telegram received from the Cincinnati Chapter of the American Institute of Bank Clerks:

CINCINNATI, OHIO, October 20, 1903.

American Bankers' Association, in Convention, San Francisco, Cal.:

The Cincinnati Chapter of the American Institute of Bank Clerks sends greetings.

WM. BEISER,
Secretary.

Report of Auditing Committee.

The Auditing Committee have sent in the following report:

We, the undersigned, Auditing Committee, have carefully examined vouchers and statements of George F. Orde, Treasurer, and have found same to be correct.

ALEX. D. CAMBELL, Chairman,
G. M. REYNOLDS,
J. R. MCALLISTER,
Committee.

The President: What is your pleasure with the report? Shall it be received and filed?

Upon motion, duly seconded, the report was received and filed.

Address by Mr. J. E. McAshan, Cashier South Texas National Bank, Houston, Texas:

"Money Supply of the United States," by J. E. McAshan.

[Mr. McAshan's paper in full will be found on pages 1631 to 1633 of this publication.]

The President: The Chair regrets that Mr. Homer S. King has been called out of the city, and will, therefore, be unable to address us.

I now have the pleasure of introducing Mr. William B. Ridgely, Comptroller of the Currency, who will address us on the currency question.

Mr. Ridgely: Mr. President, Ladies and Gentlemen. I have taken the liberty—too late to have it changed on the programme—to alter the title of my address. Instead of speaking on "The Currency," the title of my paper will be "The Business Situation and The Currency."

"Business Situation and the Currency," by Comptroller William B. Ridgely.

[Mr. Ridgely's address in full will be found on pages 1623 to 1626 of this publication.]

RESOLUTION CONTINUING COMMITTEE ON FIDELITY INSURANCE.

The President: The next business in order is the call of States.

Mr. Cook (of Kansas City): I desire to offer the following resolution for reference to the Executive Council, with the request that it be reported immediately back to the convention for its consideration. It is this:

Resolved, That the Committee on Fidelity Insurance be continued until the next annual meeting of this Association. (Applause.)

The motion was seconded.

The President: It is moved and seconded that the Fidelity Committee be continued until the next convention. That motion would require a two-thirds vote to be adopted, according to the constitutional provision.

A vote was taken, and the resolution was unanimously adopted.

The President: The resolution is referred to the Executive Council.

THANKS TO COMPTROLLER RIDGELY.

Mr. P. C. Kauffman (Fidelity Trust Company, Tacoma, Wash.): Mr. President, I offer the following resolution:

Resolved, That the thanks of this convention be tendered to the Comptroller of the Currency, the Hon. William B. Ridgely, for his wise, temperate and most timely address.

The motion was seconded.

The resolution was unanimously adopted.

APPROPRIATION FOR INSTITUTE OF BANK CLERKS.

Mr. C. B. Mills (of Clinton, Iowa): I offer the following resolution:

Resolved, That the Executive Council be requested to grant the request of the Educational Committee to appropriate the sum of ten thousand dollars to carry on the work of the American Institute of Bank Clerks.

The motion was seconded by Mr. William George, of Aurora, Ill.

The President: That will have to be referred to the Council by a two-thirds vote for an immedite report, as was done with the former resolution.

The resolution was unanimously adopted.

The President: We will now proceed with the call of the States.

Call of States.

The Secretary proceeded with the call of the States, and the following responses were made:

ALABAMA.

Mr. L. B. Farley, of Montgomery, Alabama: Mr. President and Gentlemen. First on the roll of States to answer to the call, so will Alabama be found on the tablet of progress and prosperity. Like a brilliant meteor in a scintillating galaxy of States, Alabama stretches from the beautiful valley of the Tennessee on the north to the historic Gulf of Mexico on the south, and within her bosom she carries those God-given treasures which would be a credit to any State or country now known to man.

In inexhaustible quantities from the very bowels of the earth we are producing for the use of mankind the very best grades of iron and coal, and at a lower cost than is possible in our sister State of Pennsylvania and other older competitors. The labor question in Alabama is one that scarcely, if ever, perplexes its citizenship, for the reason that wages well balance the hours of toil, and the cost of living is not a severe tax upon the people.

With us business is good and the song of contentment is heard far and near. The future of the State is safe beyond question, in that its industries are diversified, for besides the natural products to which I have referred, Alabama is one of the largest producers of King Cotton, and at present prices this year a distribution of nearly sixty million dollars will result from the recent labors of our farming interests on this account alone. Our corn crop exceeds in volume that of any previous year for two decades past, while in oats we have made a yield equal to our coming needs. Money is plentiful in Alabama, and our banks are rapidly becoming lenders to our Eastern friends, rather than borrowers. During the year ending July 1 the deposits of Alabama banks have increased ten millions of dollars, while banking capital has shown an increase of over three millions; the increase in the number of banks being less than twenty. Our most important move of financial interest has been the passage by our Legislature on October 3 of a banking bill, requiring periodical examinations of all State and private banks by a State Examiner, and the publication of additional statements as called by the State Banking Department. The bill also restricts unsecured excessive loans, and loans to officers or employes, as well as requires the maintenance of a fixed reserve. The bill has been sadly needed for years, and "wild cat" banking is now at an end in Alabama.

Rich in its natural and agricultural attainments, Alabama has not been behind in presenting you with such Army and Navy timber as "Fighting Joe" Wheeler and Richmond Pearson Hobson, and to elevate the negro (whose condition is as well cared for in Alabama as in any State in our indestructible Union) we have made you acquainted with Booker Washington, who is doing a great work along the right lines at Tuskegee. (Applause.)

In conclusion I wish to impress upon my hearers that true American manhood in all its beautiful and sweet characteristics is found flourishing in Alabama in no less degree than elsewhere, and no son of our State can have a grander heritage than to be brought up to manhood under the gentle influence of an Alabama mother, for of such is created the true American citizen, who knows no North, no South, no East, no West. (Applause.)

ALASKA. (No response.)

ARIZONA.

Mr. L. M. Jacobs, Cashier Arizona National Bank, Tucson, Ariz.: Mr. President, Arizona simply has to say that her people are progressing to a very great extent, as evidenced by reports her banks are able to make, and I have to say that there is only one change we would like to make, and that is, we would like to get out of our territorial condition that now exists and join the galaxy of States that form this great and glorious Union. (Applause.)

Mr. Swinney: Mr. President, I would ask that the Executive Council meet at once at the rear of the stage.

ARKANSAS.

Mr. John G. Fletcher, German National Bank, Little Rock, Ark.: Mr. President and Members of the National Bankers Association of America, As a representative from the State of Arkansas I bring good tidings to this Convention. I hail from a State that has more navigable rivers than any other State of this Union, that has more fertile alluvial land than any other State of the Union. When I look back into the past history of my State I am reminded of a sentiment that is expressed in the great Book, that the first shall be last and the last shall be first. (Applause.)

Arkansas is, to-day, no longer the laughing-stock of the people of this country. We have over two hundred banks in the State, every village in the State has one or more banks, and they are all doing reasonably well. The State is now virtually inundated by the timbermen and lumbermen of the great North. We have the finest forest timber that grows upon the face of the earth; we have the finest cotton-producing State in the American Union, and that says everything; we have coal that underlies thousands of acres of our ground, which is now receiving the attention of capitalists and being developed. Why, sir, let me say to you that Arkansas is to-day one of the main pillars of the American Union.

Last year Arkansas had a million bales of cotton worth fifty million dollars, and our wheat crop and our corn crop were all good, and also we raised a great quantity of fruit, including plenty of watermelons for the negroes to eat. As a native of Arkansas I say that I am proud of the State, as I am proud of the United States—a government whose two per cent. bonds are quoted in Wall Street at 107, while British Consols at two and three per cent. are down to 88. We are American citizens, we in Arkansas, white, black, red, and all together. We live together there with our colored people in perfect harmony, working side by side for the upbuilding and prosperity of that great State. (Applause.)

I am reminded of what the immortal Thomas H. Benton said in the Senate of the United States, that this country must look to us, look to the East, look to Arkansas, for a home. I had relatives that came across the plains in 1849, who helped to make California what she is, and we are proud of her. She is the only State in the American Union that never had a Territorial form of government. Why? With the great moving spirit that prevailed in 1849 so many came in here that California was admitted as a State. (Applause.)

But to return to Arkansas. When the Creator had finished the universe and saw that it was good, not only good, but very good, he had an eye on Arkansas. (Laughter and Applause.) Draw a line from Maine to San Francisco, and Arkansas is the half-way house. Draw a line from the Great Lakes down to the Gulf of Mexico, and Arkansas is the half-way house. So it is that this American Union is the center of the world, and Arkansas is the center of the Union. (Laughter and Applause.)

My time is up, gentlemen. I am proud and happy to be with you. I have had that awful weight on my shoulders since I have been here, being the only representative from the great State of Arkansas, and having carried the whole State on my shoulders, no wonder I feel a little fatigued.

I thank you for your attention, and I hope to see every man here at the next national convention. I hope you will return home and find your families in good health, and your business in a prosperous condition. (Applause.)

A Voice: "What's the matter with Arkansas?"

CALIFORNIA.

Mr. J. M. Elliott, of the First National Bank, of Los Angeles, Cal.: Mr. President, the member from California who was to respond is not here. All I have to say in his place is that when speaking of this great State it is impossible in the few minutes allowed me to recount what there is here for you to see. What I say to you is, gentlemen, look about you from the time you cross the Sierras until you go back again. I am sure that what you have seen and what you will see will be interesting, and much of it strange. It may be that much of the country will seem desolate to you, but remember that you have come to us at a time when we have had no rain for six months, which in your country would mean absolute desolation and destruction. With us, we have been accustomed to it for so many years that we have learned to withstand it, and to prosper, notwithstanding it.

Welcome has been given to you by San Francisco men whom you have listened to, and all I can say to you in addition is, may you all enjoy yourselves from the time you come within our gates until you leave them. (Applause.)

COLORADO. (No response.)

CONNECTICUT.

Mr. A. J. Sloper, President New Britain National Bank, New Britain, Conn.: Mr. President and Members of the American Bankers' Association: The State of Connecticut, the land of steady habits, sends greetings to this Convention, and have decided, the two or three of us that are here, after visiting this beautiful city, that the city of San Francisco, and especially the bankers who are visiting here, are attempting in the evening, at least, to emulate the land of steady habits; because we found them where, if they are to become a close second to our good old Connecticut, we should have to send back for reinforcements.

Connecticut is doing very well. We have $25,000,000 only of banking capital, with about $18,000,000 surplus, and some $65,000,000 of deposits. But in our manufacturing interests—what shall I say? Who shall come after Arkansas? Let me remind you, gentlemen, that when you go home after you have been out here with the boys at the club, or elsewhere, you will take from your pockets a key, and after you have found the keyhole you will put that key in a lock that was probably made in Connecticut, because we make about 80 per cent. of the builders' hardware that is used in the United States. You will hang up your hats on a hook on the hat rack that was probably made in Connecticut. You will walk over a carpet that is tacked down with tacks that were no doubt made in Connecticut. Your house was probably made with tools that were made in Connecticut, because we make 65 per cent. of all carpenters' tools in the country. Then you may go out into the pantry and spread yourself a cracker, and if you do you will use cutlery that was made in Connecticut. because about sixty per cent. of all the cutlery in the country is made in our State. Then you will go into your rooms and lie down to rest on a brass bed that was made in Connecticut, because about 75 per cent. of the brass beds are made in our State. You will sleep on a mattress that was probably made in our State, because 65 per cent. of the wire fabric mattresses are made there. When you throw off your suspenders preparatory to going to bed, you should remember that they were probably made in our State, for we make about 90 per cent. of the metal on the suspenders that are worn. Then, if you pare your sore corns before retiring, you will use a knife that was made in Connecticut.

And so it is that from the cradle to the grave you daily must use the products of our State. At last, when you are laid to rest you will be laid in the earth in a coffin which in part, at least, came from Connecticut, and screwed in with screws that were made in Connecticut, because about 70 per cent. of the screws are made in our State.

We are not so large as Arkansas; we are on one side of the United States instead of being in the center; we are not the center of the universe. But Connecticut is enterprising and progressive, and we will always be with you, especially in a gathering of this kind. As a result of our industry, business ability and thrift, we have in our savings banks a little over $225,000,000. With a population of about a million, that means $225 to the credit of every man, woman and child in our State. (Applause.)

APPROPRIATION FOR INSTITUTE OF BANK CLERKS REFERRED TO INCOMING COUNCIL.

Mr. Swinney: Mr. President, the Executive Council recommends the adoption of Mr. Cook's resolution.

As to the resolution to set aside ten thousand dollars for the educational committee, that needs a little explanation. Last year they set aside $7,000. They have only used four thousand dollars of this amount, and the Council would recommend that five thousand dollars be set aside for that part, or that it be referred to the incoming council.

Mr. Lowry, of Atlanta, Ga.: I think the gentleman is a little in error. We had three thousand dollars left over last year, and we had an appropriation of ten thousand dollars. There was about three thousand dollars left over. Therefore, we ask for $7,000.

Mr. Swinney: As I understand it this $3,000 remains to the credit of that committee, and the $5,000 will be added to that.

Mr. Lowry: I hardly think that the Committee can get along with less than the amount they ask for for this great work. Of course, we are not going to spend it unless we can spend it to do good for the American Bankers' Association. Therefore, we hope that the appropriation asked for will be given.

The President: As there seems to be some difference of opinion as to the amount appropriated, Mr. Swinney has suggested that it be referred to the Executive Council, and my idea is that they will make ample provision for the committee.

Mr. Lowry: I hope that that will not prevail. I hope that we will not be in a hurry about this, but that we will take time to understand it and let the appropriation be made; and then, if the committee requires more I know the Executive Council will give us more.

The President: The motion before the house is to refer it to the incoming Council.

Mr. Lowry: As I understand it, they report five thousand dollars, with the three thousand dollars which was unexpended, making eight thousand dollars in all. Is that right?

Mr. Swinney: We have something of this kind come up at every Council and hurry it through. We do not believe it is a good idea to have them go through in this shape. We believe they should have due consideration, and for that reason we believe the matter should go before the new Council. There is no question but what the new Council will get along all right with this committee and give them what they need, but you know you cannot get a Council together and pass upon a matter of this kind without considering it somewhat.

Mr. Finley, of Pittsburgh, Pa.: Mr. President, I wish to say that this is a recommendation, as I understand it. to the Council to make this appropriation. It is more for the purpose of getting the sense of the convention. They cannot make an appropriation on the floor. The appropriation will be made by the Council. Of course, it leaves it in the judgment of the Council to act as they think best, and this is simply a recommendation, and it only received the approval of the Convention.

The President: The language of the resolution is, "Be it resolved that the Executive Council be directed," and so forth. That is an order to the Council.

The question before the Convention is on the reference of the matter to the incoming Council, on the recommendation of the present Executive Council.

The question was taken and the resolution was adopted.

RESOLUTION CONTINUING FIDELITY COMMITTEE ADOPTED.

The President: The Council have recommended the adoption of Mr. Cook's resolution, in regard to the Fidelity Committee, continuing that committee.

The resolution was unanimously adopted.

The President: The Secretary will resume the call of the States.

(The Secretary resumed the call of the States.)

DELAWARE. (No response.)

DISTRICT OF COLUMBIA.

Milton E. Ailes, Vice-President Riggs National Bank. Washington: Mr. President and Gentlemen of the Convention, this call of States has not proceeded very far before it is clearly demonstrated that the place which commands the use of the highest superlatives is our own home. I have the honor to represent a place which, next to your homes, should command your pride, and which, I am sure, does. The city of Washington is now, by common consent, the most beautiful capital of the greatest country in the world. (Applause.) Its affairs are stable, owing to its peculiar system of government, and we are without any of the problems which face other municipalities, and which are so apparent in this beautiful city of San Francisco to-day, if we may judge from the signs we may see upon the streets. We have no strikes in Washington, and we have the best paymaster in the world—Uncle Sam—who never defaults on paydays.

My message to you is one of greeting from the bankers of the District of Columbia, who command me to say that all is quiet on the Potomac, and, we hope, in the region about the headwaters of the Chesapeake, also of the Alleghany and the Monongahela. (Applause.)

FLORIDA.

Mr. J. C. L'Engle (Jacksonville, Fla.): Mr. President, speaking for Florida it would (in view of the warm-hearted, generous and genuine hospitality which has been extended by California) be in bad taste to refer to those productions of Florida which come in competition with those of California. I will, however, say only that Florida's orange groves are recovering from the diastrous freeze of February, 1895, and that her orange crop this year will be about one million boxes. Florida's material and industrial development, however, has been during the past year greatest in the production of naval stores. This industry has quadrupled within that time, the forests of Florida affording new fields for the capital and labor which have heretofore operated in North and South Carolina and Georgia, until now Florida furnishes, I am reliably informed, one-half of the spirits of turpentine and rosin produced in the United States. The output marketed from Florida this year will amount to about ten million of dollars, while the aggregation of the business into fewer hands, whose interests have been mutual, has resulted in controlling the market price so as to enable the producers to get some adequate return for their investments of capital and labor to be better rewarded. And while we have had these gratifying developments in the naval stores industry, our production and shipments of phosphate have steadily increased, until now Florida phosphate is a factor that has to be reckoned with in fixing the price of the world's supply of this fertilizer. (Applause.)

GEORGIA.

Mr. Robert J. Lowry (of Atlanta, Ga.): From the Empire State of the South, rich in its resources, unexcelled in climate, where the hum of industry is heard, from the rugged foot of the Blue Ridge to the level pine forests of our Southern boundary, from this great Commonwealth we bring greeting and good tidings of peace and prosperity.

AGRICULTURE.

Georgia is a State of diversified industry, but in agriculture is it particularly prominent. The staples are corn and cotton, though our varied climate and soil make it possible to grow almost anything that is raised in any of the other States. In the southwestern part of the State we raise wheat, oats, hay and potatoes. Our fruits and vegetables, melons, sugar cane, tobacco, etc., are valuable products, yielding us a handsome return each year. The syrup made from our South Georgia ribbon cane equals that of the best refineries of New Orleans. In the matter of raising cotton, our product has increased about one-third in the last ten years. The present crop is estimated at about one and a quarter million (1,250,000) bales. Last year the cotton crop of our State brought about sixty million dollars, being one and one-half million bales. The cotton seed about eight million, besides the by-products, amounting to about twelve million dollars.

We are manufacturing the staple right where the raw material is produced, and where in 1880 the sound of the shuttle and the hum of the spinning wheel were heard, we now have large cotton factories with the latest improved machinery. Georgia used something over three hundred and fifty thousand (350,000) bales of the last crop in the manufacture of cotton fabrics in her factories. The total sum now invested in textile factories in our State largely exceeds thirty-five million dollars.

In 1880 there were only two cotton oil mills in the South. There are now about one hundred and twenty-five in Georgia alone, with an annual output worth over twelve million dollars. We have several hundred miles of coast. Along the coast we raise oranges, lemons and other tropical fruits. The tourist is greeted by the scent of sweet magnolias and cape jessamine as he travels through the southeastern section of our State. Orange blossoms, too, may seem to be an impossibility in Georgia, but believe me when I say that we feel the kinship with Southern California in respect to this industry of growing tropical fruits.

MINERALS.

The Piedmont region of our State abounds in minerals of all kinds, including gold, copper, lead, iron, coal, pyrites, manganese, ochre, asbestos, marble, granite, etc. Stone Mountain is a solid block of granite sixteen hundred and eighty-six feet above the surface. We have large granite, marble and slate quarries in North Georgia, and these interests are very prosperous. With our navigable rivers and eight thousand (8,000) miles of railroad we have ample facilities for handling the product of our mines and manufactories.

NAVAL STORES, LUMBER, ETC.

The manufacture of naval stores, such as tar, turpentine, rosin, etc., is an industry in South Georgia which is yielding a large revenue each year. Nearly half of our State is covered with forests, the timber lands are being rapidly cut out, and merchantable stock shipped all over the country, as well as to foreign ports. The product of superior hardwoods and long yellow leaf pine is increasing every year.

MANUFACTURES.

Georgia is now among the foremost of the Southern States in her manufacturing interests. We have factories for the manufacture of cotton and woolen goods, sawmills, foundry and machine shops, tar and turpentine stills, carriage and wagon factories, brick, tile and terra cotta works, tanneries, paper bag factories; besides flour mills, copper and iron ware works, fertilizer plants, stove and furniture works, and, in fact, such a diversified list of manufactures as to make Georgia well nigh independent. We are rich in resources, and we have only to convert these into the manufactured articles of commerce, when the steady increasing demand for our goods makes an ample market and profitable prices. Oriental countries are fast becoming customers for the Southern output, and, when our proposed Nicaraguan Canal puts us on a competitive basis with Europe, the exports of the Southern States will exceed those of any other section. (Applause.)

SCHOOLS.

The Constitution of the State provides for the maintenance of a public school system, and it is therefore a permanent institution. The sum provided for and expended in the support of schools for the last fiscal year was about one and a half millions ($1,500,000) of dollars. A late census by the State School Commisisoner showed that of the total school population only three per cent. had never attended school. We now rank seventh among the States in point of illiteracy, and in 1890 we ranked third, showing a most marvelous progress. There is not a district anywhere within the confines of our State where a school ih not in reach for at least five months in the year. It must be remembered that the Civil War left us with a large population of illliterate people, the freedman being almost entirely so. It must also be remembered that, notwithstanding nine-tenths of the taxes are paid by the white people, the negroes are entitled to the benefits of the same common school system as the white children. While we have not compulsory education in our State (and I do not favor such enactment) there is, nevertheless, a growing sentiment in favor of education, which to a certain extent subjects a man who does not educate his children to criticism. Our progress in matters of education has been rapid, and I am glad to say we continue to progress in this most important and indispensable feature of modern civilization. (Applause.)

CLIMATE.

Our climate is unexcelled. In middle and north Georgia the mean temperature in summer is 75 to 80 degrees. In north Georgia some of the finest specimens are to be found. Hard, sturdy mountaineers and strong, able-bodied, industrious farmers comprise the yeomanry of our State. Georgia is a pleasant place to live at any season of the year. We have essentially a temperate climate, have no long wet and dry seasons, and no direful epidemic decimating the ranks of our population. We live in a temperate zone, with a temperate climate, and with a people of temperate habits. (Applause.)

MORALS.

We are a law-abiding and hospitable people. The morals of the State are good. Aside from some isolated examples of moral depravity, we have an industrious population, who earn their bread in legitimate ways and augment their means only through the medium of honest toil. Our people endeavor to practice what we preach in our coat of arms—Wisdom, Justice and Moderation. We are, above all, a justice-loving people, and we believe, too, in wisdom and moderation governing in politics and religion, and in the handling of public affairs and issues.

BANKS.

We have in Georgia forty-six national banks, and two hundred and twenty-three State and private banks. According to the State Treasurer's record the assets of the State banks are something over fifty million dollars. These have an aggregate capital and surplus of about twelve millions and deposits aggregating about thirty-eight millions. Our national banks have an aggregate capital of about five millions, and deposits about eighteen millions. There have been only two or three bank failures in the past ten years. Notwithstanding we have many prosperous banking institutions, the circulation per capita is much smaller than we would like, and there is ample room for the safe investment of capital. Money is in active demand. I know of no section of the United States which offers a more inviting and profitable field for the safe investment of funds than does Georgia. (Applause.)

IDAHO. (No response.)

ILLINOIS.

Mr. William George, President Old Second National Bank, Aurora, Ill.: Mr. President, Bankers and Bankers' Guests. By reason of the absence of Hon. Andrew Russell, of Jacksonville, Ill., and because through the good graces of the members of the Illinois Bankers' Association, the largest association of its kind in the United States—I happen to be its President—I am called upon to respond for Illinois. First, we are proud of our Illinois Association, which, through the efforts of such men as John L. Hamilton, Andrew Russell, August Blum, E. J. Parker, F. P. Judson, F. W. Tracy, D. A. Moulton and others, has to-day on its membership roll 900 banks out of 1,100. Soon we will annex the American Bankers' Association. Californians, Illinois is glad to be here; she rejoices in your prosperity, as well as her own.

A four year old boy said in my city recently: "Cats grow crossways, dogs grow crossways, too; all God's creatures grow crossways, 'cept peoples, and peoples grows upways." So Illinois and California are always growing upways. Like the other States heard from, Illinois is prosperous; labor is employed at good wages. The wage earner of Illinois is not dancing this summer of prosperity away, but is putting his money in the banks, where he can have it in days of adversity. It is no longer fashionable to hide it under the carpet or put it up the eaves trough. Our farmers and stock raisers are growing wealthy, and mortgage lenders have no place to put their money. Our manufacturing and mining interests are developed to a wonderful degree.

Since 1896 the deposits in the banks outside Chicago have increased ninety per cent. In the same time but two national banks outside Chicago have borrowed in New York, and one of these did it only to see if it could get the money. That gain of 90 per cent. represents wealth gained. How different from the wealth gained by corporate manipulation.

Last spring we were troubled somewhat by water from the heavens; lately we have feared the water from Wall Street, but we have good dams constructed and it won't hurt us. If not sufficiently proected, we can dam Wall Street some more.

In 1896 we caricatured the long-whiskered Populist of Kansas because he wanted the Government to construct warehouses to hold his grain, on which he wanted the Government to issue warehouse receipts to be the basis of money. To-day he has all the money he needs, and the populist is found in New York, and wants us to build warehouses to store his undigested securities against which to issue some kind of money.

Illinois has had its share of oratory on the question of elastic currency. I am reminded of the Lawyer O'Connor, who in my presence in the City Court of Aurora said: "Gentlemen of the Jury, the law is very intricate. Why, the learned Judge on the bench knows full well that the more he studies it the more stupid he becomes." But is it not our duty as bankers to read, study and consider, and finally decide the matter honestly and patriotically?

In closing, I quote the beautiful words I found recently in an old manuscript as fitting this occasion, and expressing the views of Illinois toward the Californians: "Happy have we met, happy have we been, happy may we part and happy meet again." (Loud applause.)

INDIANA.

Mr. Andrew Smith, of Indianapolis: Mr. President and Gentlemen of the Association, the Indiana Bankers' Association sends greeting to this Convention. Our association in the State of Indiana is in a most prosperous condition. With about six hundred banks in the State, we have a membership in our association of 417 in good standing. The people, as well as the banks in our State, were never more prosperous than at present. (Applause.)

INDIAN TERRITORY. (No response.)

IOWA.

Mr. Frederick Heinz, President Farmers' and Mechanics' Savings Bank, Davenport, Iowa: Mr. President, Ladies and Gentlemen, The banking conditions in Iowa continue to be favorable. Since last year about 25 additional banks have been organized, so that at this time over 1,200 are in existence, of whom over 700 belong to the Iowa Bankers' Association.

The deposits have increased some, although not so rapidly as heretofore.

The national banks on September 7, 1903, had $28.80 of each $100 in deposit of cash on hand, redemption fund and due from reserve agents. So far as known, all the banks have sufficient funds on hand for all legal requirements; the interest rate is firm. The year past has been favorable for agricultural products and for business generally, although in spots crops have suffered from excessive rain; but the prices being reasonably high, this year's output of good things to eat for man and beast will be many times the value of all the annual gold and silver output in the United States. As the average soil of Iowa is good and deep, and the Lord's sprinkling cans are, and have been for many years, in successful operation during reasonable intervals, we live in hope that the toil of our people and of our descendants will be abundantly rewarded for many generations. (Applause.)

KANSAS.

Mr. Edward Carroll, Cashier Leavenworth National Bank: Mr. President, I regret that I have been unable to prepare a speech, but the truth is I have been so busily engaged in enjoying the hospitality of San Francisco that I have been unable to do so.

I will say this, however, for Kansas: More history has been made in Kansas, probably, than in any other State in the last fifty years. Fifty years ago, when Horace Greeley crossed the continent and went through Kansas, he designated it as a part of the great American desert. That showed that poor honest old Horace knew more about philosophy than he did about farming. That part of the Great American Desert, as he called it, the western half of the State, produced this year from 35 to 50 bushels of wheat to the acre—land that eight years ago could have been purchased from a dollar to three dollars an acre. That beats handling stock in Wall Street. Thirty years ago the western half of our State was the battle ground for Indians; it was turned over to the howling of the coyote and the bellowing of buffaloes. To-day it is the garden spot of the world for wheat raising.

Kansas, it is said sometimes, has peculiar people. In some respects that is true. They are all original investigators. They are intelligent; they are highly so. In fact, the State spends more for primary education, I believe, than any other State of its population in America. Indeed, it is said that she has a little red schoolhouse on every quarter section of her beautiful prairies.

Now I know I have very little time to discuss the matter, it is such a great subject. It would require a book bigger than Webster's Unabridged to do it justice, and I would have to be endowed with the descriptive powers of Sienkewicz or Marion Crawford to do it justice. But, in reference to business prosperity, I will say I have never known, in the many years that I have resided there, a greater prosperity within the borders of Kansas than exists at present. Her banks are prosperous. We have 650 banks in the State, and 530 of those banks belong to the National Bankers' Association. That is good evidence of the good sense of the Kansas banker. We have $105,000,000 on deposit, or a fraction over $70 per capita. That is $70 for every man, woman and child in the State, a magnificent showing for a purely agricultural State.

A few years ago Kansas, it is said, was mortgaged for many times the value of her farms. I am glad to say that that condition no longer exists. She is practically out of debt, her farmers are out of debt, and the State itself is in the best financial condition of any State I know of west of the Mississippi River. By a wise provision of her Constitution the bonded indebtedness of the State can never exceed a million dollars. That amount she has to-day in her sinking fund and her treasury vaults to take it up when it matures.

Much is said of gold and silver. My friend from Arkansas has referred to the fact that that State has a million bales of cotton worth fifty million dollars. Kansas has 95,000,000 bushels of wheat, and we expect to realize $75,-

000,000 for it. I have not the statistics as to the corn crop, but I belive it is estimated at 80,000,000 bushels.

There is just one other idea. The granger of Kansas is not bothered with trusts, or labor strikes. He is utterly indifferent to organized operation on the one side that menaces this country—

The President: The time of the gentleman has expired.

Mr. Carroll: A gentleman on the cars asked me if Kansas had any drawbacks. I suppose you gentlemen may have the same question in your minds, and I will answer you as I did the man on the cars. She has no drawbacks, at any rate none that a loyal Kansan will plead guilty to. (Applause.)

KENTUCKY.

Mr. Henry C. Walbeck, Cashier German Insurance Bank, Louisville, Ky.: Mr. President, In the absence of Colonel Powers, I have to say that our State is prospering in its manufacturing and mining industries; that its asphalt beds are inexhaustible; that the crops of wheat and oats and blue grass are below the average on account of drought. Our corn, hemp and white barley is all above the average. (Applause.)

LOUISIANA.

Mr. H. H. Youree, Commercial National Bank, Shreveport, La.: Mr. President, I do not know that there is much left to say. Originally, Arkansas, as well as many other States, belonged to Louisiana, they were part of our State. We are prosperous in Louisiana. In New Orleans negro labor has gotten eight dollars per day for six hours' work. Even then they struck for more. That looks as though we ought to be pretty prosperous. Eight dollars for six hours' work is pretty good.

Louisiana raises more rice than any other State, and also more sugar. It also produces more sulphur than any other State in the Union. There is a general condition of prosperity all over the State. Our Iowa brothers have come down there and taken up the rice producing, and they find they can produce it about as cheap as they can produce wheat, and they get four cents a pound for it. So you see we have got a State, even after they have taken away Arkansas and all the other States, which amounts to a good deal. (Applause.)

The Secretary: For several years we have had several members of our Association in the Hawaiian Islands, but at this convention for the first time, we have the pleasure of having one of those members present. Mr. Waity, of Hawaii, will respond to Hawaii.

HAWAII.

Mr. H. E. Waity, of the Banking House of Bishop & Co., Honolulu, Hawaiian Islands: Gentlemen of the Bankers' Association, I was not familiar with the methods of this calling of States, and I have no speech prepared. I did not know that we would be called upon, but I thank you for this opportunity to be heard.

We have here two other bankers from Hawaii in addition to myself, and it has not been my good luck to consult with them, but in hearing the alphabetical call, and in realizing that heretofore there has been nobody to respond for the letter "H," I felt that it was proper, now that we have a Territory of Hawaii in the Union, that the "H" should be added to the list.

I overheard the remark a few moments ago that, judging from the very favorable reports from the States and Territories so far heard from in the Bankers' Association, it might be inferred that bankers are not as conservative as they are generally supposed to be. I do not wish to attempt, gentlemen of the convention, to tell you of the grandeur of Hawaii. I only want to say to you now that we extend to you a most cordial invitation to come over to the islands and see us for yourselves, investigate and learn what Hawaii is—your new Territory, over which, we are proud to say, the Stars and Stripes now wave. We say to you to come and see us and learn for yourselves what we are and what we are doing.

Of course we have to admit that sugar is king, and we can say that we produce a great deal of sugar. Our export of sugar is growing at the rate of about fifty thousand tons a year. This present crop will probably reach 400,000 to 420,000 tons of sugar. The next crop will be still larger than that, because it is growing. But, as I said, I will not attempt to tell you in this brief speech how great we are or what our resources are. I only wish to extend to you a cordial invitation to come to see us. Connecticut on the one side has given us a report of what she is doing. We are a long way from Connecticut; we are away on the other side. Our island of Hawaii is the largest one of the group, and it is just about the size of the State of Connecticut. It makes about two-thirds of our area. I will not attempt to give you statistics or figures in regard to the islands off-hand. We hope to be a State some time; we aspire to great things down there, and if you will pay us a visit and give us a call we will all welcome you, and I can say that I am sure you will be interested in what you see—very much interested—and that we will give you the most cordial welcome whenever you come. (Applause.)

MARYLAND.

Mr. James R. Edmunds, of the National Bank of Commerce, Baltimore: Gentlemen. I promise not to consume over five minutes.

It is perhaps well known that the people of Maryland are a conservative people—that our banks partake of the conservative character of the people, and that very few failures have occurred among the banks of Maryland for over half a century. It is with pardonable pride, we think, that we point to the splendid record of the banks of our State, which, while conservatively managed, are ever ready to foster and encourage legitimate business.

Baltimore, our chief city, has become one of the great financial centers of the country, and its capital has been freely used not only to build up business enterprises within our own State, but also those of other States.

During the last ten years the financial institutions of Baltimore, including Trust and Fidelity Companies and Savings Banks, have increased their funds as follows:

Capital	$13,000,000
Surplus	23,000,000
Deposits	61,000,000
a total increase of	$97,000,000,

making the aggregate amount at the present time on these accounts nearly $200,000,000.

Baltimore has been called the gastronomic capital of the country, contiguous as it is to splendid trucking farms and being supplied with the delicacies of the Chesapeake Bay and its tributaries, such as the canvas back duck, the diamond back terrapin and the delicious oyster, all contributing not only to the enjoyment but to the prosperity of its citizens. It has been my good fortune to attend a number of the Conventions of this body, and to listen to the delegates extol the virtues, the advantages and resources of their respective States in superlative terms. Mr. President, State pride is a laudable thing. We in Maryland believe in it and have, perhaps, our full share of it. But of all the States of the Union State pride is perhaps strongest in our sister State, Virginia. Many of its citizens have settled in Baltimore and are among its most honored and useful citizens, but they never lose their love for and their exalted belief and pride in the Old Dominion. Let me give an illustration which you, Mr. President, will, I am sure, appreciate.

When the noted evangelist, Mr. Moody, was holding religious meetings in Baltimore a well-known sporting gentleman professed conversion, and like others of his class was put to work by Mr. Moody in the after meetings. One afternoon this new convert approached a gentleman who was in the act of leaving the room and asked, "Are you a Christian?" "Sir?" said the gentleman. "Are you a Christian?" "No, sir! I am a Virginian."

The Maryland bankers enjoyed last month with the bankers of the District of Columbia the unique experience of a joint convention on board a palace steamer, while sailing on the historic Potomac River between Washington and Old Point Comfort and return. It was our good fortune to have with us on this occasion the Secretary of the Treasury, the Comptroller of the Currency and the Treasurer of the United States. These distinguished gentlemen favored us with addresses on subjects of vital interest to bankers and to the country. Amid the fears and anxieties incident upon the financial situation, it was a comfort to hear the strong words from the highest officers of the United States Treasury, showing that there was no occasion for and the conditions did not justify the fears of a money panic. In listening to those timely words we felt a sense of security unlike the feelings of those gentlemen of Wall Street, who, while trying to assure one another amid the falling of stocks that there will be no panic, remind us of the darky who was running away from a dog. His master said, "Sam, what are you running from that dog for? You know he won't bite." Sam replied, "Yes, Massa, I know he won't bite; you know he won't bite—but do the dog know it?" (Applause.)

MASSACHUSETTS. (No response.)

MICHIGAN.

Mr. R. Kempf, President Farmers' and Mechanics' Bank, Ann Arbor, Mich.: Mr. President, Michigan is enjoying a period of great prosperity. Her banks are flourishing; her deposits increasing. Michigan's products are so varied that the word failure is unknown. Her citizens are industrious, progressive, prosperous, happy and patriotic. Our cereal crops are excellent and very abundant. Our fruit crop was never better.

During the past six years Michigan has made great progress in the manufacturing and raising of beets and beet sugar. Her produce in this department leads all other States in the Union. We have manufactured in the last year nearly 4,000,000 barrels of salt. Our salt deposit extends over some 250,000 square miles, carrying a vein of from 40 to 150 feet in thickness.

Our copper mines hold no mean position in their production of copper. One mine alone has paid nearly $100,000,000 in dividends, and has copper enough in sight to pay $1,000,000 or $2,000,000 more. Our iron mines are inexhaustible in mineral, supplying as they do the great steel mills of Pittsburg and other points with raw material.

Another infant industry that is being rapidly developed is the manufacture of Portland cement.

Our marl beds are of vast extent and are being rapidly developed, one mill alone turning out some 5000 barrels of Portland cement per day.

Our coal beds extend over thousands of acres, and within the near future will produce coal enough to supply all of our home wants as well as that of neighboring States.

In the production of manufactured lumber we occupy a prominent position. Our mineral springs are renowned and noted over the entire length and breadth of our land, their water restoring the lame and worn-out in body and mind to health and happiness. The annual tonnage passing through the Detroit River exceeds the tonnage of the great port of Liverpool, over three times the tonnage of the Suez Canal, and it also must be borne in mind that the Suez and Liverpool ports are open the 365 days in the year, while our ports are closed four and half months, being icebound for that length of time.

But the great pride of Michigan is her educational system, which is unexcelled.

The University of Michigan has just celebrated her semi-centennial, and it is one of the greatest and grandest educational institutions of our land. Her attendance numbers from 4,000 students, and graduates annually six or eight hundred, who are to be found in every State, filling positions of honor, of trust and of usefulness.

It may be well to remember that it was the University of Michigan who first opened her doors to our daughters, placing them on an equal footing with our sons in obtaining an education, fitting them for the earnest duties of life, sweeping aside the fossilized idea of woman's inferiority to man. We believe Michigan to be one of God's best, greatest and brightest creations—a jewel in the diadem of States. If you wish to see a beautiful country and a happy and prosperous people come to Michigan and look around you. (Applause.)

MINNESOTA.

Mr. John R. Mitchell, Vice-President Winona Deposit Bank, Winona, Minn.: One of the advantages derived from these meetings of the American Bankers' Association, and by no means the least advantage, is the opportunity offered of comparing the business conditions in other sections with the existing conditions at home. Voicing the unanimous opinion of the Minnesota delegates, a more interesting and hospitable city in which to hold a convention than San Francisco could not have been selected. While a prominent writer has made the statement that stories are almost the only things in California which do not need irrigation to grow luxuriantly, it is our conviction that the stories or descriptions of this magnificent State have not been able to half describe what the eye can see.

Now, as regards business conditions in Minnesota, it would be a difficult matter to differentiate between the kind of prosperity existing there to-day and the prosperity elsewhere throughout the Union, as we have all kinds—industrial, agricultural and financial. But why should not prosperity exist and continue to exist indefinitely in this great country of natural resources, wealth, industry and boundless possibilities—in this wonderfully productive country? It is entirely a business proposition, in my judgment, staring the country as a whole directly in the face. If it is handled in a business-like way our prosperity will continue *ad infinitum*. Take the State of Missouri, for example, and a continuance of the present prosperity there to-day is absolutely assured.

Why? Because we are a producing State, and our continually increasing products are absolute necessities of life for not only the remainder of the Union but for the entire world, and they are wanted at a price that affords the producer a fair profit. Such is the future of every agricultural State. The continuance of the prosperity existing in the United States as a whole unquestionably depends on its ability to continue to market abroad at a fair profit its surplus manufactures, which are rapidly increasing. A solution of this proposition does not rest with the American Bankers' Association, I admit; it is one of as much importance, however, as a revision of our present banking and currency law is to every member of this Association. It is a question that must be decided by national legislation, but with the assistance of the entire business community, regardless of party or political prejudices. In order to illustrate the existing prosperity in Minnesota, I might quote statistics here which would rival the familiar and remarkable report on what the hens of our neighbor, Iowa, have been able to do, but I will not weary you with statistics. However, to be brief, I can say that our combined deposits in National and State banks are approximately $135,000,000 as compared with $100,000,000 in 1901. The deposits in our savings banks have increased from $14,217,000 in 1901 to $18,424,000 in 1903. The value of the farm products of Minnesota annually is about $165,000,000. The value of butter for the year ending September 1st, 1903, was $17,500,000. Our flour mills have a daily capacity of $153,000 barrels of flour, which are capable of making 41,000,000 pound loaves of bread. Just think how many mouths each day that amount of bread would supply. The production of our iron mines last year amounted to 15,384,000 tons, which makes Minnesota the greatest iron producing section in the United States, and also in the world. A State or individual country becomes known abroad largely by what it has done, is doing and what is it able to do, and I dare say that no State represented at this convention is better known on the Pacific Coast by the men it produces than Minnesota. To the untiring energy, the almost superhuman foresight of only one man of Minnesota must be credited more than any other one man, the already enormous trade with the Orient, with its limitless possibilities.

The banking conditions in Minnesota were never better than they are to-day. While the demand for money is all that the banks could wish for, every demand from legitimate sources will be taken care of, and the large crop will be comfortably handled.

In conclusion, the only intelligent way in which to get a comprehensive idea of the enormous resources of the great State which I have the honor of representing is to make a personal investigation of it, and Minnesota is anticipating the time when it shall have the pleasure of holding the Convention of the American Bankers' Association within its confines.

On behalf of the Minnesota delegation to this Convention I wish at this time to express our great appreciation of this most hospitable reception tendered by the bankers of the Western metropolis, San Francisco. (Applause.)

MISSISSIPPI.

Mr. J. J. White, President McComb City Bank, McComb City, Miss.: Mr. President, I simply have to say that our State is forging to the front as fast as any State in the South. It is progressing financially, agriculturally and industrially. Three-fourths of the banks in the State of Mississippi belong to the American Bankers' Association, and I have this to say about the solidity of the banks in Mississippi that we have not had a failure, not even in the panic of 1873, except one little one in the upper part of the State that did not deserve the name of a bank. Still, our banks have all been and are still, good, solid institutions.

Of course, Mississippi is principally an agricultural State. We raise the largest corn crop this year that we have done for a number of years. There is not a farmer in the whole State but what has all the corn he needs, and some to spare for his neighbors. The cotton crop is not the largest that the State has raised, but it will be a fair crop. Of course, at this time, cotton is bringing a good price.

Industrially, we are making considerable progress. We are building up manufactures; not only oil mills, but cotton mills are being established all over the State. In other words, we are beginning to manufacture our cottons in the fields, as our Georgia neighbors are doing. We are making considerable progress in that line, and, on the whole, Mississippi is getting along well in every way. She has a great crop of fruits, and vegetables she sends north every spring.

I am glad to say that the State is in a progressive condition generally. (Applause.)

MISSOURI.

Mr. W. Daviess Pittman, Bond Officer Mississippi Valley Trust Company, St. Louis, Mo.: Mr. President and Gentlemen of the Convention, I count it a very happy privilege to appear before you in this Convention to respond at the roll call when the name of Missouri is mentioned. I assure you, gentlemen, that we have the grandest of all the States in the Union, notwithstanding all that has been said to the contrary. (Applause.) We raise cotton in the South, we raise corn and wheat and hay and oats and all the fruits, and, indeed, my friends, we raise, better than any other State in the Union, everything. I am indebted to a Californian for this thought: that Missouri is one of the greatest States in the Union in which to raise children. I was talking to a Californian only the other day when he reminded me that he had raised a family here in California, and he said that he regretted that he had not raised them back in Missouri, where he was raised. I am very much like the Presbyterian minister. It mattered not what text he preached from, he always concluded on the subject of predestination. I want to say to you that to Missourians, and especially one from St. Louis, it matters not before what convention he appears, it matters not what subject is being discussed, he will tell you concerning the enterprise we now have before us, which is the greatest and grandest the world has yet undertaken. I refer to the World's Fair, the celebration of the Louisiana Purchase, and I want to say to you that Missouri not only sends her greetings to you, but she sends as well a cordial and earnest invitation to come there and enjoy our hospitable board. I want to say we have had the experience from Chicago and Paris and Omaha, and all the other cities that have given World's Fairs, and I believe I speak the truth when I say that we will combine in this one the greatest and the grandest of all such achievments.

I want to extend to you, therefore, a cordial invitation. We have heard it on all sides that St. Louis has so many conventions going there that she ought not to seek any more. I am reminded of a gentleman who had raised nineteen children, or, rather, was raising them. He went out and adopted two more. He said he had found them so easy and so pleasant to raise, had found the nineteen so easy to raise that he wanted two more anyway. And I want to say to you, friends, when we extend to you an invitation to visit our city next year in your national convention—I want to say that you will find it very easy and very pleasant and very hospitable to all concerned, and I invite you to come and share with us the glories of that magnificent exposition.

Our friends have been very frank here. They have said it is impossible to speak about the glories of California without lying, but I want to say to you that when you come to St. Louis and witness the miles of its buildings that are now rapidly taking shape, when you see the men and women there from all parts of the earth, and their mode of living and that sort of thing; when you rêturn home you will be like the Queen of Sheba, who, after visiting the court of King Solomon, returned and told about it, and then said the half had never been told.

So Missouri sends you greeting and an invitation to be with you next year, and see the whole world which will be within our domain. (Applause.)

MONTANA.

Mr. W. Lee Mains, Assistant Cashier First National Bank, Billings, Mont.: Mr. President, I am told that Senator Vest, in one of his speeches, said that Montana was the daughter of Missouri, and so the remark of Brother Pittman, I think, will cover Montana. I will say that with a population of 250,000, we have in our banks $250,000,000. (Applause.)

NEBRASKA. (No response.)

NEVADA.

George W. Mapes, President Washoe County Bank, Reno, Nev.: Mr. President, it is said that Nevada does not produce anything but sage brush. That may have been true forty years ago, but it is not true to-day. While it is true that our State is small in population as compared to the Eastern States, yet we produce an abundance of live stock to supply the markets of this city, Chicago, and even New York. Our mines are just coming to the front. We have some of the richest mines in our State which have yet been undeveloped. They run up into the thousands in numbers.

As for our schools and universities, they will compare favorably with those of any other State of the Union.

I must contradict my friend from Missouri in regard to raising children. We had one mother in our State that I know of who had sixteen children, and growing up, they weighed over 200 pounds each. I want to add another word, and that is that traveling through the Eastern and Western States, as I have, I believe Nevada produces the prettiest and most generous and the brightest women of any of the States in the Union. (Applause.)

NEW HAMPSHIRE. (No response.)

NEW JERSEY.

John J. White, Atlantic City: Mr. President, under the head of new business to-morrow—which I understand is the proper place to bring it up—I shall have a greeting from the State Bankers' Association of New Jersey which I trust and hope will be acceptable to you.

NEW MEXICO. (No response.)

NEW YORK.

Mr. Stephen M. Griswold, President of the Union Bank, of Brooklyn: Mr. President and Gentlemen, I have the honor to report to you that we held our tenth annual convention last month at Saratoga Springs. The attendance was large; every part of the State was represented, and in all respects it was one of the most successful conventions we have held. The work of this American Bankers' Convention, our State Association and the group meetings are producing good results. We are working for reform in the banking business all along the line. It is producing a friendly and a cordial feeling not only among our country banks, but among the great banks of our cities. The past year has been one of depression, securities have fluctuated; some have declined. But we feel that that troubled condition of the financial world is about passing away. With the earnings of our railroads increasing and the labor troubles being settled, we feel that we are on the even of prosperous times. The unity and the strength and the fellowship that exist among the banks of our great States will stand at all times against financial panic and ruin. (Applause.)

NORTH CAROLINA.

J. G. Brown, President Citizens' National Bank, Raleigh, N. C.: Mr. President, it has often been my privilege, and it is always my pleasure, to say a word in behalf of my native State. Upon this occasion, however, with so beautiful an object lesson before us, I should say it is necessary only to say that North Carolina is but a miniature of this magnificent State of California, with all her natural beauty and natural wealth. You have heard and seen and felt of the golden glory of California's sunshine, of the vigor of her air, of the marvelous beauty of her fruits and flowers, and her fertile valleys and the grandeur of her towering peaks, the fertility of her soil and the sweet hospitality of her people. All these things may be found in North Carolina. (Applause.)

NORTH DAKOTA. (No response.)

OHIO.

J. J. Sullivan, President Central National Bank, Cleveland, Ohio: Mr. President, I only appear before you this morning because the gentleman selected to respond for Ohio does not happen to be in the hall, and not desiring that Ohio should appear in default, I am a sort of self-constituted substitute for the old gentleman who is prepared to speak for Ohio.

Appearing before you, then, in this manner, and under these circumstances, it is needless to say to you that I have no statistics to give you of the magnitude of the State from which I come, or the success of its industries. Neither have I poetry at my command by which I might amuse you in speaking for Ohio. I will say, however, that business conditions are unusually prosperous. In the financial situation there are no weak spots. We have 810 banks in the State of Ohio, with aggregate deposits of nearly $450,000,000. Our banks have good demand for money, and they are experiencing a high degree of prosperity. Of our 810 banks, 620 are members of the Ohio Banking Association. The interests which our bankers and our people manifest in the American Bankers' Association is evidenced by the fact that we have with us here 125 of the bankers of Ohio and their friends.

We take an active interest in everything pertaining not only to the Bankers' Association of Ohio but also to the American Bankers' Association. We have a high regard for the banking fraternity in our State, and we have emphasized that regard recently by nominating one on one of the tickets for the Governorship of Ohio, the gentleman who served us so well as your President, Myron T. Herrick. (Applause.)

Not only have we nominated Mr. Herrick, but we also expect to elect him.

I could talk to you at great length about Ohio, but I am sure it is unnecessary. Ohio has had an existence of more than a hundred years, and I believe that I can say truthfully in regard to its production and its general standing as a State it is not surpassed by any State of the Union. (Applause.)

If, indeed, a State is measured by the charatcer of its great men, I believe that Ohio will not suffer by comparison with any of its sister States.

Now, my friends, I have talked much longer than I thought I would, and I want to say one word further, and that is this, that I am much delighted with the statements I have listened to regarding the business conditions in the different States of the Union. It is gratifying to us to meet gentlemen of intelligence and grand moral worth from different States of the Union, expressing as they have the prosperous condition which seems to exist everywhere. (Applause.)

Thereupon, at one o'clock, the convention adjourned until to-morrow, Friday, October 23, 1903, at 9.30 o'clock A. M.

THIRD DAY'S PROCEEDINGS.

Friday, October 23, 1903.

The Convention met at 9.50 o'clock A.M., Mr. Caldwell Hardy presiding.

Prayer by the Rev. Bradford Leavitt, Pastor of the First Unitarian Church, of San Francisco:

PRAYER.

O Thou, unto whom all hearts are open, all desires known and no secrets hidden, we thank Thee for the promise of this new day. While we have slept, earth has rushed in its awful course around the sun, with great fires under us, great water about us, and great storms above in the upper air. But Thou hast kept them back by Thy strong arm, and we have rested under the shadow of Thy love. The bird has rested on the branch out in the darkness; the little flower has rested in the grass, and we in our beds, also safe under Thy protection. The bird will look to Thee to-day for its morsel of food; the flower will look to Thee for its fresh raiment; may we look to Thee for all the needs of the body and of the spirit. Send Thy blessing upo us as we have met here, and upon the purposes of this meeting: send Thy blessing upon the homes we have left to come here, and upon those who are dear to us who may be separated from us. And teach us, Almighty Father, that whether we are called to serve Thee by sweeping a room, or preaching a sermon, or acting in the great matters of finance, that we are all in the service of God and in the service of men, and doing something toward the bringing of Thy Kingdom on earth. These things we ask, not for the worthiness of ourselves but humbly in the name of Him who has taught us to pray unto Thee, Jesus Christ, Amen.

The President: We will resume the call of the States that was unfinished at the adjournment yesterday evening.

OKLAHOMA.

Mr. H. H. Watkins, of the Citizens' Bank of Enid, Okla.: Mr. President, ladies and gentlemen.—The bountiful crops, large bank deposits, good dividends and the general prosperity of our Territory are so well known that for me to say anything regarding our resources would be superfluous.

However, I will say that we have 39,000 square miles, a population of 600,000, and 13,000 public schools, more than 15,000 pupils, and more miles of railroads were constructed in Oklahoma in 1902 than in any other State or Territory.

While attending this convention and taking advantage of the many opportunities afforded us of seeing this beautiful city by the San Francisco bankers, my attention has been called to the many magnificent monuments erected to commemorate the daring and noble deeds performed and discoveries made by her pioneers, and while I most heartily favor the erection of such monuments, yet I think one of our great men has been overlooked. I do not know who he was, or where he lived, but I am in favor of erecting a monument to the man who first discovered interest. We are living in a Territory, although we have all the requirements of Statehood; yet through the actions of politicians, or otherwise, we are unable to get into the Statehood column. I would like to see this convention pass a resolution favoring the immediate Statehood for the Territories.

OREGON.

Mr. Benjamin I. Cohen, President Portland Trust Company, Portland, Oregon: Mr. President, and gentleman of the convention. As you know, Oregon lies immediately north of California, and has many of the natural and other advantages that California has. Oregon believes in sound finance and in stable values. We feel proud of our State. We would like to have you visit us, and we hope as many of you as can do so will pass through Oregon on your way home. I can assure you of a hearty welcome. (Applause.)

PENNSYLVANIA.

Mr. Emerick, of the Susquehanna Trust & Safe Deposit Co., Williamsport, Pennsylvania: Mr. President, I wish to state that Pennsylvania speaks for herself, or rather her industries speak for her. The States of this Union, and all the civilized countries of this world, are bound together with an iron band. This iron band is manufactured in the State of Pennsylvania, where iron is king. We are proud that we hold the key to the king of industries. Her citizens have been prosperous beyond measure, her industries have increased, her bank deposits have increased wonderfully in the last few years. I have not the statistics at hand, but I know that that is the case. Pennsylvania is enjoying her share of prosperity that it is the privilege of this country to enjoy, and we feel that it is unnecessary for us to say anything more for our Keystone State. (Applause.)

RHODE ISLAND. (No response.)

SOUTH CAROLINA.

M. John F. Ficken, of the South Carolina Loan & Trust Co., of Charleston, S. C.—Mr. President, I regret very much that the gentleman who was to speak for South Carolina is not here. I am now charged with that duty, and feel somewhat awkward in attempting to reply. But I cannot let the State go by default, and therefore I suppose I might occupy a few minutes in stating some things in reference to our State.

I am emboldened to do this, because after listening to the distinguished representative of Arkansas yesterday, and hearing what he had to say for that great State, I feel as if I might say a few words for our little State. It is a long way from here, over three thousand miles, and ought to be heard from.

Now, what shall I talk about? This is a bankers' Convention, and I suppose we ought to say something about finance. Well, I can say to you that our banks are all in good condition. Our banks are healthy and prosperous. We are a small State, it is true, and when I think of that, and then think of the great States that have been represented on the floor here, great as regards population and finance and ability to cope with the world, I am reminded of an anecdote which possibly all of you have heard, but it is very forcible and I will repeat it. It is the story of the raw recruit and his sergeant. The new man was a tall and strapping fellow, who stood high up in the air, and the sergeant who drilled him was a diminutive man. Of course, the sergeant was glad to exercise his authority over the big fellow. He looked up at this great piece of humanity and said, "Hold your head up." The recruit raised his head. "Hold it higher." He raised it still higher. The sergeant said, "Higher than that." So he kept raising it. The sergeant said, "Now, keep it so." The great big fellow looked down at the sergeant and said, "Shall I keep it so?" "Yes," said the sergeant. "Very well, sir," said the recruit, "but if I keep it so I will never see you again." (Laughter.)

So we are reckoned as a small State. South Carolina is an agricultural State. We plant cotton all over the State, from the Atlantic Ocean to the Blue Ridge. Every county in the State has its cotton, which it sends to the market, and which is our main crop, and helps along.

Now, I do not want to boast, but I will tell you a fact about our little State. When the last count was taken South Carolina led all the States of this Union in the amount of capital invested in cotton factories, except Massachusetts. (Applause.)

That is what our little State is doing. When you remember that after the close of the Civil War we were actually prostrate—why, all over the country it was designated as the prostrate State—what have we done? Our people recognized the situation and turned their backs upon the past, and they have opened up this new field and gone into industries, not only to plant and grow the cotton, but weave it into cloth. That has brought prosperity. (Applause.)

One or two other facts I will allude to if I have time. If you look at your maps you will find that the shortest distance from San Diego, Cal., to the Atlantic Ocean is to Charleston, S. C. If you will look again at the map you will find that the shortest distance from Chicago to the Atlantic Ocean makes you come out at Charleston, S. C. Indeed, we were so ambitious in our little State that we organized what we called "the three C's road," Chicago, Cincinnati and Charleston. We were so ambitious that we wanted to build a double track. It has not been built yet, but that is the shortest distance between those cities and we hope to see it done.

Those are some of the facts that I wish to present to you. We do not say it boastfully, but we have a becoming pride in our old State. As you know, it was one of the original thirteen States. The city of Charleston is two and a half centuries old, and it is a beautiful city. At that point the United States Government has established a navy yard. We invite you all to come and see us, and if you come I believe you will want to stay with us, will want to be a part of our community. I can assure you of a warm welcome. (Applause.)

SOUTH DAKOTA. (No response.)

TENNESSEE. (No response.)

TEXAS.

Mr. A. V. Lane, Vice-President National Exchange Bank, Dallas, Texas: Mr. President, Ladies and Gentlemen of the American Bankers' Association.—Through deserts and o'er many a snow clad mountain peak, along two sinuous bands of gleaming steel that bind the fertile fields of Texas to this lovely land of treasure, fruits and flowers, I come with greetings most sincere, from the bankers of the Lone Star State to those of you assembled here in this city by the western sea, with its ever open Golden Gate, through which the traffic of the once mysterious and legendary East is jostled, as it passes in by the surging mass of surplus products of the greatest commercial nation in the world, seeking an outlet among the countless millions that lie just beyond our still more western boundary, but late established by the prowess of our heroes' arms. (Applause.)

I come from a State whose history is unique, and, withal, most glorious, a State whose people have felt the benumbing influences of Mexican inanition, the crushing power of Spanish cruelty and despotism, a State of which it has been said, "Thermopylæ had her messenger of defeat, the Alamo had none." But glorious as is the past, her people look not to the past; their path is onward, and their eyes are fixed upon the rising sun of future progress and achievement. A State whose climatic conditions and varied industries are such that it is almost impossible for any calamity to hurt all of it at once. A State whose resources have just begun to be understood and whose ultimate development is beyond the most vivid imagination of even its most loyal inhabitant. But I must not allow myself to be led into statistical detail.

About two years ago I had the honor of being called on at a banquet of the Louisiana Bankers' Association for a talk on Texas. I gave them a few plain, unvarnished facts; reminded them that it is about the same distance from Chicago to Texarkana in East Texas as from Texarkana to El Paso in West Texas, or from El Paso to San Francisco; told them that we raised almost one-third of the cotton crop of the United States; told them of our lumber, rice, oil, etc. You really cannot exaggerate in talking about Texas. But, do you know, I have had a painful impression ever since that about the only crop I convinced my hearers we raised in unusually large quantities was a long and virile list of lineal decendants of that aged couple made notorious by Holy Writ, one of whose names began with A and ended with S, the other with S and ended with A; so that, one beginning where the other left off, together they held a corner on the prevarication market. So I shall content myself with saying, "Come and see." You will find a hospitality as broad as the State's own vast expanse, and a citizenship so proud of their beloved land that the busiest one among them will be only too glad to take a day off, or a week off, to show you and to tell you something of its wonderful resources. Come, I say, and see for yourselves. (Applause.)

UTAH. (No response.)

VERMONT. (No response.)

VIRGINIA. (No response.)

WASHINGTON.

Mr. Jacob Furth, President of the Puget Sound National Bank, Seattle: Mr. President and Gentlemen of the Convention.—I listened with a great deal of pleasure to the gentlemen who spoke on behalf of their States. I admired their loyalty to their respective States, and the description of their various resources was most interesting. I have been asked to respond to the call of our State; the State of Washington, although a young State, shows health and vigor.

Twenty years ago the State of Washington had only three small towns, the largest of the three had then about five thousand inhabitants. To-day that city has a greater population than the entire State had at that time. We now have five large cities—Seattle, with a population of 140,000; Tacoma, 80,000; Spokane, about the same number, and Everett and Whatcom, each with 20,000. The cities of Seattle, Tacoma, Everett and Whatcom are situated in the eastern portion.

The resources of the western part of Washington are varied. We have timber that cannot be surpassed in any section; we have coal, iron, granite and other mining industries. Our salmon fisheries and salmon canneries are the largest in the world. We export lumber and flour to South America, Australia, China and Japan. Our fish is exported to England principally. We raise hops in large quantities. I have known one field of hops to produce from fifteen hundred to two thousand pounds per acre. We have oats that are equal, if not superior, to any country.

The eastern part of the State is the farming section. The production of wheat and barley is marvelous. We export wheat to England, and the cattle that are raised in that section of the State are sent to Omaha and Chicago to be distributed all over the country. The fruit raised in that section is shipped East, and is said to bring the highest prices.

The limited time allowed me in which to describe our State compels me not to go further into details. What I have said will be sufficient to give you an idea of the prosperous conditions existing in the State of Washington, and if any one of you gentlemen doubt, I would advise you to visit us on your homeward journey. I am confident that any one visiting the State of Washington will be repaid for his trouble, and the veracity of my statements will not be questioned any further. (Applause.)

WEST VIRGINIA.

Mr. E. M. Gilkeson, of the Second National Bank, Parkerburg, W. Va.: Mr. President and Gentlemen of the American Bankers' Association.—Our time is limited this morning, and I shall not tax your patience to any appreciable extent. I simply desire to submit a few facts and figures in reference to West Virginia—by the way, one of the best all around States in the Union.

West Virginia's natural resources have but fairly begun to be exploited. In the production of white sand oils she ranks first among the States of the Union. In natural gas she produces the largest amount of any State, and exports it very largely to Ohio and Pennsylvania.

She produces a great variety of woods, and in hard woods has the largest production of any State.

Her nearly 16,000 square miles of bituminous coal area are destined to make her the leading bituminous coal producing State. Already she ranks third in the production of bituminous coals, and it is a question of but a few months until she will surpass Illinois and commence to overhaul Pennsylvania in the production of bituminous coals.

Her great variety and the wonderful richness of her coking coals have already made her the second coke producing State of the Union, and she is destined soon to pass Pennsylvania and to take first rank in the production of coke.

She is rapidly becoming the leading glass manufacturing State, and is destined to the leadership in this particular industry.

West Virginia has a larger area of blue grass territory than her sister State which boasts of the distinction of being the "Blue Grass State," and the value of the agricultural, horticultural and animal industry of the State last year exceeded the value of the combined output of her mineral products, great as they were. West Virginia is becoming one of the leading fruit States of the Union, while her long fleeced wools have for many years been the premium wools of the country.

The iron industry has also been an important one in the northern panhandle, but is becoming more generally distributed over the State; and in pottery and iron working West Virginia is taking a very prominent position.

The value of her clay products exceeds that of any other Southern State, and is rapidly increasing.

Her variety of climate and soils, and her nearness and accessibility to the markets, make her situation especially advantageous agriculturally, as well as in the marketing of her great mineral wealth.

Among her natural resources referred to, but worthy of mention, are her numerous and widely distributed thermal and non-thermal mineral springs. Nature has been very prodigal in giving her every variety of springs for the healing and blessing of mankind.

As a State, West Virginia owes no debt and has a cash surplus in the treasury.

We have a refined, hospitable and happy people. Those seeking new homes or capital seeking investments cannot find a more promising land than West Virginia.

Come and see us, and be assured we will give you the right hand of fellowship. (Applause.)

WISCONSIN.

Mr. John M. Holley, State Bank, of La Crosse, Wis.: Mr. President, Wisconsin needs no encomium, although, I assure you, she is worthy of the highest that could be passed upon her. It is her misfortune, not her fault, that she comes last in the list of States, and therefore must content herself not with a statement of her resources and advantages and wealth, but must simply bear a message or greeting to you. It would require a book to tell all Wisconsin's merits, and her greatness and prosperity; possibly all the world could not contain the books that might be written about her. You would need to get up early and sit up late, and be possessed of a past master's art in the use of the figurative and the embellishment of words and the superlative, to do her justice, and to give her a proper place in the gallery of picture photographs that have been placed before us by her sister States.

Therefore, since the overwhelming hospitality of our entertainers has prevented the first and the speaker is not competent to use the latter, Wisconsin's greeting must be in simple words—we say simply that she remains true to those things that make for the best in education, in morals, in commerce, in manufactures and in finance. (Applause.)

WYOMING. (No response.)

Greetings to Frank W. Tracy.

Mr. William George: Mr. President, if it would be proper, I wish to call the attention of the Convention at this time to the serious illness of Mr. Frank W. Tracy, of Springfield, Ill. He has done so much in behalf of the uniform laws of the different States that we are all indebted to him, and inasmuch as his illness is very serious, I suggest that the Secretary be authorized to send a telegram to him, and I would respectfully suggest the following form:

The members of the American Bankers' Association, assembled at San Francisco, California, send you greetings and wish to express their appreciation of your enduring and persistent efforts for the adoption of uniform laws. They regret your absence and hope for your speedy recovery.

I move that such a telegram be sent by the Secretary of this Association.

The resolution was unanimously adopted.

The President: The Protective Committee presents its report. [See first day's proceedings for this report.]

DISCUSSION OF REPORT OF CURRENCY COMMITTEE.

The President: There is also left over the report of the Currency Committee. There was a report presented by the Executive Council, and I think action will come up on the recommendation of the Council which will be presented by Mr. Pugsley.

Mr. C. A. Pugsley, President of the Westchester County National Bank, Peekskill, New York: Mr. President, the Currency Committee, composed of men eminently qualified to deal with this intricate problem, and representing different sections of our great country, after much discussion and consideration, have presented a valuable and conservative report, without a single radical feature in it. It may be said that there is nothing new in the report, but this question has been discussed for years by bankers in conventions, by representatives in Congress, and by the press. The discussions have taken a wide range, embracing almost every feature of the currency question. Some have favored more currency; others have held as tenaciously to the position that there was money enough for all practical purposes. We have had suggestions as to emergency circulation, supplementary circulation, elastic currency, and currency issued by Clearing Houses, and numerous other devices, and suggestions as to the rate of tax to be applied to such currency, and whether it should be issued freely at the option of the bankers or under the authority and direction of the Comptroller of the Currency. There is no doubt that our system can be improved, but I do not believe it will be revolutionized. It is essential that its volume should rise and fall with the varying tides of business and commerce. It is the most important measure before this Convention. It is important, because it reaches and should interest all sections of our Republic. A sound and stable currency is the life blood of the Nation's commerce and prosperity, and it is of vital import not only to the banking and commercial interests, but to the people of the whole country, that our currency should be sound beyond question, and good beyond peradventure. The great essential of any currency is quality rather than quantity, and I am glad to say that the bankers and citizens of California have ever stood for quality and that they also have evidently been successful in obtaining quantity. (Applause.)

Wherever our flag waves, from the islands in the Atlantic to the distant islands of the Pacific, and from the sunny South to Alaska with its eternal snows, we should have the best currency that the brains and skill of America can evolve. We want to see the world's standard, the American dollar, and our currency system surpass that of any other nation on the face of the globe. But only by the most conservative legislation can this be accomplished. In its broadest sense it is a national question. (Applause.) What is of the greatest value to the people should be the aim of bankers and all legislation, and not what should be of the greatest value and assistance to the banks. The banks are the servants of the people, not the masters. The people are keenly interested in this question, and not only is it being considered and discussed by the President of the United States, by Representatives in Congress, by the press, by the banks, but by the people at large.

I do not believe that the bankers of this country, for selfish interests and purposes, will do aught to retard the general prosperity of the country. On more than one occasion they have shown themselves patriots, and I believe they will urge and favor only such legislation as will result for the country's good. (Applause.)

I have been instructed by the Executive Council to present this resolution:

Resolved, That the report of the Currency Committee appointed under resolution passed at the last annual Convention of the American Bankers' Association, held at New Orleans, be adopted, and that the President of this Association appoint a committee of three for the purpose of urging legislation along the lines recommended in the report.

I move, Mr. President, the adoption of this resolution.

Mr. G. W. Garrels, President Franklin Bank, St. Louis, Mo.: Mr. President, as I understand it, the Committee was appointed to investigate the currency of the United States. I do not find anything in the report covering that point. I expected they would have shown us the faults of our present currency as compared with the currency of other nations. My friend, Mr. McAshan, from Houston, said yesterday that sovereignty would be the only power that could create money. I do not believe in the statement. On the contrary, I know that labor, services and goods are exchanged for another commodity, for a general commodity, which is by the survival of the fittest, gold; and that all other substitutes merely represent the gold in the exchange of commodities, of labor and services.

My friend, Mr. Pugsley, mentions that California and several other States adhered to sound money during the Civil War. That is, in other words, they did not recognize the legal tender (Applause) of our currency law, which was passed during the exciting times of the war.

Now I consider this legal tender clause the very commencement of the deterioration of our currency system. It was the entering wedge to upset the principle. Congress had no right, under the Constitution, to pass a legal tender clause. The Constitution forbids the invalidating of the obligations of contracts. Eminent legal talent, our Chief Justice, Mr. Chase, has given an opinion that the legal tender clause was unconstitutional. Other eminent politicians have held the same thing. Daniel Webster, who was considered an expounder of our Constitution, said that it was unquestionable that the United States had no authority to pass a legal tender clause. The legal tender question at the present time is hardly thought of; but it is the principle involved. The child learns that every dollar printed by the United States is money. It was because of the greenback craze; it was partly the cause of our silver agitation. I talked with eminent minds in the legal profession, merchants and bankers upon this very question at the time, in 1896, when the silver agitation was going on. At the time the argument was always that the United States had the right to make money. A legal tender clause is the last refuge of a bankrupt Government, and I consider it a blot on the laws of the United States. As long as we have the legal tender clause in our laws, we will have false ideas about the currency. It seems to me, what ought to be done first is to repeal that clause.

We had a very excellent recommendation of a perfect system of currency mentioned by the Comptroller of the Currency in his very excellent speech yesterday. He said that we ought to have gold, with gold certificates and subsidiary coin in gold redeemable currency, and I would be in favor of the American Bankers' Association adopting a resolution to that effect. (Applause.)

Mr. Edward J. Parker (Quincy, Ill.): Mr. President, I will offer as a substitute for the resolution of the Executive Committee, the following:

Resolved, That the committee be continued, its report referred back to it, and the committee be, and it hereby is, instructed to act in conjunction with similar committees appointed by the various State Bankers' Associations, to follow all proposed legislation introduced in the Congress of the United States affecting the present banking laws, and to take such action with reference to the same as they may deem best; and be it further

Resolved, That the President of this Association shall have power to fill any vacancies occurring on the committee.

If that meets with a second, I will venture upon a few remarks.

The motion was seconded.

Mr. Parker: Mr. President, we all realize the difficulties of this able Committee, whose report is before us. It is chiefly the indisposition of the Congress, which will shortly assemble, in special or regular session, to take up this question, with the Presidential election coming on next year. Therefore, your Committee has wisely introduced here a moderate report. If it would press passage it would, I think, bring about a broad discussion and differences of opinion. It is best at this time that members of the American Bankers' Association should go before the country rather with a united front than to split up on the various recommendations of this report into factions. How far do we agree with the Committee? I think on several propositions, or suggestions, we agree perfectly. On one or two we shall differ. Bankers, like the community at large, confound credits and currency. We have just passed through the most remarkable liquidation in values of stocks and bonds which has ever been known, a shrinkage of many billions, without serious financial trouble. That liquidation involved no use of currency. The movement of the crops south and west and northwest, sent demand rates in New York City last year to fifteen per cent. This year one and a half per cent. For the same reason they are holding on to their moneys now. Those periodical changes in rates are to be expected. Look at this question from the point of view of the public, not the banker. We are all borrowers, and we have large interests in one way or another, in the large corporations we represent. It is a hardship to do business under our present currency laws, and we should have the reforms brought about as soon as possible.

We accept the figures of the Committee as being accurate, as to the different issues and amounts held in the Treasury of the United States, and also in circulation. Some of us would think that there ought not to be that quantity of money in Uncle Sam's vaults. What is this Government? It is a Goernment of the people, by the people, for the people, and the money in the vaults belongs to the people. It is an awful responsibility to force upon the Secretary of the Treasury. I do not say, and I will not allege that secretaries of the Treasury in the past have gained a competency in a single day, or a single hour with their knowledge of what would come about. I do say, and I know what I am talking about, because I know him intimately, that the present Secretary of the Treasury is an honest and incorruptible man (Applause) and would not take advantage of his official position. I do predict—generally I keep off the ground of making any predictions, either as to the weather, or any financial prognostications, but I will say this—that if our present currency system continues there will be secretaries of the Treasury who will be corrupt, and who will bring disgrace upon our country, having such vast powers in their hands; and I will say right here that under a wise, scientific currency basis, we would not, as we ought not to, ever turn our faces to the city of Washington for any help (Applause), because, as bankers of this country, we can, as the bankers did before the Civil War, help the United States Government when they had to. That was notably so in one case. You say get Uncle Sam out of the banking business. He is not in it. To prove it I will say that when there was danger of a silver basis and Uncle Sam could not protect the coin in his treasury, he had to call on the bankers, and they not only took the gold off the steamers going to Europe, but they guaranteed that they would keep the Government on a gold basis for six months—and it has remained there ever since. (Applause.)

Now, Mr. President, I think we will all agree that the law should be repealed which gathers into the treasury of the United States and keeps there such an enormous amount of gold. That was passed during the exigencies of the Civil War, when the Government was putting out United States bonds, interest payable in gold, and the Government had to have the gold in its own vaults. Bonds rose to very nearly three billion dollars. They have now receded to nearly one billion dollars. Hence there is no longer necessity for keeping that gold in the Government vaults.

I do not think we will dissent from the recommendations of this committee in that respect.

Secondly, as to the repeal of the limitation in the national banking law, restricting the contraction of notes to three million a month, what has transpired? The same this year as last year.

When the Secretary says, "I will accept your bonds for deposit in the United States Treasury," out they go, and the circulation is contracted. Notice is served on the Comptroller of the Currency that up to December, three million dollars a month would be withdrawn, at the very time of the year when there ought to be an expansion of the currency.

Now, we know that our friend, Mr. Whitney, of New Orleans, is a clear-headed man. He dissents from that conclusion of the committee. But that contraction ought to be rapid at times; just as rapid as the output of the currency at the beginning of the crop season, as it was in the banks of the Suffolk Bank system. I knew a time when a New England bank note stood as well in the West as a treasury note does to-day, but that output and contraction was as rapid as the tides of the ocean, and it can be again, and will be under an ideal currency. But we cannot come this year, or next year, or possibly in a generation, to ideal conditions. We will, however, some time. But before that the demand obligations of the Government must be retired, the people's money taken out of the sub-treasury, expansion and contraction operating periodically and automatically like the tides of the sea. Now, we do not dissent from that.

Where we would dissent is on their suggestion about an emergency circulation. If there were ideal conditions there would be no necessity for the emergency circulation. Possibly we may have to come to something like that, but not in the way suggested here. Their suggestion cannot be put into operation.

The interior banks of the United States are not going to buy bonds, or conduct correspondence with the Comptroller of the Currency or the Secretary of the Treasury as to the possibilities of putting out an emergency circulation. Long before they would get to the crisis and beyond. The great strain is this awful contraction of credits.

Now, I say that clause should be inoperative. I say a uniform tax would be unjust. The only bodies, in my judgment, that should pass upon securities to secure an asset of credit currency, or emergency currency, as you may choose to call it, would be the Clearing House Association of the United States. You cannot practically impose this new duty upon the Comptroller or the Secretary of the Treasury, and they have not the force, nor have they the knowledge, to pass upon the vast amount of assets which we hold in our banks. They could not do it, and no gentleman cares very much to serve on the Clearing House Committee to do it.

Now, if we have an emergency circulation again, it ought to be in place of the present issues, for we have a credit issue. We had it in 1873; we had it in 1884, and we had it in 1893, and we possibly will have it again. I do not speak for the New York City banks. But suppose we do. They are voluntary asssociations. They are not even incorporated. There should be a legal issue, and all banks and banking houses should be allowed to participate in those issues, all members, whether they are national bankers, State bankers or trust companies.

Illinois, Iowa, and I think Wisconsin, have recently appointed standing committees to take up currency reform and to appear in Washington. Other States will follow—New York also.

Now, let this National Association affiliate with and act with us and get the benefit of our judgment, and let us adopt the trust idea, that in union there is strength. We cannot submit entirely these questions to the National Association. Our State associations have opinions of their own. If an emergency circulation is ever to be put out it should be regulated by Clearing Houses in different parts of the country, making it ten per cent. in Texas and Colorado and a lower per cent. in some other States. It would be discreditable to associations in Eastern States to put out a credit issue at such a rate of interest, or even as high as six per cent. It should be graded differently over different parts of the country. Hence, I take it, that would be inoperative. But we do not want to go into this, but simply refer it back.

Now, Mr. President, I have taken up a good deal of your time, more than I meant to, but I will simply say this: A preacher, recently, in addressing a Sunday school, asked the scholars what he should talk about. A boy spoke up and said, "About two minutes." (Laughter.) Now, I had intended not to make a speech, but simply to make two points. So let us dispose of it. (Applause.)

Mr. Andrew J. Frame, President Waukesha National Bank, Waukesha, Wis.: Mr. President, the campaign of education on the money question, which for thirty years has agitated this country, is drawing to a close on sound lines. The report of the Currency Committee of this Convention takes another step upward.

The comedy of 16 errors to 1 truth has met its Waterloo.

Branch banking in the United States has been relegated to the rear, and the rights of the individual banker, who has borne the heat and burden of the day in our development, is to be respected, but in commanding the world's commerce international banking is necessary.

Asset currency, with its first item to rob the depositor, has not been considered by the committee and is doomed to certain defeat. It seems evident that a life line ought not to be thrown out to the overbuoyant banker in the shape of a rubber currency every time he gets beyond his depth.

Political economists of all ages have wrestled unsuccessfully with the elastic problem, and thousands of our brainy citizens have racked their brains for years for a sound solution, but failed.

We are now considering the only reasonable problem, and that is relief in case of emergencies. The committee report provides for the issue of additional National bank circulation on deposit of securities "with careful limitations" under a six per cent. interest rate, to insure its quick retirement as soon as the pressure for funds is over. If this measure is not abused or the door broken down, the measure of relief is of great value to the National banks, and indirectly to all banks.

Permit a suggestion, which it seems to me covers a wider field and is hedged around by the conservative business element and politics will never enter it, to wit:

Legalize Clearing House National bank notes on the same form as National bank currency, secured by Clearing House certificates issued on the same plan as heretofore, to any bank in the Clearing House to whom the Clearing House Committee sees fit to grant it. Five or six per cent. interest to be charged from date of issue to date of deposit by the borrowing bank, of funds with United States Treasurer, to redeem its borrowings, when the Clearing House certificates will be canceled and securities returned.

This will permit not only National, but State savings, or any other Clearing House bank, to get advances in times of financial stress. Country banks can get advances through their correspondents, thus serving all the banks of the country.

The conservatism of the Clearing House Committee will prevent unnecessary issues, the rate of interest will prevent inflation, and redemption will automatically take place as soon as pressure for funds is over.

This remedy will provide all with the needful to loan to all solvent parties, with doubtless the same result as when in 1847-1857 and 1866 the Bank of England illegally issued notes on a deposit of securities in the issue department and thus relieved panic conditions at once.

It is far preferable to the Clearing House certificates issued in this country in 1873, 1884, 1890 and 1893, which gave relief on those dates, because it provides cash on National bank form of notes which central cities can ship to correspondents, whereas certificates could not.

As the Secretary of the Treasury is periodically importuned to give relief, he, doubtless, would hail the remedy with a sigh of relief thrown in. The remedy for trouble in the great centers would always be at hand. It would be a check value on the bears against locking up funds. It would give relief practically to all when relief is most needed, and, therefore, as the committee's report is a step in the right direction, I shall vote for it.

When a patient is seriously ill at times, bad tasting medicine may not be palatable, but necessary to recovery. As between selling sound securities at panic prices to obtain cash, is it not far better to provide cash as indicated, in order to allay troubles and be able to loan to all solvent parties in their hour of need?

National banks ought not to monopolize benefits. State and savings banks and Trust Companies fill a necessary place in our development. As the underlying principles of the report are eminently sound and only differ in details I congratulate the country that our standard of value is to be maintained, and, therefore, vote for the report. (Applause.)

Mr. Pugsley: Mr. President, in speaking upon the resolution presented by Mr. Parker, I would say that I understand it is impracticable to continue that committee. They are widely scattered over the United States. They have presented a report after much discussion and consideration, and I believe that we are asking too much of that committee to ask them to have further meetings. They represent, I believe, the brains of this country, and I believe it is quite essential that the thought of the American Bankers' Association should crystallize around some proposition, and it seems to me we cannot have it crystallize better than around the report which has been so ably presented by the committee appointed at New Orleans.

I therefore hope that this Convention will pass the resolution submitted from the Executive Council.

Mr. Huston, of Marshall, Mo.: Mr. President, the time is short, and we would like to have an opportunity to vote directly on this question, if possible. I now move that the amendment offered by the gentleman from Illinois be laid on the table.

The motion was seconded.

Mr. Parker: I want to first answer the gentleman on my left. The three million dollar limitation in the National Banking law was intended at the time as an inflation to keep notes out.

Replying to Mr. Pugsley, let me say that in his first statement, introducing the committee's resolution, it was said that it was the most important matter, substantially, that would be brought before us. We have had standing committees in this house on uniform laws, and on fidelity insurance continued from year to year. Are there not gentlemen in our country who are willing to serve on a currency committee? Is the question not important enough, and with the funds in the treasury of this Association, could it not pay the traveling expenses of these gentlemen? Let me say right here, when I propose a measure on financial legislation in Congress I want to meet one thing squarely, and that is that the bankers of the United States have no money to bribe a single Congressman in Washington. (Applause.) I am speaking now of the money in our treasury to be used to pay incidental expenses. That could be used to pay the traveling expenses of gentlemen, and such things. Moreover, we should be in touch with the State Bankers' Associations, and this would bring us together, possibly, in the city of Washington, and my substitute provides for the filling of vacancies by the Presidents, if any of these gentlemen wish to step down and out. Others will take their place if any wish to step out.

And, Mr. President and gentlemen of this convention, if there is any one thing that the political parties of the United States need, and the American Bankers' Association and our various State associations need, it is some man big enough and wise enough and practical enough as a political economist to lead bankers and the customers of bankers onto a more solid ground in the matter of currency reform, and a practical working monetary basis, without these awful contractions, and without these great losses to all the people of this country. (Applause.)

The President: In order that the Convention may understand clearly the resolutions which we have before us, I will read them.

(The President read to the Convention the resolutions offered by Mr. Pugsley.)

The President: Mr. Parker offers as a substitute the following:

(The President read to the Convention the substitute offered by Mr. Parker.)

The President: Mr. Huston offers a resolution to lay on the table the resolution of Mr. Parker, and we will first vote on that.

A Delegate: As a preliminary procedure, would not the adoption of that motion lay the whole matter on the table?

The President: I should hardly say so. If the amendment is voted down, you would then have the right to vote on the original proposition.

Mr. Huston arose and addressed the Chair.

Mr. Sullivan: Mr. President, I rise to a point of order. A motion to lay on the table is not debatable.

Mr. Bigelow: I fear, Mr. President, that technically, to lay this on the table would kill the resolution.

The President: That may be possible, and if that be so, I will suggest that Mr. Huston withdraw his motion and let us take a vote on the substitute offered by Mr. Parker.

Mr. Huston: I will withdraw my motion to lay on the table.

A Delegate: Mr. President, before taking a vote, will you read the report of the Currency Committee?

The President: It has been printed and distributed. It was distributed two days ago.

Currency Resolution Adopted.

Mr. Bigelow: Mr. President, I want to go on record as saying that in some respects I think the report of this Currency Committee, written by very able men, is taken too seriously. It should not be considered that that committee, because of the present exigencies, have sat down upon a credit currency under proper restrictions and redemptions. I think that it is unwarranted to come to such a conclusion. What the committee has done to sift the possible recommendations we can get at this time; that is perfectly clear. They want to get out of the ponderous operation of the Sub-Treasury system, and they have said that currency could be retired when banks think it should be retired. There is a time when money may be in very great demand, when currency may be retired properly, the loaning power of the bank not being decreased thereby.

There are many things in the report of great value. Although I think there is some merit in Mr. Parker's desire that it should be further considered, yet, on the whole, I am strongly in favor of the report as made by the Executive Council, as recommended by them. It is on broad lines, and I think it is all that can be expected at the present time.

The question was taken on the adoption of Mr. Parker's substitute.

The motion was lost.

The President: You will now vote on the original resolution as presented by Mr. Pugsley.

The motion was adopted.

The President: The motion is adopted by an overwhelming vote.

"Education of Bank Clerks," by J. B. Finley.

[Mr. Finley's paper in full will be found on pages 1635 to 1637 of this publication.]

The President: I now have the honor of introducing to you Hon. Ellis H. Roberts, Treasurer of the United States, who will address us on the "Effects of the Inflow of Gold."

"Effects of the Inflow of Gold," by Ellis H. Roberts.

[Mr. Roberts' address in full will be found on pages 1627 to 1630 of this supplement.]

Mr. Lowry, of Atlanta, Ga.: Mr. President, just a few moments on the line of our Educational Committee work.

The United States Investor, published in Boston, offered a series of prizes, one thousand dollars in all, for suggestions for bank officers and bank clerks, the prizes to be divided as follows: $500 for the best suggestion; $300 for the second, and $200 for the third. A committee of gentlemen was appointed to read these propositions, and I am glad to report that there were some two hundred and over received by the Investor Company. They were thoroughly read and considered by a committee of bankers and others, and they arrived at the conclusion that the awards ought to be as follows: I take this occasion to say that the liberality shown by this publisher is along the line of the American Bank Clerks' Institute. It was open, not only to the clerks of the banks, but any one, and after thoroughly considering all the propositions, which are now published in book form, they have now arrived at this conclusion, and I hold certified checks of the American National Bank of Boston for those to whom the awards are made.

I enclose herewith clipping showing the terms under which the prizes were offered. I will not take up the time to read this. Also here is a clipping from the Investor, saying that so many essays were received. The names of the Judges are contained in the circular, and we have just received a telegram from Mr. Odell, the Chairman of the Committee having it in charge, awarding the first prize of $500 to F. M. Farwell, No. 1 Nassau street, New York City, Essay No. 105, entitled "Combining Small Banks," which you will find in the volume sent by express, as I am informed.

The second prize goes to Lancy Thomas, whose address was Post Office Box 855, Denver, Col. His essay was No. 94 in the volume, and it was entitled "Bank Collections."

The third prize, $200, is awarded to Richard C. W. Merrington, whose address is 59 William Street, New York City. His essay was No. 150, and the title was "Bank Clerks' Holidays." (Reading.)

"I inclose herewith certified check for these amounts, and if there is any change in their addresses I will advise you later.

"It is a great pleasure to us to stimulate this competition, and we are under obligation to you and the other judges. With kind regards, I am, yours, etc.

"FRANK G. BENNETT."

That is the United States Investor.

I think it is well enough when gentlemen take so much interest in our welfare to offer these rewards that they should have public mention of it made in our Association, and I think that if we could have more of this it would add a great deal to the work which we are doing. These checks will be forwarded by me to the gentlemen named. (Applause.)

The Secretary: I have been requested to make the announcement that the New York Central Railroad special train will leave from the corner of Third and Townsend streets, San Francisco, Saturday at nine o'clock A. M., and not from Oakland where the train came in.

ATLANTIC CITY SOLICITS CONVENTION.

Mr. John J. White, Second National Bank, Atlantic City, N. J.: Mr. President, I would like to read a communication from the State Bankers' Association of New Jersey, inviting the Association to meet at Atlantic City in 1904.

JERSEY CITY, October 13, 1903.

Mr. James R. Branch, Secretary American Bankers' Association, San Francisco, California:

My Dear Mr. Branch: The Atlantic sends greeting to the Pacific.

The New Jersey State Bankers' Association extends a most cordial greeting to the American Bankers' Association, in convention assembled and congratulates them upon the hospitality they are sure to receive in the great State of California.

Before that memory becomes a pleasant memory, our Association cordially invites you to make our State the scene of next year's convention. Atlantic City, whose attractions and whose hospitality are world wide, will be pleased to open her doors and her heart for this purpose. We heartily commend her charms to your consideration, and earnestly hope that we will have the privilege of welcoming you to our State in 1904.

Very sincerely yours,
E. C. STOKES, President.

(Attached is also a letter from Mr. Franklin Murphy, of the Executive Department of New Jersey.)

TRENTON, October 13, 1903.

James R. Branch, Esq., Secretary, American Bankers' Association, San Francisco, Cal.:

Dear Sir: I am informed by some friends from Atlantic City that you are to be invited to hold your next annual meeting at Atlantic City.

I am very glad to add my own request to that of the representative citizens of that place, that you should accept their invitation. The city, as you know, has many attractions, not the least of which is its excellent hotels and the public spirit of its citizens. I am sure that the people would be very much pleased if your association should decide to visit them next year.

Very truly yours,
FRANKLIN MURPHY.

I extend also the invitation of the Board of Trade of Atlantic City, and the City Council.

The President: The invitation just presented will be received and filed with the Executive Council, who will pass upon the question.

Mr. Lewis E. Pierson, the New York National Exchange Bank, New York: Mr. President, the New York bankers have for many years partaken of the generous hospitalities of other cities, and as next year's place of meeting for this Association will no doubt be somewhat considered from a geographical standpoint, we feel that an opportunity should at that time be given for us to attempt to repay the many courtesies we have in the past received. On behalf of the New York Clearing House, as well as our group of the State Bankers' Association, I therefore, Mr. President, have been requested to extend to the members of the American Bankers' Association a most hearty and cordial invitation to hold their next year's Convention in our city. (Applause.)

The President: The invitation will be received and filed, and will come up for consideration by the Executive Council.

Mr. Swinney: I wish to ask the incoming members of the Executive Council to meet immediately after adjournment in the press room of the Palace Hotel.

VOTE OF THANKS.

Mr. Wiggin: I rise to offer a resolution of thanks. As an Eastern banker, I much appreciate this opportunity. Never have we had a more successful Convention, never have we had a more cordial reception, or generous hospitality. We are deeply indebted to the city of San Francisco and its people, and especially to its bankers. At this time I want also to express thanks to the press for their uniform courtesy and consideration, and also to the telephone and telegraphic companies. I offer this as a resolution.

The resolution was seconded and unanimously adopted.

Mr. F. D. Monfort, Vice-President Second National Bank, St. Paul, Minn.: Mr. President, if it is in order I would like to move that the thanks of the Convention be tendered to Mr. Ellis H. Roberts, for his very masterly and eloquent address.

The motion was seconded and unanimously adopted.

NOMINATIONS AND ELECTION.

The President: The next business in order is the report of the Committee on Nominations.

Mr. J. J. Sullivan, President Central National Bank, Cleveland, Ohio: Mr. President, the committee makes the following report, and desires to present for your approval the following list of officers for the ensuing year:

Gentlemen: The Nominating Committee desires to present for your approval the following list of officers for the ensuing year:

For President, Mr. Frank G. Bigelow, President of the First National Bank, Milwaukee, Wis.; for Vice-President, Mr. E. F. Swinney, President First National Bank, Kansas City, Mo.; for members of the Executive Council, James K. Wilson, President San Francisco National Bank, San Francisco, Cal.; J. D. Powers, President of the United States Trust Company, Louisville, Ky.; J. H. Mitchell, Vice-President Winona Deposit Bank, Winona, Minn.; James B. Finley, President Fifth National Bank, Pittsburgh, Pa.; Stephen M. Griswold, President Union Bank, Brooklyn, N. Y.

For Vice-Presidents of the different States: Alabama, W. H. Manly, Cashier Birmingham Trust & Savings Co., Birmingham, Ala.; Alaska, W. T. Summers, President First National Bank, Juneau; Arizona, J. N. Porter, President First National Bank, Globe, Ariz.; Arkansas, John G. Fletcher, President German National Bank, Little Rock; California, James K. Lynch, Cashier First National Bank, San Francisco; Colorado, F. G. Moffat, Cashier First National Bank, Denver; Connecticut, M. H. Whaples, President Connecticut Trust & Safe Deposit Co., Hartford; Delaware, Wm. R. Brinckle, Vice-President Security Trust & Safe Deposit Co., Wilmington; District of Columbia, M. E. Ailes, Vice-President Riggs National Bank, Washington; Florida, J. T. Dismukes, President First National Bank, St. Augustine; Georgia, John M. Hogan, Cashier Germania Bank, Savannah; Idaho, W. F. Kettenbach, President Lewiston National Bank, Lewiston; Illinois, William George, President Old Second National Bank, Aurora; Indiana, Mord. Carter, President First National Bank, Danville; Indian Territory, F. S. Genung, President First National Bank, South McAlester; Iowa, C. H. Keck, President Citizens National Bank, Washington; Kansas, James T. Bradley, Cashier First National Bank, Sedan; Kentucky, Henry C. Walbeck, Cashier German Insurance Bank, Louisville; Louisiana, W. B. Rogers, President Interstate Trust & Banking Co., New Orleans; Maine, Thos. H. Eaton, Cashier Chapman National Bank, Portland; Maryland, Jas. R. Edmunds, Vice-President National Bank of Commerce, Baltimore; Massachusetts, Robert B. Fairbairn, President National Rockland Bank, Boston; Michigan, H. C. Potter, Jr., Vice-President State Savings Bank, Detroit; Minnesota, D. S. Culver, Cashier National

German-American Bank, St. Paul; Mississippi, B. W. Griffith, President First National Bank, Vicksburg; Missouri, J. B. Huston, Cashier Wood & Huston Bank, Marshall; Montana, Alden J. Bennett, President Madison State Bank, Virginia City; Nebraska, Geo. W. Post, President First National Bank, York, Nevada, T. B. Rickey, President State Bank & Trust Co., Carson; New Hampshire, Calvin Page, President New Hampshire National Bank, Portsmouth; New Jersey, Frederick W. Egner, Secretary and Treasurer Fidelity Trust Co., Newark; New Mexico, H. J. Anderson, President First National Bank, Alamogordo; New York, Chas. H. Stout, Vice President Liberty National Bank, New York City; North Carolina, J. Elwood Cox, President Commercial National Bank, High Point; North Dakota, H. R. Lyon, President First National Bank, Mandan; Ohio; Thos. H. Wilson, Vice-President First National Bank, Cleveland; Oklahoma, G. A. Nelson, Cashier The Capitol National Bank, Guthrie; Oregon, J. Frank Watson, President Merchants' National Bank, Portland; Pennsylvania, E. C. Emerick, Treasurer Susquehanna Trust & Safe Deposit Co., Williamsport; Rhode Island, F. Tompkins, President Newport Trust Co., Newport; South Carolina, J. F. Ficken, President South Carolina Loan & Trust Co., Charleston; South Dakota, H. J. Meidell, Cashier Beresford State Bank, Beresford; Tennessee, C. M. Preston, Cashier Hamilton Trust & Savings Bank, Chattanooga; Texas, Edwin Chamberlain, Vice-President Alamo National Bank, San Antonio; Utah, L. H. Farnsworth, Cashier Walker Bros. Bank, Salt Lake City; Vermont, L. H. Bixby, Cashier Montpelier National Bank, Montpelier; Virginia, J. B. Fishburne, Vice-President National Exchange Bank, Roanoke; Washington, W. M. Shaw, Assistant Cashier Exchange National Bank, Spokane; West Virginia, J. D. Baines, Vice-President Kanawha National Bank, Charleston; Wisconsin, J. M. Holley, Cashier State Bank of La Crosse, La Crosse; Wyoming, August Kendall, President First National Bank, Rock Springs; Hawaii, H. E. Waity, Bishop & Co., Honolulu.

Mr. G. M. Reynolds, Vice-President Continental Nation Bank, Chicago: Mr. President and Gentlemen.—At a meeting of the delegates representing the various State Associations, Tuesday evening, October 21, 155 delegates were present. At that meeting the following gentlemen were nominated as members of the Executive Council from the State Associations:

W. K. Coffin, Vice-President and Cashier Eau Claire National Bank, Eau Claire, Wis.; H. R. Dennis, President Sioux Falls Savings Bank, Sioux Falls, South Dak.; C. M. Sawyer, President First National Bank, Norton, Kan.; Mills B. Lane, President Citizens' Bank, Savannah, Ga.; William Livingston, President Dime Savings Bank, Detroit, Mich.

Mr. Kauffman, Fidelity Trust Co., Tacoma, Wash.: Mr. President, I move that the Secretary of the Association be instructed to cast the vote of the Association for the officers and members of the Executive Council, as recommended in the report of the several committees.

The motion was seconded and unanimously adopted.

The Secretary: I cast the ballot of the Association for President and Vice-President, and for the members of the Executive Council, as recommended in the reports of the several committees which have just been made.

The President: These gentlemen whose names you have heard read, and for whom the secretary has just cast the ballot of the Convention, are hereby declared elected.

The President: Mr. Bigelow, your familiarity with the affairs of the American Bankers' Association and the important interests they represent makes it unnecessary for me to say anything as to the honor which has been conferred upon you. You will appreciate it without my saying anything further. It affords me the greatest pleasure to throw upon your worthy shoulders the mantle of office, and I therefore take pleasure in presenting you with the President's badge of office. (Applause.)

Remarks of Mr. Bigelow.

Mr. Bigelow: Mr. Hardy, Gentlemen of the Association, Ladies and Gentlemen.—It is difficult for me to find words to express how thankful I am for the honor that you have given me to-day. Not only that, and what it implies of work and effort, but the way in which it has been done, the kindness with which I have always been received by you, in the council and in the convention, would tend to touch any man's heart. To be chosen for President of this Association in the city of San Francisco is another touch that we cannot all have; a city that has, it seems to me, gone beyond any possible expectations in the reality, in the unreserved hospitality and cordiality with which we have been received. I think the way they have conquered us shows only the way they are going to conquer the whole Pacific Ocean.

I want to call your attention to one or two things in regard to the business of the Association. The dues have been doubled in some instances, and largely increased in others, and I want now to ask all the members that are here to bear that message to other banks not represented, and to urge upon the banks that they should be very glad that this is done, under all the circumstances. The circumstances will be set forth fully as time goes on. But I think it is well to say a word about it. The cost of the Protective Committee has been all that the smaller banks have paid in dues to the Association, and they are only asked now to pay in dues over and above that amount what they were before.

I think it is right to congratulate the Association on the papers that we have had presented here this year, which I think are more thoughtful than usual, and upon the work of the Association, upon its currency report, which is all that is to be accomplished, under the circumstances.

It was as good a man as Charles Reed who said, "When you don't know what to do, don't do it."

Mr. Hardy, it is my pleasure, too, though I have had poor success with buttons, having forgotten the Vice-President's button a year ago, to present you with this button, that is to be fixed on you. You remember, probably, that ex-Senator Evarts said, I think, that the X's go before the Y's. (Applause.)

The President (Mr. Hardy): Mr. Swinney will please step forward and receive the sentence of the court.

(Mr. Swinney steps forward.)

Mr. Swinney, some very brainy man has said that a fellow ought not to expect to have hair and brains, too. (Laughter and applause.) If that be so, there can be no doubt as to which you have. I have been trying, myself, to travel in the class with Joe Hendrix and Walker Hill, but I will have to step down and yield the palm to you. (Laughter.)

The members of the American Bankers' Association appreciate your arduous duties as Chairman of the Council, and what you have done for it, and, anxious that you shall not overtax yourself for the coming year, we have promoted you to the innocuous desuetude of the Vice-Presidency, and I have, therefore, the pleasure of inducting you into that office.

I did intend to say a word or two about the pins, if it had not been for the words the new President has just uttered. You remember the trouble you got in getting the Chairman to serve last year. I think he has caught the Vice-President's pin. The Secretary has anticipated next year by having one for 1903 prepared, which the President will receive at the expiration of his office. I am going to present you with that pin, and advise you to hold on to it until you get the Vice-Presidential pin. (Applause.)

Mr. Swinney: My friend, it is said that all things come to him who waits. As Mr. Hardy says, the duties of this office are not at all arduous. That is just the place I have been hunting for, and I want to say to you, briefly, that I thank you more than I can tell you for the honor which you have conferred upon me. (Applause.)

The President (Mr. Hardy): Mr. Bigelow, I retire in your favor.

Punch Bowl for Mr. Hardy.

Mr. Lowry: Just one moment before you retire. Members of the American Bankers' Association, ladies and gentlemen, I do not know why they should have selected me to present a souvenir to the outgoing President, unless it is because I am one of the has-beens, the only one who is here. You are about to become a "has-been," and in recognition of the arduous duties which have fallen upon the shoulders of our retiring President, the Association has prepared a lovely present, typical of people who come from Virginia, and has asked me to present it to you. (Presenting Mr. Hardy with a silver punch bowl.)

It has been my pleasure to know Mr. Hardy for a great many years, and I have always known him to be a thorough man, a gentleman among Virginia gentlemen, a good officer and a lover of this Association. He has been at all of the Association functions that I have been at, and there have been a good many of them, and he has held his end up at the banquet board and the punch bowl, and everywhere else. I can tell you that when the interests of this Association have needed his services in any way he has given them freely. He has been a great help in building up this Association to the point it has reached now. I will not take up any more time, gentlemen, because I know that many of you want to get around to the many beautiful places in this dream of a country. Therefore, I present this punch bowl without any further words, and I invite you in the name of Mr. Hardy, if you ever land around Norfolk, Va., anywhere, to come in and quench your thirst from it. Everybody knows Mr. Hardy in Virginia; he keeps open house, and this bowl will always be filled with champagne whenever any of you come to see him. Mr. Hardy, I present this to you in the name of the American Bankers' Association, with the love and respect they have for you. (Loud Applause.)

Acknowledgment by Mr. Hardy.

Mr. Hardy: Members of the American Bankers' Association, ladies and gentlemen, it appears to become the practice of this dignified Association to annually fill its Presidents too full for utterance. Whether we believe half of the stories of California that we have heard since we have been here or not we have certainly learned from the royal hospitality that has been dispensed to us that we have only to press the button and call for what we want, and, presto! we have it. If I had had any intimation that I was going to be presented with anything of this sort—of course, I had not any idea of it at all—I should have brought into use the pipe line from one of these beautiful vineyards on the hills around here, and have connected that pipe line from the vineyard to our meeting place, and have invited everybody to join me.

I might add something as to the work of our Association and the interest I feel in it, but it is growing late, time is pressing, and I hope the results speak for themselves. What more can I do than to thank you heartily for the many courtesies and kindnesses that I have received from your hands, which I do with all my heart. (Loud Applause.)

Adjournment.

The President (Mr. Bigelow): Gentlemen, I believe there is no further business to be brought before the Convention.

A Delegate: Has there been a resolution thanking the bankers of California?

The President: There has been.

The President: We have here a telegram from the Chairman of the New Orleans Levee Executive Committee, inviting the delegates of this Association to send delegations to the Levee Convention, which meets in New Orleans, October 27th. This is signed by Mr. J. N. Luce, Chairman of the New Orleans Levee Convention.

There is no further business before the Convention, and I therefore declare the Twenty-ninth Annual Meeting of the American Bankers' Association adjourned.

TRUST COMPANY SECTION

AMERICAN BANKERS' ASSOCIATION,

Seventh Annual Meeting, Held in the City of San Francisco, October 20, 1903

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The Problem of Wealth and the Trust Company as Trustee.

By HON. LYMAN J. GAGE, President United States Trust Co., of New York City.

We are accustomed to think of the serious problems which beset the poor, and we sympathize or ought to sympathize, with them. The ever present question of to-morrow, the possible failure of employment, the cost of living, the drawback of sickness, the calamity of death,—these may be briefly summarized as the leading problems of the very poor. These problems do press a painful burden upon the larger mass of society. To secure immunity from them, to find honorable avenues for escape, to secure financial independence—in short, to accumulate wealth, is, and forever must be, a natural and laudable ambition. But no sooner does one pass over from the army of the poor to the relatively smaller company denominated the rich or well to do, than he finds that the problems of life, if changed in their nature, are yet vexatious and troublesome. Having become possessed of a competence, he no longer fears the approach of his landlord for rent unprovided, nor is he anxious concerning to-morrow's bread or as to the wherewithal to clothe his family. Frequently, however, he learns that wealth is a burden and often a heavy one. He discovers an innate tendency in accumulated treasure to take unto itself wings. He finds that money flies as well as "talks." He is apt to learn how easy it is to lose in an hour the careful savings of months and years, and, in a sense wholly different from the Latin poet, he learns that the descent to the Avernus of financial disaster is easy and swift, and that it is difficult to recover his lost footing and escape to the upper air of financial freedom. He soon learns that when he loans *money* he is apt to borrow *trouble*.

In this country we have not well learned the lesson of content with reference to an acquired competence. The American business man seldom retires. He prefers to struggle on in the harness and to carry his financial problems to the inevitable end, not, as a general rule, from considerations of avarice (for in no country are the rich more generous or less avaricious), but from the sheer joy of achievment and the fascination which the conflict of business life has for him. In England they have learned better than we to be content with a competence, to relieve one's self of the burden of wealth and to devote one's energies to other purposes than the mere increase of the burden. In other words, there is in England a pronounced leisure class, men who have not merely withdrawn themselves from business, but who will not even be burdened with the care of their own possessions and who leave it either to family solicitors or to fiduciary corporations. Thus freed from the burden, they find time to devote themselves to the politics of their country, the pursuits of literature, the cultivation of art, the enjoyment of their landed estates and to the legitimate pleasures which a large cosmopolitan capital like London affords.

In America an ever increasing number are learning this lesson. Their greatest problem is to find a suitable custodian for their wealth, to whom its cares and responsibilities may be safely delegated.

If however, the American man of wealth does not wish to retire from business, but, with his characteristic and inexhaustible energy, prefers, for the mere pleasure of achievment, to continue to add to his accumulated means, he is yet confronted by the possibility of disability through disease or infirmity of age and the certainty of death. Unless he is strangely indifferent, he cannot be unmindful of the question as to the ultimate disposition of his inherited or acquired possessions. If blessed by the ties of blood with a family, either lineal or collateral, he finds that he has become a kind of human providence to a dependent group, for the members of which, in varying degrees of duty, it is his pleasure to extend a protecting and helping hand. He must recognize that his children, who have been educated in the schools, cultivated by travel and refined in taste through social customs and manners, have in a sense claims upon him, and there are few greater hardships in life than those sudden reversals of fortune where a child, reared in luxury, is suddenly called upon to face unaccustomed poverty.

Sooner or later the obligation must be discharged to make a wise disposition of his fortune, and as nothing is more certain than that he cannot himself continue to administer it, he is inevitably met by the question, "Whom shall I constitute as my executor or trustee? Shall it be my eldest son?" Frequently he is of all the family the least qualified. "Shall it be one of my juniors?" Such preference is apt to excite jealousy and bitterness and lead to unhappy dissensions. "A trusted and experienced friend?" He may not survive, and in any event his availability may alter through changed conditions and circumstances when it is too late to recall the trust. "A legal counselor?" His ability and character may both be great, but the uncertainties of life surround him as they do other men, be he ever so competent and faithful. If provision is to be made for children and grandchildren, a long tenure of office in the trustee is of great importance; and if any or all of the fund to be transmitted is to be devoted to public charities, a permanent trustee then becomes inevitable. Moreover, there always exists the possibility of malfeasance and betrayal, the sins of omission and commission, whereby fortunes are too often dissipated and lost.

This problem, which to thoughtful and conscientious men is a grave one, the Trust Company, in its legal capacity as administrator, executor or guardian or trustee, is established to solve. Enjoying perpetuity, it is not subject to the vicissitudes of death. Controlled by the provisions and limitations of its charter, it is kept by the strong hand of the law within the limits of conservative operations. Presumably managed by a competent Board of Directors, the beneficiaries of the trust have the advantage of the collective wisdom of the experienced men, and in financial matters "in a multitude of (experienced) counselors there is safety." Inspected by independent officers of the State, any wrong doing by the officers of a trust company cannot long remain undiscovered. Possessed of ample capital, the beneficiary is guaranteed against loss through errors or willful dishonesty. Moreover, the trust company, in managing many estates, can do so with an economy not possible to individual trustees. Undoubtedly there are often advantages in having as trustee an attorney who has advised the donor in the lifetime, and whose peculiar knowledge of the estate is valuable, but, as has been stated, such management in the nature of things cannot be long enduring, but its advantages can be secured by uniting the family counselor with the trust company, as co-trustees. In this manner both the special benefits of corporate management and those of an individual trustee can be secured.

I submit, therefore, that the burdens of the rich would be sensibly relieved if due regard were had to the advantages offered by the trust company.

This brings me to a closer consideration of what the trust company should be in its character, capital and business methods, to enable it to discharge with zeal and fidelity the high duties imposed upon it in its fiduciary capacity as trustee. Its capital should be adequate to its responsibilities. Its officers and directors should be men of experience and with a single mind devoted to the institution they serve. Its corporate work, whether exclusively relating to its trust business or not, should be of a dignified character and free from hazard. Around the trust company should further be thrown the safeguards of wise legislation. In some of the older States adequate provisions in this respect have been made, and these beneficent laws could profitably be adopted by other States less fortunate.

The legislature may well give careful consideration to this important function of financial corporations. It is true the trust company is comparatively a new comer. The first of such institutions began business in the United States but little more than fifty years ago. The record of the half-century is, however, upon the whole, an honorable one, and the extent of its services in the management of property is but imperfectly understood by those most requiring its special facilities. In the period in question few, if any, losses have occurred to any trust property by the delinquency of any trust company acting in a fiduciary capacity. There have unquestionably been in such institutions occasional acts of malfeasance by employees, but in no case that I can recall has the trust company failed to make good to the beneficiary the temporary loss thereby sustained.

I am firmly of opinion, therefore, that the growing value of such companies in the special work to which I have alluded should be made known to that class which we may justly hope is becoming numerically greater, to whom the problem of the proper management and ultimate disposition of their property presents itself as the peculiar problem of the rich.

Escrows: A Varied and Profitable Feature of Trust Company Business.

By Philip S. Babcock, Trust Officer Colonial Trust Company of New York City.

The dictionary defines an escrow as:

> "An instrument under seal, placed in the hands of a third person for delivery to the grantee on some condition, the instrument being of no effect until delivery."

Black's Law Dictionary enlarges this definition by stating:

> "A grant may be deposited by the grantor with a third person, to be delivered on the performance of a condition, and on delivery by the depositary it will take effect. While in the possession of a third person and subject to condition, it is called an 'escrow.'"

This definition and explanation cover the strict legal use of the word, but it is commonly the practice in Trust Company work to carry under this head various forms of business which, perhaps, do not conform absolutely with this strict legal definition, and yet which justify my sub-title and are properly within the scope of Trust Company functions.

The simple form of escrow, and perhaps the most common, is the one of our definition:

A, the grantor, sells to B, the grantee, certain property, real estate, securities, or what not; but, for one reason or another cannot immediately give clear title and consummate the bargain, or B is not ready on his part; both parties, however, desiring that the bargain shall be binding, seek the services of a Trust Company, A depositing his deed or securities, with proper assignments, and B depositing such part of the consideration as may be agreed upon, usually to become forfeited if he fails to carry out his part of the agreement when the proper time arrives.

I need only point out in this connection that care should be taken in such an escrow that the position of the Trust Company does not become one of stakeholder, since a stakeholder must decide whether an agreement has been properly carried out and be the sole judge of its fulfilment or non-fulfilment; an entirely unnecessary and undesirable position for the Trust Company, unwarranted by any charge it could reasonably make for its services. I venture to suggest, therefore, that in such escrows (and perhaps in all escrows) the instructions to the Trust Company should be in writing and signed by all parties to the agreement. If either the grantor or grantee refuse to join in such instructions, the Trust Company simply sits still and permits them to fight it out; if made a party to any suit, it admits the facts of which it has knowledge and prays the Honorable Court to instruct it as to its—the Court's—wishes, counsel usually asking for a proper allowance to cover their duties in the premises.

Such is the simple escrow.

Next is one somewhat more in vogue a few years ago than at present:

Some wonderful El Dorado, needing only a few dollars for development to make its shareholders "rich beyond the dream of avarice;" or some embryo Standard Oil Company, needing a small amount to dig a hole in the ground and enrich the rest of the world; some such enterprise is capitalized by philanthropists who desire, out of love for their fellow-man to let him in on a good thing by selling him a few shares of treasury stock at ten cents on the dollar (going to twenty cents the next week); being philanthropists—or perhaps because they know each other too well—they do not ask that the money shall be paid to themselves direct, but to a Trust Company, who will hold the stock in escrow and deliver it as sold.

Seriously, gentlemen, I do not mean to intimate for one moment that all enterprises brought out in this way, through the intermediary services of a Trust Company, are of the character sketched above; far from it. But I do want to point out the dangerous features of this kind of escrow and to show the need of very great caution when such a proposition is brought to us. One particular objection to this form of escrow is the very real responsibility put upon the Trust Company.

In the State of New York—and, I believe, in most others—a company cannot issue its own stock for less than par; such stock is often sold—rightly and properly so—by owners who have received the stock at par for property purchased, and in other ways; but when a Trust Company accepts payments for so-called Treasury Stock it should be very sure of the *bona-fides* of the proceedings, should have a very intimate and exact knowledge of the transaction; should, in fact, be prepared to accept the moral responsibility entailed as being a very real and legal responsibility; and that, I opine, is outside the proper functions of a Trust Company.

Again, in this form of escrow there is always the danger of the Trust Company being held liable for the representations and promises contained in circulars and prospectuses, even when its services have been limited to distributing such papers. One or two recent cases in the New York courts illustrate this danger.

Doubtless each of you here can recall various other forms of escrows, which I have not touched upon, but I wish now to take up two very interesting forms with which it has been my good fortune to have had more or less to do in my trust company experiences and which formed the original idea of this paper:

First, That of depositary under a plan of reorganization of some bankrupt property; or,

Second, of the securities of companies which some captain of finance is to weld into one harmonious whole.

While the causes and the result are very different, the details of the work—from the Trust Company point of view—are largely the same; and, so that my paper may not run on to too great length, let me briefly outline a reorganization:

A railroad, let us say, is unable to meet its fixed charges; its earnings have decreased, its expenses increased; some of its largest creditors and those most interested in its welfare have for some time seen the inevitable; they have consulted together and have determined to try to put the road on its feet again, save all that can be saved from the wreck and put it in such condition as to weather any future storms. To this end the co-operation of all interested parties is necessary. A committee is formed, a call issued to security holders, a Trust Company named as depositary to receive deposit of securities and issue receipts therefor.

A cynic might find food for thought in the fact that all the large Trust Companies in New York have an engraved plate of such a receipt at their Bank Note Company, with some hundreds of certificates already engraved and needing only the printing on them of the name of the road and the class of security, to be immediately available.

Securities begin to come in for deposit, by mail, express and over the counter; as received they are ticketed, the ticket showing the class of security, the amount, and the name and address of the depositor. As received over the counter they are examined for endorsement and a temporary receipt given, which must be exact as to the class and amount received, but which allows for more careful examination after the rush is over and before delivery of the formal certificate of deposit, by stating that the securities therein mentioned are received "for examination." This sounds very simple, but we must not lose sight of the fact that we are dealing with an escrow, the parties thereto being the Reorganization Committee and the depositors, and, like the deed in our first illustration, the securities deposited must be a good delivery to one party or the other. Securities (I use the word in its broad meaning) being thus deposited, become the "grant" of our legal definition, the reorganization agreement setting forth the "condition," and the certificate of deposit being the Trust Company's acknowledgment of the obligation. Thus, the theory is simple, the details multitudinous.

I recall a consolidation of the past few years where, on the last day, one hundred and eighty thousand shares of stock were deposited; the day before, one hundred and twenty thousand; three hundred thousand shares of stock, a par value of thirty millions of dollars; and those were the days when every share of stock had to pay two cents transfer tax and each certificate twenty-five cents power of attorney tax. One had to look out for stamps so much in those days that one almost regretted the necessity of teaching Spain a lesson in decency. The Trust Company's receipts having now been delivered there perhaps comes a lull, but often notices must be sent to depositors, assessments paid, which necessitates the return of the certificates to have the payment stamped thereon, and then the reorganization is perfected. The lawyers have been busy all this time, have foreclosed the mortgages, incorporated the new company, and the new securities are ready for delivery. The same process is gone over again. Certificates of deposit come back and receive the *pro rata* of new securities to which each may be entitled. All the Trust Company's receipts having been canceled and all new securities having been delivered, this most interesting of escrows is at an end.

Such is, very roughly, one of the most detailed of escrows and which, with the others I have touched upon, justify, I hope, my subtitle of "varied."

And now as to the "profitable" feature of this form of Trust Company business.

When our simple form of escrow—in my first illustration—is brought to us and we suggest a charge of say fifty dollars, the payer is very apt to ask: "Isn't that rather high for holding a few papers for a short time?" To which the very natural reply is: "Yes, but you want considerably more than that or you wouldn't come to a Trust Company; you want to feel that the negotiable instrument which you are putting in escrow is absolutely safe; that no consideration whatsoever will alter the conditions under which the escrow is established; you want to feel that the depositary will treat all parties with absolute impartiality and absolute fairness; the matter is of importance and so you come to a Trust Company; and, to have that complete "peace of mind" and certainty that your agreement will be carried out fairly and impartially, the charge mentioned is very moderate.

I venture to think that you gentlemen here will agree with that statement of the case.

And so with a moderate charge for a simple escrow, the commission may run into thousands of dollars for reorganization work with its many details and full responsibility.

"The laborer is worthy of his hire," but, as in the parable, the reward is not altogether in the actual pence paid. The commission paid for the actual work of the escrow should not represent the total of the Trust Company's profits; the friends made, the new business brought in, the advertising, should be all considered in the sum total of the profitable side of the business.

In conclusion, gentlemen, I submit this paper to your consideration in the earnest hope that, wherever business lies, this feature may be developed to the mutual benefit and advantage of all concerned.

The Trust Company Movement in the Pacific Northwest.

By P. C. KAUFFMAN, Second Vice-President of Fidelity Trust Company, Tacoma, Washington.

To give the history of the Trust Company movement in a section of the United States, in which it has but started, is almost as difficult as to write a biographical sketch of a new-born infant; necessarily, therefore, most of my observations will be largely speculative.

After setting forth the provisions of the laws regulating their organization and controlling their operation, I will consider briefly the place of the Trust Company in the financial system of the Pacific Northwest, their opportunities for usefulness, and their probable growth.

It should be remembered that the Pacific Coast States are all what are termed Code States; that the Common Law of England is neither the controlling factor in judicial decisions nor legislative enactments.

The Common Law maxim of "time out of mind" has no place in States of so recent an origin. The law of the land is therefore legislative enactment as modified and defined by judicial construction.

Of the three States comprising the Pacific Northwest, Oregon, Washington and Idaho, but two of them, Washington and Idaho, have enacted legislation regulating the organization and management of Trust Companies, and these laws are of too recent a date to admit of any judicial construction or practical experience as to their adaptability and value; the so-called Trust Company law of the State of Idaho having been passed in 1901, and that of the State of Washington, March, 1903.

IDAHO.

The Idaho statute, approved March 16, 1901, is very short, containing but six sections; broad as to power and privileges granted, but lame in restrictions and safeguards. Under the provisions of this act trust companies are authorized—

To furnish abstracts of and insure titles to real estate.

To act as trustee, assignee, receiver, guardian, executor and administrator, and take and execute trusts of any nature not inconsistent with the laws of the State or of the United States.

To act as fiscal or transfer agent of any State, municipality, body politic, or corporation.

To take, receive and hold any and all such pieces of real estate as may be the subject of any insurance made by such company, with power to grant, bargain, dispose or sell, as may be deemed proper.

To purchase and sell real estate and take charge of the same.

To become security for the payment of damages that may be assessed and directed to be paid, for lands taken for the building of any railway, or for the opening of any streets and roads, or for any purpose whatsoever where land or property is authorized to be taken.

To become security upon any writs of error or appeal.

So much as to the powers of Idaho trust companies. As to the restrictions and safeguards, there are practically none, except that the paid up capital of companies organized under this act must be at least $25,000.

There are no provisions regulating or requiring an examination, periodical reports, publication of statements or supervision of any nature whatsoever. The growth of trust companies has been very slow in Idaho, there being at present but two operating in the State—viz:

	Capital.	Organized.
Idaho Trust Company of Lewiston........	$90,000	1902
Cœur d'Alene Bank and Trust Company, Cœur d'Alene	.....	1903

From correspondence I have ascertained that their business at present is confined to that of a regular commercial bank, receiving deposits and making commercial loans, the fiduciary power being but seldom invoked.

OREGON.

There is no special law regulating the incorporation of either bank or trust companies in the State of Oregon, all such companies being organized under the general corporation law of the State; nor is there any provision in the general laws that will permit corporations to act as executor, guardian or administrator; so that the custom in that State has been, when any fiduciary business is entrusted to a trust company, to have one of its officers appointed by the court, the company furnishing the necessary security, and the business carried on the company's books, just as though the company was acting itself.

Neither banks nor trust companies organized under the laws of Oregon are required to publish statements, make periodical reports or submit to any examination or State control.

Nevertheless, hampered as they are, their business is steadily growing. The trust companies at present doing business in Oregon are:

	Organized.	Capital.	Deposits.
Portland Trust Company.............	1887	$300,000	$500,000
Security Savings and Trust Company..	1890	250,000	3,000,000
Pacific Trust Company...............	1902	52,000	......
Title Guarantee and Trust Company...	..	......	......
Security Abstract and Trust Company.	..	......	......

The business of the last two companies being largely devoted to the searching and insuring titles, and managing and selling real estate. All these companies are located in Portland, a city that for years had undisputed control of the trade and commerce of the Pacific Northwest. Notwithstanding the rapid growth of the leading cities of Washington—Seattle, Tacoma and Spokane—the trade and commerce of Portland is increasing by leaps and bounds, and its banks, trust companies and financiers are leading factors in the development of that great territory:

"Where rolls the Oregon, and hears no sound,
Save his own dashings—"

WASHINGTON.

Up to June 17th of the present year the conditions as to organization and management of trust companies in the State of Washington were practically the same as in Oregon.

They were organized under the general corporation act, the only restrictions being a minimum capital of $25,000, of which sixty per cent. had to be paid in, and the double liability of shareholders. An annual report to the State Auditor, setting forth *in extenso* their resources and liabilities, was also required. The Trust Company proper as distinguished from a bank, in the State of Washington, was created June 17, 1903, when the act passed at the spring session of the Legislature came into effect.

Notwithstanding the fact that a number of trust companies—viz.:

	Capital.	Surplus.	Deposits.	ized.
Fidelity Trust Company, Tacoma	$300,000	$40,000	$1,600,000	1889
Spokane and Eastern Trust Company of Spokane.....	100,000	....	3,000,000	1890
Walla Walla Safe Deposit and Trust Company, Walla Walla	25,000	....	......	1900
American Savings Bank and Trust Company, Seattle..	200,000	....	250,000	1901
Northwest Trust and Safe Deposit Company, Seattle.	25,000	....	100,000	1902
Everett Trust and Savings Bank, Everett..........	25,000	....	......	1902

had been organized and were transacting business under the general corporation laws, there was a great divergence of opinion among the judiciary of the State whether in the absence of express statutory authority, such companies could be appointed as executor, administrator, guardian or act in any fiduciary capacity; some of the courts ruling affirmatively and some granting conditional powers, while others denied absolutely all such privileges.

Strange as it may seem, the question has never yet been brought to the Supreme Court of the State for final adjudication. The courts of my county have uniformly held that a corporation, being an artificial person created by law, could perform any and all acts that a natural person could perform, and the Fidelity Trust Company of Tacoma, the institution with which I have the honor to be connected, has been frequently appointed executor, guardian, administrator, or administrator with the will annexed, and such trusts have been duly executed, accounts settled and approved, and the company discharged. We have, however, oeen refused appointments in other counties. Necessarily, therefore, the business of trust companies in Washington, as in Oregon, has been chiefly that of a bank, and all such companies now transact a regular banking business as well, receiving deposits general and special, and making regular commercial loans as well as loans based upon collateral. They all have saving bank departments and are members of the local Clearing House, and stand on even footing with other financial institutions in the State.

In order, however, to settle the question definitely so that fiduciary powers could be conferred upon them without question, and particularly to facilitate the organization of the Washington Trust Company in the City of Seattle, a considerable part of whose capital was to come from East, and which is now in successful operation, with a capital of $300,000 and surplus $200,000, a very carefully worded and safeguarded measure was introduced in the legislature last spring and finally passed and approved by the Governor. One of the amusing incidents of its passage was the stout opposition it received from many members owing to their fear of the word "trust," many of them imagining that some huge combination in restraint of trade or commerce was contemplated. The act was very carefully drawn and its provisions are based principally upon the existing laws of New York, New Jersey and Massachusetts regulating such companies.

The powers granted to companies organized under the act are very broad, comprising in fact every power enumerated in the laws of the States above named, so I will not burden you with what would only be a vain repetition. Suffice it to say, a trust company in the State of Washington organized under the act of 1903 can act in any fiduciary relation, execute or perform any trust either by appointment of court or individual. The restrictions and safeguards are drawn with equal care, the principal ones being:

That in cities of over 25,000 inhabitants the capital stock must not be less than $100,000. Before a company can transact any business the Secretary of State must examine it to ascertain if its capital is fully paid in cash.

The directors must each own not less than ten shares of stock and subscribe to an oath similar to national banks.

It cannot loan to stockholders its trust funds, nor make a loan upon the security of its own stock.

The interests of depositors are safeguarded along the same lines as national banks, and every Trust Company is under the strictest surveillance and supervision of State officials; their solvency and sound management are insured by a rigid system of inspection; all books, records, papers, loans and instruments being open to the inspection and examination of State officials at any moment and without notice. The examiner has power to administer oaths to the officers and employees; the company must make and publish statements of its condition, verified by the oaths of its officers.

The Trust Company movement, as I said in opening, is of too recent birth in the Pacific Northwest to have achieved a position in any degree differing from a bank, in our financial system, save only in those localities where the courts have extended to them fiduciary powers, but it is easy to see that the times are now ripe for their extended usefulness.

It is universally conceded that the twentieth century will be noted as the period of the world's great struggle for commercial supremacy and that the arena of that conflict will be transferred from the Atlantic and Mediterranean to the Pacific and Yellow Sea. The United States, commanding as it does the Hawaiian and Philippine Islands, the most important strategic points in the Pacific, occupies a most advantageous position, destined to make this nation the ruling factor in that great struggle. The possible, n..y, the probable, extent of that commerce is beyond comprehension. Without encroaching upon the great city of San Francisco sitting complacently at the Golden Gate watching the wealth of the Orient pour over its docks, it must still be acknowledged that the Pacific Northwest is rapidly developing into a most important factor in the commerce of the Pacific.

The aggregate commerce of the Orient with the Occident in 1902 was considerably over two billions of dollars, that of China alone being over $300,000,000. Out of this vast commerce the United States had less than ten per cent. Yet is it not clear that when Congress and the people of the United States awake to a full realization of the grandeur of their destiny, and the greatness of their opportunities, considering our central position between the Atlantic and Pacific, 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, we will see the enactment of such legislation as will in but a few years re-establish our merchant marine, cover the Pacific with great vessels, bearing at their peaks the Stars and Stripes, and pour into our treasuries wealth incalculable.

In the development of this vast commerce great will be the opportunities for usefulness for the trust companies of the Pacific Northwest, and when it is considered that the area of the three States, comprising that territory, is over 250,000 square miles, an area equal to that of the New England and Middle States combined, with Maryland, Virginia and West Virginia thrown in, it is not difficult to imagine how great will be their growth in the near future. No section of the United States contains within its boundaries more varied or extensive resources—riches are there in all forms, requiring from man but little more than the effort of lifting his hands in order to secure them. He may pluck gold from the wealth of trees that adorn its western slopes; take it from the watered gardens of its eastern plains, which far surpass in fertility the world famed valley of the Nile; dig it from the hillsides in the form of minerals or dip his seine in the great Columbia River, or in the deep bowl that holds the waters of Puget Sound.

Upon the trust companies will ultimately devolve the work of financing the great enterprises that will develop these abundant riches and resources. The four great natural resources of agriculture, lumber, mining and fishing in the States of Oregon, Washington and Idaho, added to the material wealth of the United States in 1902 nearly $250,000,000 in gold, an increase of nearly $50,000,000 over the preceding year, an amount that will be rapidly increased with the completion of the great irrigation enterprises now being instituted and fostered by the wise decision of Congress and the general Government to "impound the floods and reclaim the arid lands."

The future is bright with promise for the Pacific Northwest and will see the establishment of great steamship lines, immense iron and steel plants and a countless number of manufacturing enterprises to supply the wants of a rapidly growing commerce, and in assisting the growth and development of all these, the trust companies of the Pacific Northwest may be depended upon to do their part.

Detailed Report of Proceedings.

Seventh Annual Meeting TRUST COMPANY SECTION, held at San Francisco Oct. 20.

DETAILED PROCEEDINGS.

The Trust Company section met at ten o'clock A.M. in the California Theatre, Mr. E. A. Potter, Chairman of the Executive Committee, presiding.

The Chairman: Gentlemen, I regret exceedingly that our Chairman is not present. In his absence I will do the best I can.

It is evident that our numbers here this morning are hardly commensurate with the capacity of this room, and I would suggest that the gentlemen in the rear come forward. If they do so, they may be able to hear a little better.

The first business is roll call by the Secretary. As this is rather a tedious proceeding, and as it has usually been dispensed with, I will ask what is the pleasure of the meeting in regard to the rodd call?

(Upon motion, the roll call was dispensed with.)

Address of Welcome, by Mr. F. J. Symmes, President of the Central Trust Company of San Francisco.

Mr. Chairman, and Gentlemen of the Trust Company Section of the American Bankers' Association:

To me has been assigned for a few brief moments the pleasurable duty of extending to you a greeting from the trust companies of California, and from the citizens of San Francisco.

You find us here as a city fairly started in a career of great promise. But cities are not built in a day, or in fifty years. It is nearly two thousand years since the Romans first established their camp upon the bank of the Thames and started the foundation of the great city which has become the metropolis of the British Empire, and it is 240 years since New York first took over the little village of New Amsterdam, and started upon her metropolitan career. San Francisco has had scarcely fifty years since she first took herself seriously, and realized that she was to become a city of importance in the world. Her early life was a rugged and strenuous existence, and for a few years the city consisted of a few shacks and tents upon the beach by the side of this beautiful bay, simply an abiding place for men who came from all parts of the world seeking not San Francisco, but the nuggets and gold dust found in the hills beyond. San Francisco was a stopping place, a place to buy their picks and shovels, their pots and pans, and a place where they might stop on their return and gamble away a little of the dust which they had received in the mountains. It was twelve or fifteen years before we had more than one mail a month, and that going out through the Golden Gate, down around the Isthmus of Panama and to New York. It was not until 1858 or 1859 that we obtained the Pony Express, which gave us an opportunity to send a half ounce letter for five dollars across the continent. A little later the great railroad was established, and in 1869 we looked forward to a sudden development of the country. But the railroad interests were not purely and entirely the interests of the country, and for many years their interests were rather to restrain our growth than to stimulate it, and, we may say, it has only been within the past very few years that the railroads have realized the importance of the development of the country itself, and that we have had what might be called a fair chance for the development of the city and the State. That time has come, the future of San Francisco is assured. It must be evident to you, as it is to all who visit us, that the opportunities of the future are remarkable. And while we have in the State a million and a half of people, and 155,000 square miles, only about ten inhabitants to the square mile, the opportunity is presented to us for that enormous development which has come to the Eastern States and to other countries with far less natural opportunities and attractions than we have here, and it is safe to say that the development here will be enormous in the future; and when the time comes that we shall have, as we shall naturally have, the inhabitants, not ten to the square mile, but one hundred or one hundred and fifty to the square mile, as you have in the Eastern States, San Francisco will be a city of five millions or six millions, and the State a State of twenty-five millions or thirty millions.

In the names of the trust companies of California, the citizens of the State, and the citizens of San Francisco, I extend to you a hearty greeting. We welcome you now for the day or week, and we shall welcome you again, as we have yet to learn of those who have visited us who have not been anxious to come again. (Applause.)

Reply to Address of Welcome, by Mr. E. A. Potter, President of the American Trust & Savings Bank, Chicago, Illinois.

Mr. Potter: In the absence of our distinguished Chairman, Mr. Borne of New York, it becomes my privilege to respond to the cordial welcome which you have so gracefully extended to the American Bankers' Association.

The name "California" is synonymous with all that is broad and generous. Our journey here has shown us that your State is both long and broad, and we have already experienced the generosity of the hospitality of your city.

But how could it be otherwise, living as you do in a climate where the sun always shines on a soil abounding in all the rich and good things of the earth, with your river beds and mountains filled with gold, your valleys and hillsides yielding crops of grain and fruits unequaled in other portions of the earth; with a harbor not only of surpassing beauty, but of capacity sufficient to bear upon its bosom at one time the combined navies of all the nations of the globe? With your wonderful Yosemite big trees, hot springs, roses in winter and snows in the mountains in summer, your State has become the Mecca toward which the tide of travel from the East turns yearly with ever increasing volume.

Standing guard at the Western gateway of this great and prosperous nation, the commerce with the Orient largely in your control, surely San Francisco is blessed above her sister cities with riches that are, and still more that are to come.

Your people are cosmopolitan, composed of the most enterprising from all lands—hence broad-minded and liberal.

We accept your welcome, and thank you for it with the same sincerity with which it is tendered. We are glad to be with you, knowing that we will learn much from you and of you, and that when our visit is over we will leave with the knowledge that your hospitality is as boundless as are the resources of your magnificent State. (Applause.)

The Chairman: The next business in order will be the reading of the report of the Secretary.

Report of the Secretary.

New York, Oct. 1st, 1903.

To the Members of the Trust Company Section:

Sept. 1st, 1902.		
Balance		$2,795.09
Received from sale of Trust Company forms		208.08
		$3,003.17
Expenses meeting of the Executive Committee, New York	$144.00	
Buttons for New Orleans Convention	40.00	
Proceedings, 1902	226.92	
200 programmes	10.00	
Reporting New Orleans Convention	25.00	
By draft Beacon Trust Company, Boston, Mass. returned	12.00	
Other disbursements	25.00	483.25
Balance		$2,519.92

Sept. 1st, 1902, there were 414 members in the Trust Company Section; 16 of these have withdrawn since that date; but as 103 members have been added to our rolls, the net gain is 87, making a total membership of 501, an increase of 21 per cent.

Respectfully submitted,

Jas. R. Branch,
Secretary.

Upon motion, the report of the Secretary was accepted and filed.

The Chairman: The next business in order is the report of the Executive Committee, which devolves upon me.

Report of Executive Committee.

To the Trust Company Section of the American Bankers' Association:

Your Committee note with pleasure the growth in interest in this section of the American Bankers' Association as evidenced by the steady increase in membership, which at present numbers about 500, as against 114 in 1897. While the Trust Company is essentially an American institution, no similar organizations existing in other countries, it is manifest that Trust Companies have become permanent and very important factors in the financial affairs of the United States. Their aggregate capital amounts to nearly two hundred million dollars, and their combined deposits more than one billion five hundred millions ($1,500,000,000). That it is wise for officials of companies having in their charge such vast sums of money to maintain an organization or association and meet together at least yearly needs no argument.

There is now hardly any important corporate enterprise undertaken that the services of a trust company are not enlisted, and in the older cities the trust companies are charged with the administration of estates, the responsibility of which is far greater and more sacred than any other that can be undertaken in business capacity. The opportunity to meet together and compare notes as to methods in vogue in different sections of the country in the conduct of this very important business, the influence that combined effort can exert in bringing about uniform laws in the various States, can be made of incalculable benefit, and your Committee express the hope that each member here present will leave this meeting with renewed zeal and a determination to interest others actively in the work.

Respectfully submitted,

Edwin A. Potter,
Chairman Executive Committee.

Upon motion, the report of the Executive Committee was adopted.

The Chairman: The next thing in order is the paper on "Escrows," by Mr. Philip S. Babcock, Trust Officer of the Colonial Trust Company, of New York City.

"Escrows: A Varied and Profitable Feature of Trust Company Business."

[Mr. Babcock's paper in full will be found on pages 1676 to 1678 of this publication.]

The Chairman: There is a report of the Committee appointed to investigate the subject of Auditors of Trust Companies. It is quite a lengthy document and has been reduced to type and is here in bound form. I think it would tire you to have it read, and I think no doubt you would all prefer to have a copy to take with you and read it at your leisure. Therefore, with your permission, we will omit the reading of that paper and distribute the printed copies of the same.

Report of Special Committee Appointed to Formulate a System for the Audit of Trust Companies.

To the Executive Committee, Trust Company Section, American Bankers' Association:

Your committee, appointed at a meeting held April 22, 1902, charged with the duty of framing and printing a system for the daily audit of Trust Companies, begs leave to report as follows:

At the time of its appointment, your committee was under the impression that many Trust Companies throughout the country had in their employ an officer whose sole duty was to audit the affairs of his company, and the committee understood its duty to be the study of the various systems used by these officers, culling the best methods from each, and formulating the best points so gathered into a complete system that could be adopted by any Trust Company. Such a report, it was thought, would be of great value to the members of the Trust Company Section.

It immediately became apparent to the committee, however, that it was laboring under a mistaken impression. It began its labors in New York, and at once discovered that not a single company in the entire city had in the past employed an auditor strictly so called. Each company in New York had most excellent methods of checking its accounts and safeguarding its assets. Each company had periodical examinations made either by a committee from its Board of Directors or by an expert accountant or audit company employed for the purpose. The methods of the companies varied greatly, but all strove to accomplish the same result. One company had recently taken into its employ an officer called an auditor, whose ultimate business it would be to make daily audits of the company's affairs, but who had not, at the time of the inquiry of the committee, put his plan in operation.

Turning elsewhere, and making inquiries in various sections in the United States, the committee found the same diversified treatment of the subject. As a matter of fact, very few companies employ auditors, but it is fair to say that those who do have an officer whose sole business it is to audit the affairs of the company are loud in their praises of the plan and declare that under no circumstances would they be without such an officer.

Your committee finally arranged for a meeting in Chicago, in February of this year, with Mr. E. C. Jarvis, auditor of the Northern Trust Company of Chicago; Mr. T. R. Robinson, auditor of the Fidelity Title and Trust Company of Pittsburg, and Mr. Claude Hamilton, auditor of the Michigan Trust Company of Grand Rapids, Mich., and to these gentlemen the committee is greatly indebted for valuable information and assistance.

On going into the whole subject very carefully at this meeting in Chicago, it soon became apparent to your committee that it would be quite impossible to formulate any system of auditing that would be applicable to the affairs of all trust companies, for the reason that a system suitable for a large trust company, carrying on a general trust business and banking business in New York or Chicago or other large city, would be practically useless for a small company, carrying on the trust business pure and simple in a small town. As a general statement it may be said that the business of each Trust Company differs from the business of the other Trust Companies—nearly every one has its specialties—and these differences are so very wide and so very marked as to cause the greatest variety in the methods of keeping accounts, records, etc.

With all these points in mind, your committee found itself wholly unable to carry out your instructions, but in order that the members of the Trust Company Section may have the benefit of the information gathered by the committee it has determined to append hereto the suggestions of the three auditors referred to above, each in the form of a report, and recommends to the officers of all Trust Companies a careful study of all three. And from these reports the committee further recommends that each company make up a plan of audit suitable to its own affairs and that an auditor be employed to carry out the plan so devised.

The committee begs further to recommend the adoption of certain so to speak elementary safeguards which can be utilized by all Trust Companies, large or small. It is recognized that one of the greatest dangers of peculation consists in a private conspiracy between the paying tellers and bookkeepers' departments. In order to make this difficult it is recommended that the bookkeepers be frequently shifted, as, for example, the bookkeeper having charge of ledger A-K should be transferred say to ledger S-Z. In companies of sufficiently large size to warrant it, the system of double ledgers should be installed, one being a record of all the daily transactions of the customers, the other showing only the daily balances—each two ledgers, however, covering the same portion of the alphabet. In a particular Trust Company in the minds of the committee, a certain bookkeeper has charge of regular ledger A-K and skeleton ledger (that showing only balances) S-Z. This bookkeeper always has charge of two ledgers, but never of the two ledgers covering the same deposits. It will be seen that frequent changes make impossible any extended conspiracy between the bookkeepers and paying tellers' departments.

Several companies with whom the committee came in contact offer a premium for the paying teller's accuracy. In all Trust Companies or financial institutions where money is paid over the counter the paying teller's cash runs over or short during the year. In the companies above referred to the incentive for correctness is created by offering to the paying teller a bonus, payable at the end of the year, if the differences in his cash are not greater for the year than a certain minimum amount fixed by the officers of the company.

The reports appended hereto treat at length on the dual system of the custody of securities. Your committee regards this system as most important and recommends that it be instituted in every company where it is possible to carry out the plan. The custody of all securities should lie in two officers, neither having access to the securities unless accompanied by the other.

The committee is impressed with the importance of an audit system and unhesitatingly recommends its adoption as a matter of necessity and importance.

ANTON G. HODENPYL,
JOHN E. BORNE, Committee.

New York, September 15, 1903.

SUGGESTIONS FOR A METHOD OF AUDITING TRUST COMPANIES FOR THE USE OF THE COMMITTEE APPOINTED BY THE TRUST COMPANY SECTION OF THE AMERICAN BANKERS' ASSOCIATION.

First. An Auditor to receive his authority from the President and Board of Directors, to whom he shall report periodically the result of his examinations; Auditor to be free from all control or suggestions of other officers as to method and time of making examinations; Auditor's staff of assistants to be under his control exclusively.

Second: Joint custody by two officers of all securities, which joint custody must be maintained at all times. When securities are removed from the vault for any purpose, a form should be left in compartment from which the securities have been removed, giving a list of same, to whom delivered and for what purpose; this form to be signed by both officers. The securities should be replaced before close of business on the same day, or satisfactorily accounted for. This will apply to Trust funds only, as it is not always practicable in the banking department, except as to investments. The working out of the detail of such an arrangement must be left to each company, as its practicability depends entirely upon the officers and the vault space and conveniences. That it should be done, however, I consider most important.

As the detail is somewhat different, I shall consider separately the Banking and Trust departments.

TRUST DEPARTMENT.

(a) When a Trust is accepted the Auditor should verify the securities and property turned over, as shown by the Trust agreement, and follow up this initial examination by seeing that proper entries are made in the various books.

(b) A daily audit should be made of all payments of money or transfers of securities, as shown by daily transactions in the cash book and journal which have been made from slips or tickets initialed by an officer or some authorized employee, or from other books; the slips or tickets to be properly defaced by the Auditor in such manner as would preclude any possibility of their being used a second time.

(c) A periodical examination should be made of all securities held for the various Trusts at irregular and unknown intervals; said securities to be compared with the individual Trust ledgers, and the grand totals with the accounts in the general ledgers.

In making an examination of securities I would consider the following points essential:

Bonds: See that they bear every evidence of genuineness, signed by trustee, etc., and that proper coupons are attached.

Stock Certificates: See that they are signed by the proper officers and bear the corporate seal of the company. I have in examinations at different times come across certificates without the signature of one of the officers or without the seal of the company. Where stocks are held as collateral, be sure that assignment is regular, so that the certificate may be a good delivery.

Notes Secured by Trust Deed or Mortgage: See that notes are identical with those described in the deed and are indorsed, and that the Trust deed bears the certificate of registration by County Registrar.

Mortgages: See that the assignment is regular and recorded.

(d) Examine all bank accounts and verify the balances.

(e) Check in each Trust account all income accruing, as shown by the Trust securities record. This should be done daily by the Auditing staff as the income becomes due. Where real estate is handled, the rent roll should also be checked daily, and if the extent of the business warrant one of the Auditing staff should visit the premises which have been rented at one time and are reported vacant by the books in the real estate department. Where tenants are shown in arrears for rent, a notice or statement should be sent to each person by the Auditing department, with the request that an explanation should be sent direct to that department. For checking income, both for Trust and Investments, I use a card tickler, showing dates of maturity of all income from which are checked credits to income in the various accounts. As all entries for purchase or sale of securities pass through the hands of the Auditing staff in the general checking, the necessary changes are made at the time and the cards are always up to date.

(f) All statements of account as sent to beneficiaries under Trusts should be examined by the Auditing staff and compared with the ledgers before being sent out.

(g) Examination of salary account and other expenses, with vouchers.

BANKING DEPARTMENT.

(a) Daily Routine: In the daily auditing of the general books I include checking of the additions of all remittances, draft and certificate registers and other subsidiary books from which entries are taken. It may be proper to say that no entries for the general books shall be taken from the teller's cash book. I hold it as a fundamental principle that no entries should be made by a teller other than those necessary for him to make in his own blotter or cash book for the purpose of balancing his cash.

(b) Teller's Cash: The teller's cash should be counted frequently, the oftener the better, taking care to examine at the same time the items which he has charged to the clearings or cash collections, both as to amount and the nature of the items.

(c) Clearings: Checks charged to the clearing house should also be carefully examined and balanced as often as considered necessary.

(d) Loans: Should be balanced and notes carefully examined to ascertain that they are properly drawn. Also that partial payments and payments of interest have been indorsed. When secured by collateral, the latter should be examined in the same manner as detailed in the Trust department, and where possible, the value of it determined to insure that the loan is fully secured.

(e) Investments: All stocks and bonds held for investment should be examined in the same manner as described in the securities in the Trust department.

(f) Bank Balances: In adjusting the bank accounts I adopt the following method: All advices received from banks of amounts credited (except collections) are turned over to the Auditing department. These advices are compared with the remittance registers to insure that the whole amount of remittance, as shown by our books, has been credited or accounted for. As the additions of these remittance registers had already been checked and the totals as carried into the general books compared, I think the ground is fully covered for the time being. At the end of the month, or whatever periods statements of accounts are rendered, the statement is adjusted and all outstanding entries reconciled by me personally, before signing report of its correctness.

As foreign banks generally charge up drafts to account of the drawing bank upon receipt of advice, instead of upon payment of draft, I always have the advices compared with the draft registers before they leave the office, initiating both advice and register, with this exception, foreign bank statements of account are adjusted in the same manner as those of domestic banks.

(g) Cash Items: By cash items I now refer to checks received and certified to customers and forwarded for collection and remittance to points where we do not keep accounts. After taking off a balance of this account, there are two methods of verifying the outstanding items: By forwarding a detailed list to each bank of the items outstanding on date of examination and asking them to verify same if on hand or in transit on that date; or by marking them off as returns are received. I prefer the former; the latter, for various reasons, is unsatisfactory, at least I have always found it so.

(h) Individual Ledgers: Individual ledgers should be balanced at irregular and unknown (to bookkeeper) dates. The following plan is adopted here: Ledgers are balanced daily and a list of the balances given to the paying teller for his guidance. Next day these lists of balances are turned over to the Auditing department and put under lock and key, so that they can be compared at any time or on any date, without the knowledge of the bookkeeper. Where other systems are followed other methods of auditing would have to be adopted.

Changing bookkeepers from one ledger to another at frequent intervals and without notice is also an excellent deterrent to any one predisposed to dishonesty, and is a custom that has been followed by us for a long time.

(i) Savings Accounts: In checking the work in the savings ledgers I enter more into detail than in the commercial accounts. Withdrawals as shown by withdrawal receipts and the deposit tickets are checked daily into the respective accounts and are also checked with the entries in the journal which is footed and the totals as carried into the general books compared. The ledgers are balanced at intervals also.

(j) Certificates of Deposit, Cashier's Checks and Certified Checks: Balances of these accounts should be taken off from the items shown as outstanding in the registers. As the entries in these registers have been made from the requisitions initialed by the officers or employee who signed the document, by a clerk other than the one who received the money, and the additions and the total as carried into the general books have already been checked daily, while the payments have also been checked daily from the particular check or certificates which has been canceled by a member of the Auditing staff, I consider there can be little chance of manipulation by any dishonest employee. Great care should be exercised to properly cancel a paid check or certificate to preclude all chance of its being used a second time. All spoiled forms should be accounted for and initialed for opposite the respective number in the register, or on the counterfoil or stub, if such are used.

(k) Collections: A difficult department in a bank to safeguard, as there is nothing to balance with, unless collection accounts are kept in the general ledger, which is so cumbersome and entails so much labor that I believe it is not generally followed in this country. The most efficient way to audit this department is to put a member of the Auditing staff in charge of it for a time, say during the vacation season for a couple of weeks; any irregularities are then likely to turn up.

(l) Closing entries: The closing entries for the quarter, half year or year, as the case may be, carrying the profits and expenses into profit and loss account should be carefully examined and verified.

All calculations of interest on demand loans, accrued interest on certificates of deposit and unearned interest on bills discounted should be checked before the closing entries are made, but this should be a part of the routine work of the office and belongs more properly to the accounting department.

It is not always easy to define the line dividing the responsibilities of the accounting and Auditing departments. The two should always be in close touch with each other. It certainly should be within the province of an Auditor to watch closely the system of accounting to see that no lax or dangerous methods are permitted to creep into an office, while to the former falls the disposal of the clerical force, the arrangement, division and efficient performance of the routine work. A proper division of the work among the clerks with a due regard to safety should always be the aim of both Auditor and accountant, and this division and subdivision is, if intelligently made with that aim in view, one of the best preventives of systematic defalcations. With a proper system of accounting a portion of the auditing becomes almost automatic. Without such a system no method of auditing ever devised can be effective.

E. C. Jarvis,
Auditor Northern Trust Company, Chicago.

Suggestions in Relation to the Work of an Auditor of a Trust Company.

1. The Auditor should be subject to the instructions of only the President or Board of Directors, or of both; and he should not engage in nor assist in any of the work of the company at the direction or request of any authority other than these.

2. He should familiarize himself with every branch of the work of his company so thoroughly that he should be able, always at his own suggestion or volition, to assist, or indeed to take the place of, for a brief period, any clerk or subordinate officer. And practical application of this feature will be of great value in the general effectiveness of his work.

3. He should keep a daily journal of his work; this for the inspection of the President or Board of Directors, if they wish to so inspect, and also for his own use in informing himself as to the periodical completeness of his audits. He should also make such reports to the President or Board, on general or upon particular matters, as the President or Board may desire or direct.

4. It is not necessary, and it is often not best, for the Auditor to work out to completeness any branch of audit undertaken at any given time. Sections of any branch of audit may be done at different times. His journal will inform him as to the completeness of audits, as referred to in paragraph No. 3.

5. The Auditor should be furnished with the daily or other statements of the condition of the company, and a special feature of his duties should be the investigation of such statements as often as may be practicable, to the end that he may satisfy himself and be able to satisfy the President or Board that such statements truly represent what they claim to do.

6. An Auditor should have the courage to ask the most pointed questions of officers and employees, and to call for the instant productions of papers or books; and on account of this feature an Auditor needs to possess and exercise the greatest tact, so as not to make himself offensive nor unduly troublesome.

7. The extent of an Auditor's work in a thorough checking of entries in cash books, journals, ledgers and other records must be determined by the force of assistants at his disposal, whether one or more of such assistants, or none. His journal will indicate very clearly whether his work is satisfactory to himself and to his superiors, consistent with the facilities given him.

8. An Auditor must take and work upon the system of accounts in force with his own company as he finds it. And as each company differs to a larger or smaller extent from others in system, and as each system has its features of more or less weakness, comparatively, an Auditor should direct his best watchfulness upon such supposed weak points in the system of his company.

9. The Auditor's journal should contain suggestions and recommendations as to changes in system which in his judgment are desirable. In this way and in addition by timely mention to the President, he will place himself on proper record. Should trouble come to his company, the Auditor will stand or fall principally, of course, according to the merits of the particular case, but also according to the degree of diligence in his work as shown by his journal, and also to some extent according to whether his proffered recommendations have or have not been adopted.

10. From all ledgers and other books capable of such test, trial balances should, of course, be taken at proper intervals, and such trial balances should be promptly and regularly filed with the Auditor. There are also features involving the collection of certain revenues, such as rents for instance, concerning which written statements can be made, which statements should be made and filed with the auditor. And all of such trial balances and statements should be certified as correct by the person immediately in charge. The Auditor should endeavor to secure such signed trial balances and statements from as many departments of the company as is at all possible. It is presumable that in many cases intending wrongdoers will hesitate, with good results, before certifying a false trial balance or statement. It will probably not be possible for the Auditor to check and verify all of such trial balances and statements; as to which of them shall be verified is a matter for the judgment of the Auditor.

11. For reasons indicated in paragraph No. 8, it is regarded as very difficult, if not impossible, to detail a uniform system of auditing Trust Companies so as to cover all the various branches and include new matter always liable to arise; so that the writer of this paper feels constrained to touch upon but few specific points, as follows:

12. Deposits: With Trust Companies where two or more individual bookkeepers are employed upon several ledgers, the bookkeepers should be changed about from the different ledgers at intervals, all according to the direction of the Auditor. Also, no company should allow pass books to be balanced by the individual bookkeepers; such balancing should be done by an entirely different clerk. Then with these safeguards the Auditor in his examinations will check trial balances with ledgers. He will also have an easy access for the examination of particular accounts to which his attention may be attracted, the files of deposit slips and the files of paid and canceled checks. He will have for mailing, personally and without the knowledge of others, to depositors whose accounts may attract his attention, a notice requesting a prompt sending in of the pass books for balancing; such notice to be properly worded so as not to excite suspicion. He will have free and easy access to the signature and address records giving the addresses of all depositors. He will try to require the constant correcting of such addresses, to the end that he may at all times be in shape to promptly communicate with the depositors.

13. The last part of the preceding paragraph should be applied generally to all the departments of the company to the same end as is there indicated.

14. Loans: The examination of loans should be done in the usual way, the inspection of paper, the examination of the collateral, the checking with the trial balances, the comparison with the ledger account, etc. This branch of the work should include the examination of the interest payments upon loans. For the accounts of brokers working under general collateral agreements instead of specified notes, the best method of auditing is to have the Auditor at proper and practicable times make a list of collateral actually on hand as he finds it and to take such list to the broker's office and check same with the broker's books.

15. Examination of Trust Securities: The system of the company should provide for advising the Auditor, or for enabling him to otherwise know, of the entrance of new Trusts upon ledgers, and he should thereby verify such entries of new Trusts by checking with the original inventory or other satisfactory evidences. Thereafter the Trust ledger accounts should be the data for him with which to check the securities in his periodical examinations of same. In large Trusts and of long standing, where securities have been much changed by increasing or decreasing or disposal, checking with the original ledger entries is difficult. With most Trust Companies there are secondary accounts kept, ledger or otherwise, showing the net securities at present on hand; such for instance as the card system, having a head card for name of estate and a card following for each security with all particulars of same thereon, kept corrected to date. The Auditor may, for greater expedition, take such secondary accounts for checking with the securities, provided such secondary accounts are not accessible to the persons having access to the security safes; but even then there should be occasional checking between such secondary accounts and the original matter in the ledgers. As to a proper custody of securities, Trust and otherwise, during examinations, it is very difficult to find a satisfactory method that is really practicable in a large and busy Trust Company. The idea of the writer of this paper is that in all such examinations one of the chief officers of the company should appoint a subordinate officer or chief clerk of the company to be with the Auditor during such examinations, disallowing suggestions or request of the Auditor as to who such assistant shall be; the Auditor having the right to require the immediate appointment of such assistant whenever and as often as he, the Auditor, may request. The

writer of this paper considers a rule providing for dual entrance to security safes, for the changing of securities, etc., to be of the greatest importance. In the inspection of securities an Auditor cannot be expected to pass upon the legality of documents, but he should use his layman's mind for the catching up of irregularities, omissions in execution, etc., to the best of his ability.

16. General Ledger: In the banking department the Auditor should make periodical examinations of the general ledger, which is perhaps the fountain head of all the business of the company, by inspecting every account and by investigating such accounts of entries as may arrest his attention. He should keep a careful watch of every detail of the profit and loss account. He should also make similar inspections of Trust ledgers.

17. Journal Entries: No entries should be made in ledgers without first originating in cash books or journals, and for all journal entries the bookkeeper should first have, as his authority for making such entries, slip entries duly approved by a proper officer; and the Auditor should not pass any journal entries without such approved slip entries.

18. Loose Leaf Ledgers: Where such ledgers are used, the Auditor should see that all loose leaves when ordered are numbered in consecutive order, that proper registers are kept in the using of the leaves, that all persons receiving supplies of such leaves are properly charged with same, and that in this way every leaf ordered and received by the company is properly accounted for Spoiled leaves, or leaves given away as samples, should be so indicated in the register, with the initial certification of two officers. The loose leaf ledger is one of the most convenient, and at the same time one of the most dangerous innovations of modern bookkeeping. But it has no doubt come to stay, and an Auditor should try to apply proper safeguards accordingly.

19. Receipts and Disbursements: As a general rule the Auditor will have evidences, of one kind or another, to satisfy himself concerning disbursements. He should scrutinize all such evidences with the usual proper care. The matter of receipts is more difficult to handle; but the Auditor should endeavor to see that all due income is properly accounted for; by proper dual system of sending out bills and the payment of same; by calling for signed statements concerning due income proving to be uncollectable; and by proper personal investigations.

20. The Audit of the Payment of Interest Coupons and of the Redemption of Bonds of Other Corporations: The System of the company should provide that the clerk in charge of such payments shall cancel such coupons and bonds each evening without exception; and that he shall thereupon pass such coupons, etc., to a second clerk for custody and for verifying as to count and total cancellation. This verification by a second clerk may be done on the next succeeding day. The length of time intervening before detection of fraud arising from omission of this dual feature of this rule varies with the frequency with which coupons are surrendered to customers, whether monthly, quarterly or semi-annually. The Auditor should count such coupons and verify with ledgers, to such an extent as he may have time and facilities so to do.

21. Escrow: The writer of this paper thinks that too little importance is attached in most companies to the proper entering and auditing of escrow matters; and that such that is recorded on slips, with however great care, should instead be made matters of permanent record. His idea is that there should be an imperative rule requiring all escrow matters to be detailed in proper ledgers, by a clerk designated for that purpose, to the end that the Auditor may be enabled to examine such securities, etc., the same as other securities of the company.

22. In connection with the examination of securities, Trust and company, a good arrangement is for the Auditor to do the work of clipping the maturing interest coupons. This work will take but little of his time additional to that of the audit work: it will provide opportunities for audit at each period of such clipping; and it will save a separate handling of securities for coupon clipping purposes by some other officer of the company.

23. The writer regards the system of his own company, the Fidelity Title and Trust Company of Pittsburg, in general and in detail, as a model in general excellence. In some details its particular system does not agree with the suggestions, etc., embraced in this paper; but the writer has had in view, in this paper, Trust Companies in general, and banks and Trust Companies and corporations with which he has had more or less experience in auditing.

T. R. Robinson,
Auditor Fidelity Title and Trust Company, Pittsburgh.

Suggestions as to the Auditing of Trust Companies.

The business of a Trust Company itself, and the various classes of business in which different Trust Companies engage, make it difficult to give any set rule or form for a complete audit.

In addition to the audit of the Trust Company's own assets, the various relations in which the Trust Company is acting as trustee, executor and other Trust capacities, each one of which is a business in itself, requires for it a special audit, and in the audit a consideration of that particular Trust.

The writer has therefore divided his suggestions as to making the audit under two heads:

1. The audit of the Trust Company's own assets.
2. Of the assets which it holds in Trust.

The business of the Michigan Trust Company is divided into five departments: Teller's or banking department, mortgage department, real estate department, Trust department, safe deposit vaults, besides the auditing department, which is a department in itself.

Each of the departments partakes of the daily system of checking which is in vogue with us.

RECEIPTS CHECKED.

Receipts from all departments pass through the teller's department each day, and are accounted for by entries in ink on tickets; entries are made from these tickets by the various clerks, on the auxiliary books in the different departments, such as the general ledger, the mortgage record, the rent record, the safe deposit record, and the general ledger of the Trust department.

These tickets are returned to the audit department every day at the close of business, and are checked with the teller's cash book the first thing the next morning; in this way all tickets representing receipts are accounted for and checked with the teller's cash book. The tickets are then filed.

VOUCHERS AUTHORIZED AND CHECKED.

Tickets for disbursements of expenses and all other items are O-K'd by an officer, and receipts of payees are part of the daily tickets which pass through and are examined by the Auditor. Disbursements for trust account are made by duplicate vouchers, the duplicate being used as a memorandum from which entries are made in the various books of record, and are returned to the audit department at the close of each day's business to check the teller's cash, the original being sent out for payee's signature and return.

All tickets, both for receipts and vouchers for disbursements, after having been checked with the teller's cash book, are inspected by the Auditor to see that the same have been properly made out, and that all entries have been duly made on the books of record of the various departments, we having adopted the system of having a check mark on each ticket made for each book of entry in a department. The Auditor from his familiarity with the system can tell by glancing at the ticket whether the entries have been made.

CASH.

At irregular intervals once a month, the cash in each department, the teller's department especially, is checked up and counted.

BONDS, SECURITIES, ETC.

During each month the bonds and other securities belonging to the company are checked, the actual bonds being counted and verified with the charge to bond account on the general ledger.

ACCOUNTS WITH RESERVE BANKS.

The accounts with reserve and other banks are reconciled the first day of every month.

MORTGAGES CHECKED.

The mortgages are gone over every month in the same manner as far as possible as the bonds, the notes being inspected for indorsement of principal and interest, and the total amount of the mortgages verified with the debt to that account on the general ledger.

INCOME DUE COMPANY.

To check the income due the company, such as interest on bonds, interest on mortgages, interest on demand and time loans, fees, due from the Trust departments, safe deposit vault, box rentals, we adopted a book in which could be entered each demand and time loans, providing columns for the interest maturities and principal payments. The mortgages are entered in the same way, and the fees from the Trust department in practically the same way, by giving a space for each Trust, a column for the payment of the fee and another showing the date on which the fee should be paid. The rentals from the safe deposit vaults are given a line for each number of box and the renter's name, a column for the maturity of the rental, and a column for the payment. This book is kept exclusively by the Auditor, and as the tickets which we have before mentioned are turned in for all the departments, he reserves the company's income tickets and enters them up in the various columns in this book. At the end of each month he goes over every income account carefully, such as demand and time loans, mortgages, trustee's fees and safe deposit vaults, and by glancing down the maturity column and the column in which the payments have been entered during the month, he is enabled to see whether every item of income due the company has been paid during that month. He makes a list of the items which are unpaid, and looks up each one for an explanation.

BALANCES OF PRINCIPAL.

He also balances his income record as to principal payments, his record of time and demand loans; mortgages and all other accounts appearing in his record being balanced each month with the debit appearing on the general ledger, which is a further check.

This will give as completely as is possible an audit of all the company's assets, and keep check on the items of income due the company.

MONTHLY INSPECTION.

A monthly inspection is given each department in addition to the above audit, to see that the various books of account are properly written up and that nothing is lagging.

INDIVIDUAL ACCOUNTS.

Our company does not engage in a general banking business, and has comparatively few individual accounts in comparison with other companies; so that suggestions from our auditing department would not probably be practicable for other companies, but the accounts which we have we purpose to have written up once a month and statement made to the depositor. Each of the statements of account as they are sent out are examined by the Auditor.

AUDITING OF TRUST ACCOUNTS.

Trust Statements.

It is our practice to render our statements where we are acting as trustee for individuals quarterly. As executor, administrator and guardian we are required by court to make an annual accounting.

TRUST INCOME.

The statement is drawn off in rough from the general ledger of the Trust department, and the Auditor goes over each statement, making an audit of that particular Trust as though it were a separate business in itself.

INTEREST AND DIVIDENDS.

All items of interest are compared with the last statement, to see if the annual and semi-annual or quarterly dividends and interest follow the income from the statement before, and that the income corresponds with the actual securities listed in the Trust.

RENTALS.

The rentals are compared with the rentals appearing on the rent record of the real estate department.

It has been found very hard in the matter of accounting for rentals to give this a complete audit, and it can only be done by an intelligent comprehension of the earning capacity of each property. In case where property with a large amount of rentals is in any Trust, one realizes that this is difficult, and only an approximate audit may be obtained.

DISBURSEMENTS.

The disbursements are checked with the vouchers which, as mentioned before, have been retained, and filed with each trust.

SECURITIES.

The bonds, moragages, bills receivable and other securities are checked with the records of each department, and the actual securities themselves checked with the statement where it is necessary other than the general checking of the securities as stated below.

DISPOSITION OF STATEMENTS.

After the statement has been checked over, it is O-K'd by the Auditor and typewritten, and in the case of a trusteeship sent to the beneficiary and receipt inclosed for signature, as a verification. This blank when returned is attached to a duplicate copy of the statement and filed away with the papers in that trust.

SECURITIES.

We have mentioned in Trust accounts that the actual securities are checked when necessary with the account appearing in the statement. This would be true of stock certificates and notes and mortgages, and in some instances of bonds, but the bonds held in Trust are checked in a much more effective way.

The bonds belonging to Trusts are kept in a special safe in the safe deposit vaults, and access is given to them only by two officers of the company at once. If any bonds are taken out, a slip is put in their place.

In the Trust department ledger appears a column outside of mortgages, for securities, which includes the bonds which are itemized in the various trusts.

Every month the Auditor draws off from the Trust department ledger a list of all bonds, and has the Trust department safe opened by two of the officers, and in their presence checks up the bonds with the actual list which he has obtained from the Trust department ledger, and verifies the actual securities.

This will cover the audit of all our accounts in a general way. It has been found very difficult to express, without a very extensive paper explaining each record of the company and its system of bookkeeping, the manner of our auditing. We have found, however, that the Auditor must not merely work in a machine way, but must have an intelligent comprehension of all matters in the company's interest, and in that manner only can an audit be successful.

CLAUDE HAMILTON.

Assistant Secretary The Michigan Trust Company, Grand Rapids, Mich.

The Chairman: The next in order is a paper by Hon. Lyman J. Gage, President of the United States Trust Company of New York, and ex-Secretary of the Treasury, on the subject of Trust Companies as Trustees. In Mr. Gage's absence, our Secretary, Mr. Branch, will read the paper.

"Trust Companies as Trustees," by Hon. Lyman J. Gage, President United States Trust Company, New York City.

[Mr. Gage's paper in full will be found on pages 1675 to 1676 of this publication.]

The Chairman: I am sure we are very much indebted to Mr. Gage for the very interesting paper he has given us which we have just heard read.

We will now listen to an address by Mr. P. C. Kauffman, Vice-President of the Fidelity Trust Company of Tacoma, Wash.

Mr. Kauffman: Mr. Chairman, and gentlemen of the Trust Company Section, at the recent convention of the bankers of our State, our retiring President, ex-Governor Moore, made an observation that the communications of the banker are usually "nay," "nay," "yea," "yea," as more than that is superfluity. Bankers usually read their addesses. So I trust I will be pardoned "in reading mine." Following his example, I trust you will pardon me for reading my address to-day.

"The Trust Company Movement in the Pacific Northwest."

[Mr. Kauffman's paper in full will be found on pages 1678 to 1679 of this publication.]

The Chairman: The opportunity now exists for short talks upon any subject that is interesting, or anything that is pertinent to the paper that we have just listened to.

Mr. Clark Williams, Vice-President of the United States Mortgage & Trust Company, of New York City:

CASH RESERVES OF TRUST COMPANIES.

There has perhaps been no question so generally discussed among Trust Company people in the East during the last year as that of a required cash reserve, and in view of possible legislation affecting the matter in several States, it may not be amiss to give you a few facts which have not yet been published bearing on the situation in New York.

At the time of the promulgation of the rule requiring trust companies clearing through the New York Clearing House to keep a cash reserve in vault of five per cent. of total deposits, which reserve is to be increased to ten and later to fifteen per cent., the United States Mortgage & Trust Company received from the other trust companies in Greater New York figures necessary to enable us to make a comparison of facts relating to the business of the trust companies and the clearing banks, which I hope will be of general interest as bearing directly on the question of the necessity of these reserve requirements for trust companies. The deposits of forty-nine trust companies in Greater New York amount, in even thousands, to $741,060,000, against the clearing banks of $944,790,000. The cash resources of these trust companies amounts to 16.81 per cent. of their deposits, as against the banks' reserves of 26.45 per cent.

It should be borne in mind that the statutes under which these trust companies in New York conduct their business necessitate the investment of capital in certain prescribed securities, and the deposit with the banking department of approved securities equal to ten per cent. of this capital.

In a fair consideration of the subject, it should also be remembered that the trust companies include, in figure of total deposits, moneys held in trust and time deposits which are not subject to withdrawal at will. Although the deposits of the trust companies and banks are as 741 to 944, the exchanges and checks drawn against these trust companies during the year ended December 31, 1902, amount to only $4,725,750,000, as against checks on the banks paid through the New York Clearing House amounting to $74,753,180,000, or only 6 per cent. of the total clearings and checks drawn in New York.

It would seem from these figures that the bulk of the trust companies' deposit business still differs from that of the banks by a surprising margin, and that the necessity for the maintenance of the prescribed cash reserve in vault may be a little overdrawn.

The Chairman: If no other gentleman present has any subject he would like to bring up, or any remarks or discussion to offer on any of the papers that have been read, we will proceed with the regular routine of business, which will be the nomination and election of three members of the Executive Committee to serve for the period of three years; also the election of a Chairman and Vice-Chairman of the Trust Company Section.

ELECTION OF OFFICERS.

Mr. Clark Williams: Mr. Chairman, it gives me great pleasure to nominate as Chairman of the Trust Company Section of the American Bankers' Association Mr. Breckinridge Jones, Vice-President of the Mississippi Valley Trust Company, of St. Louis, Mo. We all know Mr. Jones, and it would be presumption on my part to say anything in his behalf.

Mr. Hartley, President of the Citizens' State Bank, Arkansas City, Kansas: Mr. Chairman, I take pleasure in seconding the nomination.

The Chairman (after a pause): If there are no further nominations, is it your pleasure that the Secretary should cast the vote for Mr. Jones as chairman of this section?

Upon motion the Secretary was instructed to cast the vote of the section for Mr. Breckinridge Jones as Chairman.

The Chairman: Mr. Breckinridge Jones is unanimously elected chairman. Nominations for Vice-Chairman are now in order.

Mr. August Schlafly, President of the Missouri Trust Company, seconded by Mr. A. A. Jackson, of the Girard Trust Company, of Philadelphia, nominated Mr. E. A. Potter, President of the American Trust & Savings Bank of Chicago, for Vice-Chairman.

There being no further nominations, the secretary was directed to cast the ballot of the Section for Mr. Potter, and the ballot was cast accordingly.

The Chairman: Next in order are nominations for three members of the Ex cutive Committee to serve for three years.

Mr. Clark Williams, Vice-President of the U. S. Mortgage & Trust Company, of New York City, was nominated.

Mr. Jackson: Mr. Chairman, I desired to nominate Mr. Williams myself. I take pleasure in seconding the nomination.

The Chairman: Two other nominations are necessary, and in order.

Mr. E. Shorrock, President of the Northwest Trust & Safe Deposit Company, of Seattle, Wash.: Mr. Chairman, I nominate Mr. E. H. Reninger, Treasurer of the Lehigh Valley Trust & Safe Deposit Company of Allentown, Pa. Mr. Reninger has taken a great deal of interest in the work of this section.

The nomination was seconded.

Mr. Locke, Trust Officer United States Trust Company, St. Louis, Mo.: Mr. Chairman, it seems to me in view of the general hospitality we are receiving from California, that some gentleman from this State should be on this committee. I, therefore, wish to nominate the President of the Mercantile Trust Company of San Francisco, Mr. Frederick W. Zeile.

The nomination was seconded by Mr. A. McCracken, of the Central Trust Company of Camden, N. J.

The Chairman: If there are no other names to be presented, we having had three gentlemen already nominated, I presume the same course will be pursued in the matter of balloting for these names which has been pursued in the election of the other gentlemen.

Upon motion, the Secretary was instructed to cast the ballot of the Section for Mr. Clark Williams, Mr. Edward H. Reninger, and Mr. Frederick W. Zeile as members of the Executive Committee.

The Secretary cast the ballot as instructed, and the Chairman announced that the gentlemen named were elected.

The Chairman: Our programme gives opportunity for suggestions for future work of the trust company section, and if any gentlemen present have suggestions they would like to make from the floor, we would be glad to hear them. If not, the Secretary would be glad to receive communications in writing.

Mr. Shorrock: Mr. Chairman, as Mr. Potter has been elected Vice-Chairman of the Section, it may be necessary to nominate some one in his place as a member of the Executive Committee.

The Chairman: The Executive Committee will take note of that fact.

REASON FOR SMALL ATTENDANCE.

Mr. A. A. Jackson: Mr. Chairman, this is my first visit to this Section, and as you have kindly said that any of the members may make suggestions for future work, might I ask whether it might not be well for some strenuous effort to be made during the next year to obtain a larger representation than we have here, larger in proportion to our membership? I do not mean by that to say that a strenuous effort has not been made; but it seems that we have a small number present in proportion to our membership, and it would be very gratifying to us if it could be made larger.

The Chairman: I think that is an excellent suggestion. I would like to say that this meeting is the smallest in number of this Section that I have ever attended. I presume this fact is accounted for very largely by reason of the fact that the trust companies of the country are, to a great extent, located in the Eastern cities, and the distance to San Francisco is great, and many members who would have attended, perhaps, for this reason have not deemed it convenient or wise to make the journey. At our meeting in Milwaukee, and at our meeting in Cleveland, and also at our meeting in New Orleans, we had a large attendance. I am sure that is nothing against the location of this convention, but still it has probably been a matter of inconvenience for a great many members to attend. I presume that the present financial condition of the country, particularly in Wall Street in the East, may have had something to do with deterring some other members from coming here, who would have been glad to attend.

I think the suggestion of Mr. Jackson is an excellent one, and in my report to the Executive Committee, I call especial attention to this—that every member should endeavor to interest others who are active in the work, and really interested in the work, to attend these meetings of the Section.

SUGGESTIONS FOR GATHERING INFORMATION.

Mr. Benjamin I. Cohen, President Portland Trust Company of Oregon: Mr. Chairman, some years ago there was a book gotten up by some one in reference to trust companies that was of inestimable value. We have quite a large business in what I call trust by private agreement. We have revised our old forms. I have been in the habit of going East once a year, and exchanging views with other trust company people, in order to learn from them what they are doing. It seems to me we ought to have a special bureau established, or at least some individual appointed, to whom the different companies could send copies of anything unusual in the way of trusts, that they are handling, so that others might have the benefit of that information. It might be a valuable thing to do something of that kind. I was visited by a trust company officer in one of the States of the Middle West, and when I spoke to him about what we were doing in this line of business, it was all entirely new to him. I frequently have had the same experience myself, other people have mentioned matters connected with thir business which has been new to me.

I merely mention it as a suggestion.

The Chairman: I think the suggestion is an excellent one, and it seems to me that the appropriate place for all such forms and literature to be centered is with the Secretary, Mr. Branch, who is conveniently located in New York City, and has the disposition and the facilities to attend to that matter.

Mr. Shorrock: I would suggest as following on that the desirability of not waiting for requests nor inquiries, but that the secretary should disseminate that information to the members of the section. The Trust Company Section has, as I understand it, two or three thousand dollars on hand, and that money could be very well expended in disseminating information of that character. The United States Mortgage & Trust Company of New York has recently issued a valuable publication covering the statements of the trust companies there. Matters of that kind I think could well come within the purview of this Section, and that this information should be disseminated in the way that I have indicated.

Now, other matters might be taken up in the same way. The matter of safe deposit boxes and deposit funds is something that might be gone into. The laws governing safe deposit boxes vary throughout the country, and it is a matter of doubt in the minds of many companies how they stand, from a legal point of view, in many contingencies. I think that is a very important point. The Committee could ascertain, through inquiry from the various companies, what difficulties they have met with, and how they have overcome them. They could ascertain what laws they have found to prevail, and some steps might be taken, I think, for codifying the various laws on this subject. This is, as we recognize, a very important part of Trust Company operations; but, as I have said, so far as I have been able to ascertain, the exact liabilities of a company, and the steps it should take to meet those liabilities, are more or less unknown and in a very unsatisfactory state.

I make this as an additional suggestion for work for the Executive Committee.

Mr. Kauffman: Following the suggestion of Mr. Shorrock, Mr. Chairman, the American Bankers' Association, as I know, has been active in securing the enactment of a uniform system, or, rather, a uniform negotiable-instrument act, which is now in force in probably fifteen or twenty of the States, and will ultimately undoubtedly be adopted by every State in the Union.

Our decisions in the State of Washington are very conflicting as to the responsibilities of the company in the matter of safe deposit boxes; that is, as to the power of the court to open those boxes when controversies arise between individuals, forcing the companies to go to considerable expense in defending actions where they have no interest whatever in the ultimate result. It might be possible that this Section could have drafted a law regulating the safe deposit department of Trust Companies, regulating rights and responsibilities, have an investigation made along that line, and have a law of that sort introduced and made a uniform law. Let it follow the course that the negotiable-instrument law did.

The Chairman: The Chair desires to announce that there will be a meeting of the Executive Committee of this Section immediately after the adjournment of this meeting, to be held in the room at the Palace Hotel immediately adjoining the Maple Room.

VOTE OF THANKS.

M. A. V. Heely, of the Farmers' Loan & Trust Company, New York: Mr. Chairman, before we adjourn I am sure we all feel very much indebted to the gentlemen who have prepared papers and given us the benefit of them here to-day, and I move that we extend a vote of thanks to those gentlemen.

The motion was seconded by Mr. Jackson, and, upon vote, unanimously adopted.

Upon motion, a vote of thanks was extended to the citizens of San Francisco for their cordial welcome and hospitality.

Upon motion, a vote of thanks was extended to the retiring officers.

Thereupon, at 12 o'clock M., the Section adjourned.

MEETING OF THE EXECUTIVE COMMITTEE OF THE TRUST COMPANY SECTION.

The Committee met at 12.30 o'clock.

Present: Messrs. Potter, Branch, Clark Williams and Edward H. Reninger.

Upon motion Mr. Clark Williams was chosen Chairman of the Committee.

The minutes of the last meeting were read by the Secretary and, upon motion, approved.

Upon motion of Mr. Potter, Mr. James R. Branch was elected Secretary of the Trust Company Section of the American Bankers' Association for the next year.

The Chairman: Gentlemen, is there any further business?

Mr. Potter suggested that the important thing for the Committee to do is to interest men actively in the Trust Company Section work. He spoke of the laws pertaining to estates and the administration of trusts, and how these laws vary in the different States, making it difficult and complex sometimes, to know what to do.

Mr. Branch stated that there had been a committee working toward securing uniform laws, that this committee had been doing work along this line for five or six years, and had met with considerable success.

Suggestions were made by all the members of the Committee present in reference to the possibility of securing revision of the laws, and the securing of uniform laws relating to the business of trust companies.

Mr. Branch suggested that if a committee could be appointed, the Chairman of which would remain permanently as Chairman, that much more could be accomplished than by having a Chairman who would change every year.

Mr. Potter tendered his resignation as a member of the Executive Committee for the reason that he had just been chosen Vice-Chairman of the Trust Company Section, and as such would be, *ex-officio*, a member of the Executive Committee.

Upon motion, Mr. A. A. Jackson, of the Girard Trust Company of Philadelphia, was elected to fill the vacancy on the Executive Committee caused by the resignation of Mr. Potter.

Thereupon, at 12.45, the Committee adjourned, subject to the call of the Secretary.

SAVINGS BANK SECTION

AMERICAN BANKERS' ASSOCIATION

First Annual Meeting, Held in the City of San Francisco, October 20, 1903

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Trust Accounts in Savings Banks

By WILLIAM HANHART, Secretary Savings Bank Section.

The subject of the so-called "Trust Accounts" in Savings Banks has always been a difficult one to handle; the matter is apparently a little intricate, the usages of Savings Banks differ greatly, and so does their experience, and it is with the desire of somewhat clearing up the matter that I venture to state in as brief a manner as possible, and in a general way, the governing principles underlying the subject, with the hope that by giving the views of an experienced Bank Officer, I may draw out the opinions and experiences of others, older in the business, and with a better understanding, and more competent to reason the subject out. That wonderful collection of wise saws, Solomon's Book of Proverbs says: "In the multitude of counselors there is safety," and indeed it might be added, there is also wisdom, and I should much like to hear the opinions of others, feeling satisfied that a free and full discussion will prove of benefit to us all; it may be as well to state that I don't mind one bit being interrupted, and if what I shall say does not appear to you correct, or clear, please say so, bearing in mind that I am no lawyer, but merely a plain, everyday sort of a layman.

To begin with, it must be understood that I address myself only to savings institutions, both mutual and capitalized, doing a real Savings Bank business, and not to savings institutions that are especially empowered by their charter, or by the laws of their State, to accept and carry out trusts, the latter have trust officers, and also counsel to advise them in all cases. I am but a layman, speaking to savings institutions who accept deposits of trusts, or in trust, mainly as depositories of the funds, and acting under the common law generally recognized throughout the United States; and, therefore, I do not take into account the special conditions, or modifications, if any, that may be imposed upon them by the statute law of their respective States; only few States, however, have special laws governing such Savings Banks accounts.

In the first instance, let us consider what accounts are usually called trust accounts; they may be broadly stated as all accounts that are opened, or transferred, not simply in the name of one depositor, but having attached to them some qualifying clause, such as in trust for another, or for another, or opened in several names, or in the name of a society or corporation, or payable in a certain contingency, etc., etc., in short, all accounts that are not simply in the name of the one depositor; for the purpose of clearness, I will divide them in six parts—viz.:

1st. Accounts opened by one person for another, or in trust for another.

2d. Joint accounts.

3d. Alternative joint accounts.

4th. Accounts of administrators, executors, guardians, etc.

5th. Accounts payable in a given event, or subject to special conditions or limitations.

6th. Society or corporation accounts.

And I will now proceed to discuss these several divisions:

The accounts opened by one person, called the "trustee" in trust or for another person, called the "beneficiary," or "cestui que trust," are the most common form of trust accounts, and the only ones justly entitled to be called trust accounts; the practice of Savings Banks differs considerably in handling them, the most usual way being to allow the trustee control of the fund during his lifetime, and if the account is still open at his death, to pay the remaining balance to the beneficiary, or "cestui que trust;" in a large majority of cases, they are "bona fide" accounts, opened by thrifty depositors, who desire that in the event of their death, their wife, or husband, or child, or some near relative, receive certain sums without incurring the expense of engaging lawyers, paying surrogate or probate fees, etc., etc. The amounts are usually small, and in most cases the recipients can ill afford the time and money needed to probate a will or petition for the appointment of an administrator. It has been said that it is not the business of a Savings Bank to make the will of a depositor, but I fail to see any serious objection to it as long as this so-called will disposes only of money deposited in the bank, representing the savings of thrifty hard-working people, who wont bother with lawyers, and will make no will. However, it may be said in a general way, that these accounts cannot be usually considered as legal and valid trusts, but that they are voluntary trusts, the trustee when opening the account stating that he intends it for the benefit of a certain person, the "cestui que trust;" he keeps full control of the account during his lifetime, and this is correct, as the quality of a trust is that the trustee does not part with the property, but keeps it under his control; at his death, the fund, or whatever balance there is left, is to be paid to the beneficiary named.

In the absence of other notice, these accounts may be considered as constructive trusts, and in some respects they may also be likened to a gift "causa mortis," but with this difference, that in the latter case, the donor must die of his then existing sickness to render the gift valid; with this exception, they are very similar to them, and, like them, require a witness, and in these accounts the bank is the witness. As a matter of fact, if the matter is brought up for judicial decision, it will be found that the intent of the depositor, at the time of deposit, governs, and that all the surroundings, facts, circumstances and declarations will be taken into consideration. Whether the trustee made the deposit a gift, "inter vivos," with himself as the self constituted trustee the bank knows not; the consensus of legal decisions appears to be that something more than the mere opening of an account for another, or in trust for another, is necessary to make the deposit an actual gift—that is, either a gift of the bank book to the "cestui que trust," or some act or declaration to show the intention of the trustee; to infer a gift from the form of the deposit only is not usually considered sufficient. So far as the bank is concerned, when at the death of the trustee, the "cestui que trust" presents the bank book and demands payment, the bank may well understand that the gift has been completed, and that it is authorized to pay him.

In some States the statute law recognizes and regulates these accounts; for instance, in my own State of New York, the Savings Bank law permits the funds to be paid to the "cestui que trust" at the death of the trustee; in the absence of notice in writing of the existence of a legal and valid trust, this obviates the necessity, which otherwise would exist, of applying to the Supreme Court for the appointment of another trustee, as it is a principle of the law that a trust is not impaired by the death of the trustee. Common law, however, usually governs these cases, and generally speaking, it may be said that a fund left voluntarily in trust by one person for another person, and without any further notice, may be paid to that person at the death of the self-constituted trustee, and so far as the bank is interested, it is quite safe for it to do so, and that it is carrying out the intention of the depositor, as stated, by him when opening the account.

It sometimes happens that at the death of the trustee, his legal representative presents the bank book and demands payment; in such cases, whenever possible, endeavor to obtain the receipt of the "cestui que trust" in addition to that of such legal representative; but if found impracticable, a payment to this legal representative, in the absence of adverse notice, is lawful, as it has been decided that the bank has no right to inquire into the character of the trust, and owes no duty to the beneficiary, until the latter, by notice, or forbidding payment, or demanding it for himself, created on the part of the bank such right and duty. However, experience has repeatedly shown that payment to the "cestui que trust" is best and safest, for it often happens that after payment is made to the legal representative of the trustee at some future time the "cestui que trust" hears of the existence of the account, and then he promptly sues the bank; of course, the bank has a valid defense, but all this is avoided when payment is made to the "cestui que trust."

In some cases the "cestui que trust" is fictitious, the deposit having been made in the form of a trust account so as to benefit from the higher rate of interest allowed by some banks on smaller deposits, or to avoid the legal or fixed limit of deposit; this need occasion no worry, although, of course, such accounts should not knowingly be accepted and are not desirable; but if they are opened, in the event of the death of the so-called trustee, a payment to his legal representative is absolutely safe and lawful, as there naturally can be no adverse claim from the imaginary "cestui que trust."

Another contingency is the death of both the trustee and the "cestui que trust" while the account stands open; if the latter died first, it may well be considered that the trust is extinct, being a personal one, and payment may be made to the legal representative of the trustee on presentation of the bank book; if the trustee died first, payment should then be made to the legal representative of the "cestui que trust."

It may also happen that the "cestui que trust" finds out, at the death of the trustee, that the fund originally deposited in trust for him, has been withdrawn by the trustee previous to the latter's death; he then sues the trustee's estate for the amount, and sometimes the bank also; but I need hardly say that the bank has a perfectly valid defense. It may be said, in a general way, that the bank knows nothing as to the equities between the trustee and the "cestui que trust," and is simply acting as a depository of the funds of the depositor, agreeing with him that at his death, in the absence of adverse claim, it will pay whatever balance remains on the demand of the beneficiary.

Regarding the form of these accounts, I advise that they be opened simply in this way: "John Brown for son James," avoiding the use of the word trust; the bank not being empowered to carry out trusts, and acting only as a depository of the funds, with a simple, possible, contingency; out of "abundant caution" avoid even using the word trust; in the same line of caution do not transfer such trust accounts from one beneficiary to another, or to another account, but let the trustee withdraw the deposit and close the account, and then, if he chooses, he may open another account in trust for some other person, or in any other acceptable way.

Accounts are sometimes opened thus: "John Brown in trust for his children," or "John Brown in trust for his children, Mary, Jane and James;" these accounts should be refused, as the omission of the names of the children may give trouble in case of children born after the date of opening of the account, or in case of deceased children leaving descendants; at all events, not more than one beneficiary should be named, as the death of one of several named beneficiaries may complicate matters considerably; better give John Brown several books, one for each of his children for whatever amount he desires him or her to receive.

Avoid also opening accounts with two trustees, such as "John Brown and wife Mary for daughter Jane," or "John Brown or wife Mary in trust for daughter Jane," it will surely lead to unwelcome complications. Do not open such accounts as "John Brown, Trustee," or "John Brown, in trust," without naming the beneficiary; in short, let all trust accounts, such as we have been discussing, be opened simply by one person, or trustee, for one other person.

In Great Britain, it is permitted by law to the depositor, when opening his account, to designate the person to whom he desires the balance to be paid in the event of his death, and he may change this beneficiary at will; but I understand that this method would conflict with the laws of the different States here, and is, in fact, impracticable.

To resume the whole subject, I will state that in my opinion, Savings Banks accounts opened by one person for, or in trust for, another, may, at any time, be withdrawn by the trustee, and in the event of the death of the latter, the remaining balance, if any, should, and may safely, be paid to the "cestui que trust" on presentation of the bank book and in the absence of adverse claim; but if the "cestui que trust" is not to be found, or does not exist, and the legal representative of the trustee presents the bank book, payment may be made to him in the absence of adverse demand.

Joint accounts, such as "John Brown and Tom Jones," subject to withdrawal only on receipts signed by both parties, are opened by some Savings Banks, but I have always considered them unsatisfactory to both the bank and the depositors, and experience has proved them to be dangerous, because in the event of the death of one of the parties, the question invariably arises: May the bank pay on the receipt of the one surviving depositor? To whom did the fund really belong? Of course, payment may be refused and a settlement waited for through the Courts, but this is not advisable in any event, and for years past many of the progressive banks have refused to open such accounts: they are not safe to the bank, and often become a source of contention, lawsuits and quarrels among the depositors, and I advise refusing them altogether.

We now come to the alternative joint accounts, such as "John Brown or wife Mary," the agreement of the bank being to pay either one of these depositors on presentation of the bank book; such accounts I consider as safe to the bank, and without doubt they are very useful and helpful to the depositors; in the majority of cases they are opened jointly by near relatives, such as husband and wife, mother and daughter, sisters, etc., etc.; who clearly and easily understand that any one of them may withdraw the funds, and also that the death of either does not interfere with the account, in so far that the survivor may withdraw or transfer the balance. The bank takes no account of, and ignores the death of one of the depositors, as the survivor is sufficient to withdraw, and in the event of the death of both depositors while the account is still open, and in the absence of adverse claim, payment to the legal representative of the last survivor is correct and lawful. Depositors of such accounts may be legally termed joint tenants, the fund being payable to either one of them or to the survivor; and, indeed, I know of one Savings Bank who entitles these accounts on the bank books in this fashion: "John Brown and Mary Brown, joint tenants, payable to either on presentation of the book, or the survivor." This seems very comprehensive. It is well for us to bear in mind that deposits in the alternative form represent usually the joint total savings of poor and thrifty people, who think it useless to make a will, and wont employ lawyers; they understand that the survivor takes, and I consider that the bank is quite safe in such accounts. The savings institutions, to whom this is addressed, have for their principal object the providing of safe depositories for the comparatively small savings of the frugal and thrifty, and they should provide their patrons with all possible conveniences, within the bounds of safety, for the handling of as well as for the disposing of such small savings.

Before discussing the accounts of executors, administrators, guardians, etc., I must repeat that I am addressing only banks acting as depositories of the funds, and making no undertaking as to carrying out the trust; with this understanding, I will now proceed.

Executors' accounts should always be opened in the name of the estate, whether they be new accounts, or transferred from the account of a deceased depositor, and power should be given to the executor to make withdrawals; as a general rule, when several executors are named, the receipt of any one of them who has qualified, is sufficient to bind the estate. In the event of the death of the executor, the only safe course for the bank is to pay on letters of administration, "cum testamento annexo"—that is, with the will annexed; payment under similar circumstances has been made to the legal representative of the executor, and has been upheld in some Courts, but I would advise against it, as it may involve the bank in litigation, while payment to a legal representative of the estate, presenting the bank book, is always lawful and the safest way.

The above remarks apply to administrators' accounts, except that if several administrators are named, it is safer to pay only on the joint receipt of them all; in the event of the death of the administrator, you should require the appointment of an administrator, "de bonis non," on the estate, and pay him only.

Guardian accounts should be opened or transferred in the name of the guardian, stating the minor's name; in the event of the death of the guardian, it is well to require that a new guardian be regularly appointed, unless the minor has, in the meantime, reached his majority, when payment may be safely made to him, or her, as guardianship ceases, "ipso facto," when majority is reached; if the amount is small, and no new guardian is appointed, it is often found convenient and advisable to wait until the minor becomes of age, when payment made to him becomes legal. If the account is opened by, or in the name of, a minor, payment to such minor at any time is legal in most of the States.

The papers appointing a committee, or guardian in lunacy should be closely scrutinized, and proof shown of the filing of a sufficient bond; the laws of the several States vary considerably on this subject, but we must not lose sight of the fact that in this blessed land of ours no man may be deprived of his property without due process of law, and it is well for us to see before transferring a lunatic's account to his committee, that all the proceedings were regularly conducted. Some States have special commissions in lunacy, which simplify matters considerably; but, as a general rule, I will say that Savings Banks not authorized to undertake trusts are better off without such accounts, which properly belong to trust companies; if they are only transfers from the accounts of depositors who have become insane, they are justifiable, but the bank must use its best endeavors in protecting the interests of such unfortunate depositors.

Letters of administrators or testamentary granted in another State, or abroad, are of no force in your own sovereign State; in such cases, at the death of the depositor, ancillary letters should be required; many banks, however, will pay if the foreign administrator or executor assigns his claim and interest to a person residing in the State where the funds are; payment to such assignee is usually considered safe, for the reason that a payment made to a foreign administrator or executor not being enforceable, is a voluntary one, and is no defense to the bank, while a payment made to his assignee resident of the State may be considered as not voluntary, because this resident may enforce his claim through the Courts, and therefore, everything else being correct, this payment becomes a lawful one.

Accounts payable in certain contingencies, such as to date of payment, or subject to any special limitations as to payment of principal or interest, are not desirable, and I advise all Savings Banks not specially authorized to carry out trusts, to refuse them; they involve a risk and responsibility foreign to their business, and should be turned over to the trust companies who are especially empowered to act in such cases.

The practice of Savings Banks differs widely as to society accounts, many refusing them altogether; there is no denying the fact that they are occasionally troublesome, because of dissensions in the society, or among its officers, but with reasonable care I believe that they may be safely opened. These accounts are usually those of charitable, benevolent, religious or fraternal associations, lodges or councils, and sometimes of pleasure or social clubs; some banks require the signatures of a given number of a majority of trustees; others require the production of the by-laws showing the authority of trustees or officers to make withdrawals, but many of these societies have no printed by-laws at all, and are not incorporated. I advise opening all such accounts in the name of the society, and make them subject to the draft of a designated officer; when opening the account, an extract from the minutes of a general meeting should be presented, attested by the president and secretary, giving the resolution empowering the designated officer, until further orders, to deposit and withdraw from the bank the funds of the society; if there is a seal, keep an impression of it and require it on all drafts, notices, etc., as additional security. When a change of officers occurs through death, resignation or election of successors, require a certified copy of an extract of the minutes of the meeting giving signatures of newly authorized officers; a blank form of authorization, drafted by the bank, should be used.

And now to resume and conclude this long discussion, I will state that within reasonable limits, and subject to the special laws of each State, Savings Banks who exist primarily for the accommodation of the thrifty poor, the industrious and careful mechanic, artisan and clerk, for the women and children, and for all who are desirous of improving their condition and safeguarding their future, I say that Savings Banks should use their best endeavors to accommodate their depositors and encourage them in their saving habits; as a rule, these depositors know nothing as to the law, cannot afford to employ lawyers, and they place their reliance on their friendly Savings Bank, expecting it to carry out their wishes; some of the older Eastern Savings Banks have become so conservative that they refuse accounts other than those opened in the name of one person, on the ground that all others give trouble and involve risk; but, it may be asked, is it possible for us to receive deposits, loan and invest, and make payments, without incurring some risk? We shall always have some trouble in business, but as long as we adopt simple and reasonably safe rules for the conduct of our business, exercise vigilance, wisdom and good common sense in handling accounts, I believe that the risks are comparatively small, and only such as are incident to any business of this character. I would caution my friends, fellow officers of Savings Banks, against turning over to their lawyers the settlement of their trust accounts; confer with your lawyers from time to time, get clear ideas of the laws of your State, watch the decisions of your highest Court (the lower Court's judgments in Savings Banks' cases are often extraordinary and conflicting), and then make up your mind and decide as to the best course to follow. Personally I have great liking and respect for lawyers, and occasions will arise when you will be glad to have a good one to take up a case for you, but I earnestly advise especially the younger Savings Bank officers to themselves study the banking law, watch legal decisions, frequently confer with other Savings Bank officers, in short, to fit themselves to handle intelligently and successfully the increasing business that will surely come to the progressive savings institutions, who desire to accommodate their depositors by opening for them these so-called trust accounts.

Legally, the relation between the Savings Bank and its depositor is that of debtor and creditor, but morally we may well consider ourselves as trustees, and, as such, bound to act as the best friends of our depositors, as well as their bankers; we must realize their limitations, help them in all that is safe and practicable, and inspire them with a feeling of friendliness with the bank as well as a knowledge of the safety of their savings; by doing so, we shall carry out the purpose to which the majority of us owe our corporate existence, and that is the furthering of our magnificent system of Savings Banks, self-educating and helpful, a maker of character and good citizenship, unequaled in all the world, and having now in its care over $3,000,000,000 of the savings of our hard working, thrifty and enterprising people.

Savings Banks That Have Failed.

By Hon. Willis S. Paine, President Consolidated National Bank, New York City.

Savings Banks are a latter day institution. This fact is evidence that in the development of the world's civilization the moral and material keep each other company and progress to a common end. The countries that are developing material prosperity witness the growth of benevolent institutions among their people—institutions for the care and comfort of the dependent and the housing of the great army of incapables.

Any institution that encourages frugality and provides means for the safe-keeping of savings serves a better purpose in inducing provision for the future than do almshouses for the improvident. Viewed in this light, Savings Banks cannot fail to be regarded as among the most beneficient of our modern institutions. I venture to express the conviction that however the people of the State may desire to accumulate, by securing large returns for the use of their money, those people sadly miss it who do not lay up in the present as against the inevitable future. That State misses it which fails to provide for this purpose by establishing Savings Institutions for the encouragement of thrift, where savings may be deposited in security, and the laborer may, when the years have gone by, and the hand has lost its cunning, have recourse to a fund provided through sacrifice and which the inducements of the well managed Savings Bank have enabled him to accumulate.

The recent wonderful development of our country has made us a nation optimistic, yet the experiences of the past, with its failures, should not be forgotten. Rightly utilized, they should give us accurate judgment in place of a cheery expectancy born of desire. And here let me say that with some exceptions and because of the very character of those exceptions, the broad claim that our mutual or non-capitalized Savings Banks are to-day the strongest corporations, in a comparative sense, of all the financial institutions of our land, is fully substantiated. It may be thought a strong statement to say that directors of Savings Banks should be held to the strict accountability of individual trusteeship. We admit that Savings Banks are corporations, and this would seem to absolve individual responsibility, as incorporation usually does. But reflection will show that this peculiar and individual trusteeship and its resulting duties is a verity.

When I became the receiver of the Bond Street Savings Bank of New York City this rule was emphasized in the litigation against the trustees of that institution, and it was held that a Savings Bank was itself a trustee; that its function was the receiving of deposits and the investment of them for the use of the depositor, and that every transaction of the Savings Bank was made under fiduciary responsibility. This in substance was the opinion of the able referee, Clifford A. Hand, who tried the case in the first instance; when he made this ruling it was considered by the Bar one of striking force and novelty.

It was this general rule of trust relation of Savings Institutions, as well as the innate justice of the ruling, that at the meeting of this Savings Bank Section last year at New Orleans induced me to oppose the latter-day tendency to tax Savings Banks deposits. Considering that Savings Banks represent the frugalities of a people; considering, too, that these people form a part of the great multitude who pay the bulk of indirect taxation; and considering that they are conducted for the public good and not for corporate or personal aggrandizement, it seems only just that they should be freed from the burden of taxation by the State, as is the case with other beneficent institutions.

To tax the deposits in Savings Institutions is to discourage the placing by wage earners of their gains with such corporations. Not only are the dividends which they receive lessened by the amount of the tax paid, but the knowledge that the earnings are to be taxed and thus diminished acts as a deterrent. To tax the accumulations of the provident poor is often to tax the insurance which protects their offspring from becoming public charges in the event of the death of the parents. Yet the Legislature of the State of New York enacted a law the year before last which provided that every Savings Bank shall pay an annual tax equal to one per cent. on the par value of its surplus and undivided earnings. The unwisdom of the enactment of this law is evident when it is remembered that a surplus is created to the end that when investments depreciate the depositors may receive in full upon demand the moneys deposited together with the earned interest. It is especially the duty of this Savings Bank

Section to foster a growth of public opinion adverse to this phase of tax legislation. The incumbent of a Savings Bank receivership is necessarily brought into close contact with the sufferings of deserving people caused by its failure, and is thereby deeply impressed with the absolute necessity of throwing every possible safeguard around their deposits. He realizes also that the taxation of these bulwarks against socialism is as wrong as the enactment of loose statutes relating to investments, and let me further say, socialism is a coming danger that must not be ignored. The figures made public by the Commissioner General of Immigration for the year ending June 30th last show that during that period the alien arrivals reached the wholly unprecedented number of eight hundred and seventy-five thousand and forty-six; this is an increase of thirty-two per cent. over the preceding twelve months. Only eight thousand seven hundred and sixty-nine of this number were debarred upon the ground that they were paupers, contract laborers, convicts, or for other reasons; if the present rate of increase is maintained the total number coming to our shores this year under our existing lax immigration laws will exceed a million.

To a very material extent those who came in previous decades seeking a haven in the land of liberty and plenty were alien only in name and were half assimilated before they arrived. They were industrious people who meant to make our country their permanent residence. They did not colonize in the slums of our great cities, but passed through and casting their eyes Westward took up land for homes. They were comparatively a well-educated, enterprising people from Great Britain, Ireland, Germany and Scandinavia. The majority of them were not Slavs, Bohemians, Latins and Asiatics, most—I do not say all—of whom are fitted only for low grades of manual labor.

Formerly our immigration was composed of families with some pecuniary resources, while now they are predominantly of limited capacity and of a comparatively low order of intelligence.

It is a noteworthy fact that seven-tenths of the total immigration of the year 1902 was from Austria, Hungary, Italy and Russia, forming classes which do not readily adopt our customs. The American spirit is foreign to them and non-assimilating. Such immigration is still pouring in at high tide, with the quality as inferior as the quantity is extraordinary. These unleavened masses speedily develop recruits to our criminal classes and create the well-termed "foreign quarters" in this city of San Francisco. Unhappily these abnormal masses have found their way all over our land.

With hundreds of thousands of immigrants coming into our great cities year after year the prospect of lean years, when there are no wages to be earned, must be viewed with distrust. If those who now swell the ranks of cheap labor are dissatisfied under existing circumstances of material prosperity, what may we not expect to see when these prosperous conditions fail. And when the present remarkable industrial activity subsides and financial depreciation obtains, as is inevitable, may we not see great suffering, not only among those whose wants are small, but among those others of a higher plane of living who are to-day competing with the recent arrivals? Much has recently been said by the financial journals concerning "undigested securities." Quite as great an evil in the body politic is liable to follow from what may be termed "undigested aliens."

In connection with the Savings Banks failures hereinafter mentioned, it may be stated nearly all occurred in the same general period that followed the financial upheaval of the year 1873. It may not be extreme to say that the unprecedented depreciation of real estate in this country thirty years ago was so tremendous as to justify its characterization as a financial cataclysm.

The fall in real estate prices in New York City and Brooklyn in 1873 now seems to us more like the puncturing of a colossal balloon. Preceding that year extremely high prices, not justified by economic bases, were the rule, thus making an unsound market value. This will be appreciated the better when we consider that after all the general improvements which followed the elevated railroads and other changes in local transportation, with the large amount of added value from the increment of a score of years, the highest prices of 1873 were not reached until 1893. This literal panic of 1873 stopped building construction for at least six years. It will be readily seen that the Savings Institutions, so vitally interested in real estate through their mortgage investments, would naturally feel the shock of the tempest. Indeed, it is remarkable that so many survived!

There are but few who can foresee a financial panic; although it has well been said that President Cleveland foretold the financial storm so intimately connected with the earlier silver issue. Nothing is more unexpected than such financial tempests. Who could have predicted with intelligence that the failure of the Ohio Trust Company of 1857 would bring on the fatalities of that year, or that Jay Cooke's downfall of 1873 would inaugurate the losses of that period? With uncertainty always present there must be constant vigilance. No man can deduce an absolute rule of safety—that is beyond the limitations of humanity, but there is a logical deduction that follows past experiences and justifies our careful attention.

An examination of the Savings Institutions in the State of New York that have failed reveals three general causes of failure. As a first general cause I would specify the "available fund" clause in many of the charters of these failed banks, created by special legislation. By "available fund" clause, I mean the indefinite omnibus provisions for those special charters which permitted investments other than those especially authorized, but not exceeding a fixed amount, in "such available form as the trustees might direct." Under the fancied shelter of this vicious clause the trustees forgot their trust duty, and were tempted by the speculative fashion of the time. In the strong-boxes of many of these insolvent banks were found large blocks of repudiated bonds of Southern States, unsafe railroad bonds and other questionable securities, showing the speculative tendency of so-called "trustees" with the trusts committed to their care.

It is interesting to note that this so-called "available fund" was actually meant to be a "reserve fund," although it would be closer to the fact to term it the "speculative fund" of these institutions. It is also singular that this fund, although intended as reserve, was not made proportionable to resources or deposits, but was fixed at an arbitrary amount.

Another peculiar feature was that this reserve was not necessarily to be held in gold, silver or bank notes, or even negotiable securities, but it was to be, in the exceedingly liberal words of the charters, in "such available form as the trustees might direct."

Under an amendment of the Constitution of the State of New York all special charters were abrogated and a general law was enacted. Later, under a revision of the statutes affecting Banking Institutions, in which I was fortunate to have an active part, this general law was incorporated and the "available fund," with its widely discretionary powers that were so grossly abused, no longer exists.

As a second general cause of failure I would name incompetency or carelessness in the Board of Trustees. Poor advice can be had for the mere asking, and indifferent or personally weak trustees may bestow a modicum of time or thought upon a business that brings them little or no compensation. As relating to this matter, let me say that in the official report of the Receiver of the Mechanics' and Traders' Savings Bank of the city of New York that officer states as follows: "Among the incorporators there were many well-known citizens. Only a few of them, however, appeared to have attended the meetings of the Board of Trustees or to have shown any active interest in the welfare of the institution. From the first it seems to have been controlled by a few men, not the best or most capable." In another part of the same report he makes this statement: "It is now well known that a number of the trustees of this institution have been insolvent for years past; all have neglected or mismanaged their trusts, and several have, for alleged services, withdrawn large sums of money for their own use."

When the doors of the Clairmont Savings Bank were closed the Bank Superintendent learned that the funds of depositors were used as the capital of the money exchange and discount broker in the adjoining building!

An instance of sham financiering is shown in another failure of a Savings Institution where the only cash asset found was $5.00 and some odd cents. Here the trustees, desiring to make a big showing for an official report, handed in checks for $60,000, and thus inflated the deposits. These checks were returned and the entries were canceled after they had served their purpose, and the same method was adopted in following reports.

Personal vanity was the motive for establishing some of the unsuccessful banks. I recall one instance where a prominent politician conceived the ambition to become a bank president. He straightway had a Savings Bank incorporated by special charter, and his family became the largest depositors. A remarkable feature was the fact that he paid out of his personal funds the chief clerk's salary. After his ambition was in this direction satisfied he spent a term in State's prison for his connection with the Tweed frauds.

The failure of the Clinton Savings Bank in the city of New York was due to the exceedingly injudicious investments made by the directors in the stocks of a trust company and of other like corporations which became insolvent. It should be added, however, that several of the directors exerted themselves strenuously to repair the loss of the depositors by expending a considerable amount of their own funds to keep the bank from being dissolved.

As a third general cause of failure I would designate the element of positive dishonesty. Yet this has appeared so infrequently in Savings Bank management as to justify the belief that it is less common than sporadic crime in average humanity. A case of unquestionable reproach is to be found in the Teutonia Savings Bank of New York City, which failed in 1878. The Secretary of this institution adopted the plan of making false entries on the books, so as to make it appear that the bank in buying securities paid more than the actual purchase price. The difference between the false price and the actual price was taken from the bank's cash and divided among the trustees, to whom it was paid as "thieves' money," as Charles O'Conor termed the dishonest division of cash spoils, by inclosing the share of each trustee in a sealed envelope directed to him and handed to him in person. Running along with this plan of robbery was another scheme. The salaries of the principal officials were doubled and the additional amount was divided equally among the trustees. When this institution failed its depositors lost over $200,000.

When the receiver of the Rockland Savings Bank was appointed he found ten memorandum checks aggregating over $12,000, drawn on a neighboring national bank by the secretary, which had been counted as cash by the officers, although absolutely valueless. The president had been guilty of like offences. The receiver obtained judgment against the president for $39,020.32, and against the secretary for $39,022.17, both of which were found to be wholly uncollectible. In another case a Savings Bank was openly made the annex of a nearby bank of discount, and it thus became a source of supply for the discount bank. When the latter failed it was found the deposits of the Savings Institution had been swallowed by its neighbor. These are but typical instances. Of the Savings Banks that have failed in the State of New York, twenty-eight owed depositors $14,720,292.40. The net loss to depositors aggregated about $4,000,000, and of this deficit over $1,000,000 was charged to the Third Avenue Savings Bank of New York City.

Efforts in the New York Legislature to unduly extend by statute the scope of Savings Bank investments have been closely watched by the ever-faithful body of men who are ready to oppose any movement that suggests the chance of undue risk. Conservative management is the rule. It is only natural that this should be so. They realize that Savings Institutions are of the people and for the people. They cannot be bought by any so-called "Banking Trust." The people's savings are now the special care of capable and disinterested men of affairs, whose safe-guarding is a form of practical patriotism that is not fully appreciated. Much has been done in the way of restricting the discretion of trustees and limiting their power of doing harm. A closer system of inspection and control has been adopted. At the present time, if a trustee is insolvent or becomes a non-resident of the State, his position becomes vacant. The trustees still serve without compensation, but it has come to be realized that the general good name and high standing of trustees of savings institutions make the position one of honor as it should always be of the strictest financial integrity. That so many men in active business life, some of large means, give at the present time so much of their time and energy to the care of the people's savings, makes one think well of humanity.

The earnings of the workingman are the interest on his capital of strength and skill. These Savings Bank deposits are his surplus income brought into being by reason of his ambition. The moment he opens an account with a Savings Institution he is a capitalist and thus becomes a conservator of order. These depositors and earners are truly, in a democratic sense, the "salt of the earth," as they are, in fact, the very backbone of the nation. The conservators of their funds must themselves be men of integrity. The history of the failed Savings Banks proves this statement to be eminently true.

A word as to the supervision of Savings Institutions by the State. This supervision in the interest of safety and good management does not prevail in all States, but is seen at its best in the States of Connecticut, Massachusetts and New York, where the strongest and largest Savings Banks are to be found. The colossal deposits of savings in these three commonwealths have drawn the attention of the ambitious, and many attempts have been made to get similar results without adequate restriction. It is not in any spirit of criticism, but under a sense of duty, that I feel compelled to say that outside of New York and New England there are but few States where fully protective Savings Bank legislation exists. In several of the States there are concerns, some in corporate form, others as quasi-copartnerships and some with insignificant capital, actually doing the business of Savings Institutions. A portion of them are under no restriction as to the use to which they may put the accumulations of the multitude, and the security exacted is far from adequate. Nor do depositors, whose moneys are subjected to the hazards of the ordinary business of such depositaries, duly participate in the profits of such organizations, for these accumulations are to a material extent diverted to the pockets of the managers and stockholders of these establishments. The abuse of this method of conducting a Savings Institution will surely crop out. When we see such institutions managed for personal profit it is easily understood why in some instances unscrupulous promoters have been known to promise liberal dividends. The natural result of the rule of great gains and great risks may soon be seen. It would not be correct to sweepingly assert that Savings Institutions outside of State supervision are unwisely managed. They are directed by the personal equation that happens to control, but there is no adequate government by law, no system of safeguarding the interests of the modest earners who go to make up the great mass of depositors in Savings Institutions. The Asbury Park, N. J., failure of last year and the more recent one in Bessemer, Ga., are instances where the savings of self-sacrifice were swept away with great suffering to the depositors.

A more recent proof of this grave necessity is the conviction under the State penal statute, the 14th day of last month, of the executive officers of the Mercantile Co-operative Bank of Freehold, N. J., which also carried on a Savings Bank business.

A shrewd man of affairs may hesitate to risk his means in an investment which his judgment tells him is hazardous, yet when acting in a fiduciary capacity the hope of favorable results, especially if he is to be personally benefited, may obscure his judgment and even dull his conscience. Misfortune to a bank does not necessarily imply dishonesty in management. Nevertheless, he whose duty it is to conserve the savings of the poor must remember that the exercise of this duty is the most sacred of trusts. Trustees must not be permitted to neglect their plain duties, and every State should at least enact a law that a deliberate misuse, an intentional misappropriation of property in the keeping of such officers shall be severely punished as a crime.

I repeat that socialism is a coming danger. I predict it will be, to a material degree, the "ism" of the future. If the prediction is well founded the present "ism" among those who listen to my words should be patriotism. Not the patriotism that contents itself with the explosion of fireworks on Independence Day to celebrate the anniversary of the adoption of a Declaration one hundred and twenty-seven years old, but the patriotism that may induce the members of the body I am now addressing to stand in line to register and again to stand in line and vote and to induce others to vote for the candidates who will pledge themselves to adopt remedial legislation. This is now absolutely necessary in a number of our commonwealths. It is true that such legislation is purely a matter of State control and naturally a diversity of opinion in the matter will exist. But the man who will inaugurate in those States now lacking a statutory plan, a conservative and workable scheme of legislation, will surely earn a full meed of praise. If a model is sought, those of us in attendance from the Empire State may point to the laws which control our Savings Institutions, the aggregate deposits of which on the first day of last July exceeded one billion, one hundred and fifty million dollars.

Some Thoughts on Bond Accounts

By Charles E. Sprague, President of the Union Dime Savings Institution, New York.

As a Savings Bank proper is purely an investment machine, the most important branch of its accountancy, next to depositors' accounts, is that of its interest bearing securities. These are generally of two classes: 1. Real estate mortgages. 2. Municipal or corporate indebtedness, usually spoken of as "bonds." From the facts that the physical security is directly available to the mortgagee in case of default, and that the term is so short that readjustments of principal and rates of interest can be effected directly, the former class, real estate mortgages, require somewhat different treatment from the latter, in which the variance between the contractual and the market rate of interest frequently results in a premium or a discount. As either of these branches is a very large subject, I will confine myself in this paper to the securities known as "bonds."

A bond is, generally speaking, a promise to pay a certain principal sum at a future date, and in the mean time to pay as interest certain periodical sums. Comparison of a large number of issues shows the following tendencies:

The great majority of bonds are for a round sum of money, payable on the first day of some month, the interest being semiannual and the maturity of the bond being also on an interest day. There are exceptions in every one of these particulars. Some bonds are issued for odd dollars and cents, some bear annual or quarterly interest, some pay interest on the 2nd, 15th or the 25th of a month, some mature at a date not coincident with an interest date. It may be observed that these anomalies only hurt the marketability of these bonds and thus injure the borrower without any corresponding advantage.

The most numerous bonds at present are 4 per cent.'s, January and July.

The first point on which I wish to insist is that the bond ledger, or, to use the official language of New York State, the "stock investments'" ledger, should be in a specialized form, calculated to afford on separate pages the most complete details as to each separate bond investment. The ordinary double entry ledger is totally inadequate to contain the particulars required, though it will answer for an aggregate account, showing in condensed form the total transactions of the kind. The ideal arrangement, in my opinion, is a general ledger of the broadest comprehensiveness, with subordinate ledgers of the most minute particularity. The two opposing demands of comprehensiveness and minuteness confront us in all broad gauge bookkeeping and can only be met by a duplex system of general and special ledgers, or systems of accounts, the former giving statistical and the latter individual information.

My next suggestion is as to the treatment of interest. I find that in many institutions no regard is paid to the accretion of interest or even its falling due, but it is considered null until it takes the form of cash. I cannot help considering this as not the most perfect way, for several reasons.

Interest revenue has three stages or transmigrations. It accrues from day to day, differing in that respect from dividends, which operate instantaneously. Therefore we have as the first stage accrued interest. This is a valid asset, as much so as the original debt. It is not yet enforceable, it is true, but that may also be affirmed of the original debt. As accrued interest is an indispensable part of every balance sheet (barring the improbable case where everything has matured on the date of such balance sheet), it should be recognized in the accounts and not as a mere adjustment. The entry, "Accrued Interest Dr. to Interest Revenue," or words to that effect, may be made monthly, if the general ledger is on a monthly basis, or daily, if such is the basis, and then not only will the list of assets be correct, but the profit and loss account will be true. Otherwise it will appear as if in some months there were little or no revenue, merely because nothing happens to fall due, and the object of profit and loss accounts, that of gauging success or failure, would be completely lost.

The second stage is that of interest due, to which the interest accrued is transferred on the day of its maturity. If collected on that same day in cash, there will never be any balance on the account of interest due, but this ideal condition is seldom attained. Even if delay is rare, we need the account to chronicle the fact that there is a matured claim for interest outstanding in our favor.

The complete method is to keep accounts under some appropriate names, with interest accrued, interest due and interest revenue, the latter being a subdivision of profit and loss. The two former may, without sacrifice of principle, be united into one as interest receivable, but the point I am insisting on is that interest is earned progressively and should be so treated, not as if it were an adventitious gain or windfall, dropping in on the particular day when it takes the form of cash.

We are trustees for our depositors. A trustee making his accounting to a Surrogate or Judge of Probate is always charged with the income which *ought* to be received, and if he has not collected it, must show good cause why not. Similarly we should charge ourselves with the proper revenue, and the charge should stand until disposed of in cash or otherwise.

In the foregoing remarks I have implied that the account of principal should be kept separate from that of interest, and this I deem the clearer and better way, while requiring no additional labor.

I now come to a most important part of the subject and one on which there may be considerable diversity of opinion. It is the question of how we shall represent the value of bonds purchased at prices above or below par; in other words, how to dispose of premiums and discounts.

I am aware that many institutions of high standing state all their bonds at par. To do this they must necessarily have treated the sums paid for premiums as a loss or an expense and have taken them like other losses from the surplus. In fact, some of them publish with apparent pride the fact that "all premiums are at once charged to profit and loss." I observe that they do not say what becomes of discounts.

To discuss the matter fairly we must consider what this premium is. Why do we pay for a bond more than it calls for, or why can we sometimes acquire it for less?

A premium is simply payment in advance for an abnormally high rate of interest, and a discount is compensation in advance for an abnormally low rate of interest. In both cases the compensation is spread over the time that the bond has still to run; it does not apply merely to the present day or the present half year. By abnormal, I mean differing from the normal, the current, the fair rate of interest on that exact grade of security.

Suppose we desire to invest $1,350 in the bonds of a certain city. We think that 3½ per cent. per annum would be a fair income for that security. If the city would issue to us $1,350 in its obligations bearing 3½ per cent. interest, we would be willing to take it at par, no matter what the length of time it had to run, even supposing that all or part of the bonds were payable serially from year to year, say $50 a year.

But suppose there are no 3½ per cent. bonds to be had. There are, however, 5 per cent.'s to be had on a 3½ per cent. basis and having 48 years 10 months and 29 days to run. We find that our $1,350 will just buy one of these bonds, $1,000 to be paid at 28 years 10 months 29 days from now, and in the mean time 5 per cent. interest to be paid, but the net income on the amount at any time invested will be 3½ per cent.

In each of these supposed cases we have invested the same amount at the same rate of interest, principal to be repaid gradually in installments. But those who keep their books at par would say that in the former case $1,350 was invested, while in the latter only $1,000 was invested, $350 being lost or sunk. The latter investment, which is thus made to appear the worse, is in fact the better in the State of New York, which great commonwealth, through erroneous economic ideas, taxes thrift, but exempts the $350 if paid in the form of premium, taxing it if it is styled principal.

To reduce bonds as soon as purchased to par by artificially treating premiums as losses and discounts as profits may be an easy process, but that seems to me its only recommendation.

To endeavor to follow the market value from time to time, as many public reports require, is also objectionable for the following reasons:

1. It is based not upon facts, but upon opinions. The investment securities in question are not so continuously dealt in publicly as to be quotable like produce or poultry. Even in active stocks and bonds it is well known that published quotations are not reliable. The appraisals of the same list of securities by two different brokers, each intending conscientiously to give the market price, will sometimes, as most of us know from experience, reveal a discrepancy running into the hundreds of thousands.

2. Besides the uncertainty of market values and their unreliability, they introduce into the profit and loss account and into the estimated margin for dividends an element of chance and fluctuation which has no place among the actual earnings and outlay, and which vitiates the result. The increase and decrease of surplus is meaningless when it may have been produced by a purely abstract marking up and marking down of the same securities, in which there was not the slightest real change. This is not profit and loss.

Even if we were treating our securities as merchandise bought at one price to sell at another, it would not be good bookkeeping to consider profits made until realized. The only way to make a profit is by selling. No merchant ever got rich by marking up his inventory.

Again, the original cost, while it should be preserved of record, is, as a basis of accounting, equally fallacious with par. The one is in the past tense, what we have *paid;* the other is in the *future*, what we *shall receive;* while the market value is in the *potential mood*, what we *might, could* or *would receive* or *pay*. None of these represents the actuality, or answers the question, "What is the true numerical representative, in terms of money, at the present moment, of the securities in which we have invested our deposits?"

The only answer I can give after long study of the subject is the amortised value, or the original cost written up or down, as the case may be, to date, in such a way that upon reaching maturity it will exactly stand at par.

When a bond is purchased at a premium or a discount, the consequence is that it will constantly pay a rate of income less or greater than that named in the bond, on the amount remaining invested, not on par. And applying this principle, there will be found a series of values which I call the amortised values, or the present worth of principal and interest at the net income rate.

Suppose, for example, a $1,000 5 per cent. bond, interest semiannually, eighteen years to run, is offered you for $1,199.07. You look in the convenient little book of tables and see that at this rate the net income will be 3½ per cent. on the amount invested. If you think that is a fair rate, you buy the bond, and the amount invested is exactly $1,199.07, not $1,000 at all. Six months pass by and $25 interest falls due. But is this all income? No, for the interest on $1,199.07 at 3½ per cent. is only $20.98. What then is the remaining $4.02? It is simply a part of your $199.07, your premium refunded to you, making the present amount only $1,195.05, and the little book will again corroborate this as the true value at 17½ years. After six months more the $25 will be divided a little differently, $20.91 being income and $4.09 being a second repayment of premium. Continuing this process, the last installment of the premium is repaid out of the last interest.

Another way of looking at it is this. Here is a coupon bond of $1,000, with thirty-six coupons attached. These are just as much promises to pay as the bond itself. Hence there are thirty-seven future sums receivable, one big one represented by the big engraving, $1,000 payable in eighteen years, and thirty-six little promises of $25 each at various dates six months apart. The $1,000 discounted at 3½ per cent., compound, is worth now only $535.50

The coupons are worth various amounts,		
from	$24.57	
for the first coupon, down to..........	13.39	
for the last one, in all........................		663.57
Making the total value of the big promises and the little ones...........................		$1,199.07
The same calculation applied at the next period gives the value........................		1,195.05

showing the same repayment or amortisation of $4.02.

I will append to this paper a schedule showing the gradual amortisation of the bond quoted above, calculated for example's sake to the nearest cent on $1,000,000, although such minute accuracy is usually unnecessary.

The account of premiums and discounts may be kept separate from that of par if preferred, and this I regard as entirely correct. What I object to is the practice of annuling the premiums and discounts and treating them as nonexistent.

In the institution with which I am connected, we have in the general ledger an account for the par and a separate one for premiums. The sum of the two always gives the book value or amortised value. In the special ledger for bonds, known as the "Stock Investments' Ledger," we adopt the other plan and use four columns—Par, Original Cost, Book Value and Market Value. The latter is not a bookkeeping figure, but a mere memorandum for future reference. The four columns are the ones required by the Bank Department of our State for its reports.

Our Stock Investments' Ledger is of the loose sheet kind, and each lot of securities has devoted to it two pages of different tints—one for principal and the other for interest. The "principal" page is kept by addition and substraction, and is headed by a descriptive form in detail. The "interest" page has the interest dates printed in advance for many years, sheets having been printed for each variation, "JJ," "FA," "MS," "AO," "MN," or "JD," and the proper ones being selected when the account is opened. Each "JJ" sheet has an index tab near the top, the "FA" a little lower, and so on, so that the pages for any interest date may be readily found.

The accounts are arranged in classes; first U. S. bonds, then bonds of the several States, then bonds of cities in other States, then cities, counties, towns, villages and school districts within the State, and finally railroad mortgage bonds, bringing the information into the exact order required by the State Superintendent of Banks for his report.

Recurring to the question of valuation, I am of the opinion that the amortised value, or the present worth of principal and interest at the net income rate, should not only be adopted in our bookkeeping, but should be the legal standard and the normal basis for estimating surplus in all official and public statements.

SUCCESSIVE VALUES OF A BOND FOR $1,000,000, INTEREST 5 PER CENT. PER ANNUM, PAYABLE SEMI-ANNUALLY, PURCHASED ON A 3¼ PER CENT. BASIS.

Periods ending—	Interest at 5 per cent. $	Net income at 3¼ per cent. $	Amortisation. $	Book value. $
1900, December 31..		Cost		1,199.070.65
1901, June 30......	25,000	20,983.73	4,016.27	1,195,054.38
December 31..	25,000	20,913.45	4,086.55	1,190,967.83
1902, June 30......	25,000	20,841.94	4,158.06	1,186,809.77
December 31..	25,000	20,769.17	4,230.83	1,182,578.94
1903, June 30......	25,000	20,695.13	4,304.87	1,178,274.07
December 31..	25,000	20,619.80	4,380.20	1,173,893.87
1904, June 30......	25,000	20,543.14	4,456.86	1,169,437.01
December 31..	25,000	20,465.15	4,534.85	1,164,902.16
1905, June 30......	25,000	20,385.79	4,614.21	1,160,287.95
December 31..	25,000	20,305.04	4,694.96	1,155,592.99
1906, June 30......	25,000	20,222.87	4,777.13	1,150,815.86
December 31..	25,000	20,139.28	4,860.72	1,145,955.14
1907, June 30......	25,000	20,054.22	4,945.78	1,141,009.36
December 31..	25,000	19,967.66	5,032.34	1,135,977.02
1908, June 30......	25,000	19,879.60	5,120.40	1,130,856.62
December 31..	25,000	19,789.99	5,210.01	1,125,646.61
1909, June 30......	25,000	19,698.82	5,301.18	1,120,345.43
December 31..	25,000	19,606.04	5,393.96	1,114,951.47
1910, June 30......	25,000	19,511.65	5,488.35	1,109,463.12
December 31..	25,000	19,415.61	5,584.39	1,103,878.73
1911, June 30......	25,000	19,317.87	5,682.13	1,098,196.60
December 31..	25,000	19,218.44	5,781.56	1,002,415.04
1912, June 30......	25,000	19,117.27	5,882.73	1,086,532.31
December 31..	25,000	19,014.31	5,985.69	1,080,546.62
1913, June 30......	25,000	18,909.57	6,090.43	1,074,456.19
December 31..	25,000	18,802.98	6,197.02	1,068,259.17
1914, June 30......	25,000	18,694.54	6,305.46	1,061,953.71
December 31..	25,000	18,584.19	6,415.81	1,055,537.90
1915, June 30......	25,000	18,471.91	6,528.09	1,049,009.81
December 31..	25,000	18,357.67	6,642.33	1,042,367.48
1916, June 30......	25,000	18,241.43	6,758.57	1,035,608.91
December 31..	25,000	18,123.16	6,876.84	1,028,732.07
1917, June 30......	25,000	18,002.81	6,997.19	1,021,734.88
December 31..	25,000	17,880.36	7,119.64	1,014,615.24
1918, June 30......	25,000	17,755.77	7,244.23	1,007,371.01
December 31..	25,000	17,628.99	7,371.01	1,000,000.00
	900,000	700,929.35	199,070.65	

Savings Bank Advertising.

By Lucius Teter, Cashier Chicago Savings Bank, Chicago, Ill.

It is not my thought in this brief paper to handle the question of Savings Banks' advertising in an exhaustive manner, but rather to speak in a general way concerning the subject, and to mention a few ideas that have been of value to me.

It is well to let one officer of the bank take the supervision of all advertising, having, of course, the counsel of his associates, for nowadays there are so many plans offered, all calling for the expenditure of money, that it really requires the careful attention of one man to direct a fixed policy and prevent the scattering of much money into channels other than the ones in which your real effort lies, for all good advertising is good, but some kinds are better than others.

We will pass quickly over the question as to whether you ought to advertise, although, let me say, in a general way, that Savings Banks *should* advertise and in most cases *must* advertise to enable them long to continue a steady growth.

It is also true that all Savings Banks in the United States cannot advertise alike, but in every case a dignified effort should be made to inform the public of a readiness, a willingness and an ability to care for the funds of the people. I say *dignified*, because I do not believe that a Savings Bank should ever use cheap, funny or prize package schemes for obtaining depositors, or in any way employ methods that could be misunderstood, for our trust is great. The public feel that it is and is quick to see anything that savors of disrespect or a mere trade attitude in the matter of caring for those funds which, after all, represent sections, large or small, from the lives of our fellow men.

On the other hand, don't publish a list of your directors in the local paper or put a card in the church calendar and a picnic programme and let it go at that. Rather carry out a definite policy of publicity, manfully telling the people who you are, where you are and what you can do for them.

Many of us make a mistake, it seems to me, of either scolding or preaching in our advertising, compiling figures on how much the individual would profit by smoking no cigars or by staying away from the theatre, which seems too personal and is not expected of us. I also feel that the time honored dollar that accumulated so much interest in twenty-five years has been spent somewhere along the road. At any rate, it now seems to have lost much force as an argument, and, indeed, it was a long time to wait for so little.

As a rule, we must take the man who wants to save and tell him how, for, after all, we don't get many unwilling savers upon our books. Modestly tell your man about the strength of your bank, who are its officers, trustees or directors; tell him of its convenient location and hours; tell him that he can secure a bank book by making a deposit of $1, on which a fair rate of interest will be paid; tell him that you are willing to advise him at any time about his business affairs; tell him that when he needs all or part of his money you will have it for him. All these things he wants to know and likes to have you tell him.

In making a choice of the mediums to be used in reaching your man, you must consider the conditions in your own particular locality. Newspaper advertising is good, and I would advise that a part of every advertising appropriation be used in this way. In selecting newspapers for savings advertising, don't select one because it has the best financial circulation, but use those that circulate most largely among the general public.

However, the great expense of newspaper advertising and the number of advertisers, especially in the large cities, create a condition that leaves much to be desired. Besides that, you will want to get nearer to your prospective depositors than you can in that way. A booklet, brief and direct in its simple statements, furnishes the foundation for personal effort, either in your banking office or outside.

Let one of your officers, or a representative, call upon the employers of labor in the neighborhood tributary to your bank, asking their co-operation in bringing the matter of savings to the attention of their people. As a rule you can obtain their support, as all right minded men want their employees to save.

Ask them to use pay envelopes furnished by you and bearing your message printed upon the face. Put up a neatly framed sign of your bank in their workshops, and secure from a list the names of their employees; these names you can transfer to a card system for use later on in sending out booklets and personal letters.

Make an occasional visit to see that your signs are up and that you are not forgotten. Before long you will have depositors from this shop, who become centers for more growth later on.

Seek the active support of your depositors. Our bank always writes a personal letter to each new depositor, acknowledging that our officers are glad to have him with us, and while offering him a welcome and the use of our services, we suggest that we would be glad to have him mention us to their friends.

These and many other plans will suggest themselves to you, some, no doubt, having been offered to you many times. But in closing let me emphasize this: Secure and keep the good will of your depositors; that is the greatest of all advertisements; without it none is of avail.

Give them every possible help and comfort in transacting their business. If many people in the community cannot conveniently visit a bank during your regular hours, keep open one evening a week for the savers. It is not undignified to give a needed service.

Require your employees to be absolutely courteous to every one, particularly to the ignorant. If your tellers haven't time to care for them, have enough officers to see to it that every person is well treated, and, if possible, made to feel so.

The pleased ones will soon circulate the report that your bank is not run by a lot of unsympathetic aristocrats, but by plain everyday men like themselves. Wait on your depositors as promptly as possible. Let your savings system be as simple as is consistent with safety.

Maintain at all times a sense of your obligation to the public, and certainly moderate success will be yours. Should great success not attend you, you can feel that, after all, the greatest things are included in gaining the respect of men and of your own conscience.

The Dangers Threatening the Savings Banks.

By FRED HEINZ, President Farmers' and Mechanics' Savings Bank, Davenport, Iowa.

At present the Savings Banks throughout the country are in a prosperous condition. No doubt it is the aim of all interested that they should be kept so.

The dangers that threaten the Savings Bank are in common with other banks inefficiency and sometimes dishonesty in the management by those in charge on the inside, and occasionally efficiency by the non-employees getting at the funds from the outside.

In addition to this, all the Savings Banks are threatened with a greater danger, that of losing deposits on account of Government Savings Banks, should such be established. The agitation for Government Savings Banks is considerable, and should ordinary Savings Banks fail to any great number, it would, no doubt, hasten the establishment of Government Savings Banks. The main argument in favor of Government Savings Banks is that it absolutely protects the deposits. There are, however, many objectionable features.

To keep the present Savings Banks in popular favor it is absolutely necessary that the greatest safeguards be provided for the safety of the deposits. When this is done the cry for a Government Savings Bank will cease, otherwise not.

No doubt the best part of a Savings Bank is that loans be good and kept good.

Many States have laws fixing the kind of collaterals that Savings Banks can invest in; for instance, the Iowa law permits investment in real estate mortgages located in the State, Government bonds, and bonds, warrants and evidence of debt issued in the State, and may make loans upon commercial paper, notes, bills of exchange, drafts, or any other personal or public security, but not on its own stock. The general drift of this Iowa idea is that the securities be local securities, and that is the rule also in many other States, and is, no doubt, a good one, for the closer the borrower is to the lender the easier it is to look after the securities.

The Iowa Savings Bank law is modeled after the National Bank act. Among other safeguards we have examination by a State bank examiner, and it originally provided that the bank could not take more deposits than ten times its capital stock. Now this has been changed to twenty times its capital stock and surplus; hence when the bank has deposits up to the limit, the security of the depositors is not so good as it was before. This I believe is wrong. All laws should be made to give the public as abundant security for their money as a safe and conservative banking business will justify.

The investments of the Savings Banks should be of such a character that there be no shrinkage of the principal, and in such shape that they can be disposed of in case of need within a reasonable time.

It would be well to have good Savings Bank laws enacted in every State of the Union. In most of its features the laws of the various States might be identical, although that would not be so necessary as the uniform law on commercial paper which travels over many States, while the Savings Bank paper is usually local in its character.

It might be well to have a committee appointed by this body to get all the statutes of the various United States together, and from them and other sources form a bill that can act as a model for the legislatures of the various States.

Such a bill wherever enacted by the lawmakers would add to the popularity of the Savings Bank.

I would therefore move you, Mr. Chairman, that you appoint a committee of three, not including the mover.

who are to get the complete statutory enactments as to the government of Savings Banks of the various States of the Union, and that thereafter said committee, after receiving suggestions from those interested, proceed to prepare such a bill as in their opinion would be a proper and correct bill suitable for adoption in every State in the Union, and that when so prepared the same be submitted to the next annual convention of this body for further action. [The motion was adopted—see detailed proceedings of the Savings Bank Section on a subsequent page.]

Detailed Report of Proceedings.

First Annual Meeting SAVINGS BANK SECTION, held at San Francisco, Oct. 20.

DETAILED PROCEEDINGS.

G. Byron Latimer, Secretary of the Irving Savings Bank, of New York City: The meeting will kindly come to order, and the first business on the programme will be the Chairman's report, which I will now make to you:

Chairman's Report.

Gentlemen, Members of the Savings Bank Section of the American Bankers' Association:

I am here as your presiding officer to-day not by right, but through force of circumstances. The Hon. Myron T. Herrick, your Chairman, has been honored by the Republican nomination to the high office of Governor of the State of Ohio, and is at this time in the midst of his campaign and unable to be present.

We shall all miss him from our meeting to-day, and were our by-laws not prohibitory I have no doubt but that you would all welcome his re-election as your Chairman.

Your Vice-Chairman, Mr. Jas. McMahon, president of the Emigrant Industrial Savings Bank, New York, somewhat advanced in years and not in good health, found it impossible to travel so far, consequently, as Chairman of your Executive Committee, I am here as your presiding officer. I ask your kind indulgence, as the requirements of speech making are entirely out of my line.

At the meeting of the American Bankers' Association held in New Orleans last November an amendment was adopted to the by-laws establishing a Savings Bank Section, similar in scope to the Trust Company Section, and in pursuance to that amendment an organization was effected and constitution and by-laws approved. Officers were elected, consisting of Chairman, Vice-Chairman, and nine members of the Executive Committee, three each for one, two and three years respectively. The Chairman, Vice-Chairman and three members of the Executive Committee retire to-day, and their places will be filled by election later in the meeting.

Since our last meeting your Executive Committee, through its Secretary, Mr. Wm. Hanhart, has sent out circulars to every savings institution in the United States, whether mutual or capitalized, outlining what the new Section proposed to do and soliciting their co-operation. We have had a large number of replies and inquiries to our letters, and I believe to-day the American Bankers' Association numbers among its members over five hundred Savings Banks, including Trust Companies and Banks having Savings Departments, many of them, no doubt, due in a great degree to this organization. I consider this a very good showing for the first year, and hope with your assistance to have that number materially increased during the succeeding year. We have had prepared by some of our members papers which they will read, upon subjects of mutual interest; these papers will be printed in the report of this meeting and sent to each of our members, and many of us will have occasion to refer to them when questions which they cover come before us from time to time. It is the aim of the Section to prepare for circulation such papers of mutual interest, and to bring into closer relationship our banks and their affairs where subjects of mutual importance can be discussed. It has always been a serious question to me why our Savings Banks have so many different methods of doing precisely the same class of business; this is true in relation to our methods in the East, and perhaps our Western friends can help us in the right direction. We find it difficult to instruct our depositors upon simple subjects when asked what this or that bank will require under given circumstances, and if we could remedy only this small defect we would have accomplished a great deal, and this would tend to make our institutions more popular, if indeed that were possible.

The Section has had from the Association an appropriation of one thousand dollars, most of which has been used in postage, stationery, clerk hire and typewriting; and I would suggest that a resolution be offered asking for a like amount for the coming year. If we hope for greater success we must keep our Section prominently before all bank officers, and in the absence of personal interviews continue to circularize and write as during the past year.

Gentlemen, I thank you kindly for your attention, and with your permission will proceed with the next order of business.

G. Byron Latimer,
Chairman of the Executive Committee, Savings Bank Section.

I would like to add, gentlemen, that we would like to have the co-operation of all the members in helping our Association along. This is our first meeting, and I must confess that we have here a great many more than I expected to see. We are very thankful for your attendance, and now, with your permission, we will hear the report of the Secretary, Mr. Hanhart.

Report of Secretary.

Mr. Chairman and Gentlemen of the Savings Bank Section of the American Bankers' Association:

As this is the first meeting of this Section since its organization in New Orleans last Fall, the Secretary's Report will of necessity be a brief one. I respectfully report as follows:

The Executive Council of the American Bankers' Association, at its meeting last spring, made to the Section an expense appropriation of $1,000; of this amount $690.50 have been so far spent for clerk hire, printing, stationery, postage, typewriting, etc., and the vouchers for this expenditure were audited by the Chairman of the Executive Committee and the amount paid.

Our membership now numbers five hundred and forty-eight, representing about one-half of the Savings Banks in the United States.

The establishment of the Section has been so unanimously well received everywhere, as evidenced by the large number of letters received from all parts of the country, indorsing and approving of the organization, that I feel satisfied that we shall soon increase our membership so as to practically include all the Savings Institutions in the United States. I beg to urge every one of you, gentlemen, to endeavor to attain this object by soliciting all the Savings Institutions in your city and neighborhood to join the American Bankers' Association, and enroll themselves in our ranks. I shall be glad to send blank forms of application to all who may desire to use them; please explain to your friends that there is no additional expense involved in joining our Section; the membership fee of the American Bankers' Association covers it all.

A few complaints have been received regarding the changed rate for membership, as adopted last year, but a few words of explanation have generally succeeded in satisfying such; the fees now vary from $5 to $30 per annum, based on capital and surplus, and the Banks having no capital pay on the amount of their surplus. Surely even the highest fee of $30 cannot be considered as excessive for a Bank having over $1,000,000 surplus, while the smaller Banks pay less in proportion. The great advantages we derive from membership and through the support of the American Bankers' Association, the most powerful Bankers' Association in the world, are such that we should all willingly contribute these very reasonable membership fees.

William Hanhart, Secretary.

The Chairman: Gentlemen, you have heard the report of the Secretary. What is your pleasure?

Mr. Tuttle, of Naugatuck, Conn.: I move that the report be accepted and placed on file.

The motion was duly seconded and carried.

The Chairman: The next order of business is the discussion of practical questions and the reading of several papers of interest. I want to state that the first paper, "Some Thoughts on Bond Accounts," by Col. Chas. E. Sprague, President of the Union Dime Savings Bank, New York, will be read by Mr. G. Ad. Blaffer, cashier of the Germania Savings Bank & Trust Company of New Orleans.

Mr. Blaffer: The paper prepared by Colonel Sprague, President of the Union Dime Savings Institution of New York, is as follows:

"Some Thoughts on Bond Accounts."

[Mr. Sprague's paper will be found in full on pages 1694 to 1696 of this publication.]

The Chairman: Gentlemen, it was the intention to have these papers discussed, but inasmuch as the paper just read by Mr. Blaffer was not read by the gentleman who wrote it, I think it would be quite out of the question to enter into a discussion of the subject just now.

We have a paper upon "Savings Bank Advertising," prepared by Mr. Lucius Teter, Cashier of the Chicago Savings Bank, Chicago, and it will be read by Mr. Joseph E. Otis, Jr., Vice-President of that institution.

"Savings Bank Advertising," by Lucius Teter, Cashier Chicago Savings Bank, Chicago.

[Mr. Teter's paper in full will be found on pages 1696 to 1697 of this publication.]

The Chairman: We will now listen to a paper on "Dangers Threatening Savings Banks," by Fred Heinz, President of the Farmers' and Mechanics' Savings Bank of Davenport, Iowa.

"Dangers Threatening Savings Banks,"

[Mr. Heinz's paper in full will be found on pages 1697 to 1698 of this publication.]

Committee to Report General Bill for Savings Banks.

Mr. Heinz: And I therefore move, Mr. Chairman, the adoption of the following resolution:

Resolved, That the chairman appoint a committee of three members, who are to get the complete statutory enactments referring to Savings Banks of the various States of the Union, and that thereafter the said committee, after receiving suggestions from those interested, proceed to prepare such a bill as, in their opinion, would be proper and suitable for adoption in every State of the Union, and that when so prepared the same be submitted to the next annual convention of this body for further action.

The motion was duly seconded, and, after being put by the Chairman, was adopted.

Thereupon the Chairman appointed the following committee: Fred Heinz, President of the Farmers' & Mechanics' Savings Bank of Davenport, Iowa; E. J. Parker, Cashier of the State Savings, Loan & Trust Company of Quincy, Ill., and C. W. Laycock, Chairman of the Anthracite Savings Bank of Wilkesbarre, Pa.

The Chairman: The next paper is entitled, "Trust Accounts in Savings Banks," by William Hanhart, of New York City.

"Trust Accounts in Saving Banks," by Willam Hanhart of New York City.

[Mr. Hanhart's paper in full will be found on pages 1688 to 1691 of this publication.]

The Chairman: The next paper is entitled "Savings Banks That Have Failed," by Mr. Willis S. Paine, President Consolidated National Bank of New York, and the address, in the absence of Mr. Paine, will be read by Mr. James Thorne, Cashier of the Consolidated National Bank of New York City.

"Savings Banks that Have Failed," by Willis S. Paine.

[Mr. Paine's paper in full will be found on pages 1691 to 1694 of this publication.]

Discussion of Trust Accounts.

Mr. Hall (of Grand Rapids, Mich.): I would like to say that some of us would probably like an opportunity to discuss the next to the last paper that was read. I wanted to ask Mr. Hanhart if the legal points which he offered were largely those of the State of New York, or whether they covered the States generally. If the first proposition, in regard to the trustee, from the decisions that I have read the large majority of them were in this way: that a party cannot make a gift and own it himself at the same time. If I understood his proposition correctly, that is about the position that that trustee business would occupy. Then control of it coming to one of their children in the event of their death, as I understand it, as a legal proposition is not upheld; that they cannot make a gift and still retain control of it, absolute or otherwise.

Mr. Hanhart: I will say this in answer to the gentleman: That if, say, John Brown chooses to open an account, depositing, say, a thousand dollars in the name of John Brown, in trust for his son, the question has nothing to do with the bank. The bank looks upon him as a trustee, and a trustee always has control of the fund. The responsibility of the trustee to the beneficiary has nothing to do with the bank. The bank is the depository for the fund, and the trustee, as a trustee, draws the money, withdraws it, or deposits it as he pleases, and the bank knows nothing of the equities; and, as a matter of fact, I may state in a general way that the less the savings bank knows as to such equities the better off it is. It is merely a depository, and it has not the power to carry out trusts, ad the less it knows about it the better. We have had many instances of that kind. Take old Mr. Guion. He had lots of accounts of nieces and nephews, and he chose to draw the money out and use the money to buy bonds with, and made presents of those bonds to those very beneficiaries. When he died the beneficiaries sued his estate for the money that he had deposited in the bank, and they thereby got it twice, both the bonds and the money. The bank had nothing to do with it. The point must be emphasized that the bank must be made safe. I am talking from the point of view of the banker himself. Many a man will deposit say a thousand dollars for his son to-day and change his mind to-morrow, but the law will not allow him to do that. If he has stated to his son that he has deposited that thousand dollars in trust for him at his death the son can sue the estate for the money, but he cannot sue the bank. I hope I have answered the question of the gentleman.

Mr. Hall: Yes, sir; you have answered the question, but I still have an idea that I can find law and decisions to the contrary.

Mr. Hanhart: I have tried to discuss the point in a general way. The laws of the different States vary considerably.

Mr. E. J. Parker (of Quincy, Ill.): Where you have to open an account in the name of a trustee, a father for a son, John Brown for Joseph Brown, and so forth, the boy in the one case may wish to draw that money when he is sixteen or seventeen years of age. What is your practice? Do you, when that son comes of age, pay the money to the son or to the trustee?

Mr. Hanhart: We do not consider that the beneficiary has any rights whatever with the bank. The money is deposited by the trustee, is in the name of the trustee, and under the control of the trustee. It is only upon the death of a trustee that the question of beneficiary arises. Until then we do not consider the beneficiary. He does not exist so far as we are concerned.

Mr. Robinson (of Bakersfield, Cal.): Entering this discussion in regard to joint accounts of husband or wife, and taking into consideration the question of which may demand the money, acting under the advice of California's attorneys, we have required the signing of an agreement with the bank by both husband and wife, assuring payment to either on demand, accompanied by the pass book, or to the survivor in case of death; and this would cover several points unmentioned in the paper which I refer to. It seems to me that that is a very wise protection on these joint or separate accounts, and I thought that I would simply bring it before the convention.

Bank Advertising—Steel Safes.

Another matter that I would like to speak of regarding another paper that has been read here—namely, "Bank Advertising," one feature of bank advertising was not mentioned at all. I am not here to advertise anybody, but it strikes me that the scheme of the small steel savings bank has proven profitable in experience. We have tried it in our place, and it has materially increased our deposits, aiding us in a way that nothing else had done. It brought people to the bank into contact with the officers of the bank, who could not have been brought in in any other manner. I believe this scheme worthy of our serious consideration. There is no doubt but that the closer we come in contact with the general public the more we educate them into the way of saving.

Mr. Otis: I would like to say that this question of steel savings banks has been pretty thoroughly tried in Chicago, and very successfully tried by several banks. It has been undertaken, however, on such a wholesale plan that it has become a perfect nuisance, and, although most of the savings banks now, with few exceptions, have these banks behind the counter, they don't generally advertise it. If anybody wants one, they can get it by asking for it. Our experience is that in case—one-half the cases I should say—where banks are brought in for money, and it is taken out and counted and carried away, that it takes a great deal of time in large savings banks where a great many accounts are handled. We have found it necessary to have separate men behind the counter to handle those banks and count them up, and so forth. It works very well for a long time, but it has been very badly abused.

Another point: Recently some of the merchants who are selling diamonds on the installment plan had signs put all over the city. These signs say that you can, by the use of steel savings banks, get money enough together in that way to buy diamonds. The use of steel savings banks has become very prominent, and most people in the banking business are not looking upon it with very great favor. The people who have been putting out these savings banks, however, are charging so much for so many banks, and agreed to put them out and have an account started wherever the bank is placed, and in that way there has been a great deal of fraud practiced. Mr. Teter, in his paper, did not touch on that subject, because the bankers of Chicago, the savings banks, have positively and absolutely refused to push that kind of business.

Resolution in Favor of State Savings Bank Associations.

Mr. W. Felsinger, President of the New York Savings Bank: The very fact of our being here shows that we believe in organization, and in the State of New York we have an organization of State savings banks that takes a great interest in legislation affecting those institutions, and I, therefore, beg to offer this resolution, which I will read:

Whereas, The State Association for Savings Banks, as existing in several States, has proved most beneficial to their interests, and helpful to their depositors by representing them before their respective legislatures in the consideration of bills affecting their interests, and in bringing bank officials together for the discussion of the many subjects of special interest to them; therefore, be it

Resolved, That we strongly urge the organizing of State Associations of Savings Banks in every State and Territory of the Union having savings banks, and that we pledge our individual effort to further this object.

I, therefore, move that this resolution be adopted.

Mr. Hall: I second the motion, and I call attention to the fact that at our meeting held in New Orleans a year ago a similar resolution was adopted. If nothing has been done in the matter since then, I think we and every one of us should give this resolution our hearty support, and endeavor to do everything possible to foster a saving spirit among our people.

Mr. C. M. Preston, of Chattanooga, Tenn.: I want to say a few words in relation to the States taking up this matter as an Association, and I don't know of any better way of bringing the matter to the attention of the people than by recounting the experiences that we have had in the State of Tennessee. At every meeting of the Legislature of that State we have vicious laws introduced by ignorant legislators, endeavoring to regulate the State banks and the savings banks. It requires a good deal of effort upon the part of the State Association to keep down these vicious measures, and we need the assistance that the adoption and the pushing of this resolution will give us. Individual banks, themselves, are indifferent, and the casual legislator thinks he ought to do something for us, and consequently, he introduces some kind of a measure. If we were prepared and organized in the different States, and recognized as a body, we would be consulted about such matters as this, and laws would not be passed against the interest of a savings bank and the savings bank depositors. I heartily favor this resolution, and I trust that it will be passed; and I hope each and every one will use his best efforts to bring about the organization of such an Association so that we can regulate these laws ourselves. If the savings bank officials cannot suggest a few wholesome laws for the government of savings banks, they ought not to be officials of such institutions; and I trust that this resolution will receive the hearty sympathy and support of all.

Mr. Dinkins, of New Orleans: I would like to ask for some information. Is it contemplated that the State shall organize and have separate conventions?

Mr. Felsinger: The idea is that each State shall have its organization representing a large number of people, and this will give it great power in the Legislature through the people. They should meet once a year, and each savings bank organization should work in its own State, each State having its own organization, of course.

Mr. Dinkins: That, of course, would mean the State organizations, and the national organization also. Do I understand that the national organization would be allied with the State organizations?

Mr. Felsinger: Yes. The Savings Bank Association of the State of New York has, however, nothing to do with this Association whatever. They simply send a delegate to this convention. This resolution is recommending this to all the States, an organization similar to the organization in New York State.

Mr. Tuttle: Speaking to the resolution, I will say that we have an organization, a separate organization of savings banks in the State of Connecticut. There are about ninety savings banks, and from sixty to seventy of them belong to this organization. I can assure you that this organization helps us very much. We meet once or twice a year, get together, discuss plans, rates of interests, bonds and mortgages, and things that we ought to do; and also, when bills come up in the Legislature, a committee is appointed to look after that matter. When bills are introduced in the Legislature this Association looks after them, and tries to see that no bills go through the Legislature, excepting such as will protect the savings banks and the depositors. We find that it works very well, and every State should have an organization of that kind.

The resolution introduced by Mr. Felsinger was thereupon adopted.

Election of Officers.

The next order of business is the election and the installation of officers. We are now open for nominations.

Mr. Preston: For the office of Chairman, I name Mr. A. C. Tuttle, Treasurer of the Naugatuck Savings Bank, of Naugatuck, Conn. For Vice-Chairman, I name Mr. William Felsinger, President of the New York Savings Bank of New York City. For the three members of the Executive Committee, I name Mr. P. Leroy Harwood, Treasurer of the Mariners' Savings Bank of New London, Conn.; Mr. E. Quincy Smith, Vice-President of the Union Savings Bank of Washington, D. C., and Mr. Fred Heinz, President of the Farmers' and Mechanics' Savings Bank of Davenport, Iowa.

The Chairman: Are there any other nominations?

(After a pause.) As there is but one ticket in nomination, we will entertain a motion that the Secretary cast the ballot for these gentlemen as nominated.

The motion was duly made and seconded that the Secretary cast the ballot for the nominations as made, and carried.

Mr. Hanhart: Mr. Chairman, I have, according to this resolution, cast a ballot as follows:

For Chairman, Mr. A. C. Tuttle; for Vice-Chairman, Mr. William Felsinger, and for the three members of the Executive Committee, Mr. P. Leroy Harwood, Mr. E. Quincy Smith, and Mr. Fred Heinz.

The Chairman: I, therefore, declare the gentlemen elected.

Gentlemen, it gives me pleasure to introduce to you Mr. A. C. Tuttle, Treasurer of the Naugatuck Savings Bank, of Naugatuck, Conn., whom we have just elected Chairman of this Association. (Applause.)

Mr. Tuttle: Mr. Chairman, and gentlemen of the Convention, thanking you most heartily for the honor you have conferred upon me by electing me Chairman of this body for the coming year, I wish to say that I shall endeavor to perform the duties imposed upon me to the very best of my ability. There is one word that I wish to say to you, and that is that I hope we may receive the cooperation of all the members. We get together only once a year, visit each other, discuss matters, hear papers read; and I would like to say that if, during the year any of the members of the Association has any topic that he would like to have discussed, I am sure the Executive Committee would be very glad to have such topics sent in to them some time during the year, and we would then endeavor to find one who will write a paper on the subject that will be interesting to all. We ought to have more members. You will remember the trouble we had in New Orleans last year in getting any organization. This year we have a great many more, and I am very much pleased to see it. We have now about five hundred members, and I hope that next year that number will be doubled, and when you meet next year we will see a great many more than are present here. I thank you heartily for the honor conferred upon me. (Applause.)

Resolution of Thanks.

Mr. Otis: I would like to offer a resolution of thanks to the retiring officers for the services rendered during their term of office; and I, therefore, offer such a resolution, and make the motion that it do pass.

The motion was duly seconded, the question put, and carried.

An Official Reader Suggested.

Mr. Parker: Mr. President, I wish to make a suggestion. We know that the author of a paper who is familiar with it is likely to throw a little more spirit and emphasis into the reading of it than where the paper is read by proxy. In many official bodies with which I am connected, we find it necessary to appoint an official reader, and I would suggest that the officers of the Association hereafter take that matter into consideration, so that in going from city to city and suffering the disadvantages of the poor acoustic properties of the buildings in which we meet, that we may have an official reader. He can be chosen in whatever city we come into, and then we can hear every paper read with distinctness. We travel long distances, and we have had admirable papers presented to-day, but we have not heard them perfectly. It is a long time to wait for them to be printed; and I make the suggestion without expecting any action to be taken upon it. (Applause.)

Mr. Tuttle: I can assure you that the question will be considered by the Executive Committee.

Mr. Latimer: I just want to emphasize what Mr. Parker has said, for I know that he takes a great interest in the work of the savings banks, and in their Association. I quite agree with him.

The Chairman (Mr. Tuttle): Gentlemen, I now declare this Convention adjourned.