Bankers' Convention Section

of the

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INDEX TO ADVERTISEMENTS.

A complete index to the advertisements appearing in the present issue of the Bankers' Convention Section will be found on pages 89 and 90.

CURRENCY REFORM IN THE CONVENTION.

That the question of reform in our bank note currency should have received less general discussion at the Denver bankers' convention than it received at the convention in Atlantic City a year ago, is perhaps to be accounted for, first, by the fact that the turbulent conditions of a National election, with other issues to the front, do not favor proper discussion of a subject of this sort, and second, by the existence of a currency commission appointed by Congress for the ostensible purpose of framing and submitting a comprehensive plan of reform. The situation in both these regards was such as to make it just a little embarrassing to take up with the usual vigor and energy that particular question. In addition, it may be said that the wish of a year ago, to insure immediate action, was sharpened by the feeling among all observant bankers that the financial situation was approaching a crisis in which a proper bank currency system would be of urgent importance. That this last conclusion was well founded at the time, no one familiar with the actual course of events during the two months after the Atlantic City gathering is likely now to question.

But interest in the question of a reformed currency is far from dead among the bankers of this country, a fact of which the Denver Convention was itself a sufficient indication. They keynote of the proceedings was sounded by President Powers, whose annual address at the opening of the Convention devoted itself frankly to the question of currency reform. He plainly laid before the Convention his belief that the panic was the strongest of arguments in behalf of a scientific bank currency, and that the construction of such a system must be trusted to men familiar with practical banking rather than to mere theorists. With perhaps a side glance at the peculiar proceedings of the last session of Congress in its debates, its legislative measures, and the composition of its currency commission, he added, "they should be men who understand the necessity for and importance of ridding the government of the dangerous legal tender greenbacks by their final redemption and retirement, by a sane and safe means of gradual change from our bond-secured currency to a system which has proved sound by the experience of other countries."

More in detail, the same subject was taken up by Mr. B. E. Walker, President of the Canadian Bank of Commerce, who spoke on the question with
the authority of a practical expert familiar both with the American and Canadian systems. Mr. Walker first pointed out the difficulty which everyone recognizes to exist in dealing with the question:

"The profound line of cleavage which made it so difficult to create the first bank of the United States, and which destroyed it and its successor, still exists. It lies between those who favor a system of banking good for the nation as a whole, as opposed to a system of banking which may be right or wrong for the great number of units engaged in the business of banking, but which is clearly not right for the nation as a whole."

What, then, of the actual situation? Mr. Walker analyzed the government's statement of the amount and kinds of money circulating in this country in the middle of the year, on which he commented thus:

"From this it is apparent that in the United States there is no currency of the kind usually known as bank-note issues, the notes issued by national banks and guaranteed by the Government being a species of money based on the debt of a Government. There were bank-note issues before the war, and, as we know, they were retired for arbitrary reasons connected with the finances of the Government, and not for the purpose of improving the system of banking. We also know that while the national bank-notes which took their place possess good qualities not possessed by the old State-bank issues, they also carry with them the grave defect of rigidity which accompanies nearly all Government note issues."

The Aldrich-Vreeland bill, it is true, provides for an 'emergency currency' which might be used to meet an occasion of real need. But the restrictions of this law "practically amount to an admission that the issuing of credit notes is too dangerous a franchise to be granted to a bank under ordinary circumstances," and, "the whole machinery for these emergency issues is so difficult that the act may quite fail in its purpose." Of the truth of this latter statement, we imagine bankers who have studied the provisions of this patchwork of legislation have already a pretty well defined suspicion. It only remains, then, to determine whether a bankNote currency not thus restricted, and suitably adapted to the real needs of commerce, is or is not an actual necessity in the United States. There are public men who have declared it is not; on the floor of Congress, last spring, it was asserted that the present system, if extended on the basis of pledge of other than Government securities, is all that the country needs. Mr. Walker thinks otherwise; he has this to say on the matter:

"There are countries in the Old World where the fluctuations in the volume of trade and in the price of commodities and securities from one year to another, and from one part of the year to another, are not so violent as to require much elasticity in the currency. But in the United States, where the volume of trade and the price of commodities and securities vary largely from one period of contraction through a period of expansion to the next period of contraction, and from one year to another, and from one part of a year to another, and from day to day, there should be in addition to the constantly varying total of checks, drafts, and such credit instruments, with which most of our trade is done, a species of credit-note issuable by banks which can be varied in total quantity in proportion as the total quantity of trade done with such instruments of credit varies. And there is the additional reason for such a credit-note that whenever, because of panic or any form of distrust, the ordinary currency is hoarded or additional cash is being held by banks as reserves, some legal credit currency becomes more than ever necessary."

This argument seems to us irresistible, and it is not less impressive because it comes from a practical foreigner who can judge from personal observation the working of two radically different systems in two countries as closely akin, in their industrial system, their habits of every-day business, and their geographical character, as Canada and the United States. It is, moreover, absolutely in line with the opinion of practical European experts who have studied our currency system and its workings in the light of their own experience. On the part of these people judgment is unanimous that our present bond-secured bank-note issues, rigid and inelastic as they necessarily are, have three very positive results on our finances—all of them evil. Creating as they do a wholly artificial motive and basis for increase in such currency, they expand unreasonably at ordinary times, thus offering a direct inducement to use of bank resources, at a time of inactive trade, in speculation. Prevented as this currency is by law from a quick response to slackening trade requirements, they leave the circulating medium, at a time of industrial reaction, in as great a supply as at the climax of an industrial boom, and thereby stimulate export of the gold which lies at the basis of all our currency. Finally, such is the delay in taking out new bank-note currency under the present system, and such the obstacles thrown in the way of it by requirement of government bond collateral when such bonds are hard to get, that the normal remedy of such a "currency famine" as occurred in last October's panic is impossible to apply.

These are three very grave defects. Taken together, especially in the light of the peculiar needs of a country with the industrial, geographical and political character of the United States, they are enough to condemn the present law and system. Had the distinctive phenomena of our panic of 1907 occurred in any other country, our own financial experts would have been quick to declare that the currency system of that country had simply broken down under the test, and that no time ought to be lost in contriving another system. That the practical bankers of the United States fully recognize the nature of last autumn's experiences, and that they are not likely to allow the governing authorities to forget it when the turmoil of a politi-
cal campaign has passed over, are reassuring facts which confirm Col. Powers' view that the indirectly good results of such a shock as that of 1907 may be great enough to offset the immediate financial havoc.

THE BANKERS DECLARE AGAINST DEPOSIT GUARANTY.

The proposition to guarantee bank deposits was the question of transcending interest. One of the gratifying features of the work of the Convention was the consensus of opinion condemning the scheme. The matter was taken up for consideration on the morning of the very first day, namely Monday, September 28, at the meeting of the Savings Bank Section, and this section condemned both the idea of postal savings banks and the bank deposit guaranty scheme—two equally paternalistic proposals. In the afternoon of the same day the Clearing House Section had its meeting and took similar action. The resolution with reference to the matter presented at the Savings Bank meeting attracts attention by reason of its broad and comprehensive character, showing that the measure is objectionable on many different grounds. The resolution was offered by ex-Governor Myron T. Herlick, of Ohio, and after pointing out that the loss to depositors of savings banks has been so small as to be a negligible quantity, declares that any plan to make each of those banks responsible by taxation or assessment for the acts of one another, or to connect them with the National banking system, is "unsound in principle, confiscatory in form, and inimical to the best interest of depositors, stockholders and borrowers." There could be no more sweeping condemnation than this, and yet the statements in it are entirely accurate. It is also correct to say that the guaranty scheme is a "specious form of paternalism and socialism" and that it would "tend to encourage speculation and undue expansion of credit." The resolution records "the most solemn protest against the enactment into law, either by States or the Nation, of any principles so subversive to sound economics and so revolutionary in character."

On the second day the Trust Company Section had its meeting, and also took up the subject. As at the meetings of the other sections, debates occurred on the point whether the section had the constitutional right to consider any proposition not of exclusive interest to trust companies. In the end, the resolutions under consideration, offered by F. H. Fries, whose paper on "Radicalism vs. Conservatism" attracted a great deal of attention, were adopted by a vote of 74 to 5. At the regular sessions of the Convention, which did not begin until Wednesday, Col. James D. Powers in his opening address was un sparing in his criticism of the idea.

President Alexander Gilbert in his address on "Vital Issues" dealt incidentally but very effectively with the subject as noted below. Furthermore, one of the prepared addresses, that of Festus J. Wade, of the Mercantile Trust Company, of St. Louis, was entirely devoted to the subject, and a very convincing and conclusive address it was. The report of the Federal Legislative Commission is given up very largely, almost exclusively, to demolishing the scheme, and this body demonstrates that the plan, so far from preventing panics, is more likely to prove the mother of panics. On the floor of the Convention the subject elicited most earnest discussion, and the gathering finally put itself on record as opposed to the idea by an overwhelming vote.

Mr. Gilbert in his trenchant remarks dealt a blow at once to the Utopian scheme of Mr. Bryan and the fantastic and equally futile scheme of Congressman Fowler which Mr. Taft appears to favor. What for instance could be more conclusive or more to the point than the following:

"Now just a word or two about guarantee of deposits. The impression prevails quite widely that the injection of this principle into our banking practice would be a sure preventive of panic. This indication of mental confusion develops from the fear of depositors that they will not ultimately get their money from embarrassed banks, but from the fear that they will not be able to get it when they want it; they cannot afford to have it locked up, and any insurance law which provides that the losses of failed institutions shall be paid by the solvent institutions of the country after the loss shall have been ascertained by liquidation will be powerless to prevent runs on distressed institutions. Throughout my long experience I have noticed that depositors seldom make a mistake in the selection of the institution to run upon. They very seldom in the first instance trouble a conservatively managed institution. They know intuitively where to strike the first blow, and the second, and the third, and so on until animated by fright and panic they attack every institution that is distrust ed or talked about. This is the course which every panic follows; and no insurance law which does not provide for the compulsory payment on demand of the deposits of embarrassed institutions will arrest or change this course. The enactment of such a law would be an act of injustice—contrary to the spirit of our institutions—contrary to that sentiment of right and of fair play which is implanted in every human breast, and it would be fraught with the gravest possible danger in time of panic. You must estimate this danger by the operation of such a law in the State of Oklahoma or any of the smaller States where banking capital and deposit liabilities are small comparatively, but apply it to one of our larger States, the State of New York, for instance, many of whose institutions have deposit liabilities of fifty millions and upwards, and quite a few exceeding one hundred millions and up to two hundred millions, what would happen if one or more of those large institutions should become temporarily embarrassed in time of panic, and the solvent institutions should be called upon to pay its depositors on demand? They could not comply; it would aggravate the panic and prolong indefinitely the possibility of recovery. Compulsory legislation, whether it shall require the payment of deposits on demand or the balance due after liquidation, is wrong in principle, illogical, unjust. Why should the old time institutions of the country, with a long and enviable record of wise and conservative management and success, be held responsible for losses growing out of the speculative transactions of speculative institutions, many of which are springing up all over the country in this age of excessive speculative tendencies?"

Colonel F. H. Fries, in his address on "Radicalism vs. Conservatism," before the Trust Company Section, likewise delivered some effective blows against both the postal savings bank proposition
and the guaranty scheme, and also declared against giving National banks trust company privileges. With regard to the deposit guaranty scheme he argued that the influence of such a measure would be detrimental to the banks, the bankers and the people. Under such a law the bank itself would have no special inducement to accumulate a large capital and surplus, or build up a name for conservative management. On the contrary, the interest of the stockholders would be best served by the prompt distribution of its earnings and a reduction of its capital to the least amount that it could successfully operate with, while profits, and not safety and reputation, would be its main concern. The consciousness of having deposits guaranteed would give to the speculatively inclined banker just the assurance that would lead him to take undue risks for the sake of extra profit and to the lazy and slothful it would give confidence that would cause him to become less vigilant and careful, while to the people it would give a narcotic that would render them less watchful and more indifferent to true merit and trustworthiness— all of which is undeniable true.

Mr. Festus J. Wade contended that a deposit guaranty is unconstitutional. Speaking of the Oklahoma law he says the word "assessment" is undoubtedly used to disguise the fact that it is really a tax. The power to take is subject to the limitation that a tax must be levied for public purposes only, and an imposition in the form of a tax for purpose of private interest is void and unconstitutional. It takes the private property of the stockholders of solvent banks to pay the deposit creditors of insolvent banks. This is not taking private property for public use. It is the taking of the private property of one class of citizens for the private benefit of another class of citizens, and hence is indefensible upon any theory of taxation or upon any theory of just governmental principles.

But supposing the guaranty proposition constitutional, Mr. Wade says it must fail. It is attempted to make a horizontal rate of taxation on all banks—good and bad. How long, he asks, would a life, fire, casualty or fidelity insurance company remain solvent if the life insurance company made the same rate on the life of each individual, irrespective of age or state of health; the fire insurance company the same rate on buildings whether frame, brick, fire-proof, in towns and cities with and without protection against fire; the casualty company the same rate on a man walking on the street as on a man working in a powder factory; or the fidelity insurance company the same rate for a bond of the dishonest or inexperienced man as it would charge for the honest, experienced and capable man?

Conservatism, experience, judgment, education in the various financial problems, would count for naught. A man, or set of men, invading the banking field to-morrow, would be placed upon the same plane as the sages in the financial world. Irresponsibility would be promoted by the adoption of the bank guaranty deposit idea, because under it all deposits would be theoretically “guaranteed.” Knowledge of past history and experience would be entirely unnecessary. Any set of men, irrespective of character, ability or financial experience, could form a banking institution in one form or another; put a sign on the door, as they do in Oklahoma—“All deposits guaranteed by the State”—sell their certificates paying five and six per cent. and compete with their neighbor who had weathered financial storms, and who would, by the operation of this chimerical scheme, be required to pay the depositors of dishonest, inexperienced, ignorant or disreputable bankers. Furthermore, under the operation of the law, the solvency of every bank subject to that law, in times of distress, would be questioned. Why? Because it would not only be called upon to show the solvency of its own institution, but to guarantee the deposits of every other institution in the State; accordingly the contingent liability of each bank would be greater a thousandfold than its total assets.

The Legislative Commission of the association declares that the deposit guarantee proposition would compel all banks, by force of law, to pay unknown sums to unknown persons, for eventual losses for an unknown period of time, and subject to unknown risks, over which the parties compelled to pay have no control whatever. It would seem to be taking property without due compensation, and therefore ultra vires. They ask if the inevitable effect must not be to impair the present and deter future investment in bank stocks.

With capital sufficient to margin its dealings with the public, a bank next selects men of probity and established character for its management; with the lapse of time the management establishes its efficiency as well as its honesty, and a discriminating public entrusts the bank with its business. The growing volume of deposits and of business establishes a good-will, which is one of the principal elements of the value which bank stock possesses, and therefore a great inducement to bank stock investments. The guarantee plan, however, would seriously impair the value, if not destroy the good-will of a bank, by placing all banks exactly on a par with respect to financial responsibility. For it is to be remembered that while each bank guarantees the deposits of all, each bank assumes the risks and losses of all.

Altogether the deposit guaranty proposal furnished the liveliest as well as the livest topic under discussion and consideration, and with so many and such convincing arguments against the guaranty fallacy, it is not surprising that the association collectively, and all its subdivisions separately, should almost unanimously have condemned the same. It will be admitted, we think, that the action of the bankers on the subject is of no little significance and importance, as indicating the opinion of those best qualified, by training and experience, to pass judgment on the scheme. Necessarily, their condemnation of it must carry great weight.
POSTAL SAVINGS BANKS NOT FAVORED.

Naturally the Savings Bank Section took a decided stand against postal savings banks—a proposal of a piece with the scheme for guaranteeing bank deposits. The Bankers' Association as a whole was not so directly concerned in the matter, but it also declared emphatically against the scheme. The trustees and managers of the savings institutions, charged with such a weighty responsibility in looking after the interests of the poorer classes of the population, for whom savings banks chiefly exist, would have been derelict in their duty if they had failed to go on record in opposition to this delusive and deluding scheme. No one informed as to the proceedings of previous annual meetings of the Savings Bank Section could have been in doubt as to what decision this body would reach when the matter was presented for official action. This was not the first occasion when the subject had been considered. There has been discussion of it in the past, before it became associated with politics, and these discussions had made it plain that sentiment upon the part of savings bank officials was radically and unmistakably hostile to the idea.

There is reason for congratulation in the fact that the Savings Bank Section in registering its protest based its action on such broad and impregnable ground. A special committee, the Committee on Postal Savings Banks, had been considering the matter and in its report laid down the rule that, unless imperatively demanded by public needs, the function of the United States Government should not be extended to the spheres more properly occupied by State governments or by corporate or individual effort. They thought it preferable to educate the newly arrived foreigner to American methods rather than to accommodate our methods to his inexperience.

They "point with pride"—and well they may—to the record of the savings institutions of the United States. The figures for 1907 are not yet available, but during the year 1906 the aggregate net loss to depositors, they say, was the trivial sum of $120,000, being three ten-thousandths of 1 per cent. on a total of $3,500,000,000 in savings deposits, whereas the proposed Government rate of 2% would have deprived the depositors of at least $50,000,000 interest in the same year. No one will dispute the statement that "the history of the financial institutions of the United States demonstrates that in safety and in adaptability these institutions are not the first of the nations of the world to find a practicable way of escape."

In the popular view the banks are the special and exclusive instrumentalities of capital used on a large scale, and therefore they are deeply concerned in seeing that public opinion and public action shall be guided aright. While it was not the purpose of Dr. Wilson to advocate the establishment of branch banks, he yet ventured the opinion—with great confidence, he asserted—that if a system of branch banks, very simply and inexpensively managed and not necessarily open every day in the week, could be organized, which would put the resources of the rich banks of the country at the disposal of the whole countryside, to whose merchants and farmers only a restricted and local credit is now open, the attitude of plain men everywhere towards the banks and banking would be changed utterly within less than a generation, he thought. The average voter would then learn that the money of the country was not being hoarded; that it was at the dis-
City banking reserve occurred in less than ten days after the suspension of the Knickerbocker Trust Company and was caused by the shipment to interior institutions of the larger portion of that amount in that short time. Continuing, he said: "We kept the door of our treasure house wide open until for the good of the whole country it became necessary to partially close it. It never was fully closed. Currency shipments continued in a restricted way throughout the panic and a large number of our banks kept up their counter payments as usual. It is true that large sums were loaned in Wall Street during the panic, but it was not for gain or to promote stock speculation, but to protect weak spots that had been discovered and to arrest and prevent the further spread of the panic in New York. Wherever a weak spot was discovered, whether in Stock Exchange circles or in mercantile or industrial circles, if it was safe and proper to protect it, money was freely loaned for that purpose."

Before the Trust Company Section, Mr. Breckinridge Jones, of the Mississippi Valley Trust Co., delivered a notable address, entitled, "The Trust Company—A Necessity." Not only did he succeed in establishing his thesis, but he also undertook to show that the national banks, when they assume to engage in trust or other outside functions, are exceeding their authority. He fortified his point, too, with strong argument. Here is his summary on that matter:

"It is submitted that, under the principles and provisions as set out above, the national bank has no power to have a separate safe-deposit department, and run it as a business; has no power to act as transfer agent or registrar of stocks; has no power to own stocks of any kind unless taken for debt; no power to act as trustee under a corporate mortgage; no power to buy or sell other than Government bonds generally or on commission; and that if a loss should occur by reason of its doing either of these unauthorized things and the bank should be sued by one who has incurred loss thereby, the bank could successfully plead ultra vires."

Mr. Jones's address deserves careful reading. Concerning the way the trust companies passed through the panic of last fall, Mr. Jones asserts that throughout the United States during the last year though twenty-seven trust companies suspended payment more than twenty of these have resumed. Outside of the losses incident to the failure of two trust companies—one the California Safe Deposit and Trust Company of San Francisco and the other the New England Trust Company of Providence, R. I., both of which were located by officers who are now in prison—it is estimated, he says, that the losses to depositors of failed trust companies in the last panic will not aggregate $300,000. "Such is the record of over 2,200 companies having aggregate resources of over four and one-half billions of dollars."

Mr. Jones commented on Mr. Gilbert's address in an editorial article in the Chronicle of last Saturday.

In his view when the truth is known as generally in the West as in the East, it will be recognized that the checking and subsequent control of the panic of 1907 was not due alone to the prompt action of the New York Clearing House, but to the fact that the Clearing House banks of New York constitute the most powerful and conservative banking influence in the country. They were prepared for the panic of 1907, he declared—they saw it coming. New York bankers, he observed, had been severely criticised because they did not more fully respond to the demands of country correspondents by shipping currency against balances. To have fully honored, however, the demands that were pouring in from all sections of the country would have dissipated our banking reserve in a fortnight. He points out that the $53,000,000 deficit in New York
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Vital Issues.

By Alexander Gilbert, President New York Clearing House, and President Market & Fulton National Bank, New York City.

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

This is my first visit to Denver, and the first time I ever attended a convention of the American Bankers’ Association held outside of the city of New York. Now that I have had a taste of the pleasure, and a suggestion of the profit which one receives from attending these conventions, I regret very much that I have been so indifferent to past opportunities. You will pardon me, I am sure, if I take advantage of my presence here on this occasion to refer to a matter which has been brought home to me by numerous invitations received during the past six months to attend bankers’ conventions held in the West for the purpose of correcting a wrong impression that seems to have taken root in the minds of Western bankers, that we Eastern bankers, more especially the bankers of New York during the panic, suspended cash payments, and refused accommodation to our out-of-town correspondents in order that we could loan our money in Wall Street at prevailing high rates of interest. It is difficult for me to believe that this impression prevails to any serious extent. I am prepared to believe that there are bankers scattered throughout the country who really believe it. There were quite a number of untrue, unwise, intemperate speeches made during the last session of Congress by members of both houses, charging the same offense against the New York banks. These speeches were printed in the Congressional Record and through the press disseminated throughout the country, and it would be strange if these misstatements had not found lodgment in many minds. I am not here to apologize for anything the New York bankers did during the panic, for when the truth is known as generally in the West as in the East, it will be recognized that the checking and subsequent control of the panic of 1907 was due not alone to the prompt action of the New York Clearing House, but to the fact that the Clearing House banks of New York constitute the most powerful and conservative banking influence in the country. They were prepared for the panic of 1907—they saw it coming. The furious stock speculation of 1906 and 1907, with its tremendous pressure for money and abnormal interest rates, developed all the apprehension necessary to suggest caution and preparation. They realized also that a dangerous situation had been created by the large amount of funds sent to New York by interior banks to be loaned in Wall Street at prevailing high rates, knowing full well that the first indication of trouble would result in a recall of those funds. They were also aware that an extraordinary amount having been borrowed abroad on finance bills to bolster up the speculation in stocks, that the world-wide pressure for money would make it difficult, if not impossible, to renew those loans at maturity, and that the burden of providing for them would probably fall on New York.

Another threatening danger was the large volume of trust company deposits, almost as great as the bank deposits, against which a very small percentage of cash reserve was being carried. In addition it was feared by the Clearing House Committee that several important banking institutions, controlled and managed by men of well known speculative tendencies, had been seriously weakened by unwise investments. The occurrence of a panic under these conditions would subject not only the banking reserve, but the wisdom of New York bankers, to a terrible strain.

Well, the panic occurred. The institutions that had been weakened by unwise investments went down. New York was the storm center. The paramount question was, could the storm be stayed before its work of devastation and ruin should spread over the entire country. This was the problem confronting the Clearing House Committee. The committee knew that the issuance of Clearing House certificates would immediately bring about a restriction of cash payments throughout the country, causing widespread business inconvenience and embarrassment, and they also
know by experience that the dissipation of the New York banking reserve upon which practically the credit volume of the nation rests would alarm the nation, precipitate the panic and greatly prolong the period of recuperation. Hoping that the panic condition might subside, the committee postponed from day to day the issue of Clearing House Certificates, honoring the drafts that were being made against our rapidly falling reserve until it showed a deficit of $53,000,000, and then concluded that it would be folly to hesitate longer, and Clearing House certificates were issued.

New York banks have been severely criticised because they did not more fully respond to the demands of country correspondents by shipping currency against balances. To have fully honored the demands that were pouring in from all sections of the country would have dissipated our banking reserve in a fortnight. How could it be replenished? Were the interior bankers sending currency to New York? What would have been the effect upon the country if the New York banking reserve had been entirely depleted? It would have so intensified the panic feeling that widespread commercial disaster would have resulted. It was of the highest importance that New York in its cash resources should keep reasonably strong. To sustain public confidence—to provide the pay-rolls for its own industrial organizations and those numerous large corporations scattered throughout the country whose headquarters are in New York—to provide the cash for payments to the government for duties and internal revenue requirements and for the needs of the city and its many important interests. The $53,000,000 deficit in our banking reserve occurred in less than ten days after the failure of the Knickerbocker Trust Company, and was caused by the shipment to interior institutions of the larger portion of that amount in that short time. We kept the door of our treasure house wide open until for the good of the whole country it became necessary to partially close it. It never was fully closed. Currency shipments continued in a restricted way throughout the panic, and a large number of our banks kept up their counter payments as usual.

Another adverse criticism is that our bankers during the panic loaned large sums of money in Wall Street to promote stock speculation and take advantage of high interest rates. In one sense I cannot say that this is true. Wall Street required a large amount of credit to meet maturing obligations; the failure of a prominent Stock Exchange house would in its effect upon the general situation have been more disastrous than the failure of a large mercantile house or industrial corporation. The New York Stock Exchange represents in the volume and money value of its transactions the largest business interest in the country. Among its members are many large and important banking houses whose business is strictly legitimate and non-speculative. During a panic these interest must be protected. The Stock Exchange has its own Clearing House. During a panic it is of the highest importance that its daily clearances should be effected without difficulty. During the panic the New York Clearing House Committee was on duty day and night, watching for danger spots in the situation—prepared to protect every weak spot discovered that was entitled to assistance. During the discussion of the currency question at Washington, I appeared before the Banking and Currency Committee. A member of the committee asked me if it was true that the New York banks loaned money in Wall Street during the panic. I replied: I am glad you asked me that question. I should not have known how to introduce the subject, and I only wish that my voice was strong enough to reach the ears of every member of Congress and make them clearly understand the relation of the New York banks to the New York Stock Exchange. It is true that large sums were loaned in Wall Street during the panic, but it was not for gain or to promote speculation, but to protect weak spots that had been discovered and to arrest and prevent the further spread of the panic in New York. Wherever a weak spot was discovered, whether in stock exchange circles, or in mercantile or industrial circles, if it was safe and proper to protect it, money was freely loaned for that purpose. And I want to say with a good deal of emphasis, that nowhere in the world can be found a more conservative and patriotic body of men than the bankers of the New York Clearing House Association, and not for one single moment during the panic was the Clearing House Committee, in directing that great banking power, influenced by thought of gain or other selfish considerations.

New York had resting upon it a great responsibility—a great task to perform—viz., to hold in poised and steadiness the general business interests of the whole country, and to prevent if possible its credit system and its credit superstructure being thrown into violent confusion. Inasmuch as the credit superstructure of the country practically rests upon the banking reserve of New York, the depletion of this reserve could only be permitted to reach a certain point.

If you could have stood where I stood and been conscious of the gravity of the situation and the danger which threatened to involve the business interests of the country in confusion and disaster through the inability of many Stock Exchange houses to borrow money to meet maturing obligations and to effect the daily clearances at the Stock Exchange Clearing House, you would have thought the bankers of New York reкрыт their trust that they failed to prevent, if possible, such an occurrence. The failure of a number of prominent banking houses at that moment would have so intensified the panic feeling and fear which had taken possession of the people, that the credit system of the country would have been shaken from top to bottom. The money which New York banks poured into Wall Street during that exciting time was not to promote stock speculation or to take advantage of high interest rates, but to protect the business interests of the country against threatening and alarming dangers.

The Clearing House bankers of New York depurate as strongly as the most conservative member of this association the great speculative movements which occur from time to time in stocks and commodities, and would prevent them if possible, but they realize, what every thoughtful man must realize, that dealing in stocks and bonds is just as legitimate a business calling as dealing in any of the commodities of life, and that among the things which are bought and sold in business, corporate securities have just as proper a place as the staple commodities, and are as essential to the growth and development of the country against threatening and alarming dangers. Inasmuch as the credit superstructure of the country practically rests upon the banking reserve of New York, the depletion of this reserve could only be permitted to reach a certain point. Inasmuch as the credit superstructure of the country practically rests upon the banking reserve of New York, the depletion of this reserve could only be permitted to reach a certain point.
only dangerously excessive, but a disturbing factor of large proportions, and it would be a great gain to the country if some way should be discovered by the bankers of the country or by the members of the exchange, or both combined, to prevent, if possible, the outbreak of these periodic disturbances. The rapid advance of prices through speculation that grows out of legitimate trading operations it may be impossible to prevent, and it may be unreasonable to criticise, but the bolstering up of prices by processes purely manipulative is too costly and too dangerous a practice to pass by without notice.

The most disturbing factors of the business situation during the two years preceding the panic were the advancing prices of 1900, and the declining prices of 1907, both of which filled the public mind with apprehension. The public was not in the market to any serious extent; money was stringent, interest rates were constantly advancing, and yet all through the year 1906 prices of securities were forced higher and higher until they reached a point which betokened inevitable collapse. Any business man who did any thinking at all knew the collapse could not be avoided—it was only a question of time. This persistent marking up of prices, and the persistent and continuous decline of prices, more than any other influence, kept the whole business world in a state of uncertainty and alarm. You have said that interest rates were constantly advancing. You know how high they went—50, 75, 100 per cent—and yet these rates only obtained for Stock Exchange loans. Commercial rates were about normal; and had it not been for Stock Exchange demands previous to and during the panic, I doubt if money rates in this country would have at any time been much above normal. The high rate which the Stock Exchange was compelled to pay for money showed clearly where the trouble was. It showed that there had been overtrading and excessive speculation, with resultant inability to finance maturing obligations.

Now, just a word or two about guarantee of deposits. The impression prevails quite widely that the injection of this principle into our banking practice would be a sure preventive of panics. This indicates mental confusion. Panics do not develop from the fear of depositors that they will not ultimately get their money from embarrassed banks, but from the fear that they will not be able to get it when they want it; they cannot afford to have it locked up, and any insurance law which provides that the losses of failed institutions shall be paid by the solvent institutions of the country after the losses shall have been ascertained by liquidation, will be powerless to prevent runs on distrusted institutions. Throughout my long experience I have noticed that depositors seldom make a mistake in the selection of the institution to run upon. They volition seldom in the first instance trouble a conservatively managed institution. They know intuitively where to strike the first blow, and the second, and the third, and so on until animated by fright and panic they attack every institution that is distrusted or talked about. This is the course which every panic follows; and no insurance law which does not provide for the compulsory payment on demand of the deposits of embarrassed institutions will arrest or change this course. The enactment of such a law would be an act of injustice—contrary to the spirit of our institutions—contrary to that sentiment of right and fair play which is implanted in every human breast, and it would be fraught with the gravest possible danger in time of panic. You cannot estimate this danger by studying the operation of such a law in the State of Oklahoma or any of the smaller States where banking capital and deposits are small and comparatively few, but apply it to one of our larger States, the State of New York, for instance, many of whose institutions have deposit liabilities of fifty millions and upwards, and quite a few exceeding one hundred millions, and to two hundred millions, what would happen if one or more of these large institutions should become temporarily embarrassed in time of panic, and the solvent institutions should be called upon to pay its depositors on demand? They could not comply; it would aggravate the panic and prolong indefinitely the possibility of recovery. Compulsory legislation, whether it shall require the payment of deposits or the depositors’ liabilities after liquidation, is wrong in principle, illogical, unjust. Why should the old-time institutions of the country, with a long and enviable record of wise and conservative management and success, be held responsible for losses growing out of the speculative transactions of speculative associations, many of which are springing up all over the country in this age of excessive speculative tendencies?

The taxation of the aby and conservatively managed savings banks of New York and of some of our Eastern States whose investments are restricted by law, to protect depositors of so-called savings banks, many of which can be found throughout the country doing the freest kind of banking business without any restrictions whatever, would be a travesty upon justice. But the principle of justice seems to have been overlooked in working up this new theory for preventing panics. Governor Hughes very wisely suggests, why not apply this same principle to life insurance, the safety of which concerns nearly every home in the country? Why not apply it to our great railway corporations and industrial corporations whose stocks and bonds are scattered broadcast throughout the land, which through possible mismanagement or overcapitalisation might entail heavier losses upon investors than can possibly arise through failed banking institutions?

If more legislation is needed to protect bank depositors, let it be such as will differentiate the transactions of institutions which are doing a general banking business—the bank which deals in corporate securities—the commercial bank, trust companies and savings banks. Confine each to its legitimate function, provide proper limitations and restrictions with regard to investments; also adequate and thorough supervision.

The guarantee principle is all wrong. If it does not put a premium on sound banking, it surely lessens the incentive to wise and conservative banking, and it lessens the caution of depositors in the selection of their banks. It enables the banker who desires to build up a large deposit line for speculative purposes to accomplish his purpose through the assurance that he can give his depositors that they are guaranteed against loss, and inasmuch as his only purpose is speculation, he can induce deposits by payment of high interest rates, all of which will work injury to the maintenance and development of sound banking. Practically there can be no such thing as voluntary or optional guarantee of deposits. Oklahoma makes it compulsory on State banks and optional with National banks, to comply with the law, knowing full well that, with large deposits and provisions for the investment of one-half of the banking reserve of the country in bonds to be used as security for emergency circulation, thus destroying at one blow one-half of the foundation upon which the commercial credit of the country rests. Mr. Fowler in his bill provides for credit currency issues—puts them on the same footing with deposits, and provides a guarantee fund to protect both depositors and note holders. His proposition is part of a general scheme for scientifically reforming the currency. In theory his bill is very attractive—a well-thought out measure—but it can never be reduced to practice. It aims to accomplish too much. This country is so strongly entrenched in its present currency system that it will be impossible to tear it up root and branch. Congress will not be in any mood to hearken to any new propositions until the Currency Commission reports and finishes its labors. Whatever changes are made in the meantime must be in the nature of amendment to our banking law. Our
present system has been in operation for forty-five years—and it is not as bad as represented. It has its defects, but we know what they are and can apply the proper remedies with less difficulty of quiet waters into a very deep river. It is only within the past few years which have been marked by great business expansion and speculation that any great amount of adverse criticism has been urged against the system. The notes have had the confidence of the people and have been issued in sufficient volume to suit the demands of business, with very few exceptions. In analyzing this statement, it is necessary to differentiate banking credit and currency. When a great strain upon the banking credit of the country exists, an increased issue of bank notes will not relieve the strain unless the notes are a legal tender and can be made the basis for an expansion of bank credit. In time of panic, when hoarding is taking place and everybody is clamoring for currency, no properly regulated currency system can meet the demand. The amendments to the National Banking Law, suggested by the experience of recent years, in my judgment should be:

First—The repeal of the tax upon circulation to make the note issue a little more profitable.

Second—More adequate redemption facilities to compel the retirement of notes when needed, and to make expansion possible when required.

Third—Provision for an increased issue when emergencies require it.

For this purpose the American Bankers' Bill with one or two trifling amendments would have worked admirably, but instead we have the Vreeland-Aldrich bill. It is not what we should have, but it will probably be our only refuge for some time. So for the present let us reconcile ourselves to it graciously, and try to secure an amendment reducing the tax upon emergency issues, so as to make it workable and reasonable if perhaps we should have need for it before something better takes its place.

Let us also keep in view the fact that what we require to round out our system is a central bank with branches everywhere and ample means to prevent inflation. Second—More adequate redemption facilities to compel the retirement of notes when not needed, and to make expansion possible when required.

First—The repeal of the tax upon circulation to make the note issue a little more profitable.

Second—More adequate redemption facilities to compel the retirement of notes when needed, and to make expansion possible when required.

Third—Provision for an increased issue when emergencies require it.

We have witnessed in recent years an extraordinary awakening of the public conscience with regard to the methods of modern business—and of the private conscience also, for scores of business men have become conscious, as they never were before, that the eager push and ambition and competition of modern business had hurried them, often-times unconsciously, into practices which they had not stopped, in the heat of the struggle, to question, but which now see to have been immoral and against the public interest. The contest is sometimes said to be between capital and labor, but that is too narrow and too specific a conception of it. It is, rather, between capital and labor, and between the protection and benefit of those who cannot command it. It is, rather, between capital and labor, and between the protection and benefit of those who cannot command it.

The Banker and the Nation.

By Dr. Woodrow Wilson, President Princeton University.

We have witnessed in recent years an extraordinary awakening of the public conscience with regard to the methods of modern business—and of the private conscience also, for scores of business men have become conscious, as they never were before, that the eager push and ambition and competition of modern business had hurried them, often-times unconsciously, into practices which they had not stopped, in the heat of the struggle, to question, but which now see to have been immoral and against the public interest. Sometimes the process of their demoralization was very subtle, very gradual, very obscure, and therefore hidden from their consciousness. Sometimes it was cruel and obvious enough, but they did not stop to be careful, thinking of their rivals and not of their morals. But now the moral and political aspects of the whole matter are laid bare to their own view as well as to the view of the world, and we must run out what is only a very cyclic of reform. No man is so poor as not to have these policies for everything. The whole structure of society is being critically looked over, and changes of the most radical character are being soberly discussed, which it would take generations of time and effort, but which would have not hesitated to putting out to contract to be finished by a specified date, within the limits of our own time. It is not my purpose on the present occasion to discuss particular policies and proposals. I wish, rather, to call your attention to some of the large aspects of the matter, which we should carefully consider before we make up our minds which way we should go and with what purpose we should start.

What strikes one most forcibly in the recent agitation of public opinion is the anatomy of our present economic structure which they seem to dislike. Sharp class contracts and divisions have been laid bare—not class distinctions in the Old-World or the old-time sense, but sharp distinctions of power and opportunity quite as significant. For the first time in the history of America there is a general feeling that issue is now joined, or about to be joined, between the power of accumulated capital and the privileges and opportunities of the masses of the people. The power of accumulated capital is now, as at all other times and in all other circumstances, in the hands of a comparatively small number of persons, but there is a very widespread impression that those persons have been able in recent years as never before to control the national development in their own interest. The contest is sometimes said to be between capital and labor, but that is too narrow and too specific a conception of it. It is, rather, between capital in all its larger accumulations and all other less concentrated, more dispersed, smaller, and more individual economic forces and every new policy proposed has as its immediate or ultimate object the restraint of the power of accumulated capital, for the protection and benefit of those who cannot command its use.
This anatomizing of our social structure, this pulling it to pieces and scrutinizing each part of it separately as if it had an independent existence and interest and could live not only separately but in contrast and content with its other parts, as if it had no organic union with them or dependence upon them, is a very dangerous and unsound thing at best; but there are periods of excitement and inquiry when it is inevitable, and we should make the best of it, if only to hasten the process of reintegration. This process of segregation and contrast is always a symptom of deep discontent. It is not set aside accidentally. It generally comes about, as it has come about now, because the several parts of society have forgotten their organic connections, their vital interdependence, and have become individually selfish or hostile—because the attention of a physician is in fact necessary. It has given occasion to that extensive and radical programme of reform which we call Socialism and with which so many hopeful minds are now in love. We shall be able to understand our present confused affairs thoroughly and handle them wisely only when we have made clear to ourselves how this situation arose, how this programme was provoked, and what we individually and collectively have to do with it.

The abstract principles of Socialism it is not difficult to admire. They are, indeed, hardly distinguishable from the abstract principles of Democracy. Theoretically the thought of the thoughtful is to effect such an organization of society as will give the individual his best protection and his best opportunity, and yet serve the interest of all rather than the interest of any one in particular: an organization of mutual benefit, based upon the principle of the solidarity of all interests. But the programme of Socialism is another matter. It is not unfair to say that the programmes of Socialism so far put forth are either utterly vague or entirely impracticable. That they are now being taken very seriously and espoused very ardentely is evidence, not of their excellence or practicability, but only of the fact that no one who observantly can any longer shut his eyes, that the contesting forces in our modern society have broken its unity and destroyed its organic harmony— not because that was inevitable, but because men have used their power thoughtlessly and selfishly, and legitimate undertakings have been pushed to illegitimate lengths. There has been an actual process of selfish segregation, and society has so reacted from it that almost any thorough-going programme of reintegration looks hopeless and attractive. Such programmes cannot be thrust aside or defeated by mere undertakings have been pushed to illegitimate lengths. There has been an actual process of selfish segregation, and society has so reacted from it that almost any thorough-going programme of reintegration looks hopeless and attractive. Such programmes cannot be thrust aside or defeated by mere

I am sure that many bankers must have become acutely and sensitively aware of the fact that the most isolated and the most criticised interest of all is banking. The banks are, in the general view and estimation, the special and exclusive instrumentalities of capital used on a large scale. They stand remote from the laborer and the body of the people, and put whatever comes into their coffers at the disposal of the big captains of industry, the great masters of finance, the corporations which are in the way of dealing with facts.

I shall now stop to ask how far this view of the banks is true, and not tell you that in large part it is false. I know that the close connection of the banks with the larger operations of commerce and finance is natural and not illicit, and that the banks turn very cheerfully and very cordially to smaller pieces of business. Time was when the banks never advertised, never condescended to solicit business; now they eagerly seek it in small pieces as well as big. The banks are in fact and in spirit at the service of every man to the limit of his known trustworthiness and credit, and they know very well that there is profit in multiplying small accounts and small loans. But, on the other hand, they are in fact and in spirit remote from banks, are unknown to the officers who manage them. We have had no experience in our day or in the days of which our fathers have told us of the tyranny of governments, of their minute control and arrogant interference and arbitrary regulation of our business and of our daily life, though it may be that we shall know something of it in the near future. We have forgotten what the power of government means and have found out what it is to fear the power of capital, to watch it with jealousy and suspicion, and trace to it the sources of every open or hidden wrong. Our memories are not of history but of our own lives and experiences and the lives and experiences of the men about us. Our memories are not of history but of our own lives and experiences and the lives and experiences of the men about us. We have had no experience in our day or in the days of which our fathers have told us of the tyranny of governments, of their minute control and arrogant interference and arbitrary regulation of our business and of our daily life, though it may be that we shall know something of it in the near future. We have forgotten what the power of government means and have found out what it is to fear the power of capital, to watch it with jealousy and suspicion, and trace to it the sources of every open or hidden wrong. Our memories are not of history but of our own lives and experiences and the lives and experiences of the men about us. We have had no experience in our day or in the days of which our fathers have told us of the tyranny of governments, of their minute control and arrogant interference and arbitrary regulation of our business and of our daily life, though it may be that we shall know something of it in the near future. We have forgotten what the power of government means and have found out what it is to fear the power of capital, to watch it with jealousy and suspicion, and trace to it the sources of every open or hidden wrong. Our memories are not of history but of our own lives and experiences and the lives and experiences of the men about us.
Interested in argument as in illustration. My theme is this: bankers, like men of every other interest, have
their lot and part in the nation, their social function and their political duty. We have come upon a time of crisis
when it is made to appear, and is in part true, that interest
is arrayed against interest, and it is our duty to turn the
war into peace. It is the duty of the banker, as it is the
duty of men of every other class, to see to it that there
be in his calling no class spirit, no feeling of antagonism
to the people, to plain men whom the bankers to their
great loss and detriment do not know. It is their duty
to be intelligent, thoughtful, patriotic intermediaries be-
tween capital and the people at large; to understand and
serve the general interest; to be public men serving the
country as well as private men serving their depositories
and the enterprises whose securities and notes they hold.
How capital is to draw near to the people and serve them
at once obviously and safely, is the question, the great
and now pressing question, which it is the particular duty
of the banker to answer. No one else can answer it so
intelligently; and if he does not answer it, others will, it
may be to his detriment and to the general embarrassment
of the country. The occasion and the responsibility are
yours.

We live in a very interesting time of awakening, in a
period of reconstruction and readjustment, when every-
thing is being questioned and even old foundations are
threatened with change. But it is not a time of danger if
we do not lose our heads and ignore our consciences.
It is, on the contrary, a time of extraordinary privilege and
opportunity when men of every class have begun to think
upon the themes of the public welfare as they never
thought before. I feel that I have only to speak of your
social duty and political function to meet with a very in-
stant and effectual response out of your own thoughts and
purposes. I think that you will agree with me that our
responsibility in a democratic country is not only for what
we do and for the way and spirit in which we do it, but
also for the impression we make. We are bound to make
the right impression and to contribute by our action not
only to the general prosperity and well-being of the coun-
try, but also to its general instruction, so that men of
different classes can understand each other, can serve each
other with intelligence and energy. There is a sense in
which a democratic country statesmanship is forced upon
every man of initiative, every man capable of leading any-
body; and this I believe to be the particular period when
statesmanship is forced upon bankers and upon all those
who have to do with the application and use of the vast
accumulated wealth of this country. We should, for ex-
ample, not only seek the best solution for our currency
difficulties, not only the safest and most scientific system
of elastic currency to meet the convenience of a country
in which the amount of cash needed at different times fluc-
tuates enormously and violently, but we should also seek
to give the discussions of such matters such publicity and
such general currency and such simplicity as will enable
men of every kind and calling to understand what we are
talking about and take an intelligent part in the discussion.
We cannot shut ourselves in as experts to our own busi-
ness. We must open our thoughts to the country at large
and serve the general intelligences as well as the general
welfare.
Abnormal Features of American Banking.

By F. E. Walker, President of the Canadian Bank of Commerce.

Somebody once said to a celebrated English statesman, renowned for his clear conceptions of all economic subjects, "I suppose you understand all about the currency"—to which the reply was, "No, indeed I do not, but I believe there are people who do." Many of us are willing to admit that the currency is a complicated mystery. We may feel sure that we can trace the effect on the general financial situation of this or that particular factor, but we have to confess that cannot balance the effect of all of the facts and state clearly, even after a panic, what has caused the disturbance and what we must guard against in the future. But when we consider the currency and banking system of the United States, and remember what we have experienced in the panics of 1829, 1843, 1850 and 1907, we need not hesitate to admit that something is radically wrong, whether we can agree either as to the disease or as to the remedy. I have ventured by my title to suggest that there are abnormal features in United States banking, and this presumes that banking can be reduced to norms, and that aberrations therefrom can be demonstrated as such. I am not sure, however, that any clear principles in banking can be set out which are applicable everywhere. As a rule the banking and currency of a country have been intertwined in their natural development by the effect of war or by wise creation of public debt, and, unfortunately, sometimes by the mere ignorance of legislators. When the natural trend of the banking of any country has been thus thwarted, time usually brings about, either by direct reform or by artificial compromises, such adjustments as are necessary to make the banking system reasonably useful to the country which it is supposed to serve.

In naming the prominent causes of depletion I placed ignorance last, but perhaps it should be placed first. As the great English statesman hinted, few understand the currency, and the country which in its constructive period possessed among its citizens a genius who among his other great deeds as soldier and statesman was determined to reduce to a dried egg the financial system of his country, and to set in the right path for the future the great industrial bank, was unusually fortunate. Such a country was the United States at the close of the eighteenth century, and such a citizen was Alexander Hamilton. He doubtless knew little about currency and banking when he began, and we can almost see his mind turning, in the weltering confusion of the time, from one expedient to another in order to find a course which was sound financially and at the same time suited to the poverty of a country possessing a depreciated currency and no capital with which to create banks. He had about him the two usual types of advisers—those who were willing to try any course of reckless folly in order to escape from the present evils; and those who, while bewailing the evils, were unwilling to depart from the narrow course of safety. This second class we have in the United States in cities of the United States, I hope you will not regard as a single fate at the hands of Jackson. Thus for the second time a system of banking which might have made the country strong to meet financial emergencies, which tended already to make the various scattered parts of the country cohere in commercial matters, which was rapidly creating credit in Europe, and which with all the inevitable faults of youth was performing the functions claimed for it remarkably well, was destroyed in favor of an incoherent system of individual State banks.

Almost immediately the second Bank of the United States followed, only to meet a similar fate at the hands of Jackson. Thus for the second time a system of banking which might have made the country strong to meet financial emergencies, which tended already to make the various scattered parts of the country cohere in commercial matters, was destroyed in favor of an incoherent system of individual State banks.

I am a foreigner, but as five of the establishments included in the bank of which I am President are situated in cities of the United States, I hope you will not regard me as a foreigner for the moment. There are very few banks in the whole country who have a larger interest in the soundness of your banking and in your freedom from panics than my own bank. Remembering my peculiar position, I am particularly desirous not to wound the susceptibilities of any of my hearers, but I hope it is safe to say that Alexander Hamilton was clearly the leading intellect in that wonderful group of men who framed the Constitution. At a time when few men could withstand the onrush of new ideas, largely visionary and false, which accompanied the French Revolution, Hamilton was unshaken in his clear vision as to the future of his country, and few will deny that where you followed his advice you did well, and where you opposed it you did not always act wisely. It may be argued that neither of the two Banks of the United States was so admirable in its career that we should overlook its removal, but we can only judge them by comparison with the smaller banks of the same period. In your colonial and revolutionary times you had a curiously full and varied experience in banking and currency. Fiat money, depreciated coinage, currency based on land, clamor by debtors
for cheaper money with which to pay debts, were all unprofitable.

In the following period, contemporaneously with the first and second Banks of the United States, you passed through a time largely of mania in banking; a time when history was recording for this country such fundamental facts as that banks cannot establish a capital fund merely upon the promissory notes of shareholders; cannot put bank notes into circulation even by the expedient of sending them far from home before issuing them, without considering how they are to be redeemed; cannot lend money on land, or lock it up in other ways, and also have it again in the bank's debt, exigible on demand, fail to be paid. Indeed, it was a time when every vagary in unsound banking was being tried. But Hamilton, from some of these experiences and from European history, planned for you a banking system which contained much of what is good in the successful systems of the world. You would not, however, have his system, but preferred to repeat in each new district, from east to south and west, wherever debt and ignorance combined to create banking and currency, the same errors which make such startling illustrations of what is good in the successful systems of the world. You made many years ago into a new form. We are dealing with a case where the patient has immediately after each serious illness exclaimed: "What shall I do to be saved?" We are dealing with a case where the patient has, immediately after each attack may leave him in a state past all aid. Any purpose I have in writing this paper will be amply served if I can for one brief moment lay emphasis upon the disagreeable fact that while reform in the banking and currency systems of the United States is absolutely necessary, there is no probability at all that any substantial reform will take place at the moment. The profound line of cleavage which made it so difficult to create the first Bank of the United States, and which destroyed it and its successor, still exists. It lies between those who favor a system of banking good for the nation, as a whole, as opposed to a system of banking which may be right or wrong for the great number of units engaged in the business of banking, but which is clearly not right for the nation as a whole. It is not possible in the short time at my disposal to review all of the features in the banking of the United States in which the obstacle to reform lies mainly or altogether in the existence of numerous small banks, but with your permission I shall take up a few of the leading features.

RESERVES.

Most prominently I would place the so-called fixed reserves—the attempt by law to fix the minimum percentage of cash to be held by each bank against its liabilities.

The real reserve requirements of any particular bank differ from those of other banks in accordance with the nature of its obligations as compared with theirs. It is conceivable that the ideal point at which cash reserves should be kept would be different in the case of any ten or twenty banks which you might select for comparison, even in the same city or community. The bank which acts mainly as a banker for other banks needs very large reserves indeed. A bank in the same city doing mainly the business of manufacturers, merchants, exporters, etc., will need altogether smaller reserves, and a bank gathering the savings of a quiet country community needs much less again. The law attempts to recognize these facts, but is evidently unable to do so except in a most imperfect manner. Clearly each bank, if it could be trusted to have sufficient intelligence, should be the judge of the reserves it should keep, and it seems safe to say that if you had continued to create large banks with branches, instead of thousands of small banks, the attempt to provide wisdom by law would never have been made. You would doubtless have done as all other nations have done, and not have been an exception to so general a rule.

If the wrong done only resulted in causing small banks to keep more reserves than they actually required, little would need be said; but, as has been shown, the law can be so worked as to provide reserves quite too small, and experience shows that banks as a rule choose to keep reserves larger than the law requires. The defect in the law, however, is that by arbitrarily fixing the minimum reserves which must be always in hand, it practically forbids the use of the reserve system which has been created.

The law undertakes to supply that wisdom which it presumes the thousands of bankers do not all possess, and to lay by for them the rainy day the provision which it presumes they would not be prudent enough to make. But who is to supply the wisdom demanded by such authorities as Walter Bagehot, who says that in a panic the sound banker should lend to the bottom of his box? In times of peace the wise prepare for war, but when war comes the army is flung into the field, not still held in reserve. The law, however, having forced the sequestration of so much cash and cash reserves against the day of trouble, provides no means by which, either under its own wise and paternal direction or at the discretion of the bankers unaided by the wisdom of the law, the cash thus provided may be used to avert disaster.

I do not wish to be understood as claiming that the present law should be repealed and the thousands of individual banks be left to do as they like. I presume it is true that they cannot be trusted, and that because of the folly which destroyed a more natural system of banking you have condemned yourselves to submit to a paternalism which fixes your cash reserves for you. But I urge as one of the great evidences of the unnaturalness of your system of individual banks the fact that they cannot be trusted to take care of their own reserves, and that no law has been devised which will act the part of Providence for them. I do not maintain that where the banks are larger relatively to the country, as in Canada, they are always wise enough to keep sufficient reserves. It is, as we know, a subject much discussed in many countries, and it would be well, indeed, if banks could in some way be forced to keep larger reserves, provided there be no interference with the use of these reserves when the hour of danger arrives.

Everybody admits the mischief created in the United States from the liability to use legally the reserves for the very purpose for which they are held, and I do not remember that anyone has suggested a better remedy than that which takes place in every province, viz. that breaking of the law by simply not maintaining the reserves. But through the press the public is kept keenly aware as to the exact point in the New York reserves below which the use of them will be illegal, and thus the panic is increased by the very attempt to get at the cash necessary to allay it, while under any ordinary system the panic could probably be averted altogether by a wise use of the cash in hand. Instead of being allowed to reach a stage where it can only be stopped by almost superhuman efforts after it has run part of its course of ruin and disaster.

I think the following statement will show that almost every panic since the war could have been prevented or arrested early in its course by the natural use of only a reasonable part of the actual cash in hand:
CLEARING HOUSE CERTIFICATES AND RE-DISCOUNTS.

In order to avert panics, and also in order to avert the failure of an individual bank which has credit, something more may be necessary than the uncontrolled use of the cash and quick assets in hand. The ability to re-discount should exist somewhere within reach. The great banks of a country should manage so as not to require such aid, but small banks in most countries require it from time to time, and not merely at the moment of a panic. Under ordinary conditions a bank in the United States requiring to re-discount some of its paper can do so, but if there is any financial strain all bankers, big and little, begin to button up their pockets and re-discouts soon become nearly impossible. Indeed, instead of the banks in the great financial centers, where alone the power to aid could be expected to exist, being able to help their country friends, some of them are soon unable to get along without aid from other members of their own city clearing house. But there are almost no American banks of such national importance that they feel the necessity of aiding directly their weaker brethren, whether it is convenient to do so or not, and thus the clearing house certificate came into use. It is not only a splendid tribute to the genius of the American people for organization, but so long as its use is between banks it is a perfectly natural and a most effective plan for allaying a panic that has once been created. It could also be made an instrument in connection with a proper use of reserves, to largely avert panics, if only some wise autocrat could be entrusted to decide when clearing house certificates should be issued, but as to the moment of necessity there is never likely to be unanimity of opinion so long as the decision depends on the judgment of several bankers. And therefore the illegal use of the cash reserves and the issue of clearing house certificates must always come too late to prevent the panic. They may alleviate and cure, but they are not available to prevent. Still, they are such a natural and efficient means of making the banks who have abundant reserves help those who have not that we may expect to see clearing house certificates or something closely akin to them in other countries. Whether we have one system or the other the extent of the reserves necessary on the one hand and the extent to which the surplus funds may be lent on the other is a matter of experience in both systems, but the experience is very different. Indeed, if we take as examples a bank in a reserve city with one hundred banks as correspondents, and a single bank in another country with one hundred branches, we can readily see the difference. In the United States a single bank in the reserve city would have cohere. Almost every bank wishes to withdraw its balance, and this is an absolute impossibility, the panic reaches its crisis, currency payments are suspended, all currency is hoarded and passes to a really large premium, and the ingenuous expedients to which we have referred, whether legal or not, are made use of with that general consent of the people by the banks which only exists in the face of a great national danger. The great national danger is that the panic may cause national ruin. But what is a panic? A widespread fear without a cause. In most countries financial panic is caused by fear of the failure of banks, but the fear of the disappearance of currency, which aggravates panics, and brings about dis-

From this is apparent that in the United States there is no currency of the kind usually known as bank-note issues, of the notes issued by national banks; indeed it has never been long out of the arena of discussion regarding banking in this country since early colonial days. The currency, as we have said, is a complicated mystery, and for that reason it has a strong hold upon the imagination of the average man. But in addressing an audience of bankers it might be well to avoid the broader definition of money, and to try and separate the credit instruments usually issued by banks and passing as money, from metallic money, paper money representing metallic money, and paper money based on the debt of a government. The species of money current in the United States on August 1 were approximately as follows:

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The figures given above do not include an equivalent amount of gold coin and bullion, and silver dollars held in the U. S. Treasury as a common means of payment in the United States. There were bank-note issues before the war, and we have seen that the issue of credit notes under the Act of 1906 is permitted, but under restrictions which practically amount to an admission that the issuing of credit notes is too dangerous a franchise to be granted to a bank under ordinary circumstances. Indeed, the whole machinery for these emergency issues is so difficult that the Act may quite fail in its purpose. In Canada at about the same time we also passed an Act permitting an emergency circulation. Our Act contains 967 words, while that part of your Act which deals with emergency circulation contains 3,730 words. This is not a coincidence. Congress in all cases of necessity in which the respective value of two Acts of legislation. But in this case it may be said that the difference in words fairly represents the difference in ease with which the additional franchise of an emergency circulation may be granted. The United States Government has collected from its various coin and bullion, and silver dollars held in the U. S. Treasury as a means of payment in the United States, and as we know, they were retired for arbitrary reasons connected with the finances of the Government, and not for the purpose of improving the system of banking. We also know that while the national bank notes which issued in their place possess good qualities not possessed by the older State bank issues, they also carry with them the grave defect of rigidity which accompanies nearly all Government note issues. Under the new "Currency Association Law," permitting an emergency circulation, bank issues are to be permitted, but under restrictions which practically amount to an admission that the issuing of credit notes is too dangerous a franchise to be granted to a bank under ordinary circumstances. Indeed, the whole machinery for these emergency issues is so difficult that the Act may quite fail in its purpose. In Canada at about the same time we also passed an Act permitting an emergency circulation. Our Act contains 967 words, while that part of your Act which deals with emergency circulation contains 3,730 words. This is not a coincidence. Congress in all cases of necessity in which the respective value of two Acts of legislation. But in this case it may be said that the difference in words fairly represents the difference in ease with which the additional franchise of an emergency circulation may be granted.

Returning to the ordinary currency, we find that with the exception of the gold coins and paper money directly based on gold coin, all of the vast remainder is currency created by the Government being a species of money based on the debt of a Government. There were bank-note issues before the war, and as we know, they were retired for arbitrary reasons connected with the finances of the Government, and not for the purpose of improving the system of banking. We also know that while the national bank notes which issued in their place possess good qualities not possessed by the older State bank issues, they also carry with them the grave defect of rigidity which accompanies nearly all Government note issues. Under the new "Currency Association Law," permitting an emergency circulation, bank issues are to be permitted, but under restrictions which practically amount to an admission that the issuing of credit notes is too dangerous a franchise to be granted to a bank under ordinary circumstances. Indeed, the whole machinery for these emergency issues is so difficult that the Act may quite fail in its purpose. In Canada at about the same time we also passed an Act permitting an emergency circulation. Our Act contains 967 words, while that part of your Act which deals with emergency circulation contains 3,730 words. This is not a coincidence. Congress in all cases of necessity in which the respective value of two Acts of legislation. But in this case it may be said that the difference in words fairly represents the difference in ease with which the additional franchise of an emergency circulation may be granted to a few large banks with branches as compared with thousands of small banks.

The fourth main element in banking in which flexibility is necessary is bank-note issues. This has become a hallowed subject during the last fifteen years or more, but indeed it has never been long out of the arena of discussion regarding banking in this country since early colonial days. The currency, as we have said, is a complicated mystery, and for that reason it has a strong hold upon the imagination of the average man. But in addressing an audience of bankers it might be well to avoid the broader definition of money, and to try and separate the credit instruments usually issued by banks and passing as money, from metallic money, paper money representing metallic money, and paper money based on the debt of a government. The species of money current in the United States on August 1 were approximately as follows:

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credits without panic. You constantly fall short of currency, and the fear of this accentuates the difficulty so much that sometimes those who have the power to do so lock all the currency up and leave the country without the necessary financial machinery with which to carry on business.

There are countries in the Old World where the fluctuations in the volume of trade and in the price of commodities and securities vary largely from one period of contraction through a period of expansion to the next period of contraction, and from one year to another, and from one part of a year to another, and from day to day, these should be increased by the constantly varying total of cheques, drafts and such credit instruments, with which most of our trade is done, a species of credit note issuable by banks which can be varied in total quantity in proportion as the total quantity of trade done with such instruments of credit varies. And there is the additional reason for such a credit note that whenever, because of panic or any form of distrust, the ordinary currency is hoarded or additional cash is being held by banks as reserves, some legal credit currency becomes more than ever necessary. No one at this late day will advocate the keeping of such credit currency unless it is perfectly safe. I know the history of paper money in the United States from colonial times down to date well enough to know that in suggesting credit paper money the long and dismal history of disastrous experiment in this country comes up as a sort of bygone. I was engaged in business early enough to remember the last of the State bank issues which in the case of solvent banks passed at a discount if geographically distant, and at a larger discount if the bank laws of the particular State in which the note was issued were supposed to favor loose habits or undue risk in banking. But it is to the last degree unfair to judge any of the recent suggestions for an asset currency by antecedent experiences. A currency issued to the extent of the paid-up capital or less, as you have generally proposed; secured as your National bank notes now are, by a first lien on the assets of the bank, including the double liability but not by anything specially deposited or ear-marked; further secured by an insurance fund, and bearing a fair rate of interest if not paid by the liquidator immediately after suspension, is perfectly safe in any country where daily redemption is demanded and will surely be effective. The whole difficulty in carrying out such a plan in this country lies in the fact that you have become used to a system which requires practically no redemption, and with so many thousands of banks you do not quite know how, or you are not quite willing to take the trouble to establish the complicated machinery necessary to effect such daily redemption.

That the issues proposed are credit notes, while National bank notes are not, and that they must be subjected to actual daily redemption, while National bank notes need not, should never be lost sight of for a moment. One of the greatest elements of safety in such issues lies in the fact that having performed the credit service required they will immediately come back for redemption. But some of you will ask how with thousands of banks can you prevent a bank in Kansas arranging with a bank in Oregon to circulate each other's notes, so that the volume kept out would be increased by the geographical distance on the one hand, while the difficulty and expense of returning for redemption would be made unbearable on the other? Clearly by organization you could prevent this, but it is rendered so troublesome by the many thousands of banks that you doubtless will not do so. But again in this lies the obstacle to flexibility in your currency also lies in your thousands of individual banks.

CENTRAL BANK.

There are practically only two directions in which those who desire reform are looking for aid. These may be summarized as follows:

(1) Plans differing in detail, but looking to the creation of a credit-note system of bank currency based upon the assets, somewhat similar to that in use in Canada, although much more restricted in the extent of the powers or franchise to be granted.

(2) No changing in detail, but looking to the creation of one central bank, which alone is to have the franchise of issuing credit notes.

In the most comprehensive form which I have seen, the proposal to form a central bank sets out the following features:

1. A capital of say $100,000,000 to be invested in Government Bonds.

2. The shareholders to be National banks, and possibly also, State banks.

3. To issue its notes, say for $200,000,000, in exchange for gold provided by the banks who become shareholders.

4. To be authorized to issue additional notes up to say $800,000,000, provided a gold reserve of at least 33⅓% of the whole issue is maintained.

5. The central bank to use its powers of lending merely by re-discounting for or lending to the other banks of the country.

6. The shareholders to be represented by a board of directors elected by territorial districts.

7. The Government also to be represented in the board by officers of the Treasury Department.

Among the merits claimed for such a central bank are the following:

(a) It would remove the nuisance of the Treasury, and cause the balances of the Federal Government to be available as lending capital when necessary.

(b) The central bank, like the two banks of the United States, be a rival to other banks, because the latter would be shareholders. This, however, would require that every bank created hereafter should have the same right to proportionate shares as those taking shares at the inception.

(c) It would probably prevent such a lack of currency as has been experienced in the past, and might be urged are the following:

(d) To issue its notes, say for $200,000,000, in exchange for gold provided by the banks who become shareholders.

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(g) The shareholders to be represented by a board of directors elected by territorial districts.

(h) The Government also to be represented in the board by officers of the Treasury Department.

Among the defects of such a system which have been or might be urged are the following:

(i) The central bank would consist of eight or ten thousand banks, which would also be the shareholders. It would be necessary to satisfy these customers that the favors of the central bank were distributed fairly, and especially fairly as to geographical sections of the country. This would make it necessary for the central bank to know the credit status of each bank and of each customer of each bank, or at least of those customers whose paper might be offered for re-discount or who might require a loan. It is quite true that the number of banks even in the eight or ten thousand requiring re-discounts or loans might be very small relatively, but that does not alter the quantity of knowledge necessary, as it would be impossible to tell in advance who might at any moment apply for such accommodation. And if for the smallest reason a re-discount or loan were refused, discredit would be thrown upon the central bank elsewhere in the world is called upon to perform such a task, and I fear it is impossible of satisfactory performance.

(j) It would be absolutely necessary to keep the customers permanently convinced that no political influence could be urged are the following:

(k) Among the merits claimed for such a central bank are the following:

(l) It would prevent the nuisance of the Treasury, and cause the balances of the Federal Government to be available as lending capital when necessary.

(m) The central bank, like the two banks of the United States, be a rival to other banks, because the latter would be shareholders. This, however, would require that every bank created hereafter should have the same right to proportionate shares as those taking shares at the inception.

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(s) The Government also to be represented in the board by officers of the Treasury Department.

Among the defects of such a system which have been or might be urged are the following:

(t) The central bank would consist of eight or ten thousand banks, which would also be the shareholders. It would be necessary to satisfy these customers that the favors of the central bank were distributed fairly, and especially fairly as to geographical sections of the country. This would make it necessary for the central bank to know the credit status of each bank and of each customer of each bank, or at least of those customers whose paper might be offered for re-discount or who might require a loan. It is quite true that the number of banks even in the eight or ten thousand requiring re-discounts or loans might be very small relatively, but that does not alter the quantity of knowledge necessary, as it would be impossible to tell in advance who might at any moment apply for such accommodation. And if for the smallest reason a re-discount or loan were refused, discredit would be thrown upon the central bank elsewhere in the world is called upon to perform such a task, and I fear it is impossible of satisfactory performance.

(t) It would also be absolutely necessary to keep the customers permanently convinced that no political influence could be urged are the following:

(u) Among the merits claimed for such a central bank are the following:

(v) It would prevent the nuisance of the Treasury, and cause the balances of the Federal Government to be available as lending capital when necessary.

(w) The central bank, like the two banks of the United States, be a rival to other banks, because the latter would be shareholders. This, however, would require that every bank created hereafter should have the same right to proportionate shares as those taking shares at the inception.

(x) It would probably prevent such a lack of currency as has been experienced in the past, and might be urged are the following:

(y) To issue its notes, say for $200,000,000, in exchange for gold provided by the banks who become shareholders.

(z) To be authorized to issue additional notes up to say $800,000,000, provided a gold reserve of at least 33⅓% of the whole issue is maintained.

(а) The central bank to use its powers of lending merely by re-discounting for or lending to the other banks of the country.

(б) The shareholders to be represented by a board of directors elected by territorial districts.

(в) The Government also to be represented in the board by officers of the Treasury Department.

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(н) It would prevent the nuisance of the Treasury, and cause the balances of the Federal Government to be available as lending capital when necessary.
might be quite possible to keep political influence out of the management of the bank, although surely no one can feel certain as to this, but can we believe that in a country where party strife is so keen, the customers of the bank and the people will remain continuously convinced of this fact?

(c) An argument against such a central bank, which perhaps will appeal more strongly to a Canadian than to an American banker, is that as the central bank may not have any customers except banks, it can do nothing to change the state of affairs, now existing because of which a large borrower may have either to keep a discount account with a great number of banks, or to sell his paper to sometimes as many as fifty or sixty banks, or even more, through the medium of a note broker. This clumsy manner of borrowing not only prevents that close intimacy between a sound borrower and his banker which, lasting over a series of years, tends so much to create firmly cemented credit relations, but it undesirably has often caused perfectly exchange business, which is still done mainly by bankers the management of the bank, although surely no one can .

(d) Another argument which would appeal to Canadian banks and to all other banks engaged in financing the export and import business of the United States, is that the central bank, having no customers except the banks of the United States, would do little to aid foreign exchange business, which is still done mainly by bankers other than the National and State banks. Now that you own the Philippines and the Hawaiian Islands, now that your foreign trade is increasing so rapidly and, should your tariff be lowered, will increase much more on the import side, surely the need of great banks in the United States capable of establishing large banking connections with other countries, and capable of doing a large international business in 

(e) When all this is said, however, there is little doubt that a central bank, if wisely administered, would be an improvement upon the present conditions, but if the temper of your people will permit such a departure from your present system, there are surely better plans for the permanent reform of your banking. A recent writer, who is strongly opposed to centralization of power, as opposed to “States rights,” puts his main objection to a central bank in the following significant words: "In my judgment our credit currency, like our other evils, is to be remedied by greater freedom and greater distribution of choice and discretion, rather than by a greater centralization or unequal distribution of power. In other words, it is a fair question to ask, whether conceding, as I do, that there is not sufficient elasticity of the currency, I can suggest no remedy, but would prefer present evils to those resulting from the creation of too centralized a power; and the answer, to my mind, is obvious. The true remedy must be found, not in placing our independence upon the discretion of any one, but of every one—that is, again, upon Liberty, rather than upon power and restraint." Without regard to whether this is in the abstract a wise view, or not, I think we must admit that it is distinctly the American view, and those who have carefully read the history of early American banking will recognize that each attempt to depart from it has aroused most passionate opposition.

So far as my own opinion is concerned, I do not find that it has changed materially since I had the honor of addressing the New York State Bankers Association in 1885. I felt doubtful then as to the probability of the necessary reform being acceptable to the existing bankers, and I am not much more hopeful now. But if the people are willing to create a central bank, with the monopoly of banking which would be involved, they should be free to create a series of large banks which could perform every good feature of centralized banking, and still preserve that chief safeguard of the people in industrial matters, viz., competition. And even if the people and the bankers are not willing, I need not, I suppose, on that account hesitate to state what I happen to regard as a more reasonable solution than can be found in any other direction.

In order that reform may be permanent and effective the new species of bank should be able to create:

(1) A sound credit currency with effective daily redemption.

(2) A distribution of capital available for lending, so that it shall not be idle and congested in one locality and scarce or non-existent and proportionately dear in another.

(3) A condition where the gold and other cash reserves of the country may be made more effective and doubtless be minimized in quantity.

(4) Where in time of trouble the capital of the country may be mobile and capable of being centralized when necessary.

(5) Where there may be banks capable of doing the entire lending business of your merchants and manufacturers, except where these are unusually large, when they could be divided by arrangement between two or three banks.

(6) Where a great international banking business may be created and you may be able to influence the possession, to the greatest parts of export and import, to your mercantile marine, and to your position among the great nations of the earth.

This state of things can, I think, only be brought about by your permitting the creation of banks in the United States similar to the banks of other countries. As I have tried to show, the mere creation of one central bank will not change the defective character of the eight or ten thousand other banks. The suggestion I ventured to make in 1895, and which I give below unaltered, was based upon the National Banking System and the ten per cent. tax on State bank issues being allowed to remain as they are, and the new powers to be added to those enjoyed by a National bank or to be enjoyed by banks under State or Federal charters as indicated below:

"Any banks with a paid-up capital of $1,000,000 or over, to be allowed to issue notes, say, to the extent of 75 per cent. of the paid-up capital, secured only by being a prior lien on the assets of the bank, including the double liability of stockholders, and by an insurance fund of say five per cent., and to be free from the ten per cent. tax. Such banks to be allowed to establish branches within the State in which the head office is situated. If the franchise is granted by a State the Federal Government to approve of the regulations securing the note issues, and to hold the insurance fund. I do not enter upon the question of what the minimum paid-up capital should be in the case of banks desiring to establish branches but not to open branches. I hope, however, it might be practicable to make it as high as $500,000."

"Any bank with a capital of say $5,000,000 or over, to have the same privileges as to note issues and to be allowed to establish branches throughout the United States, limited, if though necessary, to cities of national and local importance. Such a franchise would, I suppose, be granted by the Federal Government, in view of all that has happened since the war, I presume it would not be too great a stretch of Federal power to grant such a franchise."

In the light of later experience I should think that banks having power to establish branches throughout the whole of the United States and its over-sea possessions should have a larger minimum capital than $5,000,000. This, of course, proposes asset currency, and I am aware of the arguments which have been made against it. But no effective argument has been made other than the difficulty of applying it to thousands of relatively small banks, and effecting that daily redemption which is indispensable. That it can safely be applied to all individual banks with a capital of $500,000 and over, and not to all banks with branches with a capital of $1,000,000 and over, I have no doubt whatever. That it is extremely desirable in this country if it can be made safe, I am quite certain.


**H. E. Walker. Address New York State Bankers' Association, 1895.
But quite as important as the asset currency, to my mind, is the branch system. If you make your laws so that it is merely permissive, surely the branch system will not come into being in an important degree unless it is right in principle. If it is right in principle, should the particular interests of ten thousand or more individual banks stand in the way of a great public good?

How ever frank I may have been I have not dared to strike such a high note of criticism as many of your own bankers, remembering that I am a foreigner, but if what I have said offends I beg you to forgive, and to believe that I have no ends to serve, and have spoken out of a full heart that which to me seems to be the thing I hope we are all seeking—the truth.

I thank you most heartily for your patience in listening to my rather lengthy paper.

Conservation of Natural Resources.

By Hon. Joseph E. Ransdell, Member of Congress from Louisiana, Member of the National Conservation Commission, and President of the National Rivers and Harbors Congress.

It seems most appropriate that this convention of the men who hold the purse strings of the nation should be interested in a discussion of the conservation of our natural resources, for all wealth is derived from resources given to man by the God of nature. Almost any other gathering of business men would be considering some one of Nature’s gifts—forestry, forestry, mining, agriculture, reclamation by irrigation, drainage; fisheries, transportation by land, by water, by rail, or water—but bankers are interested both directly and indirectly in every resource which contributes to the national wealth.

During the past twelve months the subject of conservation has been given tremendous impulse by a number of conventions of earnest business men assembled to discuss some particular form or branch of the subject, and more especially by the great conference of governors of all the States of the Union at the White House on May 13-15 of the present year, which was participated in by the most eminent statesmen, jurists, scientists, and leaders in our country. This was the first convention of governors ever held in the White House, with the President as presiding officer, and because of that fact, of the high character of its delegates, of the importance of the subjects discussed, which strike at the very foundations of our prosperity, and the lofty statesmanship of its declaration of principles, it marked a notable era in our national history.

This conference, which was called and presided over by Mr. Roosevelt, one of the most progressive and enlightened men who ever occupied the chair at Washington, considered in a very intelligent and interesting manner many problems of deepest import to our country, and the resolutions adopted by it embodied principles of the wisest and most advanced statesmanship. They declared, in part, their “firm conviction that the conservation of our natural resources is a subject of transcendent importance, which should engage unremittingly the attention of the nation, the States, and the people in earnest co-operation. These natural resources include the land on which we live and which yields our food; the living waters which fertilize the soil, supply power, and form great avenues of commerce; the forests which yield the materials for our homes, prevent erosion of the soil, and conserve the navigation and other uses of the streams; and the minerals which form the basis of our industrial life, and supply us with heat, light, and power.” Each State was urged to appoint a commission on the conservation of natural resources to co-operate with each other and with any similar commission of the Federal Government and conviction was declared “that in the use of the national resources our independent States are interdependent and bound together by ties of mutual benefit, responsibilities, and duties.”

Shortly after the close of this convention the President appointed a National Conservation Commission, of which Mr. Gifford Pinchot, Chief Forester, and leading spirit in the White House conference, is president; and a number of governors have appointed State conservation commissions.

In our brief space of a single address it is impossible to give more than a faint idea of this great subject, and I can only make a few suggestions which I hope will call to your attention the vast importance of the topic and induce you to make a close study of it.

We usually speak of the soil as “Mother Earth,” and indeed it is our beneficent mother, by whom nearly all of our wants and necessities are provided, and from whom flows by odds the greatest percentage of our wealth. We can consume and destroy all the minerals which underlie the earth’s surface—and no human power can replace them—for when coal, iron, silver, gas, oil, or any other mineral is once exhausted, it is gone forever, at least, so far as our world is concerned; when the forests are cut down or swept away by fires or the hurricane’s fierce blast, it takes many years to replace them, but the living waters are ever with us, and the earth never grows old, never becomes exhausted, if properly treated, ever growing younger as age upon age rolls on and the nations of to-day are swept into the forgotten past.

Why has there been such agitation on this subject of conservation, and what objects are to be effected thereby? I shall endeavor to answer this question somewhat in detail. A careful study of agriculture in the advanced countries of the Old World, such as Great Britain, Belgium, Holland, Germany, France, and Japan, shows that the soil produces in those countries fully twice as much to the acre in many instances as it does in the United States, and that while the lands in these old countries seem constantly growing better, our lands, which were so productive a few years ago, are becoming less so all the while. Mr. James J. Hill at the White House conference gave some startling facts about our agriculture. Quoting Professor Carver of Harvard, he says that “Agriculture as an independent industry, able in itself to support a community, does not exist in the hilly parts of New England.” He further adds that land values in Ohio shrank $60,000,000 between 1880 and 1900, and the same relative shrinkage exists in New York and other parts of the Union; that single cropping, failure to fertilize, and a general lack of intelligence in farming have reduced agriculture in our country to a very low ebb—lower in fact than any other important country with the exception of Russia; that our system “wastes agriculture to the condition of a bank whose depositors are steadily drawing out more than they put in”; that the average yield of wheat for the whole United States, for the decade beginning in 1866, was only 13.5 bushels per acre; while during the same period Austria and Hungary each produced over 17 bushels, France 19.8, Germany 27.6, and the United Kingdom 32.2 bushels per acre; and that Belgium, the Netherlands, and Denmark have each had an average yield of more than 30 bushels per acre for the past five years. What is true as to wheat is relatively true as to all farm products.

Now, it seems to me that we surely should get as large returns from our virgin soil as do our foreign brethren from their lands which have been cultivated for over a thousand years. Even under our present bad methods the farm products of the United States in 1807 had a value of $7,452,000,000. If we pursued the advanced agriculture of Europe, and thereby made our lands produce twice as much as at present, they would pay us $15,000,000,000 a year, which...
would give the truly enormous addition of $7,600,000,000 to our national wealth every year.

Moreover, I understand that of the 45,000,000 people of Japan, 30,000,000 are farmers, and the whole population is supported by a cultivated area of about 19,000 square miles, added by food products from the sea. Every foot of soil is utilized and every farmer is a specialist. If the same intensive method of farming practiced in Japan were applied to our national wealth every year.

Utilization of the wonderful iron ore beds of the Lake Superior region will be exhausted within forty years, and the national supply be almost gone by the close of this century. What is true of iron applies also to its kindred mineral—coal. Both of these are essential to our daily existence and comfort. We are consuming coal with great rapidity and wastefulness. Only about five per cent. of its potential energy is utilized in most of our furnaces, the other ninety-five per cent. going up in smoke, etc. And in the process of its development oil is estimated to last about two hundred years, and what our descendants will use for its substitute none of us can say. Perhaps they can harness the waves, or the tides, or the winds, and thereby generate electricity. We know they can create enormous electric power by proper control of the various rivers and streams which pervade every part of our continent. Perhaps some method may be devised to concentrate and utilize the inexhaustible heat of the sun—a method possibly on the principle of the Portuguese priest's heliostore exhibited at the World's Fair, St. Louis, which generated 6,000 degrees Fahrenheit, in which any metal would evaporate instantly. Undoubtedly some substitute for iron and coal will be found when in the course of time they have disappeared from our continent, and yet as prudent men and father of succeeding generations we have no right to destroy heedlessly those resources so essential to our comfort, and it is our duty to conserve them in every way.

Next in importance to agriculture in connection with the soil resources is forestry, and some authorities go so far as to say that it is even more important than agriculture, for they claim that without forests to regulate rainfall and water supply the soil will lose its fertility and become an arid waste. One writer cites the cases of Mesopotamia, Assyria and Palestine, where once magnificent forests abounded, in which Solomon's 80,000 workmen spent twenty years cutting and fashioning the cedars of Lebanon to make the wonderful temple of Jerusalem, and which are now almost treeless; and he says that the land which flowed with milk and honey is now barren and poor; and that the site of famed Babylon, with its hanging gardens and everything beautiful in nature and art, is almost a desert. Whether this idea be entirely correct or not, there is undoubtedly a most intimate connection between forests and agriculture, and forests are the parents, so to speak, of rivers. Without forests, with their lovely covering to shield the earth from the sun's scorching rays and their humid mists to soften the clouds and produce the falling rains to percolate freely through it, there cannot be a continuous, steady supply of water for rivers, which without forests will be either raging torrents or dry beds.

As an independent source of wealth disconnected from their influence in agriculture, forestry and water supply for agriculture and for rivers, forests are of incalculable importance and stand fourth in the list of great industries in the United States: Food and kindred products coming first, with an annual value of $2,816,263,000; textiles, second, with an annual value $2,147,441,418; iron and steel and their products, third, with an annual value of $2,178,736,725; and lumber, fourth, with an annual value of $2,288,700,000. Surely any industry which exceeds one and one-quarter billion dollars a year is well worthy of being perpetuated forever, and yet our timber supply is more than half exhausted, and at the present it will all be gone at the end of forty years. I know of no subject more worthy of careful study than the intelligent legislation that the country and the forest can, and should give the truly enormous addition of $7,500,000,000 to our national wealth every year.

In my judgment, the Federal Government should extend and increase its forest reserves wherever practicable, especially where the States and localities directly affected are anxious to cooperate, as in the proposed White Mountain and Apalachian forests, which extend over many States and are essential to the valuable waters of the Connecticut and other streams which pass through them. I feel that the United States is one of the best watered countries in the world, and if properly utilized for reclamation, power and navigation our waters would prove a source of nearly as much wealth as our lands. The Federal Government is beginning to reclaim by irrigation the arid regions of the West on which it is devoting large sums of money which is sure to produce magnificent results and redeem a large domain from the desert. Moreover, private and corporate effort is also accomplishing great things in this line. I heartily commend these efforts—national and local—in behalf of irrigation, and earnestly hope they may be emulated in other branches of the conservation movement.
Close skin to reclamation by irrigation is drainage. One
reclaims land by putting water on it; the other by taking it
off; and just as there are vast areas of arid lands in need
of water, so there are large tracts of swamp land with too
much water. As much of the arid land belongs to the
Federal Government, a workable plan was adopted by which
the nation is interested; in many cases in irrigation, but as the
swamps are nearly all the property of States or individuals,
no general system for their reclamation has yet been devised.
It is worthy of the best effort of our State and national
lawmakers.

The four countries of the Old World are thoroughly alive
to the importance of waterpower, and the United States
forevermore will have to regard this most valuable national
asset—worth at least a billion dollars a year—now lying
dormant in our flowing streams, will be seized upon by
publicly interests, will yield little or no revenue to the
States or the nation, and the power will be sold to private
interests at monopolistic prices. Some immensely valuable
franchises for water-power have been granted by
Congress free of charge under the erroneous impression that
they were without commercial value; but I hope and believe
that a different policy will prevail hereafter.

Most valuable use of water after it becomes a river,
lake or ocean is for transportation. Cheap transportation
is the most important economic question in the business
world, and that nation which solves it best and quickest is
to win in the race for commercial supremacy. The
United States easily leads the earth in railroads, but in
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The Guaranty of Bank Deposits.

BY FESTUS J. WADE, President Mercantile Trust Co. of St. Louis.

In the discussion of any economic subject, the important thing to be borne in mind is, "What are we trying to prove?"

In any legislation affecting the interests of our citizens it is important that the aim of legislation be borne in mind all the time.

What is the object of legislation? Is it to safeguard the interests of any one class of citizens as opposed to the interests of any other class? The object of banking legislation is to make banking safe; to safeguard the interests of depositor and stockholder.

Any measure which attacks the interest of the stockholder impairs the security of the depositor.

Any measure which makes banking safer, any measure which makes bank failures less frequent and less disastrous, any measure which compels the banker to conduct his institution along "safe and sane" lines, conforms to the object of legislation and safeguards the interests of stockholder and depositor.

It is deplorable that a financial theory which affects the interests and calling of every member of this organization, and those we represent, should be made an issue between the political parties in this campaign.

Whatever we, as individuals, think about the guaranty of bank deposits, we must feel that it is unfortunate to have the question dragged into politics.

One State, the newest in the Republic, is experimenting with taxation or assessment to guarantee bank deposits. The question of the legality or constitutionality of this principle is now in the courts. On the banks in existence prior to the enactment of that legislative act Oklahoma levies an assessment of $1 per cent on banks' daily average deposits (less deposit of State funds properly secured) for the preceding year, for the purpose of creating a depositors' guaranty fund. (The State makes no guaranty.) It provides that newly incorporated banks shall pay into the depositors' guaranty fund 3 per cent of the capital stock when such new banks open for business. It further provides, whenever any bank becomes insolvent, that the Bank Commissioner shall take charge of its affairs, and that depositors of such banks shall be paid in full, and when the available money of the bank, or the money that can be made available, is insufficient to discharge the obligation to depositors in full, the depositors' guaranty fund is to be drawn upon to discharge the obligations to the depositors. If the guaranty fund is reduced, by drafts upon it, to less than 1 per cent of the total deposits of all the banks of the State, then a levy of a special assessment is made to cover the deficiency. This assessment is levied upon the capital stock of the banks, according to the amount of their respective deposits, and such assessment is due and payable immediately when made. You will note that this levy or tax is called an assessment. In my judgment, it is clearly unconstitutional and, in terms of an assessment, it is attempted to do indirectly what cannot be done directly under the Constitution of Oklahoma, or under the Constitution of the United States.

The word "assessment" is undoubtedly used to disguise the fact that it is really a tax. The power to tax is subject to the limitation that a tax must be levied for public purposes only, and an imposition in the form of a tax for private interest is void and unconstitutional.

The property of banking institutions belongs primarily to their stockholders, subject, however, to the payment of their debts.

Every assessment or tax levied upon and required to be paid by banking institutions, to pay the deposits of a defunct institution, is, therefore, an appropriation of a part of the property of the stockholders of solvent banks for private purposes. In the case of the Oklahoma Banking Act, however, the assessment required to be levied upon the banking institutions for the creation of a depositors' guaranty fund is not levied for any public purpose, but is levied for the purpose of securing to private individuals who are so unfortunate as to have money deposited in insolvent banks a payment of the debt of the bank to them. The assessment, therefore, takes the money of the stockholders of the solvent banking institutions to pay the debts of insolvent corporations to their depositors. It is unjust in that it attempts to favor the creditors of banking institutions by special legislative protection over the creditors of other sorts of business corporations.

It is unjust in that it takes the private property of the stockholders of solvent banks to pay the deposit creditors of insolvent banks. This is not taking private property for public use. It is the taking of the private property of one class of citizens for the private benefit of another class of citizens, and is therefore indefensible upon any theory of just governmental principles.

The fifth amendment to the Constitution of the United States provides that private property shall not be taken for public use without just compensation, and it has been held by all the courts, both Federal and State, that there is an implied limitation upon the power of the State in relation to the appropriation of private property and an absolute prohibition of the taking of private property for private use.

But leaving to the courts and the lawyers the question of legality, you and I can consider the economic phases of the subject, confident that we know what we are talking about.

Is it practicable? Would it be equitable? How would it affect our stockholders? How would it in fact protect depositors? Would it prevent panics?

It is attempted to make a horizontal rate of taxation on all banks—good, bad, indifferent. How long do you suppose a Life, fire, casualty or fidelity insurance company would remain solvent if the Life insurance company made the same rate on the lives of each individual, irrespective of age or state of health; the fire insurance company the same rate on buildings whether frame, brick or fire-proof in towns and cities with and without protection against fire; the casualty company the same rate on a man walking in the forest and in towns and cities with and without protection against fire? The company constantly makes a profit thereon.
on the street as on a man working in a powder factory, or the fidelity insurance company the same rate for a bond of the dishonest or inexperienced man as it would charge for the honest, experienced and capable man?

Conservation, experience, judgment, education in the various branches of business, would, of course, be required. A man, or set of men, invading the banking field to-morrow would be placed upon the same plane as the sages in the financial world.

Every successful financial institution receives its stimulus, its deposits, its profits, from the wise and careful management of its officers and directors. The capital invested in the institutions and the judgment of its officers and directors are the surest safeguards to protect its depositors. There are over 16,000 banking institutions in this country. No other line of trade or commerce shows such a small ratio of loss as the banking fraternity.

It is suggested that the fear of insolvent institutions will be eliminated by the inauguration of this latest financial heresy. Let us examine this in a homely way. Suppose a bank in a remote part of Oklahoma carries its reserve in a bank in Guthrie, and Dame Rumor suggests to the officers of the bank in Guthrie that the reserve is too small. The reserve, where the reserve is carried, is toting over and will likely close within a week. What will the banker with his reserve deposited in the Guthrie institution do? Will he wait until the doors are closed and then wait until he receives his deposit from the guaranty fund? Will he not immediately proceed to remove his funds from the institution of which he is suspicious and place them where he is confident of security?

Suppose you had on deposit $1,000, being all the wealth you possessed, and fear entered your heart as to the security of that institution; would you wait for the guaranty fund, or would you withdraw your deposit?

The guaranty of deposits, as exacted by the United States government in the deposit of its funds, is held up as an example why all deposits should be guaranteed. I maintain now, and have always maintained, that the government should deposit its funds the same as a citizen, and should not exact security from banks over which it has direct supervision and control. If it should not take securities purchased with its assets and turn same over to the treasury to protect the depositors of the government, and thus diminish the security of the other depositors.

Every depositor has the same right as the government to ask security. The banker can decline or accept the deposit, as it may suit him.

The question is, has the secret been discovered whereby you can create personal honor or ability by legislation? and the theory that the guaranty of bank deposits will avoid disaster, dishonesty or breach of confidence, is a fallacy.

Irresponsibility would be promoted by the adoption of the bank guaranty deposit idea, because under this latest heresy all deposits would be theoretically "guaranteed." According to this fallacy, knowledge of past history and experience would be entirely unnecessary. Any set of men, irrespective of character, ability or financial experience, could form a banking institution in one form or another; put a sign on the door, as they do in Oklahoma—"All deposits guaranteed by the State"—sell their certificates paying five and six percent, and compete with their neighbor who had weathered financial storms, and who would, by the operation of this chimerical scheme, be required to pay the depositors of dishonest, inexperienced, ignorant or disreputable bankers.

No legislation can absolutely stop speculation or avert recurring periods of depression. The law of average, as the law of nature, is immutable. Times of inflation will occur; depression necessarily follows.

Money, real cash, of the country should always be deposited in the banks. Deposits are created in a large measure by the thrift of the people and the commerce of the country. Without depositors, banks would be useless; likewise without borrowers, bankers could not exist. The bank guaranty idea compels each bank to become indorsers for every other bank, but falls to ask each borrower to indorse the paper of every other borrower. Would it not be foolish to ask every borrower to guarantee all of your bills receivable? Is it not equally foolish to ask the banks to guaranty or indorse the debts or deposits of every other bank?

What has been the action of the national banker of Oklahoma on the guaranty proposition? Ten months have elapsed since the law went into effect, and although the National banks were given the alternative of losing the State deposits or continuing with the national system, he is said to their credit, business judgment and sound principles, only six out of a total of 307 National banks have become State banks. State banks were obliged to enter into the guaranty scheme or retire from business because of the passage of the law by the Legislature; hence they were "forced" to join the faith-cure theory of banking.

How does the State fare under the new scheme? It places the funds of the State directly in politics. On the theory that each bank is as good as its neighbor in the State banking system, the party in power will distribute its favors where it sees fit, and you may depend upon it, the banker who is not "affiliated," no matter how wise or sold his bank may be, will receive very little of the deposit.

Deposits in Oklahoma banks, by the latest report of the Comptroller of the Currency, were $88,677,315. Of this amount $36,820,989 was in National banks. National banks are prohibited from jeopardizing their assets by becoming guarantors of the other banking institutions; leaving $21,218,226 in State banks, subject to the operation of the assessment.

The capital, surplus and undivided profits of the State banks of Oklahoma amount to $5,356,907.

There are four banks in Oklahoma whose deposits aggregate more than $5,000,000. Consider for a moment the ruin that would have been created in Oklahoma, if all banks were guarantors for each other, should those four banks have closed their doors during the panic of 1907:

Being the largest banks, suppose they were the depositaries of this guaranty fund. Their doors were closed; their money invested in loans and securities. The remaining banks of the State would be called upon to pay $5,000,000 cash to reimburse the depositors of those institutions. Where would they have gotten the money (not credits, but cash) in November and December, 1907? Take it out of their vaults? If so, what would become of the cash reserve of the institutions assessed to pay the depositors during that critical period? $5,000,000 cash would be nearly 9 per cent. of the total deposits of all the banking institutions in Oklahoma during those months. If they had been suddenly called upon (as the law of Oklahoma is supposed to require them to do) to pay $5,000,000 in cash into the institutions assumed to be failed, it would have taken practically every dollar in cash out of every banking institution in the State of Oklahoma in November and December last year. What would become of the other banks with their $33,000,000 deposits? Who would pay those deposits? What good would their guaranty be if their reserves were all gone? For an answer, the advocate of the policy will tell you the State guaranty idea compels each bank to become indorsers of the paper of every other borrower. Would it not be foolish to ask every borrower to guarantee all of your bills receivable? Is it not equally foolish to ask the banks to guaranty or indorse the debts or deposits of every other bank? Is it not foolish to ask every borrower to guarantee all of your bills receivable? Is it not equally foolish to ask the banks to guaranty or indorse the debts or deposits of every other bank?
never care about the theoretical guaranty by any Government or State, but will continue to hoard his cash in the future as he has in the past.

"Recklessly encouraged," should be the title of the bank guaranty idea, because it encourages those who have no experience, judgment, wisdom or financial education, to enter the banking field, and they will do in many instances what is now being done in Oklahoma—offer 5 per cent or 6 per cent for deposits on time certificates, with the belief that their bank is guaranteed by the State.

What financial confidence would you have in a wholesale dry goods firm's paper if you knew that firm stood as indorser or guarantor for every retail dry goods man in the country? There are States and cities where depositors have not lost a dollar in five, ten, twenty years, in the past quarter of a century. The national banks of the United States handled thousands of billions of dollars in the last quarter of a century with a loss of less than one-quarter of 1 per cent. for the entire period. Why discredit the enviable reputation of the financial institutions of this country?

What organization or set of men comprising economic societies, labor unions, agricultural associations, manufacturing or commercial organizations, have demanded, suggested or approved of this latest financial fallacy? Is it not a fact that not one organization of the character above outlined has ever put its official stamp of approval on this bank guaranty deposit idea? Should we as bankers in convention assembled sit idly by, or should we condemn this measure? I say it is our duty to our depositors, our stockholders, our country, as citizens, to condemn it in the strongest terms.

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### THE FOURTH NATIONAL BANK OF THE CITY OF NEW YORK OFFERS TO DEPOSITORS EVERY FACILITY WHICH THEIR BALANCES, BUSINESS AND RESPONSIBILITY WARRANT.

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<table>
<thead>
<tr>
<th>Institutions</th>
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<tbody>
<tr>
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<td>$700,000,000</td>
</tr>
<tr>
<td>Trust Companies</td>
<td>1,070,000,000</td>
</tr>
<tr>
<td>National Banks</td>
<td>1,670,000,000</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>$3,500,000,000</td>
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</tbody>
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The present guaranty of that vast amount of deposit is as follows: Capital, surplus and undivided profits of—

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</tr>
</tbody>
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plus the double liability of all stockholders of all National banks. Thus it will be seen that depositors' money in National and State banks and trust companies, aggregating a total of $13,300,000,000, is guaranteed by a capital, surplus and undivided profits of these institutions aggregating $3,500,000,000 plus every dollar of the depositors' money loaned out by careful, experienced, honest bankers.

If this guaranty of bank deposits became general, why do we want $3,500,000,000 as capital, surplus and undivided profits? Under the proposed theory, a bank with a capital of $50,000 would be as good as one with $1,000,000 capital, $2,000,000 surplus and $500,000 undivided profits. Why have any surplus to weather the storm? We all guarantee one another. Why pay small dividends to our stockholders and build up large surplus and undivided profits?

How utterly absurd, how silly, this attempt to foist on this nation such a weak, unsound, socialistic doctrine!

Statistics show there are over 8,500,000 depositors in savings banks of the United States. Of this number, there are more than 4,000,000 in the New England and Eastern States and Pennsylvania. Have these 5,000,000 people arisen in their supremacy and demanded the bank guaranty?

The most ardent advocates of the bank guaranty heresy admits that the loss to depositors in over forty years the national banking system has been in existence is less than two-twenty-fifths of 1 per cent. on total deposits. What other line of trade or commerce can make such a showing of safety? What can be more socialistic in its tendency, more paternal in its purposes, than this wild and illogical scheme of bank deposit guaranty!
committee reports—banking section

annual report of the secretary, Fred E. Farnsworth

new york, September 1, 1908

to the american bankers’ association

It is not without considerable satisfaction that I submit herewith my first annual report. Notwithstanding the strenuous times which overtook the banking interests of the country last October, the Association has had an unusually prosperous year. We have retained our membership and show a healthy growth.

I will not attempt to enlarge on the work of the sections and the committees, nor occupy your time in going into details, for you will have full reports from these departments of our association. suffice it to say that this has been for them an unusually active year. the trust company, savings bank, and clearing house sections have accomplished a great deal along their various lines.

executive council

the report of chairman Pierson covers, very fully, much of the work accomplished by this office under direction and with the approval of the executive council.

Currency commission

you will have a report from the currency commission of our association, of which I am secretary. I firmly believe that the Bureau, and the work of the commission is a most important factor, through its educational work, in preventing the vicious Aldrich and Fowler bills as expressive of the active spirit of the American Bankers' Association, as apparent that, had it not been for the work of the currency commission, one of these bills would have been passed by Congress.

Standing protective committee

There is probably no other one department of the association work which appeals to our membership to such an extent as the protective feature.

Of the 151 criminals arrested as appear in the report of the protective committee, 74 have been convicted and sentenced to prison terms amounting to 231 years and 7 months; 24 have been sentenced to indeterminate terms.

The protective committee has expended $38,523.54 for the prosecution of 3,069 members, which amount, is $1,675.14 in excess of the expense of the protective committee of last year.

Consideration should be taken, in connection with this increase of expense, of the fact that there has been an increase of 552 in membership, which, based on the retaining fee we pay the solicitors, will amount to about this amount.

The committee has gone a little farther this year in their efforts to prosecute criminals by making special investigations and endeavoring to apprehend and cause the arrest of amateurs whose records may classify them as dangerous criminals, as result of which additional expense has been incurred.

A large number of our state associations have the protective feature and cooperate with the American Bankers' Association in their endeavor to apprehend criminals, and at times cases are presented through them. the committee to express to the state associations their appreciation of the cooperation thus extended, and stand ready to be of service to the various states when it is possible so to do.

full report of the protective committee will be made in regular order to the convention, but I think it due our protective committee to say that they have been earnest in their work, and have given such attention to details as has been required of them.

Committees

all of our committees, and there are now eleven of them, have held frequent sessions, have been working harmoniously in the interests of the association, and the results are very apparent.

State association conventions

It has seemed to me that it was within the province of your secretary, and extremely desirable, for him to attend as many conventions as possible of the state associations. I attended several of them, but not as many as I should like to have, owing to my duties in the office, which have been perhaps a little more strenuous this year than may be in the future. As a representative of the American Bankers' Association, I have been very warmly received by the state bodies and I am sure that these visits have resulted in good both to the association as well as the state organizations.

American institute of banking

The institute is one of our most valuable adjuncts—now with sections representing 48 states, and 45 chapters, and its work carried along as originally laid out by the educational committee of this association. The institute is composed of a body of live, energetic, progressive young men, who are a credit to this association, and are bound to become the bankers of the future, and the bankers, fitting them for such a career. I was present at their convention at Providence, which was most successful in every particular.

organization of secretaries

the organization of secretaries of state associations was organized in 1902. while it is not a part of the American Bankers' Association, its work is closely allied to us; and its success and the success of the state associations, increase in membership go hand in hand with the growth of the American Bankers' Association. when the secretaries organized there were not to exceed six or eight progressive associations in the country. there are now twenty-five or thirty associations which can be considered first-class and up to date in methods, work and membership. we have been Secretary of this body since its inception, and believe that these two associations cannot be too closely identified for the good of both.

For the thorough handling and expediting of the business of this office, with our large memberships, committee work and correspondence, in my administration I began systematically to install modern business devices, with the result that we now have an addressograph with 25,000 names of member and non-member banks; a multigraph on which we have produced 160,000 letters; modern filing devices for our correspondence, vouchers and files, code receipts, and membership blanks. I have also introduced a system of office vouchers, and in every way possible have endeavored to bring the office up to the standard of a first-class business concern.

I have been allowed to introduce a cipher code, which has been arranged and refurnished, giving us a library and reading room, wherein can be found all of the financial papers and journals of the country. the working offices have been divided up for the convenience of the working force, as well as the secretary and assistant secretary. that this innovation was desirable is attested by the large number of visiting bankers who have called and made use of the offices and reading room.

Cipher code

The Cipher Code authorized by the advisory committee and approved by the council; after correspondence and consultation with many of our members was prepared by the business code company (who are experienced in this line) and was sent out September 1. It is very comprehensive and much more complete than the former code, and has been received with much satisfaction by our members.

Routine work

During the fiscal year just ended about 600,000 special letters, directories, pamphlets, and codes have been issued from the secretary's office.

Membership by states

(to August 31, 1908, inclusive.)

<table>
<thead>
<tr>
<th>State</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>122</td>
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<tr>
<td>Alaska</td>
<td>30</td>
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<tr>
<td>Arizona</td>
<td>41</td>
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<tr>
<td>Arkansas</td>
<td>121</td>
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<tr>
<td>California</td>
<td>306</td>
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<td>Colorado</td>
<td>174</td>
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<tr>
<td>Connecticut</td>
<td>141</td>
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<td>Delaware</td>
<td>25</td>
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<td>District of Columbia</td>
<td>59</td>
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<tr>
<td>Florida</td>
<td>266</td>
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<td>Georgia</td>
<td>203</td>
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<td>Hawaii</td>
<td>64</td>
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<td>Idaho</td>
<td>625</td>
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<tr>
<td>Illinois</td>
<td>315</td>
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<tr>
<td>Iowa</td>
<td>344</td>
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<tr>
<td>Kansas</td>
<td>222</td>
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<tr>
<td>Kentucky</td>
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<td>Louisiana</td>
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<td>Maine</td>
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<td>Maryland</td>
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<td>Massachusetts</td>
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<td>Michigan</td>
<td>357</td>
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<td>Minnesota</td>
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<td>Mississippi</td>
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<td>Missouri</td>
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<td>Texas</td>
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<td>Vermont</td>
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<td>Virginia</td>
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<tr>
<td>West Virginia</td>
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<tr>
<td>Wisconsin</td>
<td>224</td>
</tr>
<tr>
<td>Wyoming</td>
<td>60</td>
</tr>
<tr>
<td>Total</td>
<td>9,663</td>
</tr>
</tbody>
</table>

Six hundred and ninety-one (521) members were erased from the roll through failure, liquidation, consolidation, and withdrawal, during the year, September 1, 1907, to eighty-five hundred and sixty (8,560).

Twelve hundred and forty-three (1,423) members have joined
BANKERS' CONVENTION.

Sept. 1st, 1908, By balance, cash, $1,922.20.

110

In addition to the above balance, the Secretary sent to the Treasurer for collection, Sept. 1, 1908, $4,119 drafts account of membership dues, unpaid for fiscal year ending August 31, 1908, amounting to $151,040.

Also, the Treasurer holds for investment the following:

$30,000 New York City Registered Corporate stock 3% per cent bond of 1939.

$40,000 C. B. & Q. Ill. Division, 4 per cent. bonds of 1935.

$30,000 New York City Registered Corporate stock 3½ per cent. due 1940.

An inventory of the furniture and fixtures of the Association shows about $6,000 in value. This is not carried as an asset, but was charged off when purchased.

A. A. CRANE,
Treasurer.

Report of Standing Protective Committee.

New York, September 1, 1908.

To the Executive Council of the American Bankers' Association, Gentlemen: the detailed financial report of the Standing Protective Committee for the fiscal year ending August 31, 1908, is as follows:

RECEIPTS.

Sept. 1, 1907, By Balance, $4,642.37

Sept. 1, 1907, By Appropriation of Executive Council 21,000.00

May 5, 1908, By Appropriation of Executive Council 21,000.00

Aug. 31, 1908, By Refunds Account of Special Cases in Dues 992.78

$41,344.99

DISBURSEMENTS.

Pinkerton's National Detective Agency Services per contract for one half fee due Nov. 1, 1907. $12,044.00

Services one-half due May 1, 1908-9,297 members at $1.50 79,025.10

Computer on Express Companies 9,251.90

Committee on Uniform Laws 324.50

Clarington House Section 714.45

Clearing House Section 7,437.97

Committee on Bills of Lading 3,731.90

Committee on Credit Information 330.12

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American Institute of Banking 7,970.18

Advisory Committee 790.67

Executive Council meeting of 1908 4,852.64

Standing Protective Committee for the fiscal year ending August 31, 1908, amounting to $151,040.

In closing this my first annual report to you as your Secretary, I desire to express the appreciation of the officers, committees and members of the Association for their uniform courtesy and loyal support, and particularly to Chairman Pierce, as Chairman, energetic and progressive, with the interests of the Association at heart, and who has always responded to my calls for consultation and advice.

Interests of the Association at heart, and who has always rendered us the greatest aid in our work, and especially in our efforts to increase our membership. In this respect we are particularly grateful to our members at this time.

The material increase in membership which is shown by the figures just reported to you. The large amount of extra work during the past year along certain lines, in extending our usefulness to our members and in educational work, has required an additional clerical force. It is due to Assistant Secretary Fillmore and my force to say that they have willingly contributed to the success of the administration in faithful services, and to them I desire to express my thanks.

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PERSPECTIVE.

I predict for the future of the Association increased membership, unequalled success, and with its hearty support from the new administration, the enlarged Council, State Vice-Presidents, State organizations and committees. All of which is respectfully submitted.

Fred. E. Parsonworth,
Secretary.

Report of the Treasurer, A. A. Crane, New York, N. Y.

Financial Statement for Fiscal Year Ending Aug. 31st, 1908.

1907

To Cash—

Standing Protective Committee $39,025.10

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Fred. E. Parsonworth,
Secretary.
The total period of imprisonment for the criminals who have been convicted amounts to 251 years and 7 months. This does not include 24 indeterminate terms.

The membership of the Association has increased 552 since our last report, and we are pleased to state that there have been fewer crimes in proportion per member against members than for any year since the inauguration of the Protective feature.

We refer you to report of the Pinkerton Detective Agency for additional details.

Notwithstanding the fact that your Committee has had a larger membership to deal with than in any previous year they have only expended $4,673.14 more than the expense involved in carrying on the work last year. By the increased membership the retaining fee of the Pinkertons is an extra expense, and, moreover, the Protective Committee, while endeavoring to confine its operations against professional criminals, do, if in their judgment a case would warrant it, endeavor to apprehend and cause the arrest of an amateur whose record may classify him as such or as a more or less professional criminal. The increased expense is due to this new feature of their work. Hereafter work of previous committees has been confined entirely to professional criminals.

It sometimes happens that members are dissatisfied because the Detective Agents are not authorized to do special work in cases which do not come within the rules of your Committee. The Committee regrets this very much, but believe you will appreciate the fact that they are compelled to have rules to govern their work. They give careful consideration to every case submitted and decide each case on its merits.

We respectfully call your attention to the rules under which the Protective Committee works as follows:

1. Upon receipt of notification by the Protective Committee, Harper Bank Building, New York, N. Y., of an attempted or successful perpetration of fraud upon a member of the association, either by forgery, check-cashing, robbery or safe-breaking, which appears to be the work of professional criminals, accompanied by a full account of the offense and, if possible, a description of the operators, the Committee will, if the case comes within the category of those of which the Association can take cognizance, at once undertake the apprehension of the criminals by means of detectives and such other means as they may consider warranted.

2. Upon notification by the Protective Committee, an attempt to commit burglary, robbery or thefts by employees.

3. The Protective Committee can spend no money, undertake no detective work, employ no lawyers and pay no fees of any kind in cases of local swindles, or frauds or confidence tricks.

The vigilance, alertness and energy of the officers of the banks has greatly aided us in such cases.

The Committee calls your attention to the law: "BURGLARY WITH EXPLOSIONS—A person who, with intent to commit burglary, and enters, in the night time, a building, and commits a burglary by the use of nitroglycerine, dynamite, gunpowder, or any other high explosive, is guilty of burglary with explosives."

"BURGLARY WITH EXPLOSIONS—How punished—Burglary with explosives is punishable by imprisonment in State Prison for not less than 25 years and not more than 40 years."

This law has been enacted, with some modifications, by Colorado, Kansas, Maryland, Michigan, and Nebraska. The Committee has endeavored to ascertain the adoption of resolutions urging the passage of this law by other States, and the appointment of a committee to give the matter their attention.

During the past year there has not been a bank burglary committed in Maryland or Nebraska, and we are of the opinion that this law will do much towards decreasing bank burglaries.

During the last year there were 72 attacks against non-members on accounts of successful and unsuccessful burglaries as against 17 members. Loss from non-members was $127,062.95, against $1,369.26 by members, making a difference of $125,693.69.

The Hold-up Robberies upon non-members were 9, with a loss of $72,728.00, against 19, with a loss of $24,787.90, a difference of $47,940.10.

During the year there were no robberies on members by professional sneak thieves.

The Committee have examined, reported and acted on over 16,000 letters and reports in connection with their work. Hopefully submitted,

Standing Protective Committee.
COMMITTEE ON BILLS OF LADING.

New York, September 1, 1908.

From September 1, 1907, to August 31, 1908.

RECEIPT.

Sept. 1, 1907, By Credit Balance.

$8,283.07

DISBURSEMENTS.

Printing and Stationery... 668.50
Attorneys’ Fees... 1,250.00
Traveling Expenses... 1,065.02
Postage... 21.46
Sundry Expenses, postage, etc... 692.85

$3,731.96

Aug. 31, 1907, By Credit Balance.

$1,381.41

COMMITTEE ON EXPRESS COMPANIES AND MONEY ORDERS.

New York, September 1, 1908.

From September 1, 1907, to August 31, 1908.

RECEIPT.

Sept. 1, 1907, By Balance... 4,972.83

Sepi. 27, 1907, By Appropriation by Executive Council... 3,000.00

Mar. 8, 1908, By Appropriation by Executive Council... 10,000.00

$17,972.83

DISBURSEMENTS.

Services of Mr. J. S. Miller... 1,000.00
Printing and Stationery... 16.75
Postage... 15.00
Traveling Expenses... 1,666.12
Monograph... 47.12
Sundry Expenses... 17.60

$2,766.32

Aug. 31, 1908, By Credit Balance.

$14,206.50

STANDING LAW COMMITTEE.

New York, September 1, 1908.

From September 1, 1907, to August 31, 1908.

RECEIPT.

Sept. 1, 1907, By Balance... 617.28

Sept. 27, 1907, By Appropriation by Executive Council... 2,000.00

$2,617.26

DISBURSEMENTS.

Attorneys’ Fees... 500.00
Printing and Stationery... 220.80
Postage... 15.00
Sundry Expenses... 150.00

$925.80

Aug. 31, 1908, By Credit Balance.

$1,162.35

COMMITTEE ON UNIFORM LAWS.

New York, September 1, 1908.

From September 1, 1907, to August 31, 1908.

RECEIPT.

Sept. 1, 1907, By Credit Balance... 390.23

Mar. 5, 1908, By Appropriation by Executive Council... 100.00

$490.23

DISBURSEMENTS.

Revision of text of the Negotiable Instrument Law... 25.00
Traveling Expenses... 42.00
Postage... 1,074.03
Sundry Expenses... 150.00

$1,500.93

Aug. 31, 1908, By Credit Balance.

$53.84

COMMITTEE ON CREDIT INFORMATION.

New York, September 1, 1908.

From September 1, 1907, to August 31, 1908.

DISBURSEMENTS.

Traveling Expenses... $330.12

Advisory Committee.

New York, September 1, 1908.

From September 1, 1907, to August 31, 1908.

Traveling Expenses... $728.58
Sundry Expenses... 61.85

$790.43


To the American Bankers’ Association:

Gentlemen: The undersigned Currency Commission, which was, by a vote of the last annual convention, extended for another year, and directed to maintain its contest for currency reform, beg leave to report.

Your commission appeared before the Committee on Banking and Currency of the House of Representatives early in its session, in advocacy of the plan already approved by the convention, and in opposition to other schemes of legislation deemed unsound and aiming at the wrongest interests of the country. We applied for a hearing before the Finance Committee of the Senate, but it was suggested that such hearing better be deferred until after the last session had taken place. The crisis of last year was at its height at the period when Congress assembled, and resulting therefrom there were ninety-six different bills introduced in Congress amending the national banking law.

The commission was confronted with great labor, and bent its energies to fully digest the various pending measures so that it might point out the impracticable as well as the good features of each. In advising Congress to the passage of a reasonable bill, the commission cordially and effectively supported the American Bankers’ Association’s first report, and approved by this association at its last convention, had further proof of its soundness in principle and efficiency in operation in the fact that a bill involving such a comprehensive plan, had taken shape year by year, during the world-wide crisis of last fall. While maintaining open minds as to the wisest method of its incorporation into our own banking system, it was our belief that a currency based upon a principle, so safe and efficient in the experience of other nations, will be found essential in our own system.

In the Anderich-Vendome measure, however, open to severe criticisms, Congress, by law, has recognized the normal and legitimate assets of a bank as the natural and proper basis of credit extended to the bank in the form of circulating notes. The principle for which we have so long contended has thus received legislative sanction. To this extent the labors of the American Bankers’ Association have been crowned with success.

It was the conviction of the commission, based upon experience and the study of the history of periods following previous panics, that no financial panic could immediately follow the crisis of last fall, and that it was the part of wisdom to chart an unexciting legislation least permanent for the purpose of supposed temporary relief should prove a serious stumbling block in the way of legislation for the comprehensive and fundamental regulation of the grave defects of our banking and currency system.

Your commission strongly urged this view upon Congress, at the full hearing courteously granted by the Banking and Currency Committee. It was sought to impress upon Congress that, if not desirable to enact laws immediately so as would give us a thoroughly scientific banking and currency system, it would be wiser to defer all legislation upon the subject except for the appointment of an able committee, instructed to make thorough investigation and submit its recommendations to a subsequent Congress. Although this view was not adopted in full, the commission feels that its efforts were not in vain, nay, those in the committee (as the commission learned) were adopted by Congress. The high standing and recognized ability of the members of this Congressional Committee, the vigorous way in which it has entered upon this important work warrant the confident expectation that its report and recommendations will form the basis for such legislation as will give us a banking and currency system such as our vast commercial interests so urgently need, and such as will make this country the greatest financial power in the world.

In the world, your commission was urged to urge that bountiful cooperation be extended to this Congressional Committee, and that the American Bankers’ Association earnestly continue to further its efforts for currency and banking reform.

Respectfully submitted,
A. B. Heppburn
Robert Warbroop
James B. Forgan
Myron T. Herring
Frederick J. W. H. Swinney
Joseph T. Talbert
Charles B. Huttig
John I. Hamilton
Luther Drake
Solomon Winkler
Fred E. Parnsworth,
Secretary.


To the American Bankers’ Association:

Gentlemen: Your Federal Legislative Committee beg leave to report:

Owing to the culmination in the unsettled financial condition of the country last fall, resulting in a crisis of great magnitude, bringing out many new questions for consideration, the work of your committee during the past year required much careful thought and study, indeed, more than during any preceding year. This is demonstrated particularly in the fact that in our National Congress more than one hundred bills affecting the banking interests were introduced, each member apparently vying with the other to produce some recent financial bill.

Your committee made it their special duty to carefully examine each bill introduced and digest the subject matter; also to keep in close touch with the various committees to which they were referred, with the view of determining the action to be expected.

We kept ourselves in readiness at all times to promptly notify the Association of any legislation affecting the membership, and to see that special attention, by keeping on hand sets of envelopes addressed to the members of the association, which could be promptly sent out.

We were in a position to assist other committees in any emergency, and endeavor to keep ourselves fully advised of their requirements. Your committee since its appointment has followed with...
much interest the movement which has been on for the establishment of postal saving banks, and has opposed the enactment of any laws creating such institutions, which would really prove beneficial to the country. On the contrary all have been burdened with measures sure to prove detrimental, not only to the interests of unorganized banks, but impairing the ability of the banks to adequately provide care for, the very desirable feature and advantage of active bank supervision, and prohibiting the use of bank credit, and giving the dishonest, a cloak by which such funds immune from all process of law, and particularly inviting the several States to assume the responsibility of seeing to it that such deposits not subject to taxation, and such banks are proving to the detriment of the financial credit of the country which they are in use.

Your committee is opposed to the guaranteeing of deposits by either State or Federal government, as it is the assumption of a trusteeship by either, of a guarantee fund, believing that it would be a function wholly outside of any purpose for which State or Federal government were organized, and for the further fact that the assuming of a trusteeship would be misleading to the general public, as it is not a guarantee by either State or Federal government; and that such a law would work to the detriment, not only of the banks, but to the depositing public as well.

Such a law would tend to minimize the amount of the capital of the banks, rather than encourage the building up of a capital surplus in keeping with the business demands of communities. It would tend to rob the banks of the means of securing a larger amount of business than depositors would under circumstances otherwise adverse. It would further require that more money invariably incur a greater amount of loss to the associated banks and indirectly to the public, than is now possible, and might lead to the liquidation of banks which would become a monopoly in banking.

Losses attend upon banking, ever have and ever will as long as there are banks, because a bank is a human being. Bank supervision and constant publicity have reduced such losses to a minimum. The loss to depositors of failed national banks, annually, during the forty-three years of their existence, equals only 1-20 of 1 per cent of their aggregate deposits. Statistics from various States show that other classes of banks have made a much better showing. Rarely these facts present no crying need for mutual guarantee.

As a depositor in a bank is like any other business relation depending upon mutual agreement, involves the same ethics, and should be governed by the same laws. As to the individual depositors these contracts are essentially local; the character and moral responsibility of the official management are determined by a depositor from the same data and in the same manner that such depositor would determine the moral hazard in selling goods or otherwise extending credit. Is there any principle that differentiates a depositor from any other individual who has voluntarily entered into a creditor relation with a bank, and which entitles him alone to protection? If one class of bank creditors is to be insured against the usual insolvency of that class, why not all classes; and where is the justice of levying a depositors loss, for which he is not responsible, upon other banks, who also are expected to take care of his loss, and who know who they are in the selection of where he shall keep his account?

2. It is unsound in principle.

A guarantee is a contract, whereby a person, voluntarily pays into a creditor relation with a bank, and which entitles him alone to protection? If one class of bank creditors is to be insured against the usual insolvency of that class, why not all classes; and where is the justice of levying a depositors loss, for which he is not responsible, upon other banks, who also are expected to take care of his loss, and who know who they are in the selection of where he shall keep his account?

A mutual guarantee does not make all banks individually strong. The most and the best that can be claimed for it is that it will bring the weak ones up, so far as safety of depositors is concerned, while at the same time bringing the strong ones down. Average mediocrity would be the result; but would the impairment of our system stop with mediocrity? It takes conservation in the interest of profligacy; it compels legitimate business. Its credit standing and financial responsibility of all in this country, high ideal involved in establishing character and building up good will; it compels the conservative banker to place his character, standing in the community and financial strength at the command of incompetent, venal, dishonest, and rival trusts, and thus enable them to buy away his deposits and his business. It is a premium upon bad banking and unsafe business, and portends disaster to all commercial interests and threatens the welfare of the entire nation.

In view of the prominence given to this question at the present time, we deem it important that the American Bankers Association place itself on record. We, therefore, recommend the adoption of the following:

Report of Committee on Credit Information.

On behalf of the Committee on Credit Information I would respectfully refer to the conclusions that were arrived at by the committee to consider the practicability of establishing a credit bureau to be conducted by the association for the purpose of making the facts and special data concerning the credit standing and financial responsibility of all concerns whose paper was sold through note brokers. After several canvases of our existing credit machinery and vast influence of the association could be utilized to secure practical benefits along these lines within certain limitations.

Your committee so reported in detail to the Executive Council.
To the American Bankers' Association:

On May 5, 1908, our Committee made a preliminary report to the Executive Committee at the meeting held at Lakewood, New Jersey, which was thus stated:

Early in the year our Committee, with the assistance of counsel, prepared drafts of various proposed laws recommended for enactment in the States, and the American Bankers' Association covered the following subjects:

1. Punishment of persons making false statements affecting banks.
2. The competency of notaries, who are stockholders in association, which is part of a general banking law.
3. The law for the punishment of persons who make derogatory statements affecting banks has been enacted by the Legislatures of four States this year as part of a general banking law.

Our preliminary report details the efforts before Congress in the matter of uniform state legislation advocated by our Committee and by the Rhode Island Legislature (as part of a general banking law) in the form as originally provided and as hereinafter enacted in the State of New York.

In the matter of uniform State legislation advocated by our Committee, we are pleased to report the following results:

1. The Uniform Bankruptcy Act has been passed by both Houses of the Legislatures of four States this year, namely, Louisiana, Ohio, Rhode Island and Virginia. This makes ten States and one territory have held legislative sessions, namely, the act having been previously passed in Connecticut, Illinois, Iowa, Massachusetts, New Jersey and New York.

2. The Uniform Sales Act has been passed this year by the Legislatures of four States, namely, Louisiana, Massachusetts, New Jersey and New York. This makes six States or jurisdictions in all, having been previously enacted in Arizona, Connecticut and New Jersey.

3. The law for the payment of deposits in trust, which was passed by Congress, has been enacted in the States of Arizona, Connecticut, Illinois, Iowa, Massachusetts, New Jersey and New York.

4. The law advocated by this Committee for the protection of banks by a bank which pays a forged or raised check to its depositor has been enacted in New York.

5. The laws advocated by this Committee (1) relative to the payment of deposits in trust, permitting payment to the beneficiary in the event of death of the trustee and (2) authorizing the bank to pay a deposit made in two names and has extended it to active use in the States of Arizona, Connecticut, Illinois, Iowa, Massachusetts, New Jersey and New York.

6. The law advocated by this Committee for the protection of banks by a bank which pays a forged or raised check to its depositor has been enacted in New York.

7. The laws advocated by this Committee (1) relative to the payment of deposits in trust, permitting payment to the beneficiary in the event of death of the trustee and (2) authorizing the bank to pay a deposit made in two names and has extended it to active use in the States of Arizona, Connecticut, Illinois, Iowa, Massachusetts, New Jersey and New York.

8. The law advocated by this Committee for the protection of banks by a bank which pays a forged or raised check to its depositor has been enacted in New York.

9. The laws advocated by this Committee (1) relative to the payment of deposits in trust, permitting payment to the beneficiary in the event of death of the trustee and (2) authorizing the bank to pay a deposit made in two names and has extended it to active use in the States of Arizona, Connecticut, Illinois, Iowa, Massachusetts, New Jersey and New York.

10. The law advocated by this Committee for the protection of banks by a bank which pays a forged or raised check to its depositor has been enacted in New York.

11. The laws advocated by this Committee (1) relative to the payment of deposits in trust, permitting payment to the beneficiary in the event of death of the trustee and (2) authorizing the bank to pay a deposit made in two names and has extended it to active use in the States of Arizona, Connecticut, Illinois, Iowa, Massachusetts, New Jersey and New York.

12. The law advocated by this Committee for the protection of banks by a bank which pays a forged or raised check to its depositor has been enacted in New York.

13. The laws advocated by this Committee (1) relative to the payment of deposits in trust, permitting payment to the beneficiary in the event of death of the trustee and (2) authorizing the bank to pay a deposit made in two names and has extended it to active use in the States of Arizona, Connecticut, Illinois, Iowa, Massachusetts, New Jersey and New York.

14. The law advocated by this Committee for the protection of banks by a bank which pays a forged or raised check to its depositor has been enacted in New York.

15. The laws advocated by this Committee (1) relative to the payment of deposits in trust, permitting payment to the beneficiary in the event of death of the trustee and (2) authorizing the bank to pay a deposit made in two names and has extended it to active use in the States of Arizona, Connecticut, Illinois, Iowa, Massachusetts, New Jersey and New York.

16. The law advocated by this Committee for the protection of banks by a bank which pays a forged or raised check to its depositor has been enacted in New York.

17. The laws advocated by this Committee (1) relative to the payment of deposits in trust, permitting payment to the beneficiary in the event of death of the trustee and (2) authorizing the bank to pay a deposit made in two names and has extended it to active use in the States of Arizona, Connecticut, Illinois, Iowa, Massachusetts, New Jersey and New York.

18. The law advocated by this Committee for the protection of banks by a bank which pays a forged or raised check to its depositor has been enacted in New York.

19. The laws advocated by this Committee (1) relative to the payment of deposits in trust, permitting payment to the beneficiary in the event of death of the trustee and (2) authorizing the bank to pay a deposit made in two names and has extended it to active use in the States of Arizona, Connecticut, Illinois, Iowa, Massachusetts, New Jersey and New York.

20. The law advocated by this Committee for the protection of banks by a bank which pays a forged or raised check to its depositor has been enacted in New York.

21. The laws advocated by this Committee (1) relative to the payment of deposits in trust, permitting payment to the beneficiary in the event of death of the trustee and (2) authorizing the bank to pay a deposit made in two names and has extended it to active use in the States of Arizona, Connecticut, Illinois, Iowa, Massachusetts, New Jersey and New York.

22. The law advocated by this Committee for the protection of banks by a bank which pays a forged or raised check to its depositor has been enacted in New York.

23. The laws advocated by this Committee (1) relative to the payment of deposits in trust, permitting payment to the beneficiary in the event of death of the trustee and (2) authorizing the bank to pay a deposit made in two names and has extended it to active use in the States of Arizona, Connecticut, Illinois, Iowa, Massachusetts, New Jersey and New York.

24. The law advocated by this Committee for the protection of banks by a bank which pays a forged or raised check to its depositor has been enacted in New York.

25. The laws advocated by this Committee (1) relative to the payment of deposits in trust, permitting payment to the beneficiary in the event of death of the trustee and (2) authorizing the bank to pay a deposit made in two names and has extended it to active use in the States of Arizona, Connecticut, Illinois, Iowa, Massachusetts, New Jersey and New York.

26. The law advocated by this Committee for the protection of banks by a bank which pays a forged or raised check to its depositor has been enacted in New York.
Treasurer as State Banking Examiner, was referred to the Senate Committee on Banks and Banking, after several hearings & amendments. The bill was passed by the Senate unanimously on Friday, July 31, and sent to the House. The committee on Banks & Banking referred the bill to the Committee of the Whole House on its passage. The measure.

The Legislative Committee of the Georgia Bankers' Association hopes the new session will be composed of representatives elected this fall. The only legislation enacted by the Kentucky Legislature this year of interest to or affecting banks was an act making tobacco application for a general exemption of mortgage notes, which had to be consecrated and recorded. The Committee of the Louisiana Bankers' Association, of which Mr. Edwin T. Merrick, of New Orleans, is Chairman. Other laws passed through the efforts of the Legislative Committee of the Georgia Bankers' Association. The measure is expected to do much for the financial interests of the State.

The Mississippi Legislature passed an act (approved March 19, 1908) to compel the payment of capital stock of banks and trust companies in full at the time of the organization of such banks and trust companies, and that no bank can begin business without a paid-up capital to the amount of at least $10,000 in towns of five hundred inhabitants or less, and at least $15,000 in towns and cities of over five hundred inhabitants. An act (approved March 5, 1908) to authorize banks and branch banks to make quarterly examinations of the books, accounts and securities and certify the same to the State Banking Board and also a Depositors' Guaranty Fund. The measure.

The Ohio Legislature passed both the Uniform Warehouse Receipt and the Uniform Sales acts. The only other important legislation at this session was the above act. The Ohio Bankers' Association. The measure for review.

The Rhode Island legislature enacted a law (approved July 18, 1908) creating the Rhode Island Depository Guaranty Fund. The bill passed by the Senate unanimously on Friday, July 31, and sent to the House. The committee on Banks & Banking referred the bill to the Committee of the Whole House on its passage. The measure.

The Supreme Court of Oklahoma, early in September, handed down a decision embodying the interpretation of the Uniform Warehouse Receipt Act and the Uniform Sales acts. The only other important legislation at this session was the above act.
This law contains 99 sections and its provisions are too detailed for even a summary in this report.

**BANKERS' CONVENTION.**

This law contains 99 sections and its provisions are too detailed for even a summary in this report.

**SOUTH CAROLINA.**

South Carolina passed a law this year, for the appointment by the Governor of a Bank Examiner and defining his powers and duties.

Also a law making it a felony to enter a bank with intent to commit a felony, and providing for various matters, such as a penalty for breaking in, enter, or enter without breaking, any building or part of a building occupied as a bank, which fails to provide any money or securities for money or other things of value, either by force, intimidation, stealth, or by any other means. It has been deemed guilty of a felony, and upon conviction thereof shall be punished by imprisonment for a term not exceeding two years.

**VIRGINIA.**

The Uniform Warehouse Lending Law of the State of Virginia on the last day of the session and has been approved by the Governor.

The Legislature also passed the following act: Making the sealing of notice of protest or dishonor by mail, to any person residing in a city or town entitled to personal service.

Providing that protest in all cases, whether made in the State or not, shall be prima facie evidence of what is stated therein, or at the foot or on the back thereof, in relation to presentment, demand, dishonor and notice thereof.

Amending the act, originally enacted in 1906, covering the effect of the drawer of a check. The act provides that the death shall not, as to checks presented for payment within two weeks from date of death, operate as a revocation of authority of the drawer to the bank. It also requires that the death be notified to the bank within two weeks after notice of a depositor's death, and after paying through the bank, or having paid, the money or the discharge of the note, must pay the residue to the persons entitled thereto in the manner prescribed by law.

Early in September our Committee issued a call for a meeting of the Legislative Committees of all the State Bankers' Associations to be held on September 20th, under the auspices of the Standing Law Committee. The objects of this meeting are: (1) To receive suggestions from the various committees on the laws relating to banking concerns, and to make recommendations concerning legislation needed in their respective States; (2) to establish an effective working organization under the auspices of the Standing Law Committee which necessary legislation in any of the various States may be furthered, and (3) for the consideration of legislative work more concisely and efficiently, and in progress along the line of improvement and uniformity in the laws affecting the banking business.

Respectfully submitted,

STANDING LAW COMMITTEE,

WM. J. FIELD, Chairman, JOHN K. O'ITLY, Sec'y. & Treas. Commercial Vice-Pres., Fourth Nat. Bank, Jersey City, N. J.
HENRY D. WILSON, Vice-Pres. & Cashier First National City Bank, New York City.
HENRY D. WILSON, Vice-Pres. & Cashier First National City Bank, New York City.
THOMAS R. PATON, Counsel & Secretary, 11 Pine Street, New York City.

Trust Co., Tacoma, Wash.

P. C. KAUFMANN, Trust Co. of New Jersey, Atlanta, Ga.

Counsel & Secretary, 11 Pine Street, New York City.

October 15, 1906.

Report of the Executive Council, by the Chairman, Lewis E. Pierson.

Immediately following the last Convention the Council organized and elected Lewis E. Pierson of New York as chairman of the Executive Council, Theodore C. Farnsworth of Detroit as secretary, and William G. Flanagan as assistant secretary.

Under a By-Law of the frequent use the Council also appointed an Advisory Committee of seven, which held a two days' session in New York in February, and in addition to framing up several important matters for the attention of the Council at its next meeting, took action:

1st. Resolution of the immediate revision and publication of a new editor code—the previous edition of code having been exhausted.

2nd. Instructing the officers to welcome the Comptroller of the Currency to the Association and the Treasury Secretary, Mr. Farnsworth of Detroit as secretary, and William G. Flanagan as assistant secretary.

3rd. Under a By-Law of the frequent use the Council also appointed an Advisory Committee of seven, which held a two days' session in New York in February, and in addition to framing up several important matters for the attention of the Council at its next meeting, took action:

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1st. Resolution of the immediate revision and publication of a new editor code—the previous edition of code having been exhausted.
Report of the Committee on Uniform Negotiable Instruments Law.

Sept. 25, 1908.

To the President and Members of the American Bankers’ Association,

Since the report made by this Committee at the last meeting of the Association, held in Atlantic City last September, we have had the pleasure of adding Nevada, New Mexico, Wyoming and Hawaii to our list of States that have adopted the Uniform Negotiable Instruments Law. The States still remaining outside are Maine, Vermont, New Hampshire, Rhode Island, Delaware, Indiana, Oklahoma, Texas, Arkansas, Mississippi, Georgia, South Carolina, South Dakota, Minnesota and California.

In the States that have already passed, there are certain conditions existing which make it almost impossible to get good banking legislation through. The bankers of Maine, Vermont, and New Hampshire, where the Committee has been working for some time, do not seem to cooperate as they should to secure the passage of the law. We have been unable to get the law through in Oklahoma, Texas, Arkansas, Mississippi, Georgia and South Carolina on account of the political and other conditions existing against railroads and other corporations.

We are very much encouraged with our work in South Dakota and Minnesota, and, having before 1900, we shall pass at the next session of the legislatures in these States. Considerable work has been done in Indiana, and the banks of that State give us very much encouragement, as they say they will be able to get the act through at the next meeting of the legislature.

There are conditions existing in California which make it difficult to get the law through, but our friends there tell us they hope to secure the passage of the measure in that State before the session ends.

We are working in Delaware, and hope, with the aid of our friends there, to get the law passed.

We urge the active support and work of the bankers in the States that have not adopted the Uniform Negotiable Instruments Law to secure the passage of said law at the next meeting of the Legislatures in their respective States.

The States and jurisdictions which have adopted the Law are as follows:

- Massachusetts
- Connecticut
- Rhode Island
- New Hampshire
- Pennsylvania
- New Jersey
- Maryland
- Delaware
- Virginia
- West Virginia
- Kentucky
- Ohio
- Michigan
- Wisconsin
- Illinois
- Iowa
- Missouri
- New Mexico
- Kansas
- Montana
- North Dakota
- Minnesota
- Nebraska
- Oregon
- Louisiana
- Washington
- Alabama

Our committee desires, at this time, to express our approbation for the united hearty support of the American Bar Association, the National Bankers’ Association, and the Interstate Bankers’ Association, in their efforts to pass the Uniform Negotiable Instruments Law.

The following is a statement of Institute receipts and expenditures for the year ending September 1, 1908:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, September 1st, 1907</td>
<td>$19,093.81</td>
</tr>
<tr>
<td>Subscriptions to the Bulletin</td>
<td>$1,556.59</td>
</tr>
<tr>
<td>Textbooks and Examinations</td>
<td>$692.56</td>
</tr>
<tr>
<td>Fellowship Dues</td>
<td>$82.00</td>
</tr>
<tr>
<td>Total</td>
<td>$19,093.81</td>
</tr>
</tbody>
</table>

The foregoing figures show that the income of the Institute is less than its outgo. The reason for this is that the Bulletin and other education matter is not sufficiently supported by the amount of financial support that the American Bankers’ Association has never been wholly expended, your Committee recommends that the same amount be again appropriated for the ensuing year. Your Committee believes that the Institute in the administration of their educational standard and the stimulation of educational interest and ambition.

When the Institute was founded eight years ago, there were only two prominent schools of finance in the country. Now finance is taught in every leading university and, through the influence of the Institute, instruction in this subject is of more practical character than it would otherwise probably be.

Experience has demonstrated the fact that Chapters as conducted in large cities, are not expedient in small places unless a convenient to some school of finance or law from which professional instructors may be obtained. The spirit of fraternity so well developed in city chapters, however, is being extended throughout the country by means of the Correspondence Chapter, which is doing satisfactory work in alliance with the International Correspondence Schools of Scranton and through study courses conducted by the Chapter itself. Too strong emphasis cannot be placed on the value of the Correspondence Chapter for the study of banking business in the respective localities.

Some Chapters require encouragement and inspiration, but most of them are permanently established and have not only increased the efficiency and elevated the character of their own members, but have also created a beneficial influence upon the banking business of the respective localities.

The spirit of fraternity is the strongest motive power in the promotion of such education as the Institute provides, and now that a system of education has been built up, it is a commendable disposition to pursue the study courses and examinations which at first proved to be somewhat in advance of present conditions. The Institute has found opportunity to attract such work through alliances between the Institute and available schools of financial law, thus utilizing the educational facilities of the United States. In this way the individual advantages of leading universities and the personality of experienced professors are obtained with no further responsibility on the part of the Institute than the maintenance of a recognized educational standard and the stimulation of educational interest and ambition.

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BANKERS' CONVENTION.

Checks in white, bills receivable in green tint, certificates of deposit in pink tint, drafts in yellow tint, receipts in slate tint.

2. That letter heads be 8 1/2 x 11 inches and note heads 6 x 10 inches, of any color tint, the bank may choose.

All of which is respectfully submitted.

Dated September, 1908.

JOHN SCHUETTE,
W. V. CONX,
FRANK D. STALNAKER,

Report of Bill of Lading Committee, by Lewis E. Pierson.

Since our last report your committee has achieved the purpose for which it was originally appointed, through an order of the Interstate Commerce Commission, June 27, 1906, recommending two (2) forms of bills of lading for uniform adoption by all carriers throughout the United States.

The order of the commission included the recommendations of our committee, which in brief were as follows:

1. Two separate forms of bills of lading on different colored paper, one for straight and one for order shipments.

2. The prominently printing of the words "order of" before the name of the consignee of order bills.

3. The omission of the words "not negotiable" from order bills and the printing of such words on straight bills.

4. The amendment of the alteration clause so that a fraudulently altered bill shall be good for its original tenor and not be destroyed completely.

5. The adoption of the end of section 9, of the conditions (which provide that the carrier, liable for loss, shall have the benefit of any insurance of the shipper), that is: "As far as this shall not avoid the payment of insurance of carriers."

The commission, however, states that it has no authority to enforce these recommendations upon any of the carriers, in order to make uniform all bills of lading issued throughout the country, but the recommendations have been agreed to by the railroads in the Office of the Interstate Commerce, and the railroads east of the Mississippi and north of the Ohio Rivers, and it is hoped that the other carriers will also adopt the forms.

Proceeding the recommendations of the Interstate Commerce Commission, which followed three years of study and negotiation by a joint committee of carriers and shippers appointed at the suggestion of the commission, a hearing was held before that body in Washington, October last. This hearing lasted for two days and was attended by a large number of representatives of shipping, and the various commercial organizations appointed at the Atlantic City convention, which appeared before counsel and submitted briefs, which are shown in Appendix No. 2.

Following the hearing, the Interstate Commerce Commission gave much thought to the subject and held a number of informal conferences with the interested parties, prior to the issuing of its final recommendations. The work of the commission in this important matter has been as thorough and painstaking as the subject of the lading problem.

Under the solicitation of your St. Louis convention our committee was also charged with the additional problem of securing legislation which would give to bills of lading the element of negotiability which they now lack, and to make certain the rights and obligations, not alone of carriers and shippers, but of bankers and merchants who advance value on the security of the bill of lading, because of the bill of lading problem.

In addition, therefore, to the proceeding before the Interstate Commerce Commission, we have been acting in unison with many commercial organizations for the purpose of securing such State and Congressional legislation, which now bids fair to be accomplished.

A number of the commercial organizations and bankers' bill of lading committees have been acting in unison with many commercial organizations for the purpose of securing such State and Congressional legislation, which now bids fair to be accomplished.

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Clause of the Constitution, had the power to enact legislation of the character requested.

Our committee, its attorneys and the attorneys of the commercial organization have no doubt of the existence of such power (which has previously been exercised by Congress), in the enactment of the Harter Act, passed in 1893, covering ocean bills of lading, and more recently through the enactment of the Rate Bill of 1908, which contained a clause holding initial carriers liable for loss through damages; which clause has just been declared constitutional by Circuit Court of the United States, Western District, Arkansas, Fort Smith Division, in Smeltzer v. St. Louis & San Francisco Railway, 138 Federal Reports, page 649.

The Maryard bill, the statement covering the same by Thomas B. Paton, and brief on the constitutional points involved, submitted by Henry W. Taft, of Strong & Cadwalader, are Appendix No. 4.

In continuance of the policy of keeping in touch with the work of the commissioners on uniform State laws, our counsel, Mr. Thomas B. Paton, this year again attended the session of the commissioners, with the expectation that they would agree upon their final recommendations covering bill of lading legislation for the several States.

The meeting was held at Seattle, Washington, and was also attended by Mr. P. C. Kaufman, chairman of the Committee on Bills of Lading, Washington Bankers' Association, but, in view of the fact that the new uniform bills of lading have so recently been recommended by the Interstate Commerce Commission and in view of the objections made by certain interests to some of the provisions of the draft of their bill, the conference decided that consideration be postponed for another year.

In connection with our committee's work, and for the purposes of assisting in securing national legislation, and at the same time be prepared to take up for State legislation such recommendations as may be submitted by the commissioners on uniform State laws, there have been bills of lading committees appointed by State banking associations in twenty-five States, a full list of these committees being shown in Appendix No. 6.

The committee recommended the adoption of the following:

Whereas, The Bill of Lading Committee of the association has done its appointment been engaged in endeavoring to secure the acceptance by all parties at interest of a uniform form of order bill of lading; and,

Whereas, It is manifestly most difficult to secure the approval of shippers, carriers and bankers to a form which would be ideal from the point of view of any single interest; and,

Whereas, The Interstate Commerce Commission on June 27, 1908, appeared and recommended the adoption and use by all carriers subject to the act to regulate commerce, from and after the first day of September, 1908, of two uniform bills of lading, one an "order bill" to be printed on yellow paper and the other a straight bill to be printed on white paper, the order bill not straight bill differing only on the front page thereof, the conditions on the back being the same in both cases; and,

Whereas, These bills have only been recommended after years of study and negotiation between a committee of carriers and a committee of shippers appointed at the instance of the Interstate Commerce Commission, and working in conference with that body, and in the conferences and negotiations leading up to the final agreement upon such bills, the representatives of the bankers have taken considerable part and such bills embody the amendments suggested by the Bill of Lading Committee of this association; and,

Whereas, The Uniform Bill of Ladng Committee of the carriers in official classification territory have instructed that carriers in such territory "should arrange to employ the new forms exclusively on and after November 1, 1908," and have also recommended these forms to all other carriers subject to the act to regulate commerce outside of official classification territory with the suggestion that these forms shall be adopted "in order that the greatest degree of uniformity in the usage of bills of lading shall be obtained."

Therefore be it

Resolved, That the American Bankers' Association desires to express its hearty recommendation of the action taken by the Interstate Commerce Commission, and, further, that it recommends to its members that after January 1, 1909, they only handle for value either order bills of lading issued by carriers in the United States on forms recommended by the Interstate Commerce Commission or order bills of lading as described in the above preamble; or the so-called "clean" order bill of lading, without conditions, being the form recommended by the National Industrial Traffic League to the Interstate Commerce Commission on October 15, 1907.


Appendix No. 2. Order of Interstate Commerce Commission, June 27, 1908, with provisions of that body's recommended uniform bills of lading—one for order shipments and one for straight shipments.


Appendix No. 5. Report of the American Bankers' Association Bill of Lading Committee to the Executive Council, May 4, 1908.

Appendix No. 6. Membership State Bankers' Association Bill of Lading Committee.

CENTRAL TRUST COMPANY
OF NEW YORK
No. 54 Wall Street
Capital, $1,000,000 Undivided Profits, $15,172,646.78

J. N. WALLACE, President.
E. P. HYDE, Vice-President.
F. F. MITCHELL, Vice-President.
D. OLCOTT, Vice-President.
M. FERGUSON, Asst. Secretary.

Board of Trustees:
F. P. OLCOTT, Chairman of the Board.
Samuel L. Noyes, Edward S. Biss.
Adrian Jacobs, Jr., H. E. Hyer.
Henry Evans, James D. Behrbock.
Geo. Macinche Miller.

F. P. OLCOTT, Chairman of the Board.
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Charles Stearns, A. D. Johnston.
J. N. Wallace, Geo. Macinche Miller.

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PRAAYER,  

By Right Rev. Charles S. Olmsted, Episcopal Bishop of Colorado

Let us pray. Our Father who are in heaven, hallowed be Thy name. The kingdom come, Thy will be done on earth as it is in heaven. Give us this day our daily bread. And forgive us our trespasses as we forgive those who trespass against us, and lead us not into temptation but deliver us from evil. Amen.

Almighty God, Father of the worlds and Lord of all mankind, Who art in heaven, and see all things, worketh and buildeth the works and destinies of nations, and giveth the wealth of nations and the strength. May they continue to teach us lessons of uprightness and righteousness in deed in our habitations. Show them this day how much more truly the depositors of right and wrong are those men and women, and the guardians of good faith and honorable dealing and through them, as well as through all other efficient agents, build up the walls and strengthen the gates of our beloved country. May peace and happiness, truth and justice, religion and piety be established among us. Let the American Bankers Association, established among us for all generations. Give peace in our time.


The convention was called to order by the president, Colonel J. D. Powers, of Louisville, Ky. President Powers: Gentlemen, the American Bankers' Association will come to order, and you will take your seats under the gaze of your respective States. Members of the Finance Council, exponents of the association and vice-presidents representing the various States are requested to take seats upon the stage.

The convention will rise and stand during the Invocation by Right Reverend Charles S. Olmsted, Episcopal Bishop of Colorado.

THIRTY-FOURTH ANNUAL CONVENTION, HELD AT DENVER, SEPT. 30 and OCT. 1, 1908.

FIRST DAY'S PROCEEDINGS.

PRAYER.


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which reads in effect as follows: "Your money is here. It is all here. We are taking care of it for you. Go home and put an ice bag on your pulse. Walk out into the open and note the fact that we are living in a very, very beautiful world."

Could you not find another method of preventing the periodical financial panics, without maintaining a daily propaganda for the education of the public mind? The American Medical Association sends a lecture to every part of the country to awaken interest in the prevention of disease. It might be supposed that physicians would be interested in having business good, but it is the new American Bankers' Association which does more than all other organizations in the country to keep the people aware of the importance of keeping all the people well. The American Bankers' Association will meet their obligations to the nation with large intelligence and with absolute sincerity.

President Powers: Ordinarily it is sufficient that the greater embraces the less, but Denver always speaks for itself, and, why not? We have done a large business here. Denver possesses on her own hook a special welcome, and Mayce Speer I have the pleasure of introducing to you for that purpose.

Address of Welcome by Hon. Robert W. Speer, Mayor of the City of Denver, Col.

Mr. President, Ladies and Gentlemen: Money is sought after more universally than anything in life, and it is not natural that the men who handle, and to a large extent control, the currency of the country should be looked up to by all classes of people. Denver and all the Western cities in which I am privileged to be are especially glad to greet and welcome your association. You have heard of Western hospitality—it is only nature freed from restraints and formalities—an honest impulse coming directly from the heart.

Our city is young in years, but great in expectations. Her credit is good because she has large assets and promptly meets her obligations. She has never overdrawn her account, and for size and age has a smaller debt than any other city. Her health, her beauty and her hospitality.

In our journey through life we devote our energies, time and best thought along special lines; become experts in certain forms. About ten years ago this Association authorized the organization of an educational branch of the Association, which is to strengthen the hands of its individual members by mutual co-operation. Our increased membership betokens the esteem and appreciation of the Association for its services. It is not always true of addresses which we hear that they hold our interest and give us something to remember. We are present here to enjoy and receive.

Mr. President, and the Association, I have the pleasure of introducing to you for your particular attention a man whose memory, in the records of the Association, is to be found. Suitable resolutions have been adopted by the Executive Council to commemorate his memory, in the records of the Association.

AMERICAN INSTITUTE OF BANKING

About ten years ago, this Association authorized the organization of a Section of this Association, and now that it is so abundantly resulted in the American Institute of Bank Clerks. The work was so intelligently prosecuted that its members not only took a lively, but beneficial interest in its growth, and organized Chapters throughout the country, made up of the bright, intelligent and thoughtful young men who were in the employ of members of this Association. They have recently taken on a name differing slightly from their original patronymic, and we are now called the American Institute of Banking.

To this Institute and its magnificent work we may confidently look for the improved, educated and broad-minded banker of the American people. It is the earnest wish of our citizens that your stay on earth will be a period of useful labor, the best possible lines of education and it has reached such magnitude in importance and numbers as to request to be admitted as a Section of this Association. It is the earnest wish of the American people that which has been accorded to it in the past, the protection, encouragement and help of the Association. It is the outgrowth of a period of prosperity, and is the most cherished offering, is in my judgment, entitled to full participation and representation in the Association, and should have special provision made for its Executive and General Committee, given of our bounty to the education, encouragement and up-building of this young and able body, and that its capabilities be able to stand alone and assert itself for good. I feel that it should be taken into full fellowship. Its members are young men of the brightest, most unselfish and able-bodied, and capable of standing up and asserting itself for good. It is the earnest wish of us citizens that your stay on earth will be a period of useful labor, the best possible lines of education and it has reached such magnitude in importance and numbers as to request to be admitted as a Section of this Association. It is the earnest wish of the American people that which has been accorded to it in the past, the protection, encouragement and help of the Association. It is the outgrowth of a period of prosperity, and is the most cherished offering, is in my judgment, entitled to full participation and representation in the Association, and should have special provision made for its Executive and General Committee, given of our bounty to the education, encouragement and up-building of this young and able body, and that its capabilities be able to stand alone and assert itself for good. I feel that it should be taken into full fellowship. Its members are young men of the brightest, most unselfish and able-bodied, and capable of standing up and asserting itself for good.
A more sophistical and fallacious argument could not be advanced with reference to a serious proposition. If the depositor is to have a place where he can, both for his own sake and the sake of the community, use the banks, then somebody must create the banks that he may be enabled to get the use thereof. The stockholder invests his money in the stock of the bank, primarily for gain, and secondly for the use and convenience of his own bank. The depositor places his money in the bank for its greater security, for the interest he may get on it, and for the greater convenience of his own banks and commerce. The depositor, therefore, there is no conflict between the two. Let us see what the stockholder does for the protection of the depositor. Before the depositors had any right to place their money in the banks of this country, the banks have come to the rescue of the government and sustained its credit. Yet the bl tastical political demagogues have been so consistent in their assertion that the government is responsible for the laws. In the event of the government's failure, the banks and the government, it would be demonstrated that the government acts as a banker under the delusion of the people.

The business as well as the interests of bankers has been advanced by the adoption of a plan called for by the Congress, which, after a few weeks of effort to construct a measure of general and practical reform, they have been unable to persuade the Senate to send to Congress for its concurrence a bill so impracticable and revolutionary in its provisions that the Banking and Currency Committee of the House refused its approval, and then began a struggle to enact a bill purely for political consumption, and only then, after a wide discussion of the question, was the bill which was offered, that it showed little kinship with the parent effort, and became a mere political measure for use in the pending Presidential contest. For the interest over which we are custodians, it is one of the duties imposed on us, which should by no means be neglected, to defend ourselves, and our banks, which are only pander to the multitudes for selfish ends, and who seek to sway the people by the indirect appeals to the prejudices of the people, whose suffrage, rather than whose welfare, they earnestly seek. The Banking as well as the Commercial Institute, is, within the past few months, the victim of many of the vagaries put forth for political effect; but one of the most serious and altogether misleading, if not dangerous conclusions which we are compelled to draw from the pending Government Guarantee of Bank Deposits. By the chief exponent of this latest political fallacy we are told that all that is necessary in order to inaugurate the Financial WIN system whereby both State and National Banks will be compelled to guarantee depositors, and that as the "United States Government, the State, and the County and the City require security from the banks, the Federal Reserve Bank of St. Louis, and then proceeds with this presumption, "What the people need is a system whereby the banks require security from the people," then "why should the Government be left to take care of the banks?"

All money of the Government, State, City and County, is primarily under the control and in the custody of officials who are required to secure it, and who are capable of securing it, in any case, these officials are required to turn over this money to Depositories, either for the interest that may be earned, or for the use and convenience of the public. In this respect, the people of the country are in a similar condition to those who are compelled to take bond from this new custodian or disbursing officer, so that the Government, States, Cities and Counties do not become depositors in the ordinary sense. The banks receive from them only moneys to be repaid according to contract, and furnish security when demanded either by a deposit of collateral, a guaranty bond or personal securities. The depositor must look about him and measure the security afforded by the bank, its capital stock, double liability of stockholders and sureties, and character and financial standing, and the same must judge for himself, if he can trust his money. This is true in all cases, but it becomes more manifest by the transactions yet we are told that "the stockholder is not compelled to lose his money from the banks, both for his own sake and for the sake of the community, only by using the banks can he keep his money a part of the time."
among 100,000 men who had nothing at all, giving them from this confiscated money $1,000 each, and justify it by saying that this process brings "the greatest good to the greatest number." Such an argument is not opposed to the idea that the overthrow of the corrupt system of life insurance, and corruption in life insurance was unearthed in 1905, because it occurred immediately after instead of immediately before the panic. What would have been the state of the country, if all the life insurance companies had promptly paid over to their policyholders the amount of insurance on the theory that upon your death the amount of insurance would be paid to your family or to the Company itself would be benefited by legislation which would cause it to occur immediately after instead of immediately before the panic. 

The Guarantee of Bank Deposits is not only proper, just, and right, but for the general good of the community, the citizen and the country. It is the natural and necessary sequel of a free silver system. 

There are only 159 Life Insurance Companies, while there are twenty-five millions of policy holders in the hands of the insured, and we would not hesitate to declare "that in a conflict between the two, the policyholder has a prior claim to consideration," and that, "the Guarantee Law therefore brings the greatest good to the greatest number, well as to them who have the greater equity upon their side.

I am well aware that very many good men, at this time, without politics, and on the ground of smart affiliations of this kind are inclined to the opinion that the Guarantee of Bank Deposits is not only proper, just, and right, but for the general good of the community, the citizen and the country. It is the natural and necessary sequel of a free silver system. 

The Guarantee of Bank Deposits is not only proper, just, and right, but for the general good of the community, the citizen and the country. It is the natural and necessary sequel of a free silver system.

In keeping with the advice of the man who sent his neighbors to the roof garden to see how the drought affected vegetation, I am now urging the people of the country to look into the question of the Guarantee of Bank Deposits, and to-day it is the daily redemption of deposits, checks, drafts, etc., through the Clearing House, that establishes the acceptance by the depositor of a note, which is a mere guarantee of the credit and soundness of a banking institution; "any law, such as that which guarantees bank deposits, which gives to the holder of a note ten times per year. This system was not regulated by New England contemporaneously with it. The New England banks, in the order of their failure, exhausted the entire Guaran-ty Fund in New York proved not only a dismal failure, but the operations under it showed the reckless banking and speculation which ensued by reason of it.

It worked a most serious injury to the whole business community, by encouraging fictitious credits and creating an over-weening desire in speculative and adventurous men to control the then large deposits which were the outgrowth of the law.

Now for a brief contrast between the politically made law of New York and the plan devised and carried out by the bankers of New England. In 1842, the New England bankers provided a plan to protect and keep at par the banknote issues of New England. They provided that the Suffolk Bank in Boston, and a number of other large banks, should be made a redemption agency for the national banks throughout New England. In 1840 the circulation of New England banks did not exceed forty millions of dollars, and the redemption for that year amounted to four hundred millions, thus making the average redemption of all notes ten times per year. This system was not regulated by law, but was bargained and carried through by bankers, who preserved the circulation at par with gold and prevented losses by only a small fraction of one-fifth per cent. of the total amount of circulation. This was the result of the Guarantee of Bank deposits, for the reason that at that time notes did much of the work that deposits do to-day. In good truth, it is immutable that the Guarantee of Bank Deposits is the real foundation of the banks' solvency. 

The Guarantee of Bank Deposits is not only proper, just, and right, but for the general good of the community, the citizen and the country. It is the natural and necessary sequel of a free silver system.

With the Guarantee Deposits, what incentive would there be for banks to pile up a large surplus? They certainly would do what the Federal Government did in a fiscal Bankruptcy, and be able to do it. Besides, it would be a good basis for a guess. How utterly absurd to call attention to the experiment of Oklahoma in guaranteeing Bank Deposits with its little more than six months' experience, and that im-mediately following the lessons of the panic. It is about time to have a frank talk with the advisers of the man who sent his neighbors to the roof garden to see how the drought affected vegetation. If you would look for experience in Guarantee of Bank Deposits in New York, you might look up the Guaranty Fund under such a law in 1842-1843, and multiply it by the difference between New York banks then and now; and find the pro rata of the balance of the Guaranty Fund, not the average, but the depositors, which amount to $100,000,000 of dollars, and you will find that the average stockholder must have more than three thousand dollars before the average, to be a single cent. Figure this out and then apply the broad prin-ciples of equity and say, if you are going into the protecting business, which has the greater claim for guarantee, the stockholder or the depositor? But the ever ready sophist will tell you that the stockholder went in for gain and should take his chances like other people who venture, but the poor deluded depositor must be protected by Government regulation. We all remember the protection afforded the poor negro in the Freedman's Bank, and the protective legislation which provided that the deposits were guaranteed by the State. 

The Legislature of New York in 1829 passed an act permitting the incorporation of safety fund banks, and assessing ear-half of one per cent per annum on their capital stock.
Believe that safety and security is to be found in this apostles' greetings of this convention.

Can Bankers' Association, Denver, Col., and express themselves by rising.

Next order of business.

For this money furnished to the depositor? It is proposed by

entire commercial fabric of the nation."

set solely for political game, and bated with false hopes, false

American Bankers' Association and stands shoulder to shoulder with

among our self-respecting depositors and among the millions

of depositors in savings banks which have no capital stock, but

wherein each depositor is a shareholder in the profits of his

of depositors in savings banks which have no capital stock, but

an un-American, unrighteous and undemocratic political trap,

We should make ourselves felt as well as seen. Let us begin a

American! -

my hand a telegram just received which, with your permission,

President Powers: The report will be received and placed on

file. There being no objection, it is

109.)

that the convention may proceed in proper order, Mr. President,

set forth in writing and, by the rule, when once adopted, to

the Chairman of the Committee of Protective Committee.

Meeting Law will be found on page 117 of this publication.)

The next report in order is the report of the Committee on

them the attempt by sophism to depreciate their intelli-

Association to prepare a uniform law relating to credit unions.

So the report of Secretary Farnsworth will be found on page

President Powers: Next is the report of the Committee on

are not carried as an asset owing to the fact that they were

of Minneapolis.

uniform laws, which will be presented by Mr. George F. Orde,

ists, and equality before the law, and the greatest hope of general

applied with vigor in the effort to improve business morals and strengthen the

money to the depositor. Is it equity to give a guaranty to

The will of the majority should certainly prevail, but that

of the loss, but no part of the gain, and I must have no control

in various states, and the power to regulate commerce among the states, and

There is no better way to increase business and welfare than

and equality before the law, and the greatest hope of general

of these very deposits are from loans made by

The report of the Committee on Uniform Laws will be found on page

the Treasurer.

Mr. A. A. Crane, of Minneapolis, Minn, treasurer of the Association.

Mr. President and Gentlemen, you will find my report as treasurer of the association printed in full at page 6 of the little pamphlet called "Reports," which has been distributed throughout the hall. I will not read it, but simply call your attention to some of the principal facts contained in it.

The cash balance on hand September 1, 1907, was $7,771.54. The total income of the association for the year was $10,751.74. During the year the association invested in New York City registered corporate stock $25,569.47. The expenses of operation of the association were $185,092.40, making a total of $166,500.97. The cash balance on hand September 1, 1908, was $12,232.05.

On September 1, 1908, the treasurer forwarded to the treasurer for collection $115,000 on account of current membership dues, amounting to $161,040, and of that amount there had been collected up to the 23rd of this month $129,069, and the cash balance on hand at the present time is approximately $15,000.

For investment the association holds the following stocks and bonds, which I deposited with you: Trust Company of New York City as per authorization of the Executive Council: $10,000 4 per cent. Government bonds of 1925; $30,000 Atchison, Topeka & Sante Fe 4 per cent. bonds; $50,000 New York City registered corporate stock, $115,000.

An inventory of the furniture and fixtures belonging to the association shows them to be about $5,000 in value, but they are not carried at their cost. If the fact that they were charged off at the time of their purchase.

The complete report of the treasurer will be found on page 165 of this publication. The report of President Powers: Unless objection is made, the report of the treasurer will be received and filed. The Chair hearing no objections, it will take that course.

Next in order is the report of the Auditing Committee.

Mr. F. H. Corriss, of Boston, Mass.: Mr. President and Members of the Association. Your committee begs to report that it has carefully verified the amount of the firm of certified public accountants in charge of the books, accounts and vouchers of the American Bankers Association for the fiscal year ending August 31, 1908, and has compared the accountants' report with the statement of the treasurer. The committee finds the cash balance and securities to agree, but there are certain small differences which your committee has been unable to reconcile owing to the system of bookkeeping employed by the secretary's office. In reference to these differences, your committee has made recommendation to the Finance Committee covering the same.

President Powers: Unless objection is made the report will be received and placed on file. There being no objection, it is

Mr. E. D. Durham, of Omaha, III.: Mr. President, I hold in my hand a telegram just received which, with your permission, I will read:

President Powers: Read it.

Mr. Durham: It is dated at Louisville, September 50, 1908, and addressed to Mr. J. J. Davis, President, American Bankers' Association, Denver, Colo., and reads as follows:

"The National Association of Credit Men sends greetings to the American Bankers' Association and stands shoulder to shoulder with them in the effort to improve business morals and strengthen the entire commercial fabric of the nation."

This is signed "Frank M. Getty, President." (Applause.)

In conclusion I express the sorrows of the patriotic politician Saint, in concluding his first inaugural address:

"And may that infatuate Power which rules the destinies of the Universe lead our Councils to what is best, and give them a favorable issue for your peace and prosperity."

Mr. Lewis E. Pierson, of New York, chairman of the Executive Council:


(The report of the Executive Council is printed on page 115 of this publication.)

President Powers: The next report to be presented is that of the Executive Committee, and I move that the secretary be instructed to announce the telegram and in return convey to the National Association of Credit men the greetings of this convention.

Mr. Lewis E. Pierson, of New York, chairman of the Executive Council:

Report of Protective Committee.

Secretary Farnsworth: It will not burden you with reading the report of the Protective Committee. It will be found beginning on page 7 of the pamphlet containing "Reports," copies of which have been distributed throughout the convention hall. This is a brief report of the Standing Protective Committee.

There has also been distributed throughout the hall copies of the report made by the Protective Committee's chairman, for a very sufficient reason, as you gentlemen all understand, but the secretary of the association will make a brief statement as to where you will find the report.

Report of Committee on Uniform Laws.

Mr. George F. Orde, of Minneapolis.

(The report of the Committee on Uniform Negotiable Instrument Law will be found on page 117 of this publication.)

President Powers: Next is the report of the Committee on Uniform Laws, which will be presented by Mr. George F. Orde, of Minneapolis.
BANKING SECTION.

Report of the American Institute of Banking.
(We print the report of the American Institute of Banking on page 115.)

President Powers: This report will be received and placed on file in the usual course.

Secretary Farnsworth: The Organization of Secretaries will meet in the usual course this afternoon at the Palace House immediately after the close of the address of President Wilson of Princeton University.

Mr. H. S. Goodwin, of Des Moines, Iowa: I move that in order to save the committee on Bills of Lading, which will be read by the chairman of the committee, Mr. Pierson, of New York.

Report of the Committee on Bills of Lading.
(The report of the Committee on Bills of Lading will be found on page 115.)

Mr. C. G. Kentman, of Tacoma, Washington: I feel that the American Bankers' Association owes a debt of gratitude to every member of the Board of Directors of the Bank of America for his valuable work that they have done on this most important matter. I am sure from the results already accomplished that it will be only a matter of a few years when we may look for the enactment of State and national legislation that shall render such a bill lading absolutely safe as collateral for loans.

Inasmuch as the report just made contains a number of new and novel resolutions, I would like to offer the following resolution:

Resolved, That the report of the Bill of Lading Committee be accepted and the recommendations and resolutions therein be adopted by this convention.

Mr. J. K. Ottley, of Atlanta, Ga.: I second the adoption of that resolution.

Mr. L. D. Goodwin: Those in favor of the adoption of the resolution offered by the gentleman from Washington will manifest it by saying Aye; those of a contrary opinion, No.

Mr. John L. Hamilton, of Hoopesport, Ill.: I wish to announce that the Bankers of this State have appointed a committee which has served upon the Executive Council of the association during the past year, which meeting is to be held on this platform immediately after the adjournment of the convention this noon for the purpose of organizing a social club, of which doubtless you will be interested.

Resolved, That a meeting be desired of all gentlemen who have heard by this convention.

President: Gentlemen interested will take notice of this announcement. The next order of business is the report of the Standing Law Committee, of which Mr. William J. Field is chairman.

Report of Standing Law Committee.

Mr. Thomas B. Paton, of New York: Mr. President and Gentlemen—in the absence of Mr. Pierson and in behalf of the committee, I present the report. I will not take up the time by reading it, as it is printed and has been distributed through the hall.

[For report of Standing Law Committee see page 114.]

President: Gentlemen—In the absence of Mr. Field and in behalf of the committee on Express Companies, I move that the consideration of the report be delayed until the afternoon session.

President: If there is no objection it will be so ordered.

The hour of adjournment having arrived, the convention will take a recess until 2 o'clock.

Adjourned until 2 P.M.

AFTERNOON SESSION.

President Powers: The convention will be in order. We will now receive the report of the Committee on Express Companies, of which Mr. Fred. Kent is chairman.

Report of Committee on Express Companies.

Mr. Thornton Cook, of Kansas City, Mo.: The chairman of the committee is not present. In your service he has been absent, and he returned to his country too late to attend this convention. Mr. Kent has forwarded an admirable report, rich in detail, and which will be put in shape in time for publication in the proceedings of the convention. I will simply inform you of one or two facts that are contained in it. Pursuant to the directions of the convention two years ago, to prepare a test case and submit it to the Interstate Commerce Commission, a committee was appointed with great thoroughness, and a preliminary hearing was held in New York before one of the members of the Interstate Commerce Commission last spring. There we entertained the hope that the country was growing out of its primitive banking system and that a great trunk banking system operated by the express companies, which competes unfairly with the banks, such competition is vicious, and we have been of the opinion that it should be stopped. The hearing before the Interstate Commerce Commission was on the 15th of October. Now, our chairman has just returned from abroad where he had concluded arrangements with the principal countries of Europe for the issue of an American Bankers' Association's traveler's check, which we are preparing. We are ourselves going into competition with the express companies and will fight them by their own weapons. We are preparing and getting in shape an American Bankers' Association money order. In these ways we expect to meet the competition of the express companies, and I believe we will succeed in our fight against the express companies or not.

Mr. R. D. Durham, of Osage, Ill.: I want to supplement what has been said regarding a letter that has been received by one of our members from the American Express Company. It is dated September 25, 1908, just at the time of our convention. The letter is addressed to the Cherokee State Bank, Cherokee, Iowa, and reads as follows:

September 25, 1908.

Cherokee State Bank, Cherokee, Iowa.

Gentlemen: It is at present the custom of your bank to remit check on your bankers' notes as cover for the sale of foreign drafts, travelers' checks, letters of credit and whatever paper you have paper you have as supplied by the American Express Company.

It seems to me that you would find it much more convenient and advantageous to open an account with us, against which all settlements could be debited, thereby avoiding the frequent drawing of checks.

We believe you also act quite often as guarantor upon sales of your travelers checks and letters of credit. It would be to our mutual convenience, I think, to debit your account rather than to draw upon you as we have been accustomed to do heretofore.

Cable transmission of Bank balances or several payments for scribblng in your instructions could be readily settled for by a charge against your account, which would be at our expense. As a rule, cables are made under your instructions could be readily settled for by a charge against your account, which would be at our expense. We are prepared to execute the work that they have done on this most important matter. I am fully aware that you have heard by this convention.

President Powers: Gentlemen interested will take notice of this announcement. The next order of business is the report of the Standing Law Committee, of which Mr. William J. Field is chairman.

Report of Standing Law Committee.

Mr. E. D. Durham, of Osage, Ill.: I move that the consideration of the report be delayed until the afternoon session.

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Report of Standing Law Committee.

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[For report of Standing Law Committee see page 114.]

President: Gentlemen—In the absence of Mr. Field and in behalf of the committee on Express Companies, I move that the consideration of the report be delayed until the afternoon session.

President: If there is no objection it will be so ordered.

The hour of adjournment having arrived, the convention will take a recess until 2 o'clock.

Adjourned until 2 P.M.
We will now receive the report of the Committee on Credit Information.

Mr. William A. Law, of Philadelphia, Pa.: I am sorry that Mr. Walker and I have not had time to read this report, and I hope that we shall will have the opportunity to read this report in person, because he has taken great interest in the matter. The report is as follows:

Report of Committee on Credit Information.

(The report of the Committee on Credit Information will be found on pages 107 to 108.)

President Powers: The report will be received and filed.

Next is the report of the Committee on Constitution.

Mr. President: Mr. B. E. Walker, president of the Canadian Bank of Commerce, of Toronto, Ontario, who will address us on "Abnormal Features of American Banking.


Mr. Walker's address in full will be found on pages 97 to 106.

President Powers: Gentlemen, it is my privilege and pleasure to introduce to you the president of Princeton University, Woodrow Wilson, who will address us on "The Banker and the Nation.

Mr. Wilson, of New Brunswick, N. J.: The Banker and the Nation.

Mr. President and Gentlemen of the American Bankers' Association: I would not properly represent my feelings upon this occasion were I not to express my deep appreciation of the courtesy and of the honor of the invitation to address this association; and I take it for granted that there will, in harmony with all the best traditions of the American Bankers' Association, the courtesy is due our distinguished guests who are to address us this afternoon and that we should not longer delay with these reports, and I suggest that the report of our committee be made the special order of business upon convening for tomorrow.

President Powers: Unless there is objection, that may be done. Hearing no objection, it is so ordered.

It is now my pleasure to introduce Mr. B. E. Walker, president of the Canadian Bank of Commerce, of Toronto, Ontario, who will address us on "Abnormal Features of American Banking.


[President Wilson's address in full will be found on pages 94 to 96.]

President Powers: Shall we proceed to the last item on our program for the day? No questions have been received for discussion.

Mr. C. R. C. Cooke, of Kansas City: Mr. President, I move that we adjourn until to-morrow morning.

The motion was seconded and carried.

President Powers: Gentlemen, I want to remind you that tomorrow we are scheduled to begin at half past nine o'clock, and I trust every delegate will be prompt in attendance.

Adjourned to Thursday, October 1, 1908, at 9:30 A. M.

SECOND DAY'S PROCEEDINGS.

Thursday, October 1, 1908.

President Powers: Gentlemen of the convention, we were to come to adjournment at half past nine o'clock. It is now ten o'clock and while members are slow in coming in, we must get the convention in shape to go ahead with our business. I will ask the members of the convention to rise while Rev. Dr. Coyne, of the Presbyterian Church, delivers the invocation.

PRAYER.


Almighty God, our Heavenly Father, we are the creatures of Thy fame. We seek at Thy table: Strong or weak, rich or poor, high or low, are we all. And shall we have it said that we have been blighting, whatever we have of human happiness, whatever life and inspiration we receive as a better and stronger men, we owe to the thoughtfulness of God. The gold and the silver are Thine, and the cattle upon a thousand hills. Help us to remember Thee, God, who giveth us power to add our material wealth and property. May that blighting rest upon our beloved country, upon those upon whom we rely, upon our colleges and institutions, and upon the articles both in the nation and in the State.

Let Thy blessing rest upon our business and make our trade profitable, to the end that there may be no complacency in our spirit, and that we may seek to add to our business the promotion of education and benevolence and religion, and all the higher things of life.

Let it be great mercy upon all classes and conditions of our fellow men.

Gentlemen, the invitations of this members of this convention gathered here from every section of the country. Give them broad views of moral obligations and of the great work of this country. Keep them in the hollow of Thy hand while they toil in our country. When they go hence take them to their homes in safety; deliver them from the perils of travel.

And to Thee we will give all praise forever, for Jesus Christ, our Lord and Redeemer, Amen.

Mr. Wilson, of San Francisco, California: Mr. President and Gentleman, it is my privilege to address you this morning, and it is to present to you. At a meeting of the commercial bodies of San Francisco on the 25th of September, bodies constituting the Local Commercial Congress, for the Trans-Mississippi Commercial Congress, it was unanimously resolved that the commercial organizations of the city extend to the delegates of the American Bankers' Association in convention at Denver as an invitation to attend the congress which convenes in San Francisco on the 6th of October, and will continue until the 10th. Arrangements have been made that the delegates who come will be made welcome by the local banking community.

Mr. Wilson: I am sure will be made very welcome to you, and I hope as many of you as can possibly will visit San Francisco at that time.

President Powers: I suggest that the report of this committee be transferred to the next day this morning transferred from yesterday is the report of the Committee on Amendments to the Constitution, which will be presented by the chairman of the committee, Mr. Watts.

AMENDMENTS TO CONSTITUTION.

Mr. P. O. Watts, of Nashville, Tennessee: Mr. President and delegates in our Convention of the American Bankers' Association, the Committee on Revision and Amendment to the Constitution have prepared a report, the substance of which you will find in the same volume, a copy of which I hold in my hand. In order to give the constitutional thirty days' notice, it was necessary to hurriedly print the report as originally prepared by the committee. After the print was ready it necessary to make some changes in it in substance and in form, and the committee itself, and later the Executive Council, have made a few changes from the original. I suggest, unless it meets the opposition of some members, that in order to save time the report of the committee may be considered as read, allowing me only to call attention to such changes as we have made.

President Powers: If there is no objection that will be the order. The Chair, hearing no objection to the chairmanship of the committee may proceed.

Mr. Watts: At the bottom of page 27 that wording was changed as follows: "Delegates shall be voted on in person, and no delegate shall be entitled to more than one vote.

Mr. Sherman: What is the chairman referring to Section 3 at the bottom of page 27?

Mr. Watts: Yes, Section 3 of Article II.

Mr. Sherman: Second.

Mr. Watts: At the top of page 31, in the middle of the second line: "At such meeting the members shall vote in person only from a list certified to by the secretary of the association of the vice-president of that State." This is of members of the American Bankers' Association, at which you select your member of the Executive Council, credentials of any member at that meeting shall be a certified list furnished either by the secretary of the American Bankers' Association or the vice-president of the State holding the meeting.

President Powers: Unless objection is made, gentlemen, it will be necessary that these amendments be adopted. Therefore they will be passed unless objection is made when they are read by the chairman of the committee.

Mr. Watts: On page 31, Section 7, the words "assistant secretaries" are inserted for the word "secretary" twice in that clause, so that in the future if it should be deemed advisable for the association to have assistant secretaries there will be a constitutional provision allowing it.

We have added to the same section the following words: "Provided, however, that in the event that the chairmanship of the council shall be filled by the election of a member of the association from the same State or section in which such vacancy occurs."

On page 38, Section 1, Article IV, the authority was given to the chairman of the Executive Council to appoint the Protective Committee. It was decided that it would be better to have that responsibility placed upon the executive officers, the president, the vice-president, and the Executive Council, and therefore the reading of the section will be: "The president, vice-president, and chairman of the Executive Council shall appoint a Protective Committee of three persons whose names shall not be public."

The said committee shall control all action looking to the detection, prosecution and punishment of persons attempting to cause or causing loss by crime to any member of this association.

Beginning at the bottom of page 37, Article 9, the section providing for the Trust Company Section is changed to read as follows: "A Savings Bank Company Section whose scope shall embrace all matters of interest to trust companies; the change being that from the latter part of the sentence is omitted the words "as far as matters relating to large operations are distinct from other."

Mr. Wilson: A Savings Bank Company Section whose scope shall embrace all matters relating to large operations shall exist, receiving deposits, Section C, "A Clearing House Section whose scope shall embrace all matters relating to the work which may be of interest and advantage to all of this association which properly come within the scope of clearing houses."

That completes the changes as made in the original report. You will observe that in the first report the committee in its
is joyless labor. Gentlemen, the American Institute of Banking

further reports to make.

associated banks of Chicago an invitation to hold its convention in

1909 in our city. (Applause.)

report providing for this section, and giving the banking clerks

great work that has been done by the American Institute .of

by-laws was the dropping of a part of the first by-law. The

provision to bring it under the amendment which we adopted

amendment on page 43, it seems to me that we should make a

provision to bring it under the amendment which we adopted

adopted.

Mr. Watts: Now, as to the by-laws. Your committee found

in the old by-laws a matter which it appeared to them not to be

in the by-laws of this association. We found there pro-

visions for the various sections, which, as you have seen, were

transferred to the constitution, where they properly belong, and

the by-laws therefore contain nothing practically about the pre-

vision for membership and annual dues. The change made in

the by-laws was the dropping of a port of the first by-law. The

first section of the by-law as it stood was the following:

"The annual dues to the association shall become due and payable on the 1st day of September of each year, which date shall be the commencement of the fiscal year of the association."

The remainder of that clause has been dropped as being superflu-

ous. The motion is seconded and the vote is ordered.

I move that the by-laws as read be adopted.

A Member: I second the motion.

President Powers: All in favor of the adoption of this report will signify by saying aye; opposed no.

Adopted.

Mr. Watts: I wish to call attention to the fact that on the

last page of this pamphlet there is a proposed amendment to the

constitution by Mr. August Blum, of Chicago. Mr. Blum has

withdrawn the amendment, but at the time it was prepared and

forwarded to the secretary that the committee had prepared a

similar resolution, which I think the convention would be more

likely to have one suggestion printed in the proceedings of

this convention and sent abroad throughout the country, namely,

that the members of the American Bankers' Association are

desirous of recommending that bankers and others throughout

the various States take up the matter of chattel mortgage corpo-

rations for the purpose of limiting money to the small bor-

rowers.

This is no time for me to discuss the subject in detail, as I

fully realize but I am happy to say that the subject of mortgage

corporations is being discussed at present in France, where the

loans are subject to a number of restrictions and limitations, and it

would be well for us to undertake to institute such a system in

this country. It is certainly within our power to do so. The

existing credit agencies are not up to the requirements of the

times among us, and these people, the poor borrowers, the small

borrowers, need our assistance. We should give it to them.

This would be a matter of public interest to bankers, and I think

would be acted upon business principles. (Applause.)

President Powers: The suggestion of the gentleman will de-

necessarily bring about a convention to meet with the members of

the association, as the Chair thinks it should.

The next regular order of business is the report of the Cur-

rency Convention.

Mr. Myron T. Herrick, of Ohio: Mr. President and gentleman of the American Bankers' Association, in the absence of the chairman of the Currency Convention, Mr. A. B. Hepburn, of New York City, I beg leave to submit the following report.

(The report of the Currency Commission is given on page 112.)

Gentlemen, it has seemed to me, particularly since President Wilson took the chair, to be the first step towards the intelligent and understandable, that just ahead of us in the line of his suggestion was the greatest piece of work for this association and that is to do it. We have to do this to make a honest and as yet, since the organization throughout the country of State bankers' associations, the object and purpose of which was to make bankers themselves interested in the currency.

Mr. President Powers : Yes, sir.

Mr. Schumacher : Are we to believe that the gentleman from Wisconsin is speaking on the report and not upon the motion before the house, which is to continue the work of the house?

Mr. President : Mr. John Schuette : Mr. President and Gentlemen, I think what this Currency Commission calls a stop in advance is a falsity. Congress has recognized commercial paper as a good asset for currency purposes, provided it is held in the form of a commercial paper, as we now have tickets money-secured by bonds. I think President Wilson was mistaken.

A Member from Ohio : I rise to a point of order that the gentleman from Wisconsin is speaking on the report and not upon the motion before the house, which is to continue the work yet to be done along the line of their labors. I second the motion that the report be adopted and the commission continued.

Mr. President : Gentlemen, is there any further discussion? Are you ready for the question?

Mr. John Schuette : Mr. President and Gentlemen, I think what this Currency Commission calls a stop in advance is a falsity. Congress has recognized commercial paper as a good asset for currency purposes, provided it is held in the form of commercial paper, as we now have tickets money-secured by bonds. I think President Wilson was mistaken.

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and the people of our community would receive no benefit from it and the people of our community would not be distributed in the community. I hope most emphatically that this trip will be a success and that the bankers of the United States a branch banking system will fall.

Mr. Herrick: I am rather sorry to be misapprehended in the few personal remarks that I made in presenting the report. The American Bankers' Association appointed the committee, reported back to you. You approved its plan. It is carrying that forward wisely and carefully along the lines of your instructions. I merely want to say I merely want to put to attention to the suggestion that in the report we started out on a plan, proposed, of a political nature. I am for listening to the address delivered to us in this morning. (Applause.)

Mr. D. D. Durand: Before we adjourn for luncheon I suggest that the especial attention of the members should be called to the address to be delivered by Mr. Wade at half-past three o'clock.

President Powers: I want to say that when the convention assembles at two o'clock the first business in order will be the report of the Committee on Federal Legislation, which was yesterday afternoon. Immediately after that we will listen to the address of Festus J. Wade, of St. Louis, Missouri.

We will now take a recess until two o'clock. Adjourned to 2:00 P. M.

AFTERNOON SESSION.

President Powers: The convention will be in order. We will change the order of the program a little, and listen now to the address of Mr. Festus J. Wade, of St. Louis, Missouri, whom I now have the pleasure of introducing to the convention.

"The Guarantee of Bank Deposits," by Mr. Festus J. Wade, of St. Louis.

Mr. President and gentlemen of the American Bankers' Association. I consider it a very great honor to stand on this platform in the presence of this large audience of American bankers representing every section of the country. I am going to speak to you in a very informal manner. I do not propose to discuss any very serious problems that are now before the American people. I want to say some things that are on my mind, which I feel ought to be said, especially to the bankers of the West and the Northwest, and perhaps a little South.

This is my first visit to the city of Denver, and this is the first time that I have had an opportunity of making a speech to a great body of bankers. I do not doubt that you have the same feeling with me to-day as you did in New York last week. It is the first time that I have had an opportunity of speaking to such a large gathering on the subject of banking.

I said to you that I feel I have something to say. I am justified in saying this because during the past five or six months I have received several invitations from people in Western States, where conventions were about to be held, asking me to attend and address them on the subject of the relation of the New York banks to the American banks. I have declined a considerable number of such invitations, but I am gratified to say that the American Bankers' Association has invited me to speak to you here.

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weak bank.

opposed to any arbitrary plan looking to the mutual guaranty of de-

interest of the people.

to sound economics, placing a tool in the hands of the unscrupulous

such a law would weaken our banking system and jeopardize the

unsound and misleading, revolutionary in character and subversive

and inexperienced for reckless banking, and knowing further that

posits either by a State or the nation, believing it to be impractical,

it. We can insure ourselves against almost any kind of loss,

speaking to the question before the house? It occurs to me he

is making a political speech.

President Powers: The Chair thinks the gentleman is pro-

ceeding and will presently arrive at the question before the

Mr. J. B. Voorhees, of Augusta, Ga.: Is the gentleman

question to the house before the house? It occurs to me he

Mr. Schuette: If I was a college professor and knew nothing

about banking I could take up an hour's time and nobody would

Mr. Schuette: Then, sir, I desire to say a few words upon

We can insure ourselves against almost any kind of loss,

given is in the possession of the people, who may, if they will,

one hundred million dollars, which is kept in reserve for banks when they get into

troubled or on the way to_iconomy, and carried in its track. Not only do those worry who

about banking I could take up an hour's time and nobody would

Mr. Rufus H. Brown, of Augusta, Ga. : Is the gentleman

Some may imagine that to insure the deposits in all the banks

Insurance companies are now insuring in banks at one-

about the success and advancement of the business of the people.

The Comptroller's reports disclose that in the forty-three

say six billion dollars, of which one per cent. should be de-

Resolved, That the American Bankers' Association welcomes all

as an amendment or substitute, whatever is the term, for the

Resolved. That the American Bankers' Association welcomes all

the discussion of an unwise declaration in

Mr. Charles T. Nieder, of Mason City, Iowa: I should like to

Mr. J. W. McNeal, of Guthrie, Oklahoma: I would like to

our people, and to which our bankers should not object to

(Oral debate.)

Resolved, That the American Bankers' Association is unalterably

to which the right hand of the nation can freely use as a

that our present banking system.

in the platform of the Democratic party. We are not here

by mixing it up with another question about which perhaps

Mr. Charles T. Nieder, of Mason City, Iowa: I should like to

Resolved, That the American Bankers' Association welcomes all

in the platform of the Democratic party. We are not here

Mr. James B. Branch, of New York: I want to raise my

vote in favor of this proposition; this is not a political meet-

gentleman, but is the discussion of an unwise declaration in

the average, according to the Comptroller's report of the

We are not here to

Mr. W. P. Green, of Greensboro, N.C. : When the

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BANKING SECTION

Indeed, the banks have between forty-five and fifty million dollars of deposits. There has been no failure in the State in gentlemen -- The condition of banking in our State is very good result:

I will ask that we vote upon the raising of bank deposits first as embraced in the original proposition.

Mr. Breckinridge: I will agree to that upon the understanding that we shall afterwards take a vote upon the postal savings bank proposition.

(Cries of Question: Question: Question:)

Mr. John L. Hamilton, of Illinois: Mr. President, I move that the substitute offered by Mr. Breckinridge be laid on the table.

Mr. William Livingstone, of Detroit: I second that motion.

President Powers: All in favor of the motion to lay this substitute on the table will manifest it by saying Aye; opposed, No.

Carried.

Mr. L. A. Goddard, of Illinois: Now I move to amend the eighth reason stated in the original resolution by adding after the words "question of socialization." The American people will pay whatever tax is necessary for the support of the State and the nation that poor and the unfortunate may be cared for and protected in the pursuit of the affairs of life, liberty and happiness, but when it comes to levying a tax upon an individual or a corporation to pay the debts of another individual or corporation not controlled by the State, it is a very different thing.

I firmly believe that the United States Supreme Court will not control by the State, striking out Section 8, and consider that later.

To keep the balance in the State for the year 1867 and the first half of the year 1868 without a single bank failure. Our financial institutions are all in good shape and generally in a prosperous condition.

Alabama: (No response.)

Arkansas: (No response.)

Mr. Joseph D. Rodford, of Los Angeles: I would not undertake at this time to make a fitting response on this roll call for the State of California; and I will leave to send a written report to the secretary to be incorporated in the proceedings.

I might say in passing that the prospects of improvement in California are very good indeed, the natural resources of the State are being largely developed from day to day, and the banks generally are in a flourishing condition.

Before I sit down I desire to emphasize the announcement that I believe has already been made that the city of Los Angeles hopes to have a commission in 1916. (Applause.)

Connecticut: (No response.)

CONVEYANCE OF POSTAL SAVINGS BANKS.

Mr. Frasher, of Dover:

I might say in passing that the prospects of improvement in Colorado are greater than any State in the Union, excepting Pennsylvania, a small part of which, comparatively, has been opened; yet we today, during the year ending June 30, 1905, 10,000,000 tons of coal, 90 percent of which is manufactured, the balance lignite, bituminous and semi-bituminous coals.

Colorado: (No response.)

Our stock interests continue to steadily increase, and show that for the twelve months ending January 1, 1906, our imports for consumption in the United States amounted to from Denver alone amounted to 1,500,000 head of cattle, sheep and hogs.

Two years ago, when your honorable body met in Denver, there was not a sugar factory in existence on a sugar beet raised within the State. To-day we have eight sugar factories, and the production of sugar for the fiscal year ending June 30, 1906, 200,000 tons of beet sugar. Besides, enormous quantities of structural iron, such as beams, bracings, plates, etc.

We are now grinding Colorado's backlight in a quality superior to the government's tests for commercial requirements. The policy of dried and used in and outside of the State is about a million dollars a year, about one-fifth of which is exported. This industry employs about 500 men.

In the matter of vegetables, there was shipped from the State last year 50,000 carloads of potatoes, 2,000 carloads of apples, plums, peaches, prunes, pears, grapes, cherries, peaches, plums, pears, and grapes. The superior quality of our apples particularly is well known in all the markets of the country. We ship fruit and vegetables by the carload as far north as Canada, bringing in eighteen to twenty millions to our people for the sugar crop alone. Besides, it requires more than 5,000 tons in the production of this sugar precious metals we have not gone back, but are showing a steady rate each year.

A coal mine is stated as a fact that the area of coal lands in Colorado is greater than any State in the Union, not excepting Pennsylvania, a small part of which, comparatively, has been opened; yet we today, during the year ending June 30, 1905, 10,000,000 tons of coal, 90 percent of which is manufactured, the balance lignite, bituminous and semi-bituminous coals.

Following coal is the iron industry, and it may surprise many of you to learn that one of our concerns, the Colorado Fuel & Iron Company, located at Pueblo, manufactures structural iron, such as beams, bracings, plates, etc.

Our stock interests continue to steadily increase, and show that for the twelve months ending January 1, 1906, our imports for consumption in the United States amounted to 1,500,000 head of cattle, sheep and hogs.

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183.

BANKERS' CONVENTION.

the government, the enormous value of irrigation; and the government has taken up the matter on broad lines and is establishing large projects in California and other states, especially where irrigation is essential. Under the supervision of the government, those of you who do not know that this is not done at the expense of the state and the owners of the lands on which the reservoirs are established, so that while the government is establishing this great public works program, it will be done in usual dry localities, they will eventually receive every dollar that has been invested. This great public works program will make of Colorado and of the western states a country equal to the eastern states and a great many new and surpassed by none.

In our climate, the cessation of work to be done in unusually dry localities, they will eventually receive every dollar that has been invested. This great public works program will make of Colorado and of the western states a country equal to the eastern states and a great many new and surpass the only.

The products of Iowa farms in 1907 reached a value of over $132,000,000, oats worth $125,000,000, wheat worth $5,000,000, barley worth $2,000,000, hay worth $2,000,000,000, better worth $4,000,000,000, potatoes and small fruits worth $10,000,000, wool worth $2,000,000, a total in marketable products from the farms of Iowa over $2,627,000,000. In addition her cows and horses are sold and slaughtered; first in value of farm products; first in number of farm animals owned; second in value of cereal grown and second in acreage and production of hay, being exceeded in each of these products by Illinois only. The closer proximity of Illinois to the markets gives her a decided advantage in obtaining better prices and consequently higher values. In all farm products, Illinois leads, and when the panic is over and the weather is normal, Iowa will be again in the lead. Iowa does not suffer materially from the panic last fall; she does not fear that the panic has an adverse effect on the crops of the state, and we expect to make a fair crop this year.

Iowa was fair, and prospects for corn seem to be improving daily, until the panic was all over, and then only two concerns went under. Of course, there was a natural shortage of deposits, but that condition has been relieved since recovered from the panic, having made more money than the rest of the country. Iowa is much nearer heaven, from point of elevation, than Iowa, but we Iowa farmers don't care to change our state just yet. I thank you.

From the standpoint of the present convention, the crops have been remarkably successful. In the early part of the season the rainfall was tremendous; the early corn was planted late, and the wheat did not start early. Weather was fair, and prospects for the crops were being improved daily, until the panic was all over, and then only two concerns went under. Of course, there was a natural shortage of deposits, but that condition has been relieved since recovered from the panic, having made more money than the rest of the country. Iowa is much nearer heaven, from point of elevation, than Iowa, but we Iowa farmers don't care to change our state just yet. I thank you.

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MARYLAND.

Mr. T. W. McCoy: Mr. President, members of the American Bankers' Association, Gentlemen and Friends:

As vice president for the State of Maryland, I wish to extend to every member of the delegation the warmest greetings.

In the万户 of people of the United States, the banks in Maryland are a very much to the government at the head of the list of the best banks in the country. The government has taken on the matter of irrigation in a big way, and is establishing large projects in California and other states, especially where irrigation is essential. Under the supervision of the government, those of you who do not know that this is not done at the expense of the state and the owners of the lands on which the reservoirs are established, so that while the government is establishing this great public works program, it will be done in usual dry localities, they will eventually receive every dollar that has been invested. This great public works program will make of Colorado and of the western states a country equal to the eastern states and a great many new and surpass none.

The products of Iowa farms in 1907 reached a value of over $132,000,000, oats worth $125,000,000, wheat worth $5,000,000, barley worth $2,000,000, hay worth $2,000,000,000, better worth $4,000,000,000, potatoes and small fruits worth $10,000,000, wool worth $2,000,000, a total in marketable products from the farms of Iowa over $2,627,000,000. In addition her cows and horses are sold and slaughtered; first in value of farm products; first in number of farm animals owned; second in value of cereal grown and second in acreage and production of hay, being exceeded in each of these products by Illinois only. The closer proximity of Illinois to the markets gives her a decided advantage in obtaining better prices and consequently higher values. In all farm products, Illinois leads, and when the panic is over and the weather is normal, Iowa will be again in the lead. Iowa does not suffer materially from the panic last fall; she does not fear that the panic has an adverse effect on the crops of the state, and we expect to make a fair crop this year.

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I am especially pleased to have the privilege of presenting (to much applause) the greetings of the bankers of Missouri to the bankers and business men of the State of New York. The Missouri bankers' Association, with a membership of 1,192, (twenty-two of our members being brokers), out of a total of 1,165 (representing 1,165 banks and trust companies) has been and still is enjoying much prosperity, and reports we have received from various sections of our State indicate a very prosperous and satisfactory year. The fact in Missouri is so wonderfully restored that it takes more than a "money panic" ever a Presidental election to put us to the bad.

While it is true there was a general decline in all lines of business the first month of the year, trade reports for the last few months are quite favorable. Our crops are a good one, the marketing of which will have a tendency to stimulate trade and increase activity in all lines of business. Our financial, manufacturing and commercial concerns have nothing to complain of considering the severity of conditions last fall.

In Missouri, notwithstanding the recent financial disturbances, has been a very good one, and reports we have received from various sections of our State indicate a very prosperous and satisfactory year. The fact in Missouri is so wonderfully restored that it takes more than a "money panic" ever a Presidental election to put us to the bad.

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gates from my old home to respond to the call of Virginia, a State no less strong in character, independence, and resource than the man or woman born within her confines is proud of the heritage of being a Virginian.

I will not enter into statistics nor will I attempt the impossible task of portraying her many splendors, past and present, as shown by the reports of her clearing houses. Her manufactures are on the increase and she is becoming more prosperous day by day. In the states there are four hundred banks with aggregate capital and surplus of $145,000,000; of these, 144 are all of the most progressive are members of the American Bankers' Association.

The banks of the Old Dominion want you to know that notwithstanding the hard lines through which the country has been passing, that during the past of last fall, a single one of her banks closed its doors nor did Richmond or Norfolk lose its clearing house office, but paid every obligation in cash.

Virginia wants you to know that while the State has always been in the Democratic column her banks are opposed to paternalism and the selfish idea of government guarantee of bank deposits or postal savings banks.

She wants you to know that no State within the Union is more desirous of helping toward the success of the American Bankers' Association and that nothing so well effects, she yields place to no State for patriotism, love and loyalty to our honored flag and our great and united country.

In conclusion may I inject a personal note by individually thanking the officers and the aggregate of the Society. It has shown me during my thirteen years service as one of its officers, express my regard and desire for a continued prosperity, and having some experience in the management of a large bank, I feel that you and your associates have done the State to the best advantage. (Applause.)

Washington, West Virginia, Wisconsin and Wyoming responded through delegates from those States to the effect that they would send a written report to the Secretary for publication in the proceedings.

There was no response from Canada, Cuba, Hawaiian Islands, Mexico, Porto Rico, or Isle of Pines.

President Powers: Gentlemen, the next order of business is the report of the Committee on Nominations, and the Chair recognizes Mr. Yates, of Omaha, Chairman of the Committee on Nominations.
It was moved and seconded from all parts of the hall that the report of the Nominating Committee be received with the thanks of the convention and that the nominations be dispensed with by acclamation.

President Powers: Gentlemen, you have heard the motion, to receive the report of the Nominating Committee and to dispense with the thanks of the convention that the nominations named by it be accepted. I know that no worthier man has ever been selected to take the reins of direction to your care—so far as I am concerned relinquishing for all time direction of the affairs of the Association. It is with extreme satisfaction that I have experienced here in the opportunity of shaking hands with the many friends who have stood by the association during all these years. (Applause.)

President Powers: You have been elected by the American Bankers' Association to preside over it during the coming year and it is with very great personal pleasure that I tender to you as President. (Applause.)

I am assigned by the Executive Council to make a presentation to our retiring President in appreciation of his excellent services rendered to the association, the able manner in which he has presided over this convention and his always uniform courtesy. It is a very great pleasure to me that I have been given this occasion to return the thanks of the association to our retiring President in appreciation of his excellent services rendered to the association, the able manner in which he has presided over this convention and his always uniform courtesy. It is a very great pleasure to me that I have been given this occasion to return the thanks of the association to our retiring President in appreciation of his excellent services rendered to the association, the able manner in which he has presided over this convention and his always uniform courtesy.

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of no one whom I would prefer to have act as my assistant during the coming year, and it is a great satisfaction to know that I am to continue for at least another year to be associated with you. (Applause.)

Vice-President-elect Pierson: Mr. President and Gentlemen, I will not make a speech; I will simply thank you for the honor conferred upon me. (Applause.)

President Reynolds: What is the further pleasure of the convention?

RESOLUTIONS OF THANKS.

Mr. J. J. Sullivan, of Cleveland, Ohio: As a feeble expression of many courtesies extended to us in this city I desire to offer the following resolution:

Resolved, That the delegates assembled at this convention do hereby extend our sincere thanks to the citizens of Denver, to the bankers of Denver, and to the members of the Press for the ideal arrangements made for this convention, for the entertainment and reception of the visiting bankers and guests and for all courtesies so hospitably extended to the telegraph and telephone companies for courtesies extended, to the railway companies for the efficient transportation facilities afforded, and to the hotel proprietors for the highly satisfactory accommodations furnished; and also that our thanks be extended to the distinguished gentlemen who have delivered admirable and instructive addresses before us.

The adoption of the resolution was unanimously seconded and carried by a rising vote.

President Reynolds: A motion to adjourn will be in order. On motion the convention adjourned sine die.

MEETING OF THE NEW EXECUTIVE COUNCIL.

A meeting of the new Executive Council was held at 8:30 P. M., October 1, 1908, at the Brown-Palace Hotel.

P. O. Watts, President of the First National Bank, of Nashville, Tenn., was elected Chairman for the ensuing year.

Mr. Fred B. Parnsworth, of New York, was re-elected Secretary.

Mr. William G. Pittsfield, of New York, was re-elected Assistant Secretary.

Mr. P. C. Kauffman, of Tacoma, Washington, was elected Treasurer.

Mr. Thomas R. Patton, of New York, was elected Counsel to the Association.

The Council voted to hold the next convention of the association in Chicago, the time to be fixed at the spring meeting of the Council.

After disposing of routine business the Council adjourned.

The Continental National Bank
OF CHICAGO
Capital, Surplus and Profits, $7,000,000.00
Deposits, $70,000,000.00

OFFICERS
GEORGE M. REYNOLDS, President HERMAN WALDECK, Asst. Cashier
ALEX. ROBERTSON, Vice President F. H. ELMORE, Asst. Cashier
WM. G. SCHROEDER, Cashier WILBUR HATTERS, Asst. Cashier
BENJ. S. MAYER, Asst. Cashier J. R. WASHBURN, Asst. Cashier

BOARD OF DIRECTORS
JOHN C. BLACK, Chairman of the Board
J. ODEN ARMOUR
ALBERT L. EARLING
HENRY BOYDSTON
R. A. SCHATZ
WM. C. SHIPPI

GEORGE M. REYNOLDS, President
The Trust Company—A Necessity.

THE TRUST COMPANY SECTION

AMERICAN BANKERS' ASSOCIATION

The Trust Company—A Necessity.

BY BRECKINRIDGE JONES, President Mississippi Valley Trust Co. of St. Louis.

The trust company and the bank are fundamentally different institutions. Co-ordinate branches of finance, each is necessary to meet the varying needs of a complex-developed business community. In the rural district and in the ordinary town and small city there is no occasion for a trust company. There must be unusual conditions if it can thrive there. This is not due to prejudice or want of experience, but to the fact that the business on which a trust company must live does not, as a rule, exist there.

The financial requirements of scattered farmers or small settlements are generally not sufficient to support even an incorporated bank. There is not there the volume of business to make large surplus wealth, and life is not so strenuous but that the individual, having money not needed in his limited business, has the leisure and familiarity with the needs of his neighbors to enable him to properly lend such surplus. The natural development is, first, the private lender. Next, when the volume of business has sufficiently increased to pay one to give all his time to it, the private banker.

With further development, when the volume has become large enough and continuity of affairs so important as to make depositors and borrowers unwilling to take the risks of complications and delays incident to the death of the private banker and the administration of his estate, then comes the incorporated bank. It meets all the requirements for handling the moveable wealth; gives lines of credit in proportion to balances; makes small loans; distributes them among its depositors; makes them on short time as to anticipate the demands incident to the change of the seasons.

Individual investors still make the loans on real estate and such other loans as may not be suited to the bank; or, if they may be, by State law, adjustable to local conditions, has given limited power to its State banks to make such loans. Relatives or friends, having ample time, act as executor, administrator, guardian or trustee. There are no corporate mortgages large enough to require a corporate trustee; or, if there are, one is sought in some large city, so as to give credit where there is sufficient surplus wealth to enable issues of bonds to be sold or large transactions to be financed.

But when the community has greatly developed, when there has come a density of population and an aggregation of wealth with its diversified requirements and diverse classes of people, and when the race of life has become so swift that to be successful one must give his undivided attention to his own affairs, then there comes demand for some other broader and more elastic financial institution.

History shows this sequence. American restless genius was put to find a solution. Banks in New York City would not make loans on real estate to people living outside the city. Something more than a bank was needed. There was a suggestion in the Agency houses in India that were such prime factors in development there.

The New York Legislature in 1822 passed an act incorporating what is now the Farmers' Loan & Trust Company, one of the purposes being of "accommodating the citizens of the State residing in the country with loans on the security of the property (which cannot now be done without great difficulty)." As this company was for the benefit of the people who did not reside in the city, it became evident, especially on account of the lack of transportation facilities in those days, that the interests, not only of the people but also of the corporation, would be subserved if it could also act as their trustee. So in the year the charter was granted the company was given power to accept and execute all lawful trusts created by deed or devise—the first instance in this country where trustee powers were given to a corporation.

The same problem, that is, that the banks had not broad enough powers to give full response to the needs of the communities, was met in some like manner in Pennsylvania. The Pennsylvania Company for Insuring Lives and Granting Annuities was given power to act as trustee in 1832. Thus the seed was sown. In response to an economic need that the banks did not satisfy, it took root, germinated and produced more and, by development, better of its kind.

Soon the business of insurance, both life and fire, grew to such proportions as to require the incorporation of separate companies thereof. But the trust company had made itself the exponent in the broad field of corporate agency. It naturally drew to itself other powers cognate to those that had brought it into existence.

The wisdom of the fathers left in the States the right to regulate their internal affairs. The States have had and should always have their State banks, suited in each State to the needs of its people and free from dominion of the Federal Government or any of its agencies.

Yet the marvelous development that followed our independence soon made evident our need for some sort of a national or United States Bank. A national currency was required; and the government found need for an acceptable fiscal agent. The consumable products of the country had to be moved from State to State and to foreign countries; a recognized standard currency was required to facilitate such exchange; there was a demand for an institution whose credit was broader than State lines. Establishing a bank
was not among the enumerated powers of the federal government, but the Supreme Court held that when power is given to the government there is implied the ordinary means of execution and the reasonable selection of means, and that a bank is a convenient, a useful and essential instrument in the prosecution of the government's fiscal operation. (McCulloch vs. Maryland, 4 Wheat.)

Under this implied power Congress created the first and second United States Banks and passed the National Bank Act. None of these banks thus provided for was allowed to lend on real estate. The acts creating them and their history leave with but the idea that their cardinal purpose was to provide an adequate currency and to help public credit and incidentally to facilitate the exchange of commodities. It was never claimed for either of the United States banks that they were other than banks of issue, discount and deposit. Their operations were jealously watched and strictly confined to their charter powers.

To appreciate the necessity for a more flexible institution, one more easily adapted to local conditions, such as the modern trust company, a clear comprehension of the limitations placed by law on national banks is essential. In 1852 President Lincoln, in his message recommending the National Bank Act, gave the fundamental reason therefore that a safe and uniform currency could at once provide a basis of stable credit and incidentally to facilitate the exchange of commodities. It was never claimed for either of the United States banks that they were other than banks of issue, discount and deposit. Their operations were jealously watched and strictly confined to their charter powers.

"So far as the purpose of the law is indicated by its title, it is, 'to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof.' After preceding in previous sections the mode by and the conditions under which banking associations may be formed, the 6th section declares that every association so formed shall become a body corporate from the date of its certificate of organization, but shall transact no business 'except such as may be incidental to its organization, until authorized by the Comptroller of the Currency to commence the business of banking.' Power is then given to adopt a corporate seal, to have succession by the name designated in its organization certificate, and in that name to make contracts and sue and be sued, to elect directors and other officers, and exercise under this act all powers and all power necessary or incidental to the business of banking as defined in this law, and all powers and all power necessary or incidental to the business of banking, including discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt, by receiving deposits, by buying and selling exchange, coin and bullion, by loaning money on personal security, and by obtaining, issuing and circulating notes according to the provisions of this act.' This is the only portion of the statute to which, for the purpose of this case, it is necessary to refer. By it the associations are simply incorporated as banks, and the scope of their corporate business left wholly to implication, but the kind of banking which they can conduct is limited and defined. As we read the language of this 6th section, it authorizes the associations to carry on banking 'by discounting and negotiating promissory notes,' and 'to exercise all such incidental powers as shall be necessary or incidental to the business of banking.' It is, therefore, claimed as a power incident to business of banking. A NATIONAL BANK HAS NOT THE GENERAL RIGHT TO DEAL IN BONDS, OTHER THAN GOVERNMENT, OR TO ACT AS BROKER IN SUCH DEALING.

In the leading case that was decided by the United States Supreme Court a national bank sought to evade responsibility on a contract by pleading that its purchase of some bonds of a municipal corporation issued in aid of a railroad was beyond its corporate power. Its contention seems to have been admitted as "too clear to admit of dispute." (Logan County National Bank vs. Townsend, 139 U. S. 67.)
TRUST COMPANY SECTION.

In First National Bank of Lyons vs. Ocean National Bank, 99 N. Y. 278, in arguing as to the extent of the implied power of national banks to act brokers in stocks, it is pointed out that a national bank, the court said:

"It does not necessarily include the business of a safe-deposit company or business of safe-keeping and storage for hire or without compensation jewelry and valuables or property of any kind."

In Pratt's Digest of the National Banking Law, there is the following:

"The Comptroller of the Currency holds that while there is no provision in the statute authorizing national banks to invest considerable sums in the building of safe deposit departments for the purpose of making that a prominent feature of their business, yet the investment of a moderate amount for such purpose in cities where companies cannot be properly organized for the sole purpose of conducting this line of business is not open to criticism. The comptroller holds that the matter is one largely in the discretion of the directors of the bank."

As the statutes of the various States seem to contemplate the running of the safe deposit business as a distinct power, expressly given to trust companies or safe deposit companies, it is submitted that running a safe deposit business is not a banking function.

Congress has recognized this distinction. This is shown by the express powers it has given trust companies in the District of Columbia to do a safe deposit business. Acting as transfer agents, the solicitors and registrars stand in same category.

"It has been held by the highest courts of Maryland (Lazar vs. National Union Bank of Baltimore, 53 Md. 78), and Minnesota (First National Bank of Rochester vs. Pier- son, 24 Minn. 140), that a national bank has no power to purchase commercial paper, or acquire any title to such paper by purchase, made admittedly not in the way of dis- count, or by lending money on the credit of it."

The contrary has been held by the Supreme Court of Ohio (Smith vs. Exchange National Bank of Pittsburgh, 26 Ohio St. 141). This view seems to be much preferable to that taken in the Maryland and Minnesota cases, in which the construction placed upon the law appears to be very narrow." Pratts' Digest of National Banking Laws, pages 10 and 11.

It is strange to note that practically all of the cases in- terpreting the incidental powers clause have come up at the instance of national banks themselves. It seems implied powers have been assumed and nothing said so long as such assumption resulted in profit, but as soon as it brought liability there has been an effort to escape by pleading ultra vires. The National Industrial Corporation Act of 1914, the directors shall knowingly violate or knowingly permit any of the officers, agents or servants of any bank to violate any of the provisions of the act, the comptroller is to proceed in court to close the bank. No case, so far as I have been able to find, has been brought by the comptroller in the courts as provided by the act.

It is likely the comptrollers have exercised a restraining influence outside the courts, but it seems there has been some disposition to let the assumption of powers adjust itself, and the legality in this regard was the less to be ex- pected, since in such a large class of cases the question of excessive power could be raised only by the government.

The courts have not hesitated in specific instances drawn to their attention to hold national banks closely within their corporate powers. Not only the courts, but also publicists generally have asserted that it is wholesome public policy to restrict the operations of corporations to their charter rights. The course of the Interstate Commerce Commission along this line is publicly recognized and commended. The leading political parties vie with each other in the assertion of the power to check corporations and to keep them "bride-wise." But if the much advanced policy of having the Federal Government license and take control of the great industrial corporations be enacted into a law and the legislature of the government in restraining na- tional banks acting as such to industrial corporations, the law might be a great engine moving towards centrali- zation and possibly not afford the restraint anticipated by...
its advocates. The decision occurred to make no new law. They embody but the application of principles, well known when the National Bank Act was enacted. But the marvelous development of this country created a demand in financial lines for corporate agencies that could keep step with the complexity of progress.

The enormous multiplication of government securities during the Civil War, and the fast increase of railroad and other corporation bonds shortly thereafter, when coupled with the lawlessness following the war, made a demand for safe-deposit companies. Corporate trustees were required for corporate mortgages. There was called for a corporate agency to transfer and register securities. New issues of securities had to be underwritten and syndicates of various kinds had to be formed. So diverse, intricate, complex and voluminous were these matters that the private banking houses, the ordinary agencies in matters of this kind, were put to their whirl's end. In the many emergencies bank officers, government officials and the public winked at the exercise of many unauthorized powers by the national banks. Many practices begun with excuse were continual without excuse.

In the twenty-second annual issue of the Directory of Transfer Offices of Railroad, Mining Stock and Miscellaneous Securities in the United States and Canada, published in New York, I find national banks given as transfer agents of twenty-one companies which have an aggregate capital stock of nearly five hundred million dollars. Poor's Manual shows that national banks are registrars of stock of over seventy-five corporations, among which are some of the largest in the United States. In the vast aggregate of transfers in these active stocks during the year there certainly was immense liability if the work of transfer and registration were negligently done. There are also instances where national banks have been made trustees in corporation mortgages.

Over and again national banks have acted as agents and dependencies for the safe keeping and exchange of securities in matters of consolidation and reorganization of corporations and as such have had outstanding hundreds of millions of dollars worth of receipts and interim certificates. There are instances where national banks have become subscribers to syndicate purchases and underwritings of stocks and bonds of railroad and other corporations. I have seen a list of the subscribers in such a matter where the subscription of one national bank was for an amount equal to its capital stock. There is an instance too well known to be generally recognized where a national bank was generally required not to solicit or care for ordinary commercial accounts, and where its published statement shows that the aggregate of stocks and bonds owned other than government is in excess of its capital and surplus and in excess of its bills receivable. In mentioning these matters it is material to have in mind the following provision of the National Bank Act and consider whether it was intended that a national bank should incur liabilities of the character mentioned.

Section 5202: "No association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in and remaining unimpaired by losses or otherwise, except on account of demands of the nature following:

First: Notes of circulation.

Second: Money deposited with or collected by the association.

Third: Bills of exchange or drafts drawn against money actually on deposit to the credit of the association, or due thence, or ills of exchange or drafts drawn against money actually on deposit to the credit of the association, or due thence, or due thence to the stockholders of the association for dividends and reserve profits."

In these hectic days of grace when almost in letters of fire we see the irritation caused by corporations which are said to be "breaking the law," when some public officials are trying to make themselves the incarnation of law enforcement, when a public official of high degree is pilloried by another of higher degree because he lets a corporation commit an act said to be "without authority of law," and when another public officer of commanding position is proscribed from a great political party because he has accepted employment from a corporation that it is said "breaks the law," is it not wise and prudent to review our course and see if our financial institutions, however honest and honorable they may be, licensed by and under immediate government control, have not drifted into practices which are termed by authority as "without color of law."

It is submitted that, under the principles and provisions as set out above, the national bank has no power to have a separate safe deposit department and run it as a business; has no power to act as transfer agent or registrar of stocks; no power to own stocks of any kind unless taken for debt; no power to buy or sell other than government bonds generally or on commission; and that if a loss should occur by reason of its doing either of these unauthorized things and the bank should be sued by one who had incurring loss thereby, the bank could successfully plead alter eves. That national banks have not these general trustee powers was generally recognized during the agitation of the financial question in the last Congress. Congressman Vreeland, one of the authors of the Aldrich-Vreeland Compromise Currency Bill, has said:

"I do not think it would be to the advantage of the national banking system to enlarge the field of its operations along the lines above indicated (performing the functions of trust companies.) It seems to me that the more the national banks continue their business along truly commercial lines, the stronger and more successful they will be. (See Trust Companies Magazine, 1899, page 89.)"

The limitations of national banks being thus defined, it was evident that they could respond only partially to the broader needs of the country.

These limitations have been set out at length because the national banks are the extensive and typical banking institutions; but the limitations that are set out as to them in principle apply to State banks and saving banks. A proposition that seems to be generally conceded is that the bank, of whatever character, is limited to the exercise of banking functions.

The savings banks in many States were powerful auxiliaries, but they were pure banks of deposit, closely restricted by law and existing only in a minority of the States.

The State banks ceased to be banks of issue, coincident with the rise of the national banks, and in most States were pure banks of deposit and discount, with the right to lend on real estate.

No agency or trustee powers were given any of these institutions, and these powers in the trust company brought relief and incidentally powers and appealed to that large part of the public whose needs were not met by the other institutions. The banking powers of trust company were well known to require rectifying here, and could not be discussed in detail here without unduly adding to the strength of this paper. The public does not do business with the trust company as with the public administrator, sheriff or designated public depository because the law forces them so to do, but because as free citizens they do business where their interests are best subserved.

TRUST COMPANIES IN FOREIGN COUNTRIES.

Every developing country needs different classes of financial institutions. Trust companies are in nearly all of the United States; in the District of Columbia by special act of Congress; in Porto Rico, Cuba, Hawaii and the Philippines; in Mexico and South Africa; in the Argentine Republic and throughout Australia and Canada. The unity of a financial system with agencies of varied powers is well illustrated by the wide-awake, up-to-date Japanese. The Bank of Japan aims at re-discounting commercial bills; the Yokohama Specie Bank at supplying funds against foreign exchanges; the Industrial Bank of Japan, at advancing funds against security of real estate conducive to agricultural development, while the Industrial Bank of Japan is modeled after and has practically the same powers as the modern trust companies in America. While there are no trust companies as such in various European countries, in each of them...
there are institutions that practically correspond to our sav-
ings banks and State banks, and notably in Germany and
France there are numbers of large institutions that perform
agency and investment functions analogous to those of the
American trust company. Variety in the unity that make
up the financial system is everywhere illustrated.

That the trust companies were needed is shown by their
growth in number and resources. The record is:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>1870</td>
<td>35</td>
<td>$122,000,000</td>
</tr>
<tr>
<td>1880</td>
<td>20</td>
<td>160,000,000</td>
</tr>
<tr>
<td>1890</td>
<td>140</td>
<td>482,000,000</td>
</tr>
<tr>
<td>1900</td>
<td>870</td>
<td>2,845,000,000</td>
</tr>
<tr>
<td>1908</td>
<td>2,240</td>
<td>(Deposits, 40p)</td>
</tr>
</tbody>
</table>

Net included in these figures are the hundreds of millions
of dollars of assets of trust estates held in trust by the
trust companies. No effort will be made here to state the
variety and volume of the well-known intricate and valuable
services rendered by trust companies. Suffice it to say that
they have increased generally in the same proportion as
have the deposits.

That this growth has not interfered with the progress of
the banks, but has contributed thereto, by aiding in the gen-
eral development of the country is shown by the increasing
business of each class of banks.

(From the Report of Comptroller of Currency.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1870</td>
<td>1,032</td>
<td>$50,147,280</td>
</tr>
<tr>
<td>1880</td>
<td>2,090</td>
<td>873,037,687</td>
</tr>
<tr>
<td>1890</td>
<td>3,540</td>
<td>2,508,246,537</td>
</tr>
<tr>
<td>1900</td>
<td>3,871</td>
<td>4,109,035,402</td>
</tr>
<tr>
<td>1907</td>
<td>6,544</td>
<td>4,530,000,000</td>
</tr>
<tr>
<td>1873</td>
<td>Not given</td>
<td>110,000,000</td>
</tr>
<tr>
<td>1880</td>
<td>620</td>
<td>208,500,000</td>
</tr>
<tr>
<td>1890</td>
<td>2,101</td>
<td>520,000,000</td>
</tr>
<tr>
<td>1900</td>
<td>4,398</td>
<td>1,256,700,000</td>
</tr>
<tr>
<td>1907</td>
<td>9,867</td>
<td>3,080,000,000</td>
</tr>
</tbody>
</table>

STABILITY OF TRUST COMPANIES.

Now, what as to the stability of trust companies? Does
their history vindicate the wisdom of the statutory provi-
sions and legal safeguards under which they exist in the
several States? Trust companies are most numerous in
New York, where they have flourished for more than a third
of a century and where their aggregate resources are more
than one and one-quarter billion of dollars, and yet in the
history of trust companies in that State the official reports
show that every deposit liability and every liability to a
trust estate has been met dollar for dollar. No other class
of institutions can make such a showing. The record is
superb almost everywhere. There are more than one-third
as many trust companies as national banks. The deposits
of the trust companies are about six-sevenths those of the
national banks. "Out of 1,723 total banking failures in the
United States within the last fifteen years, the national
banks contributed 344, State banks 524, private banks 8,1
saving banks 108 and trust companies only 60. This includes
the suspensions of the past year and brings the figures of
banking mortality up to December 31, 1907." (Trust Com-
panies Magazine, January, 1908, page 7.)

When the panic of last fall ran in New York with the
discovery of machinations on the part of some owners of
a chain of banks, popular anxiety soon extended to a num-
ber of trust companies. It is interesting to note that of the
amount advanced by other institutions (in the main, trust
companies) to help trust companies then under a run, every
dollar has been repaid and every trust company in New York
that suspended within the last year has either resumed or
been absorbed, with a settlement in full of all its liabilities.
How quickly trust companies there, where the fire was
worst, have recovered from the panic and how solid they
are in public confidence is shown by the following state-
ment of high and low deposits of New York City and New
York State trust companies during 1907 and 1908:

<table>
<thead>
<tr>
<th>Year</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater New York</td>
<td>$1,017,813,344</td>
<td>$557,060,218</td>
</tr>
<tr>
<td>New York State</td>
<td>141,990,784</td>
<td>126,503,116</td>
</tr>
</tbody>
</table>

Throughout the United States during the last year there
were twenty-seven trust companies suspended payment and
nine of these have resumed, three have been absorbed and
fifteen are in liquidation. Outside of the losses incident to
the failure of two trust companies—one the California Safe
Deposit & Trust Company of San Francisco and the other
the New England Trust Company of Providence, R. I.,
both of which were looped by officers who are now in prison
—it is estimated that the losses to depositors of failed trust
companies in the last panic will not aggregate $400,000,
and this is practically covered by stockholders' liability.
Such is the record of over 2,200 companies having aggre-
gate resources of over four and one-half billions of dollars.
Such are our financial institutions. All are susceptible
doubtless of improvement, but must be, valuable, conservative,
responsive to the business needs of our great country as
they have arisen. They show by their respective growth,
doubtless of improvement, but useful, stable, conservative,
and the recent panic has impressed lessons that otherwise-
would have gone unheeded.

Radicalism vs. Conservatism.

BY COL. F. H. FRIES, President of the Wachovia Loan & Trust Co. of Winston-Salem, N. C.

Mr. Chairman and Gentlemen of the Trust Company Sec-
	ion, Ladies and Gentlemen:

Four years ago, when the American Bankers' Associa-
tion met in the City of New York, it was my privilege and
pleasure to respond to the call of the Executive Committee
of the Trust Company Section and to present on that occa-
sion a few thoughts on the subject of "Conservatism." Trust
companies were being rapidly organized at that time
all over the country and the liberal powers granted to
them in their charters were being abused by so many that
it became a matter of serious concern lest the business and
name of the "Trust Company" might suffer in consequence.
For that reason "Conservatism" was the keynote of that
session and has since been the prevailing sentiment of
many of the leaders who have spoken and written on trust
company matters.

The influence of this conservative force has undoubtedly
been felt, the efforts put forth to unify and strengthen
the trust companies have unquestionably borne good fruit,
and the recent panic has impressed lessons that otherwise
would have gone unheeded.

The panic of 1907 was peculiar in that the storm center
of it was where the largest and strongest timber of the
financial forest stood thickest, and trust companies located
there were striated with National and State banks, and several of them fell, having un-

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doubted proof of the fact that trust companies as well as other financial institutions are not exempt from the evil effects of extravagant ideas and distended credits that usually precede these seasons of disturbance. It is, how-
ever, a matter of mutual and universal congratulation that so few casualties occurred and that already, within a year's time, the trust companies of our country are enjoying many evidences of returning prosperity, in increased deposits and growing business; this is evidence unmistakable of how surely they command the confidence of the public and how deservedly popular they have become.

The Trust Company Section has wrought many changes since 1904; through its efforts many States have adopted uniform laws protecting the name "Trust Company," and a clearer idea as to its proper and peculiar field seems to be gaining ground; the management of the affairs of this section has much cause to be encouraged, if not completely satisfied, with the progress it has made. There is still work to be done that internal evils may in time be surely and completely corrected, and continued and persistent effort should be made toward this end.

...
sune the losses itself in the effort to care for the people, who should care for themselves, and who would do so to their greater good if left alone. This idea, if carried out, is paternalism indeed.

The guaranty plan proposed is quite different; there each bank is taxed according to its capital or deposits, and this fund thus gathered is subject to the losses, without reference to the risk or hazard that one institution may incur over against another. There is no contract or agreement, neither is there any possibility of adjusting losses; the strong hand of the Government takes from the tills of one class of institutions and gives to another without any just consideration. This is not insurance; it would be much more appropriately described by some other name, that would equally describe some of the practices of the Baron Knights of the Middle Ages.

The argument is advanced in defense of this guaranty plan that note holders and depositors of the bank stand upon the same footing and they should be equally protected; that if the Government guarantees the one it could with propriety guarantee the other, and that if a guaranty fund can be legitimately gathered by taxation in one case it can be in the other. There is really a wide difference between the two as will appear when it is considered that the banks are not compelled to take the security or assurance in this situation unless they elect to do so, and they thus willingly assume to pay the tax on this circulation, which goes to make up the guaranty fund for this purpose; on the contrary, National bank notes are made a part of our circulating medium, they become practically a legal tender for the payment of debts, and the public so receives them. There is in this instance practically no alternative on the part of the holder; he receives them as a circulating medium from any and every National bank that issues them, but it is left optional with the bank whether it will issue notes or not, and to what amount. In the case of the bank depositor it is quite different; there the depositor or holder of the certificate need not deposit if he chooses not to do so; in fact, he deposits where he pleases or changes his deposit as he pleases without restraint or compulsion, while the bank under the proposed measure would be taxed for a guaranty fund whether it wills it or not, and that, too, not for the benefit of its own customers or depositors, but for those of another and perhaps far distant bank over which it has absolutely no control and of which it has perhaps no knowledge, except that its management has been faulty and its end precarious.

The injustice and unfairness of this measure becomes most apparent when it is known that it absolutely ignores the rights and interests of all State institutions, and seeks to impose a burden upon the better and stronger National banks that will redound to the direct benefit of the poor and weaker one, without any compensation whatsoever. The apparent security offered by the Government guaranty would make the weakest and poorest "guaranteed bank" equal in the eyes of the average depositor to the largest and best managed institution in the land. The good name and accumulated surplus of a bank are assets that have cost something and effort to get, and in the event of damage, loss, or panic, not to protect them would impose hardship and work irreparable loss. So valuable are these assets that no bank would afford to lose them, and no court of justice would fail to recognize their value should the constitutional right of such a law be questioned.

The influence of such a measure would be detrimental to the banks, the bankers and the people; under such a law the bank itself would have no special inducement to accumulate a large capital and surplus or build up a name for conservative management; on the contrary, the interest of the stockholders would be best served by the prompt distribution of its earnings and a reduction of its capital to the least amount that it could successfully operate with, while profits and not safety and reputation would be its main concern. The consciousness of having deposits guarantied would give to the speculatively inclined banker just the assurance that would lead him to assume undue risks for the sake of extra profit, and to the lazy and slothful it would give confidence that would cause him to become less vigilant and careful, while to the people it would give a vague sense of security and lose them less wholesome and more indifferent to true merit and trustworthiness.

It is claimed that a guaranty fund would protect depositors in time of a panic. No matter what the fund amounted to, it would not be effective in time of a panic, such as that through which we have just passed, unless this fund was available for immediate use, which would mean a vast amount of actual currency hoarded in the vaults of the United States Treasury and different State treasuries for that purpose at all times. It is folly to consider such a guaranty fund available for immediate payment of depositors at any and all times. The recent Comptroller's report shows that there were in 1907, as many as 19,746 National, State and private banks, with aggregate deposits of $13,077,300,000. If 5 per cent. of this amount, which is the figure named in Mr. Fowler's bill for a guaranty fund, be set aside, it would equal a fund of $654,190,000. This approximates 20 per cent. of the total banking capital of the country. It exceeds in amount 23½ per cent. of all the currency in circulation in the United States, and it is more than $7.50 per capita of our entire population. Of course, the banks would not pay out any part of it from the channels of trade would work serious detriment to our commercial interests and entail great loss upon the banks of the country. To avoid this loss and inconvenience this fund would of necessity have to be invested, and if invested it would be no more available than the current notes now circulating at any and all times, and then become a fund available at some future time, and neither the knowledge of a guaranty fund nor the fact that ample security is available at some future time will prevent a panic, as those who can testify who have reasons to know that currency and only currency will answer while the scare is on, and in the panic of 1893 gold or silver certificates alone seemed to have the power to satisfy; an invested guarantee fund will not prevent a panic, for panics arise from other causes, and panics will continue to come so long as credits are as easily expanded and as suddenly contracted as they have been and are still in this high strong and rapidly developing country of ours.

In addition to all this, history has already proved the futility of the scheme. "The Safety Fund System" in the State of New York worked well if not quite so well as the national system, notwithstanding the complete and efficient machinery under which it operated it failed completely in the trying years of 1857 to 1862; the Oklahoma laws so often referred to have practically just become operative and are by no means a success, as the proposed amendments testify.

Perhaps the direct benefit of the proposed measures which we will discuss is giving to banks trust company privileges.
The character of the business primarily done by trust companies is of such a nature that State courts must have immediate and complete jurisdiction over them, and all laws and judicial decisions bearing upon trust interests are most jealously of these rights and of this jurisdiction, and it is proper that they should be so. A due regard and care for these trust interests make it necessary that trust companies should be State institutions that are directly as a part of Mr. Fowler's bill, the scope and character that the banks have guaranteed by the National Government and thus force them under Federal control.

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The delegation of trust company privileges to National banks would scarcely be considered seriously in the face of the laws affecting trust affairs, if it were not that it appears to meet existing conditions. It does not follow, however, that we need give way to these apprehensions nor fail to put forth our best effort to meet existing conditions.

The most jealous of these rights and of this jurisdiction, and that is to strike a fatal blow at State institutions and compel them to become National institutions, National banks should seek to do trust company business, and thus force them under Federal control. The delegation of trust company privileges to National banks would scarcely be considered seriously in the face of the laws affecting trust affairs, if it were not that it appears to meet existing conditions. It does not follow, however, that we need give way to these apprehensions nor fail to put forth our best effort to meet existing conditions.

There has not been a time since the days of specie payments, or perhaps since the time of President Andrew Jackson, when as many thoughtful and able men are studying the financial problems of our country as to-day. The newspapers are presenting these subjects with more or less ability as public speakers are discussing them upon the hustings, banking associations everywhere are making them the subject of their deliberations, while the financial journals—and their name is legion, more in number than ever before in the world's history—are full of articles setting forth plans designed to solve every difficulty, and that, too, from every standpoint and every side of each question. In addition to these a "National Monetary Commission" of nine Senators and nine Representatives has been appointed by Congress to consider and recommend needed changes in our monetary system and laws relating to banking and currency. Let us hope that the labors of all these statesmen will result in a thorough understanding of the question and an early presentation to Congress by the Commission of a wise, comprehensive and just bill, that will meet all serious defects, and that it will be passed with but undue delay. The real defects are not so numerous as they are glaring, and the remedies may be much simpler than would at first appear. The best scheme so far proposed to solve the financial problems of a "National Currency Association" provided for in the Aldrich-Vreeland bill, would also supervise the bank examinations of the members of the association, so that they and the management of the central bank could be intelligently advised as to the condition of all the associated banks and their assets of any and all kinds. The State banks and trust companies could co-operate in the formation and government of these associations, and the examinations could be made by expert accountants or examiners for both National and State institutions, the effect of which would be to bring a "central and trust companies to the same general method of accounting and standard efficiency; while the supervision might be under the same board, the reports would necessarily go to the Comptroller of the Currency or to the State bank commissioners, as the case might be, and the National and State Governments giving to the association the necessary legal powers of supervision, if not control. Bank examinations as they are made to-day are much better than formerly and are constantly improving, as every bank officer knows, and yet they are lacking in the most important matter, namely, an intelligent examination of the assets, which deficiency such an association would be instrumental in correcting.
If there be virtue in the insurance of bank deposits there is much more in the insurance of bank assets: The one would only protect the depositor and the other would protect not only the depositor but all creditors of the bank and the stockholders as well. Banks now protect themselves against serious loss from statutory and dedication by burglary and fidelity insurance in the same manner. This would not only provide protection to the creditors and stockholders of the bank, but in addition would place each bank's assets under the intelligent and watchful eye of an interested party, whose direct concern would be to scrutinize the loans, thus materially and practically aiding the management of the bank and checking the examiners with whom they would necessarily co-operate.

It would enable each bank, both National and State, to protect its credit at its own expense, and if the standard of loans materially differed in different sections or under different trade conditions, the insurance would still be carried, only at a different rate to suit the hazard assumed; it would automatically work each bank or trust company towards a fixed standard, and while they would be equally protected, each would carry its own burden, commensurate with the character of the business it was forced to do. This credit insurance would no doubt become as popular and as general as the other lines of bank insurance, perhaps even more so, because the publication and knowledge that one institution was thus protected would in itself make it necessary for others to do likewise. It would meet the idea of a guaranty fund and would be perfectly fair and equitable to all parties concerned. It would be fair to National banks and much fairer to State institutions, that would suffer greatly under the proposed guaranty plan, unless the respective States offered similar advantages to their own institutions. To me the insurance idea is much more satisfactory and the idea of the people themselves. It would enable each bank, both National and State, to protect not only the depositor but all creditors of the bank and stockholders as well. Banks now protect themselves against serious loss from burglary and fidelity insurance in the same manner. The one would only protect the depositor and the other would protect not only the depositor but all creditors of the bank and the stockholders as well.

The Trust Company Section could do nothing better or more to the interest of its members than appoint a strong committee to confer with the Monetary Commission and seek through proper and efficient channels to guard the interests of the large banks that will care for the business of the rural and remote districts are no less important to the country and its welfare than the promotion of the interests of the large banks that will care for the expanding trade in this and foreign lands.

When under such a perfected system there is a central head and guiding influence, with ability to control and power to execute, when the banking interests are intelligently directed, instead of each community of banks through clearing houses or as individuals acting for themselves as best they can; when actual currency requirements are promptly met in obedience to demands of commerce; when the causes of impending panics can be promptly and adequately dealt with, then they will disappear and our financial interests will attain their desired and deserved position among the most favored nations of the earth. When national banks and State institutions maintain ample and equal reserves; when the character of all bank assets are as carefully looked into by examiners as in the efficiency and honesty of the officers and clerical force; when banks insure their own assets according to their respective hazard, then prompt discipline will be more frequent, failures less possible and depositors, creditors and stockholders will be most securely protected. It would be fair to National banks and much fairer to State institutions, that would suffer greatly under the proposed guaranty plan, unless the respective States offered similar advantages to their own institutions.

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In no history of human experience are cause and effect more closely connected than when we have to deal with financial disturbances and their outcomes, although the results are dependent upon so many circumstances unforeseeable and difficult of analysis, that it is only after the events have rolled by and new conditions have been evolved and the hypotheses and conclusions have become realized facts, that the direct connection between each step and the final outcome becomes apparent. Thus it was that when we parted after our successful convention at Atlantic City last Autumn, perhaps very few, if any, had any positive convictions as to what the coming year would bring to us of experiences and trials, and its welfare most violent and far-reaching financial disturbance that this or any other country has probably ever seen.

We must all now admit that there were at that time innumerable signs indicating that the conditions under which we were living and thriving were not that they should be. One of our leading bankers, in a well directed speech before the Chamber of Commerce of New York, had referred
to the currency laws of the United States as "disgracefully" and characterized the lack of elasticity in the currency as "barbarous." Necessity not having as yet pointed out the way, we were very slowly coming to the point where some remedial change was a thing of the near future and much time was being devoted to reconciling conflicting financial laws, when an acute emergency intervened and brought about immediate action.

The extravagance of this country and of the times in which we live are well recognized and are prevailing in England as well, and such extravagance is necessitated by the concomitant material advances in the price of raw material and labor. At the same time the world was engaged in new developments and extensions of industries as never before. Capital was extended to its limit and was doing more work than it could in safety be depended upon for and any unexpected withdrawals from it would be conducive to forced reductions that would be far-reaching in their results. There had also been in the last ten years vast destructions of property which had to be replaced. The cost of the Boer war had been fabulous to England, and this was followed closely by losses to both sides in the Russo-Japanese war and the internal struggle which ensued in Russia with its accompanying unsettling of credits, to forced reductions that would be far-reaching in their results. There had also been in the last ten years vast cost of the Boer war had been fabulous to England, and this was followed closely by losses to both sides in the Russo-Japanese war and the internal struggle which ensued in Russia with its accompanying unsettling of credits, to forced reductions that would be far-reaching in their results. There had also been in the last ten years vast cost of the Boer war had been fabulous to England, and this was followed closely by losses to both sides in the Russo-Japanese war and the internal struggle which ensued in Russia with its accompanying unsettling of credits, to forced reductions that would be far-reaching in their results. There had also been in the last ten years vast cost of the Boer war had been fabulous to England, and this was followed closely by losses to both sides in the Russo-Japanese war and the internal struggle which ensued in Russia with its accompanying unsettling of credits, to forced reductions that would be far-reaching in their results. There had also been in the last ten years vast

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panic of 1867, we have only to look at the record of the clearings for 1897, showing a reduction of $15,000,000,000 over the preceding year. It must not be supposed, however, that such an extraordinary movement and strain passed without classification of the storm signs had broken and without disclosing some conditions which prosperous times had protected from view. After the financial storm had passed the danger points were left bare to observation, just as jagged rocks appear on the beach after an ocean storm has washed back the sand which had covered them. The deposits of trust companies expanded and in some cases large loans were made and methods and practices, perhaps not wholly reconcilable with good principles of banking or trust company business. These conditions did not rest alone with such trust companies as developed weakness, but were present also in some of the National and State banks. These practices may be stated briefly, as:

First—The controlling of a so-called "chain" of financial institutions by a single interest or group of interests by means of reciprocal loans secured in each of the institutions involved. This could be carried on almost ad infinitum, there being required merely a nominal margin to make the loan appear sound.

Secondly—The promotion or financing of speculative enterprises by financial institutions where the object was quick returns of hope for profits and reemergent conditions for secondary lenders.

Thirdly—The promotion of new syndicates requiring large outlays of cash with possible further obligations for new and competitive enterprises having their earning capacity yet to be demonstrated and their success calculated on successes of previously similar enterprises leaving the futures of other similar enterprises out of the calculation. These syndicate operations differed essentially from those of the preceding era which, while new as a rule, were consolidations and extensions, with known earnings and ascertainable savings through reduced costs of united operation. At the present time, the institutions which suffered from these or any other causes, all have resumed without loss to any depositors, except in the case of two National banks. Only one trust company closed its doors to its depositors, and this company has since resumed business, strengthened by additional capital from its stockholders and anticipating payments to such of its depositors as consented to deferred part payment, and paying in full on demand to such as did not consent.

Following on the heels of the panic in November, 1907, Governor Bennett issued a committee to recommend legislation and suggesting changes in the State banking laws. The committee consisted of six heads of representative institutions, National banks, State banks, trust companies and savings banks, and lost no time in the formation of a report, the main features of which have since been incorporated in the New York State banking laws by the State Legislature. In order to fully understand the present legislation with reference to trust companies in New York, it will be necessary briefly to trace the history of their corporate existence. They arose first by special charter and many companies now exist claiming special privileges than granted them, and not now generally given to trust companies by the Banking law of the State, and their reports were volatile, as in some cases banked upon the wealth of the depositors and creditors of the institution. It must carry a reserve to a reserve was enacted calling for a reserve of at least 15% of the aggregate deposits. The whole might, and at least one-third must be kept in cash, one-third might consist of Government bonds, State or officially authorized bonds and the balance might be on deposit, subject to call in a banking institution approved by the Superintendent of Banks.

The salient points in the law governing trust companies in New York City, as amended by the new legislation, are that its capital must be at least $500,000 paid in, in cash and dividends to the full extent of the earnings cannot be paid out unless 50% of the capital has been accumulated in surplus. Its capital must be invested in bonds and mortgages on unimumbered real property within the State not exceeding 60% of the value thereof, or in the stocks and bonds of the State or of the United States or of any county or incorporated city of the State, specially authorized, and of this capital 10%, but not less than $10,000, must be registered in the name of the Superintendent of Banks and held by him in trust as security for the depositors and creditors of the institution. It must carry a reserve of 15% entirely in cash against demand deposits, and in the cases of trust funds and time certificates of deposit commencing 30 days before the date of maturity of the obligation. Each certificate of deposit must show the date of issue and the date of maturity. It may not hold stock in any private corporation to an amount in excess of 10% of the capital and surplus of the corporation the par value of which is in excess of 10% of the total amount of the stock of such other moneyled corporation issued and outstanding. This restricted investment of capital is quite an important item and is often lost sight of in the consideration of the safeguards of a trust company as compared with a bank, which may use its capital in its regular business. There is also, as with banks, a stockholders' liability for any default in payment of a debt or obligation to an amount not exceeding the par value of the stock. An enumeration of authorizations to do business would be tedious and unnecessary as they are general and pretty well understood, but some of the restrictions embodied in the recent enactments are not so well understood. For instance, no loan exceeding one-tenth of the capital stock of the trust company can be made to any director or officer of the company, and no loan without the consent of a majority of the directors, as further explained. Also no loan shall exceed 10% of the capital and surplus unless secured by collateral worth at least 15% more than the amount of the loan, in which case it may exceed 25%. No loan may be made to any other individual, corporation or firm, secured or unsecured, may not exceed 25% of the capital and surplus. Furthermore, the trust company may not loan upon the 'securities of one or more corporations, the payment of which is undertaken in whole or in part severally, but not jointly, by two or more parties' unless the borrowers 'shall have paid on account of the purchase of such securities an amount—equal to at least 25%—of the amounts for which they remain obligated in completing the purchase for such securities,' or if the trust company is liable directly or indirectly for the repayment of any part of the loan, or if the loan including any right of renewal exceed the period of one year. No loan shall be made, secured by the capital stock of another moneyled corporation, if by the making of such loan the total stock of such other moneyled corporation held by it would exceed 10% of the capital stock of such other moneyled corporation. Many restrictions are also placed around the conduct of the officers of trust companies intended to further safeguard the institutions. Where the matter comes to trial it is customary to find that the strictures in other institutions or making discounts or loans for his or any other director's personal benefit all such loans must have the approval of the majority of the directors, and a knowing violation of such rule makes officers or directors liable under the Usury or Mortgage Code. In addition, all loans of over $1,000 must be reported to the directors or a committee.
the loans have been thus submitted.

In addition, at least once in every three months, the superintendent designates a day on which a very full report is made to him concerning the affairs of the company and examinations are made by the Banking Department at least twice a year, investigating the conditions and resources of the company, its mode of conducting and managing its affairs, the action of its directors, the investment of its funds, the safety and prudence of its management and the security afforded to those by whom its engagements are held, and such other matters as the Superintendent may prescribe.

It is obvious that the laws with regard to trust companies in New York, where they do not deal with the amount of strength in capital, surplus and reserves which the banks maintain in order to be trusted to invite the deposits of the community, are directed to prevent abuses and to frustrate efforts on the part of those having control to use their resources for purposes not tending to strengthen the security of depositors, and further to restrain investment in ways clearly unsafe. These laws, good and salutary and well thought out as they are, and in every way fit models for other communities intending to develop their trust company and banking legislation to follow are, after all, of prime importance, chiefly to the weaker branches. Good banking cannot be created by law, bad banking may in many ways be thus prevented. When we study the laws of New York on this subject we are apt to have our attention drawn away from the real state of affairs as they exist in the conservative and well governed institutions of the city, which are the almost universal rule. These institutions have weathered every storm and for many decades have protected and wisely managed the many estates and trusts in their hands and have been the safe repository of huge volumes of funds; on Jan. 1, 1906, exceeding the deposits of all the Clearing House banks of New York by upward of $88,000,000. The proof of the pudding is in the eating thereof.

We have now traced the trust companies of New York city through the conditions leading up to the panic and seen how magnificently they acted in responding to the calls of their depositors during those times of anxiety and disturbance which marked the end of the year 1907. We have seen that they paid out $420,000,000, reducing their deposits to $837,000,000. Their average deposits for the week ending Sept. 26, 1908, were $850,011,700, a recovery of $240,000,000. We thus find them after the battle is over more strongly entrenched than ever before in the public confidence, and with duties and responsibilities toward their clients and the financial world which in their past and their present they have shown no inclination to shirk.

And now in closing it is fit to say a few words with reference to the immediate future. We are being blessed with abundant crops and a satisfactory recovery in business. The stocks and bonds of our leading railways and industrial corporations have largely regained their losses in value during the panic year, money throughout the world has once more assumed normal conditions, the cost of labor, while still high, has been much reduced and a more sane and temperate attitude is apparent among our leaders and the community generally. Indications are not wanting of the gradual return to normal conditions in every field, in fact, each day adds new evidence of a healthy solid recovery in every direction.

The lesson that has been taught by last year's experience will last as long as the present generation of bankers remain in the field of activity. The vindication of sound banking has never been so complete and sweeping, and has only been accentuated by the distressing handicap of a most anomalous currency system, which we must hope will in the near future be placed upon a more solid and scientific basis.

Securities Held in Trust, Methods for Their Control and Safeguarding.

BY JOSEPH N. BABCOCK, Trust Officer, The Trust Company of America, New York.

The accounting of trust companies in their various trust capacities is a subject which should, and doubtless does, receive the careful attention of all trust company officers. Yet an examination of systems in use in various companies shows such divergence in method as to lead one to believe that a discussion of certain principles which should be controlling in all systems would be of value and interest.

The art of accounting in our National and State banks has received the attention of many able bank officers and expert accountants over a long period of years, and a large amount of literature on the subject, embodying the results of such attention, is now available. Moreover, a long series of banking defalcations has brought out new systems, from time to time, to guard against particular methods of embezzlement and to perfect a system of checks and counter-checks designed to safeguard the bank in every possible way, while at the same time preserving as much simplicity in form and method as possible.

In a word, the art of bank accounting is, as one may say, to a certain degree, standardized, and any bank may easily obtain the data to put in a proper and effective system of accounting, adapted to its particular needs, and containing all of the most approved checks and counter-checks which the experience of the past and the combined abilities of hundreds of able and experienced accountants have been able to devise.

This, however, is not so as regards the accounting of our trust companies in their various trust capacities.

The accounts of a trust company as executor, trustee, guardian or in any other of the numerous trust functions in which it may act, is, ordinarily, as a matter of practice, kept entirely separate from its banking business. This is also required by law in some States, and while the legal form of such accounts, that is to say, the form in which they must be filed with the Court, for instance, has received some attention, the general methods of keeping such accounts on the books or of safeguarding the securities involved has not been the subject of much examination by experts nor is there, to my knowledge, much literature available on the subject.

The consequence is that every trust company is practically thrown on its own resources and that systems in use are many and various, some serving the desired purpose fairly well, others inviting to loss by looseness of method and lack of ordinary safeguards.

In this connection and as illustrative of the importance of the subject, I recall the statement made by the Hon. Pierre Jay, Banking Commissioner for the State of Massachusetts, in an address delivered before this Section two years ago, that defalcations in the banking institutions of the United States at that time reached the alarming average of one a day. Mr. Jay also said "a proper system of accounting at least fails to discourage." Mr. Jay's remarks were perhaps more particularly directed to the banking side of the business, yet it cannot be gainsaid that the trust accounts present special opportunities to the dishonest, by reason of the known facts that the securities held may, in some instances, not be required for...
years, and that therefore the chances of discovery of loss and detection of the guilty party are reduced to a minimum.

I conceive it to be one of the main objects of this association, that, through the interchange of ideas between the members, systems of accounting may be simplified and standardized, proper safeguards may be introduced, and in general the system of doing business may be improved to the mutual advantage of members of the association and their clients and "Centis que trusteum."

It is, of course, impossible within proper time limits to examine at this time into the whole question of "Trust Accounting." I have therefore considered only one single phase of the subject, viz.: the trust securities or valuables themselves, which form the subject matter of nearly all trusts, from the standpoint of their proper entry, control, and safeguarding.

The term "Securities in Trust" is intended to cover, and should cover, all securities and valuables which come into the possession, or safekeeping of the trust company in connection with its manifold functions, except its own investments, collaterals under loans, bonds for certification only, and, of course, any valuables placed in its safe deposit vaults, in the case of companies maintaining such a separate department.

The very first thing in the first place that this classification should be rigidly adhered to, so that all securities held for trusts, or for clients, should be kept in one department, properly equipped for the care and accounting of same. This department, usually called the Trust Department, is constantly receiving and delivering securities and valuable property, in accordance with some trust function such as executor, or trustee under either individual or corporate trusts, or as special depository or agent for its clients or banking correspondents, or under escrow agreements of various kinds, including those covering securities deposited under plans of reorganization, or for the purpose of foreclosure of corporate mortgages, of which the trust company may be trustee. This department, usually called the Trust Department, is constantly receiving and delivering securities and valuable property, in accordance with some trust function such as executor, or trustee under either individual or corporate trusts, or as special depository or agent for its clients or banking correspondents, or under escrow agreements of various kinds, including those covering securities deposited under plans of reorganization, or for the purpose of foreclosure of corporate mortgages, of which the trust company may be trustee. The amount of such securities and valuables held in the trust companies throughout the country is inestimable, these being, of course, no statistics available, yet some idea of the enormous total may be obtained from the fact that the books of the company which I have the honor to represent, alone show a total on hand of some five hundred millions of dollars—of course in face value.

These securities and valuables are of every conceivable kind, from personal property, jewelry, valuable documents, to stocks and bonds, all being divided into classes, viz.: trust accounts, escrows, special deposits, etc., and a separate book being kept for each. These separate books, however, may advantageously be considered as parts of one general set, exactly as depositors' ledgers are divided for convenience alphabetically. Some companies content themselves with this record, even making the entries of receipts and withdrawals directly on the same, with no provisions for crosschecks or safeguards. This, of course, is very loose practice. All securities should be entered on the Trust Securities Ledger at the same time that they are actually deposited or withdrawn, and no securities could be deposited or withdrawn without the corresponding entries in the books. All vaults should have double combinations; one combination in charge of the trust department, the other, or controlling combination, in charge of an officer or designated person outside of the department. The controlling account on the general books should be made to correspond from the actual securities or valuables themselves, by the person holding the controlling combination. The Trust Securities Ledgers should be proved and balanced with the controlling accounts at stated intervals by the taking off and balancing of all balances. It facilitates greatly the taking of trials to know that the securities ledgers loose loaded and to have a specially ruled and colored sheet for each class of securities, i.e., one ruling and color for bonds, one for stocks, one for mortgages and one for miscellaneous items. The controlling accounts, however, should be in a bold book. Audits and examinations of the securities in the vaults and controlling accounts of same with the books should be made as frequently as possible. Such examinations take considerable time in cases where large amounts of securities are held, and it done by outside accountants are expensive. They can be readily done by other departments, however, as they require little more than the counting of securities. No examination of trust securities is regularly made by the Banking Department in the State of New York, and I presume that this is the case in other States.

It will, perhaps, have been observed, that the key to the complete or, I should say, the main keys to the internal relation of the method of original entry of transactions with the system of depositing securities in or withdrawing them from the vaults. I venture the suggestion that what is known as the ticket system will be found to meet the requirements of the case most satisfactorily, although there are doubtless other methods, and in order to make perfectly clear what I mean by inter-relation of original entry and vault system, I will ask your permission to illustrate by a concrete example.

Let us say that there is delivered to the trust company, or it has purchased, a block of bonds. As these are received at the counter a numbered ticket with a perforated stub or counterfoil is made out by the counter man, and the stub passed independently by him and initialed by him and the stub passed independently by him and given a nominal value of say one dollar, in order to get it into the books properly. Stocks should be entered at their value in dollars and not as so many shares.

Now, in order to secure the necessary crosschecks on the trust securities ledger, controlling accounts should be opened in the general books of the company, or at least ledgers should be under the control of some bookkeeper other than the Trust Department bookkeeper. Such accounts should be: on the debit side, the totals of all securities held, under such classes as it is most convenient to divide them, such as mortgages, bonds, stocks, miscellaneous; and on the credit side, the totals of all trusts, also divided into any convenient classifications of the same as trusts, escrows, special deposits, etc. This is initialed by him, and the stub detached and held as a memorandum for the vault system, I will ask your permission to illustrate by a concrete example.

A system of original entry of all transactions should be employed, which should be so inter-related to the method of depositing in or withdrawing securities from the vaults, that no entry could be made in the books unless the securities were actually deposited or withdrawn, and no securities could be deposited or withdrawn without the corresponding entries in the books. All vaults should have double combinations; one combination in charge of the trust department, the other, or controlling combination, in charge of an officer or designated person outside of the department. The controlling account on the general books should be made to correspond from the actual securities or valuables themselves, by the person holding the controlling combination. The Trust Securities Ledgers should be proved and balanced with the controlling accounts at stated intervals by the taking off and totaling of all balances. It facilitates greatly the taking of trials to know that the securities ledgers loose loaded and to have a specially ruled and colored sheet for each class of securities, i.e., one ruling and color for bonds, one for stocks, one for mortgages and one for miscellaneous items. The controlling accounts, however, should be in a bold book. Audits and examinations of the securities in the vaults and controlling accounts of same with the books should be made as frequently as possible. Such examinations take considerable time in cases where large amounts of securities are held, and it done by outside accountants are expensive. They can be readily done by other departments, however, as they require little more than the counting of securities. No examination of trust securities is regularly made by the Banking Department in the State of New York, and I presume that this is also the case in other States.

I have therefore considered only one single phase of the subject, viz.: the trust securities or valuables themselves, which form the subject matter of nearly all trusts, from the standpoint of their proper entry, control, and safeguarding.

The first requirement naturally is a complete record of the valuables in each account. This we may call the Trust Securities Ledger. This, of course, is kept by all companies, in some form or other, in many cases the accounts being divided into classes, viz.: trust accounts, escrows, special deposits, etc., and a separate book being kept for each. These separate books, however, may advantageously be considered as parts of one general set, exactly as depositors' ledgers are divided for convenience alphabetically. Some companies content themselves with this record, even making the entries of receipts and withdrawals directly on the same, with no provisions for crosschecks or safeguards. This, of course, is very loose practice. All securities should be entered on the Trust Securities Ledger at the same time that they are actually deposited or withdrawn, and no securities could be deposited or withdrawn without the corresponding entries in the books.
to the auditor or general bookkeeper in charge of the controlling account, who either makes his entries direct from it or compares it with the debits and credits to his accounts received from the trust bookkeeper. The ticket is then filed away in its numerical order. When securities are withdrawn a delivery ticket approved by the proper officer serves as a vault requisition, and upon the withdrawal of the security from the vault the stub is immediately detached and handed to the general bookkeeper as before. Both the receiving and delivery tickets are listed in numerical order in a journal, consequently the journal balances must be the totals of all securities on hand and in the vaults, and must agree both with the balances on the Trust Securities Ledger and the controlling accounts.

In this manner a complete system for the control and safeguarding of securities is established, with practical checks and counterchecks, which would require the collusion of two or more officers and employees to get around.

I am happy to say, in conclusion, that I believe that instances of such collusion have been very rare in the annals of our financial institutions.

Let us, for the trust companies, by careful vigilance and the use of every safeguard, strive to maintain for the future this honorable record.

KIDDER, PEABODY & CO.

115 Devonshire Street 56 Wall Street
BOSTON NEW YORK

Investment Securities
Foreign Exchange Letters of Credit

Agents and Attorneys
For
BARING BROTHERS & CO., Ltd., London
Address of Welcome by Governor Henry A. Buchtel, Governor of Colorado. (Applause.)

Address of Welcome—by Governor Henry A. Buchtel.

President Babcock: I have the honor to present His Excellency, Henry A. Buchtel, Governor of Colorado. (Applause.)
Before, you will find your list of stories greatly enriched and re-enforced; that individual and State rights must be more fully recognized; that individual and State rights must be more fully recognized; and not of course know. We are to counsel together, I assume, tell your property—that is all you pay it for or ought to pay it for. The trouble with the man full of isms and who is badly educated is that an individual to do the right thing in emergencies. Can you trust all of the present political leaders in emergencies? As one of our New York papers (Harper's Weekly) the other day said, "Suppose within the next four years you have, on the one hand, the full confidence of your people, of the United States Treasury, and the confidence of all the millions of coin obligations outstanding? Then what would become of your country?" I think that that prime iniquity, the tariff, must be radically reformed; that the press that any one can see to your eyes and your ears open here, as I said before, to a trust, or to put it substantially in the words of Mr. Van Dyke in the August "Scribner": "There is no curse so terrible as that which we have, freedom is what is valuable under government— not on what shall ye eat, or what shall ye drink, or where shall ye dwell. Freedom and not supervision and guardianship makes a self-reliant, energetic, hardy race. Freedom is what is valuable under government; it should ever be in a trust company or in any trust position. A"..."
TRUST COMPANY SECTION

and to thank you for the most cordial and beautiful welcome you have extended to us in convention here assembled. We have grown familiar with the richness of the mineral wealth of the North and the South in this beautiful capital city of this Centennial State to deliberate on matters which concern us in the daily routine of our business life; to listen to the words of advice of those who, by experiences and ability, are competent to instruct us as to the best course to pursue to safeguard our material wealth in life and to distribute it unimpaired after their death; to protect the widows and children. Met. as I have said, that we are strong in the business and financial community, I think we have some right to claim that we are of a race and breed that deserve consideration as to the great interests entailed on us. It is fitting and a great pleasure to be invited by the chief executives of this great State and by a foremost representative of the business and financial institutions. We will enjoy the hospitality we have so graciously extended to us and will carry back to your homes these pleasant memories with minds and hearts broadened by our stay, all short, in your beautiful city and State and by the friendly intercourse with your people. On behalf of the association, I thank you again.

Gentlemen, when you honored me at Atlantic City last year by electing me your president I am sure the fact was overlooked that the president is expected to make an annual address. Our officers and Executive Committee have remedied that oversight by preparing a program which touches on all topics which might come under the president's address, and have invited to carry out that program men so far more competent than I to handle those topics in my own manner, which is certainly very fitting.

Since our last annual convention in September, 1907, our financial institutions have suffered losses and it may well be financial institutions throughout the world, have suffered, if I may use the simile, very stormy weather. Some few, very few, if we are to judge by general observation, were not affected by the weather—the storms were too high and engulfed them—some few limped into port battered but not beaten, and, temporarily laid up for repairs, were again, under the careful and painstaking work of skilful hands, fitted out as safe and worthy temporarily laid up for repairs, were again, under the careful and painstaking work of skilful hands, fitted out as safe and worthy vessels.

Gentlemen, it is not for me to explain the causes of that stormy weather. Our bankers have had experience with an over-expansion of credits, our manipulators of banks and trust companies for their own ends, our reckless law-makers, enacting legislation, State and national, without rhyme or reason; all of these, with many other, were contributory causes; but while striving to remedy the evils as they have been shown and to guard strenuously against them coming in, I think we of the banking fraternity should not fail to recognize and to be proud of the great, glorious section of the country, twenty years ago there were less than one hundred trust companies; to-day, the growth and present strength of trust companies will be interesting. Our depositors look to us to safeguard their material sources of $184,000,000, or 6 per cent.

Notwithstanding the stringency of the times through which the country has been passing since the last convention held at Atlantic City, you and the American Bankers' Association, amounting to 2,200 members. This is the largest membership in the history of the section and shows great growth. Forty-six were dropped from the rolls owing to failures, non-payment of dues, consolidations, liquidations or other causes and not to take their place and place the membership list where it is.

The Trust Company Section of the American Bankers' Association was organized in 1896 at St. Louis, and its places of meeting since then are Detroit, 1897; Denver, 1898: Chicago, 1899; New York, 1900; Minneapolis, 1901; San Francisco, 1903; New York, 1904; Washington, 1905; St. Louis, 1906; Chicago, 1907; San Francisco, 1908; and its places of meeting since then are Detroit, 1897; Denver, 1898: Chicago, 1899; New York, 1900; Minneapolis, 1901; San Francisco, 1903; New York, 1904; Washington, 1905; St. Louis, 1906; Chicago, 1907.

As a preliminary to your committee's report some statistics showing the growth of the American Trust Company Section and its membership for the past twenty years may be interesting. Twenty years ago there were less than one hundred trust companies in the United States, while the following report of the Compilers at St. Louis shows a steady annual growth of the section has progressed steadily and steadily.

During the fiscal year ending September 1st, 1908, 931 trust company members paid their dues to the American Bankers' Association, amounting to the extent of $5,208,21.

Notwithstanding the stringency,
no necessary significance, and may be accounted for wholly by greater
in the book of trust company statistics published each year by the
United States Mortgage and Trust Company of New York City, the
section in practical benefit to its members, and also to increase
its membership, and while the result of their efforts in the latter are
presidents, has strenuously endeavored to increase the usefulness of
Membership, September 1, 1907
Added to rolls during the year 131
Present membership 921
A net increase during the year of 85
Six years ago a collection of forms used by trust companies was
classified the forms received from various companies by the secretary
in response to your letter of last June to the trust company mem-
bers of the section.
Fifth.—To assist, in such ways as may suggest themselves from
arrangement made by your committee with the Audit Company of
New York, September 10, 1908.
"Mr. H. P. McIntosh, Chairman Executive Committee, Trust Com-
pany Section, American Bankers' Association.
"The undersigned Committee on Trust Company Forms have the
honor to present the following:
"Future and in your instructive your committee has examined and
classified the forms received from various companies by the secretary
in response to your letter of last June to the trust company mem-
bers of the section.
"Your committee regrets that a more general response was not
made to your request for forms, only ninety-four companies out of the
total membership of the section having been heard from.
"Your committee is of the opinion that the forms submitted would
prove of great interest to all members of the section. Your com-
mittee recommends that every trust company make a separate arrange-
classified according to the various departments or functions of the trust
companies in the several States and the extent of the business trans-
acted in these offices during the next convention of the association at
Denver, September 25, 1908.
Your committee recommends that your committee make no dispos
tion of the section, shall be entitled to a vice president.
A net increase during the year of 85
Statistics of membership for 1907-1908:
(b) Their itemized statements, showing deposits, etc.
(c) The number that actually undertake trust business.
(d) Figures as to the number of failures showing losses in-
cluded, etc.
"Your committee wishes to call your attention to the most valuable
"The need of such statistics is evident, for there is now no autho-
rative and complete source of information on these and other points
regarding trust companies. To collect and have published matters
regarding trust companies. To collect and have published matters
of interest to trust companies.
"The most accurate statistics regarding trust companies are found
"Respectfully submitted,
"ROBERT S. BACHENHEUCK, Chairmen.
"3x4, L. MORRIS,
Your committee approving the recommendation of the Committee
on Forms has re-appointed the above-named gentlemen as a committee
under the direction of the committee, should be authorized to make
an arrangement with the Audit Company of New York by which that
committee offers to advise with members of the
section as to any detail of forms and systems of accounting with-
Your committee, realizing that such a service might still be of great
assistance to some of its members, and that it has been found that
necessary, and which, of its members, is fully experienced, is
Please to just in time to valuable to corporate enterprises and to the business of
vanishing civilization, essential alike to the carrying on of great cor-
puter enterprises and to the business of
have in mind.
"Your committee would be pleased to receive suggestions for topics
for discussion or subjects for addresses at our next annual meeting,
and desires to call your attention to the program of this meeting
and invites full and free discussion of the papers and topics, and
thanks the various members of the association for the interest and atten-
tion which they have received our communications and for the valuable
information which has been furnished.
"The Trust Company officials of the country as a class have always
understood the high character of the responsibilities which rested
upon them, and it is to be hoped that the results under which they have risen
to give the best that was in them to the sacred duties undertaken.
"Open as you are to the recognition of its importance in the field of
baking business, bettering the record already made. Realizing that the trust
Your committee appreciates the recommendation of the Committee
on Forms has re-appointed the above-named gentlemen as a committee
in the course of reading these volumes.
"In reporting the deposits of trust companies as above only the de-
"Statistics of membership for 1907-1908:
(b) Their itemized statements, showing deposits, etc.
(c) The number that actually undertake trust business.
(d) Figures as to the number of failures showing losses in-
cluded, etc.
"Your committee wishes to call your attention to the most valuable
"The need of such statistics is evident, for there is now no autho-
rative and complete source of information on these and other points
regarding trust companies. To collect and have published matters
regarding trust companies. To collect and have published matters
of interest to trust companies.
"The most accurate statistics regarding trust companies are found
"Respectfully submitted,
"ROBERT S. BACHENHEUCK, Chairmen.
"3x4, L. MORRIS,
Your committee approving the recommendation of the Committee
on Forms has re-appointed the above-named gentlemen as a committee
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"Respectfully submitted,
"ROBERT S. BACHENHEUCK, Chairmen.
"3x4, L. MORRIS,
of the committee, with its several recommendations. What shall be done with it?

AMENDMENT TO CONSTITUTION.

Mr. J. Sullivan, of Cleveland, Ohio: Believing that the sentiment of the meeting is in accord with the recommendations of the committee respecting the amendment of the Constitution and by-laws, I offer this resolution.

Resolved, That the by-laws providing for vice presidents be amended to provide that in the event the word "trust" shall be cut off its place the word "Invest," and so to add to by-laws the following: That any bank, trust company, or individual, as such, or any of their respective officers, who are members of this section, shall be entitled to a vice presidency.

I move the adoption of this resolution.

President Babcock: All in favor of the adoption of the resolution will manifest it by saying Aye;

A Member: I second the resolution.

President Babcock: All in favor of the adoption of the resolution will manifest it by saying Aye; those opposed, No.

Adopted.

NOMINATING COMMITTEE.

Mr. J. H. Holliday, of Indianapolis, Indiana: With a view to furthering the business of the meeting, Mr. President, I offer the following resolutions.

By the act of the State legislature, the committee on nominating five of the committee of the State legislature shall select five members of the Executive Committee for the term ending in 1911, and which shall report back to the convention for its action.

A Member: I second the resolution.

President Babcock: All in favor of the resolution will manifest it by saying Aye; those opposed, No.

Adopted.

President Babcock: The Standing Committee on Protective Laws is next in order, and I will ask Mr. Lynn H. Dinkins, the chairman, to read it:

Report of Committee on Protective Laws.

To the Committee of the Section of the Trust Company of the City of New York.

Your Committee on Protective Laws begs leave to report that since the last meeting it has continued to address itself to the task of exciting interest among bankers in the several States toward securing legislation looking to the protection of the use of the word "trust," suitability of language, and also in making sure that State supervisory and nominating laws are suited to the circumstances of false reports concerning the condition of banks and trust companies.

In the States in which no session of the legislature has been held since our last report, and in others we are present, the duty of the Executive Committee shall select five members of the Executive Committee for the term ending in 1911, and which shall report back to the convention for its action, at which time the subject of postal savings banks and the condition of the people is prosperous; the farmers are harvesting good crops, and the business men are in good financial standing. Few people would have thought that we would be cut off their demands, but the mills did not shut down entirely, and people may safely be counted in favor of these measures and all funds during time period under review, are time new and amended and the points suggested has failed. So far as the committee can learn, the failure of such laws to pass, in each case, was due to their tardy introduction in the legislature and not by any adverse sentiment.

Practically every banker to whom your committee has written regarding these matters has expressed himself as strongly in favor of all of the measures, and in many cases the State associations have passed resolutions looking to the introduction of such measures to ring their respective legislatures. Your committee urges all members of the convention to see that this report of the nominating committee be introduced early in the session of their legislature, in order that there may be plenty of time for the passage of the law upon this phase.

We now believe that in each State the sentiment of the bankers and people may safely be counted in favor of these measures and all we ask is that we get them on the agenda of the legislatures so as to secure the practically universal enactment of such laws.

In many of the States no session of the legislature has been held since our last report, and in others we are present, the duty of the Executive Committee shall select five members of the Executive Committee for the term ending in 1911, and which shall report back to the convention for its action, at which time the subject of postal savings banks and the condition of the people is prosperous; the farmers are harvesting good crops, and the business men are in good financial standing. Few people would have thought that we would be cut off their demands, but the mills did not shut down entirely, and people may safely be counted in favor of these measures and all funds during time period under review, are time new and amended and the points suggested has failed. So far as the committee can learn, the failure of such laws to pass, in each case, was due to their tardy introduction in the legislature and not by any adverse sentiment.

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We now believe that in each State the sentiment of the bankers and people may safely be counted in favor of these measures and all we ask is that we get them on the agenda of the legislatures so as to secure the practically universal enactment of such laws.

The committee on protective laws also desires your committee to call attention to the following: It is intended to bring about a uniform state of things in the several States by limiting the words to be used in connection with credit and standing of an institution and would tend to lower the grade of such institutions in the particular State. It, therefore, strongly recommends the passage of an appropriate resolution denouncing as a crime the violation of such legislation.

(Figured)

H. P. MANSFIELD.

PHILIP R. BABCOCK.

L. H. DINEKES.

On motion, the report was read and ordered printed.

President Babcock: I will appoint as the Nominating Committee John H. Holliday, of Indianapolis; Wilbur M. Baldwin, of Cleveland; David V. Webster, of Chicago; Holton L. Taylor, of Philadelphia; and A. L. Alabamas, of Denver.

President Babcock: We will now listen to an address from a gentleman who needs no introduction—Mr. Breckinridge Jones, President of the Mississippi Valley Trust Company, of St. Louis.

"The Trust Company—A Necessity," by Breckinridge Jones.

[Mr. Jones' paper in full will be found on pages 147 to 149 of this publication.]

President Babcock: The next address will be delivered by Mr. F. H. Fries, President of the Wachold Loan & Trust Company, Winston-Salem, North Carolina.


[Mr. Fries' address in full appears on pages 141 to 145.]

Mr. Parker, of Quincy, Illinois: I think it would be a good idea to keep our friends in the West apprised as suggested by Mr. Fries in the paper that he has just read; and I make a motion to that effect, that the Chair appoint a committee to take into consideration the matter of radicalism vs. conservatism and the subject of trusteeships in the States.

Mr. McCarter, of Newark, New Jersey: I move as an amendment that the suggestion be referred to the Executive Committee of the Section.

Mr. Parker: I accept the amendment.

President Babcock: All in favor of the motion will say Aye; opposed, No.

Adopted.

AFTERNOON SESSION.

President Babcock: The next address will be delivered by Mr. W. E. G. Lipp, President of the Rapid Transit Company of the State of New York.

"New York City Trust Companies Under Present Legislation," by Lawrence L. Gillespie.

[Mr. Gillespie's address in full is printed on pages 145 to 149.]

President Babcock: We will now listen to an address by Mr. Joseph N. Babcock, Trust Officer, The Trust Company of America, N. Y.

"Securities Held in Trust, Etc.," by Joseph N. Babcock.

[We print Mr. Babcock's address in full on pages 148 to 149.]

President Babcock: The next order on the program is brief addresses by Mr. J. J. Sullivan, president of the Board of Directors of the National Bank of the City of New York. The first of these will call the roll of the States and, as each State is called, the vice-president from that State, or some one else in his absence, is expected to respond.

CALL OF STATES.

Alabama: (No response.)

Arkansas: Mr. H. L. Runnels, of Little Rock: In the absence of the vice-president from our State I have been requested to make a brief response. We think that we have made great progress in Arkansas in the last twenty years. Twenty years ago we did not have even ten banks in the State. To-day we have 375 banks, with deposits of between $40,000,000 and $45,000,000. The condition of the people is prosperous; the farmers are harvesting good crops, and the business men are in good financial condition. During the panic of last year we had no failures, except one, and that was the case of a small bank which was taken over by the officers.

We had a very well-attended convention at Hot Springs this Summer, at which time the subject of postal savings banks and the guaranteeing of bank deposits were discussed, and both measures were unanimously voted down. (Applause.)

The principal industry in our State is lumber. Of course, the panic affected the lumber interests; the sawmills did not shut down entirely, some of the companies having shut down for a few days and night simply stopped running at night. Now they are running on full time again, the demand is increasing, and the price of lumber has advanced to very high figures. (Applause.)

Our principal mining is coal mining. While we have had strikes at times, operations have again been started up.

Recently it has been reported that the corn and rice culture. Few people would have thought that we would be raising rice in Arkansas, yet the rice we produce to-day we think is better than any rice raised from soil, and better than the rice raised in Louisiana.

We do not know anything about hard times, and if any of you folks have got tired of banking in these northern climes and
want to invest your money in a good, safe place, why come down to Arkansas and we will show you what we can do for you.

On the contrary, the people in Colorado have got gold mines. I have heard not to let the roll-all go to the next State 

vice-president for Connecticut is not present at the convention. 

is to establish a single-headed commission with a corps of ex- 

session, of our legislature will be held in January, 1909, and 

One idea in especial lies very near the heart of the conservative 

bankers of the State. We have in Connecticut two Bank Com- 

missioners who make semi-annual examinations of the different 

companies in the State of any importance is a member of the Trust 

pany in the State of any importance is a member of the Trust 

Company Section. Our bankers are unanimously opposed to the 

anywhere. Of all the banks in our State nine-tenths are mem- 

Currency was scarce, as it was everywhere else, but by helping 

any national trust company would possess that uniformity of 

character that would confine it to a uniform business through-

business, generally speaking, is very good indeed. Our large 

Our life insurance companies are doing a wonderful business,

Our manufacturers are hopeful and full of courage, and are 

I thank you, gentlemen, for your courteous attention.

I believe the American people are ready to accept that view. (Ap-

For once I will say that we can have whatever we desire 

Mr. Enright: I assume that we can have whatever we desire 

Mr. Festus J. Wade, of St. Louis, Mo.: Brother Jones and I have the misfortune to be on different sides of every question. I would like to have him point out to me the section of the Constitution that authorized the establishment of national banks. National banks were created 75 years after the Constitu-

tion was adopted. The authority that created the national banks was the Congress of the United States. Now, there is nothing prohibitory in the Constitution against creating national trust companies. True, there is nothing authorizing the or-

ganization of national trust companies, but it is equally true that there is nothing authorizing the organization of national banks.

Mr. Jones: If my Brother Wade had listened attentively to a paper that was read at the morning session he would have known more about the subject than his remarks would now seem to indicate that he knows.

I regard the trust company, in addition to its many measures 

of trust companies. Some States permit them to take savings 

Next, I propose to have a word also from Missouri. As this suggestion of Mr. Enright 

to the public at large to 

the word "trust," but would give it the same credit mark which the 

word "trust," in connection with combinations of a different character 

On account of the odium that has attached to the word 

I cannot imagine how any honest, conscientious trust com-

I regard the trust company, as having many measures 

the name of bank is an emblem of credit and one that com-

facilities and usefulness is becoming understood, I can imagine 

privilege, that your policies in any Connecticut fire insurance com-

protect at this time, and the above ideas are offered for the pur-

pose of having them considered and reflected upon at home in 

in the hope and with the view of having them taken up and pushed forward in due course.

Mr. Breckinridge Jones: If it may be permitted to say just a word also from Missouri. As this suggestion of Mr. Enright 

will go into the record I would like to have along with it the very clear statement that I believe that there is no power in the Federal government to provide for a national trust company, 

Mr. Earight, of Missouri: Are not the trust companies of the District of Columbia now under the supervision of the Comptroller of the Currency?

Mr. Jones: I will answer that. Yes, they are; and the very 

that is not power to do it anywhere else.

Mr. Earight: I assume that we can have whatever we desire through the Congress of this great country.

Mr. Jones: Even President Roosevelt has said that the Con-

stitution, was a living organism and that it could be extended to do whatever Congress chose to do; moreover, I believe the American people are ready to accept that view. (Ap-

The banks of the State went through the panic safe and sound 

no weak spots developing anywhere. No paper-checks were issued, and not even a closing-house certificate was issued in any part of the State. 

The president and gentlemen of the Trust Company Section: 

I have in this country four kinds of banking institutions, with the deposits divided about as follows:

<table>
<thead>
<tr>
<th>Type of Institution</th>
<th>Total Deposits in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>National banks</td>
<td>5,100,000,000</td>
</tr>
<tr>
<td>State banks</td>
<td>4,000,000,000</td>
</tr>
<tr>
<td>National trust comp.</td>
<td>3,100,000,000</td>
</tr>
<tr>
<td>State and private</td>
<td>4,100,000,000</td>
</tr>
</tbody>
</table>

This division of deposits indicates on its face the needs of the different kind of banking institutions as shown.

In the different States different laws govern the management of banking institutions. Some States permit nothing but the stock companies, others prohibit taking deposits at all. Some States permit doing a commercial business, and others confine them entirely to collateral business. By having a national charter a national trust company would possess that uniformity of character that would confine it to a uniform business throughout the United States.

While the examination and supervision in some States is up to the highest standard, and in some States of natural examinations, national examinations ought to be better than the average examination by State de-

The next system is now as important a factor in the financial world as the national banking system. It almost
We, in common with the other banking institutions of the country, feel that this is a very timely occasion, and make no apology for being in advance of the meeting of the national association, and I am glad to be able to report that not one trust company or bank in the State of New Jersey failed to meet its obligations, notwithstanding the panic which broke out near the turn of the river from our State, in the great city of New York, were to the fellows that taxes have been light. The result of the making was that taxation almost to its limit has since become eased and strengthened by the establishment of a thrift company, and the successful management of a run well known to us all, as superintendent of banks of the State of New Jersey, the former president of this association, Hon. Clark Williams.

The new laws which have recently been passed (some twenty in number) have been described as a way to safeguard the banking interests of the State of New York and to place the superintendent of banks in a position well able to look out for the interests of the investing institutions in the State of New York can and cannot do.

The trust companies of the State of New Jersey (through the borough of Manhattan) will be required, after February 1, 1909, to carry a cash reserve of 15 per cent. The minimum reserve required in other parts of the State is 10 per cent. The new, small law trust companies are prohibited from investing in more than 10 per cent. of the capital stock of private corporations. The establishment of trust company branches without authorization being first obtained from the superintendent of banks and without $100,000 additional capital for each branch, has been prohibited. This has been the occasion of some of the smaller institutions disposing of some of their branches.

Prior to the passage of these new laws (recommended by Superintendent Clark Williams) there was a certain lack of supervisory power by the department of banking, and a few of the banks in New York were going to fail, not that the crisis which has occurred in the State of New York, as a whole, exceed two-thirds of the appraised value of the property as found by a committee of the board of directors.

No loan can be made subsequent to November 1, 1908, directly or indirectly by any trust company, to any trust company in the Borough of Manhattan if its total loans upon real estate security exceed, or will exceed by the making of such loan, 15 per cent. of the total assets or by trust companies elsewhere in the State, if such loans exceed or will thus be made to exceed 25 per cent. of its total deposits.

The relation to the State Banking Commissioner of June 30, 1908, shows the need of improved supervision of all forms of business in the future.

The reports to the State Banking Commissioner of June 30, 1908, show that there are at present eighty-eight trust companies doing business in the State of New Jersey but I now have a law, passed by the last State legislature, relating to the depositary so designated.

Report of Directors.—Directors must hold regular monthly meetings. A copy of the minutes of each meeting must be signed by the officers present and filed it with the records of the corporation showing all purchases and sales of securities, and all loans and advances. A certificate of deposit, with a description of the collateral and the total liability of any borrower whose liability has been increased by $100,000 or over since the last regular meeting of the board of directors. A report shall also be made to such meeting of the board of directors of the corporation of any certificate of deposit or security issued by any other corporation on condition that a loan shall be made to any director, officer or employee of the depositing corporation, or any organization with which that corporation has any business relations.

The law before its amendment permitted trust companies to purchase any shares or to agree to vote any shares of any other corporation on condition that a loan shall be made to any director, officer or employee of the depositing corporation, or any organization with which that corporation has any business relations.

The law relating to mortgages provides that second mortgages shall not be made to any mortgage upon the collateral or shares of any other corporation with any other corporation on condition that a loan shall be made to any director, officer or employee of the depositing corporation, or any organization with which that corporation has any business relations.
to the organization and inspection of State financial institutions. This law provides that the names of all the conservative banks and trust companies who have sought for a num-
erous institutions, and the principles of the essential principles of safe banking which any law could possibly require, and they have observed these
laws. The victory which was won last winter makes us feel like the
institutions will be required to check up their affairs with the law's
stitutions will be required to check up their affairs with the law's
stitutions will be required to check up their affairs with the law's
stitutions will be required to check up their affairs with the law's
Mr. Clark Williams, of New York: Mr. President and members of the Trust Company Section: It is a great gratification to me to be with you to-day. I am on my vacation and I am not indulging in experiences such as have engaged our attention for the last nine months. I am not going to talk to you to-day. Indeed, I feel like the man who went fishing on the banks of the Erie Canal and fell in. A friend passing by saw him floundering in the water and called: "Hello, Jim, how did you come to fall in?" He replied: "I didn't come to fall in, I come to fish." (Laughter.) That proposition has been placed, so provocatively, before you; you cannot do less than express to you the message I bring from my constituents in the State of New York. There we have 26 trust companies, with deposits of $89,000,000 and total resources of $516,000,000. Thirteen-sevenths of these banks, with total resources of $409,000,000, are licensed to accept deposits and engage in trust business. There is a number of foreign companies which have made the requisite deposits of securities with the auditor in order to do business in the State of New York; but in the Vicksburg case and there are two organizations definitely incorporated as trust companies, but aside from these the business is handled by the state departments of these 26 banks, and much of that business is done in Chicago.

Generally speaking, business has been pretty dull for the past six months and it is pretty likely to go on for the next six months.

There is nothing to say on the subject of trust company legislation, because there has been none. Several amendments with relation to State banks were passed by the last legislature, which were declared void in the places of restrictions upon the making of loans to an excessive amount.

Mr. F. H. Fries, of Winston-Salem, North Carolina: I would like to offer the following preamble and resolution:

Whereas the Legislative Committee has recommended that the members of the Trust Company Section, in meeting assembled, record their disapproval of the guaranteeing of bank deposits.

Therefore be it Resolved, That we enter our protest against the enactment into law by either the Federal or State government of any proposition to establish postal savings banks as well as our friends, the gentlemen of the press, are here and will no doubt make mention of this discussion in their report, I move that the resolution be referred to the Committee on Resolutions and that the representatives of the trust companies of each State be authorized to act in concert with each other as to the formation and course of action to be taken.

Mr. Fries: I offered this resolution because I thought it lay very close to the interest of trust companies—much closer than it did to banks. I do not wish to embarrass the section by presenting it, and, if it is the wish of the Board that it is not a proper resolution to come before this body, I will withdraw it.

Mr. Jone: I submit that the resolution is out of order because we are a section of the American Bankers' Association and the Constitution of the parent association applies to us.

That Constitution says:

"Resolutions or subjects for discussion (except those referring to points of order or matters of courtesy) must be filed with the Secretary at least fifteen days before the annual convention and submitted to the Executive Council."

I submit that it is in violation of the spirit of that Constitution for us to act in this resolution. Mr. McCarter, of Newark, N. J.: I am sorry that this discussion has come up at all, but it has proceeded to such an extent that it was necessary to discuss it. I would like to state that the President of the Savings Bank Section, who was conferred with about this matter, thought it would be inexpedient for that section or for this section to pass such a resolution as this at this time. They have a legislative committee which has been in Washington once or twice on this matter, and I believe they have the matter well in hand and can give it the requisite attention.

Mr. Williams: I would like to ask the gentlemen who offer the resolution whether he has considered whether or not such a resolution can properly be considered by this section, my proposition being that we are a section which was organized for the purpose of discussing questions that are peculiar to trust companies and not to take up questions that are of a general banking nature. Nothing could be more unfortunate than if we were to lay new grounds and functions and trench upon a matter that is as near within the province of the parent body—the American Bankers' Association.

Mr. Price: The Savings Bank Section passes a resolution similar to this:

Mr. Jones: Yes, and they did wrong. In my opinion. Now, in the consideration of this, I think it is quite peculiar to the Trust Company Section, these words appear, creating this section:

"A Trust Company Section, whose scope shall embrace matters of interest to trust companies in so far as such matters are distinct from banking."

If that section had not been there the American Bankers' Association would never have consented to the formation of this section, and I believe that nothing could be more hurtful to us than to give the appearance of the fundamental law of the organization is based. We will have an opportunity to express ourselves on this question, when it comes up before the parent association tomorrow. Let us keep to the work that is germane to the Trust Company Section.

Mr. Festus J. Wade, of St. Louis, Mo.: Two years ago at St. Louis, when the convention was held there, an alliance, both defensive and offensive, was made between Brother Jones and myself at the instigation of Mr. Clark Williams, who was then in the trust company field, to the effect that we should take opposite sides on every question in order to bring out the fullest discussion. (Laughter.) Now, finding Brother Jones on the negative side, which is very unusual for him, I must take the positive side and oppose his views.

This is a most important question. In the State of Kansas both parties have endorsed this heresy. It is in the realm of an economic question attacking the growth and the prosperity of trust companies as well as banks. We believe that the states in which we do business, already one State has passed a guarantee law, and if you choose to organize a trust company and to do business in the State of New York, you will be subject to the laws of your trust company, but you must protect the depositors of every other trust company and every other bank in that State. Is that a true statement? Is it not a good and wholesome thing? Is it not a good thing to have the American Bankers' Association? Is it not a good thing for a State to have the guaranteeing of deposits or shall we condemn it? Suppose, as a hypothesis, that the proposition, that the preceding resolution should approve of this idea and it is contrary to your views. Would that convert you? Why not let them know to-morrow the views of the Trust Company Section, as they know the views of the Savings Bank Section?

Mr. Fries: I offered this resolution because I thought it lay very close to the interest of trust companies—much closer than it did to banks. However, I do not wish to embarrass the section by presenting it, and, if it is the wish of the Board that it is not a proper resolution to come before this body, I will withdraw it.

Mr. Jones: I submit that the resolution is out of order because we are a section of the American Bankers' Association and the Constitution of the parent association applies to us.

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I submit that it is in violation of the spirit of that Constitution for us to act in this resolution. Therefore, instead of our friends, the gentlemen of the press, are here and will no doubt make mention of this discussion in their report, I move that the previous question regardless of constitutional rights.

(Laughter and applause.)

Mr. Price: I have never had the pleasure of discussing this question at length if time permitted, but I shall be very brief. When the American Bankers' Association consented to the creation of this section it did not mean for us to come from the right to our opinions upon any subject. Now, my friend, Mr. Jones, did not read the second clause of Article VII. of the Constitution and By-laws of the American Bankers Association:

"But any person desiring to submit any resolution or business in open meeting may do so up to the conclusion of the agenda delegates present?" Now, sir, I believe we are a unit in this matter. One speaker this morning said that the hope of the country lies in the announced. I have been a mugwump for some time and I feel quite independent and I never know how I am going to vote until the nominations are all in. Now this matter has been brought to our attention and it is our duty to take action upon it. If I were killing a snake I should stamp all around and on it and stamp pretty hard. Here we have a visible proposition before you. Before you is the organization and the establishment of postal savings banks. The Savings Bank Section has taken action upon one of those propositions. Let us take action upon the other.
say that a resolution must be referred to the Executive Council before action can be taken upon it; it says that it "may be" referred to the Executive Council.

Mr. Dinkins: I wish to say, In behalf of the Committee on Protective Laws, that before it made the recommendation which has given rise to this resolution, the matter was referred to the attorneys for our company as to whether or not it would be consistent with the constitution of the American Bankers' Association and the by-laws of the Trust Company Section for us to take action upon it, and their opinion was that it would. It was our opinion in favor of that opinion that the committee made its recommendation.

Mr. H. L. Remmel, of Little Rock: In our State we emphasize protection against the proposition to guarantee bank deposits. Now I am in favor of the adoption of this resolution. Let us vote upon it as a resolution, irrespective of any question of constitutionality of it. I had something to do with this constitution; I was chairman of the committee last year that revised it. We are all resolutionists, and I think that we will vote for the resolution irrespective of the constitutionality of it.

Mr. McCarter: I am perfectly willing to face my people at home on the question of violating the constitution of this association, but I should be afraid to face them after this discussion I did not vote on this resolution.

Mr. Sullivan: I think we all understand the principle involved in the general subject of the proposition to guarantee bank deposits. It is something to do with the constitutionality of it. I have something to do with this constitution; I was chairman of the committee last year that revised it. We are all resolutionists, and I think we will vote for the resolution irrespective of the constitutionality of it.

Mr. Jones: Gentlemen, if you are going to meet an issue, why, meet it like men. If you take this action, take it because you say that you believe it is right. Don't take the position that some gentleman said here—whether it is constitutional or not. I challenge any gentleman here to say in good faith that he will vote for this resolution irrespective of the constitutionality of it.

Mr. Parker: We are here to defend the life of trust companies, the constitution of which is assailed under this guaranteeing of bank deposits. In voting affirmatively on this resolution we are voting in defense of our very lives as trust companies.

Mr. H. L. Remmel, of Little Rock: In our State we emphasize protection against the proposition to establish postal savings banks. I have not put it in writing, but my motion is this, that we disapprove of the adoption of the postal savings bank plan.

Mr. Jones: I move to amend the resolution by reciting a preamble something like this:

It being the opinion of this section that the subject matter of this resolution is of interest to trust companies in so far as such matters are distinct from banking, therefore be it resolved.

Mr. Fries: I think I will accept the amendment.

Mr. Jones: It is up to me to state to you that I will adopt the resolution in that shape; it won't amount to anything. Is not the business that we do a business that is respecters of law, and by right we ought to be. Now, if we adopt this resolution we will by no means trench upon the constitutionality of it.

Mr. van Buskirk: The primal lesson to be learned is one of a standard of probability for the transaction. The primal lesson to be learned is one of a standard of probability for the transaction. The primal lesson to be learned is one of a standard of probability for the transaction. We are now ready to receive nominations for president.

Mr. Breckinridge Jones: Among those who have been most faithful and capable in the work of this section is a gentleman whom I desire now to place in nomination for president. He is an officer of one of the oldest trust companies in America, and during the past year has given the American Bankers' Association, and if we have views phatically voted against the proposition to guarantee bank deposits. I have not put it in writing, but my motion is this, that we disapprove of the adoption of the postal savings bank plan.

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Georgia: William V. Davis, vice president, Savannah Trust Company, Savannah.


Maine: E. G. Merrill, president, Merrill Trust Company, Bangor.

Massachusetts: Herbert A. Bullock, president, Berkshire Trust Company, of Boston.

Michigan: Frank W. Kilbey, president, Detroit Trust Company, Detroit.

Missouri: Edward Buder, treasurer, Mercantile Trust Company, St. Louis.

New Jersey: A. McCracken, president, Central Trust Company, Camden.


Ohio: Edgar Stark, trust officer, Union Savings Bank & Trust Company, Cincinnati.


Rhode Island: Charles Perry, president, Washington Trust Company, Westerly.

Virginia: Bradley B. Smalley, president, Burlington Trust Company, Burlington.

Cuba: Norman H. Davis, vice president, Trust Company of Cuba, Havana.

President Babcock: I will ask Mr. Fries and Mr. Jones to escort the president-elect and the vice-president-elect to the platform.

The president-elect and the vice-president-elect were then escorted to the platform and invested with their respective badges of office.

Mr. Breckinridge Jones: Before we adjourn I desire to call the attention of the members to the magazine called Trust Companies, published by Mr. C. A. Luhnow, in New York. It is the only magazine devoted exclusively to the interests of trust companies, and I think it deserves all the help we can give it, and I would suggest that all our companies subscribe for a sufficient number of copies of this magazine to send one to each director with their compliments.

Mr. McCarter, of Newark, N. J.: I desire to second the suggestion of Mr. Jones. The magazine to which he refers is certainly an admirable one, and is doing a good work, and for my own part I will pledge that our company will subscribe for at least twenty copies of it.

President Jackson: I would state that I have found Mr. Luhnow, the publisher of this magazine, to be a most courteous and estimable gentleman, and he is endeavoring to conduct his magazine in a manner to deserve our commendation.

Mr. Taylor: Is it understood that the remarks about this magazine are to be included in our proceedings?

President Jackson: The chair so understands.

Is there any further business to come before the meeting?

If not, I declare the meeting adjourned sine die.
The Proper Treatment of Savings Deposits When Taken by State Banks and Trust Companies.

By Pierre Jay, Massachusetts Bank Commissioner.

One of the most remarkable achievements of the last hundred years is the accumulation, largely by wage-earners, of a fund of some $12,000,000,000 in the savings banks of the world. The vastness of the amount and the innumerable army of depositors both indicate the absolute necessity of the savings bank in our modern industrial life. The prosperity of a country may almost be measured by its savings deposits, and that nation or State which neglects to make adequate provision for the savings of its wage-earners has laid a heavy handicap on its development and prosperity.

About two-thirds of this immense fund have been accumulated in the European countries, where government and municipal, as well as trustee, savings banks have reached a high stage of development. A study of the various European systems brings out two points which may be appropriately mentioned here: first that they are generally supported by national legislation, and second that as the funds are generally invested in the credit of a nation or a municipality their safety is unquestionable, and could be imperilled only by dishonest or negligent management.

In the United States, on the other hand, we have never had national legislation on the subject, but it has been left to each State to decide what agencies it shall establish to care for the savings of its citizens. The result is that while some States have made admirable provisions, others have made none at all, and all too few have approached the question from the standpoint which the foreign system recognizes as fundamental, namely, the absolute safety of the funds deposited.

The agencies at present receiving savings deposits in this country and the States in which they are to be found, appear to be the following:

1. Uncapitalized or "mutual" savings banks with investments regulated by law. In the New England and Middle States with occasional banks elsewhere.

2. Capitalized savings banks with investments regulated to some extent by law. Most savings banks of this class also receive commercial deposits. In Ohio, Michigan, Iowa, Texas, Louisiana, Nebraska, California, Montana, Colorado, Wyoming and Idaho.


4. State banks and trust companies with investments of savings deposits not regulated by law. In almost every other State.

5. National banks, none of whose investments are regulated by law, except that they may not invest in real estate mortgages. In every State.

It will be seen, therefore, that outside of the States included in the first and second groups, and to a considerable extent even in those States, the savings of the country are deposited in classes of institutions which were never intended to be used as savings banks, viz.: State banks, national banks and trust companies. And furthermore that as the investments of these institutions are substantially unregulated by law, the investment of savings deposits in a majority of the States is without legal regulation, and constitutes for the most part of commercial paper representing ordinary business risks.

Since, then, a very large proportion of our wage-earners are obliged, for lack of other agencies, to deposit their savings in such institutions, it seems proper to trace briefly the origin of the savings deposit and to inquire whether it does not differ in its nature and in the purpose for which it is deposited from the deposit of the merchant, which is merely a margin for the loan which the bank has made him, or from that of the non-borrower who deposits in order to use the credit of the bank in paying his bills.

The earliest savings banks, in both England and the United States, were organized by benevolent persons who offered, as trustees, to invest the money of those who, through lack of experience, were unable to invest it themselves. There was no connection between the savings deposit and a loan, nor did the depositor wish to make use of the credit of the bank in any form whatever. The money was placed in the bank for safekeeping and investment. These informal institutions were soon given the sanction of law in both countries; and the investments authorized for trustees of savings banks in Great Britain and in our Eastern States are substantially the same as those approved for trustees appointed under wills or by the courts.

In these uncapitalized banks, therefore, savings deposits not only are invested as trust funds but are everywhere regarded, morally, as trust funds, although court decisions classify them as mere obligations of the bank. On the
SAVINGS BANK SECTION.

other hand, in capitalized banks savings deposits are not regarded as trust funds, either legally or morally. But whether deposited in capitalized, or uncapitalized banks, there can be no question that they are put there for identity the same purpose, and generally by a class of people whose education and training does not enable them to distinguish between the two kinds of institutions.

The effect of the panic is to force all savings in the mutual savings bank, and the other half in the trust company across the street. Is there really any difference in the nature of the two deposits? The Providence mill-hand puts his savings in the mutual savings bank on Saturday night and wakes on Monday morning to find that involuntarily he has become a depositor in a trust company. Has his deposit changed its nature in consequence?

The more I study this subject the clearer it seems to me that, morally and essentially, savings deposits, wherever deposited, are trust funds and should be invested accordingly.

In no State does it appear that mercantile credits, in which so large a proportion of our savings deposits are invested, are sanctioned by statutes or by courts as proper investments for trust funds. All courts and the laws of many States require trustees to invest their funds in securities or loans of established and permanent value. What an anomaly it is that while the investment of individual trust funds is everywhere carefully supervised by law or by the courts, the investment of that great composite trust fund, the laboriously accumulated savings of the wage-earners, should in so many States be entirely unregulated!

Should not all savings deposits be invested in the same manner by whatever institution they are received? And is not the wage-earner entitled to have his savings invested in approved securities whether he puts them in savings banks, State banks or trust companies?

This is a principle which has been adopted in, and placed on the statute books of five of the New England States. It also appears, in a less complete way, in the banking law of Michigan. At its convention in June the National Association of Supervisors of State Banks unanimously resolved to recommend its adoption in every other State in the Union.

The practical working of the principle is this: All savings deposits are required to be kept in a "savings department." The accounts and investments of the savings department are entirely separate from those of the commercial department, or bank proper. The investments of the savings department consist of those securities and loans which in each respective State are considered proper investments for savings or trust funds. In case of failure or dissolution, the savings depositors have a first lien on the assets of the savings department, and if these are insufficient, they have an equal claim with other creditors of the institution on its general assets as well as on the investments of the capital stock and on the stockholders' liability.

Such a segregation, legally required and extensively advertised, cannot fail to increase the confidence of the laboring classes in the banks, and to bring to them large amounts of money now withheld from circulation. Furthermore, it cannot fail to increase the confidence of those who have already deposited their savings in the banks and render them less timid in times of stress.

Against the extension of the segregation principle, it is urged that the two functions of receiving savings deposits and commercial deposits should never be performed by the same institution. That there should be savings banks for savings deposits and commercial banks for commercial deposits. This is eminently sound and it would undoubtedly be well for the wage-earner if the trustees savings bank system prevailed all over this country. The fact is, however, that there is no progress in the Eastern States, it is making but little headway elsewhere, and even in the Eastern States the receipt of savings deposits by State banks and trust companies is increasing perceptibly. Therefore, the question is not merely—what is theoretically best, but what can reasonably be done under existing circumstances and tendencies to better protect savings deposits?

It is also argued by the State banks and trust companies that to be required to invest savings deposits in securities of more established value than mercantile credits will seriously diminish their profits. The answer is first that for savings deposits safety, rather than large dividends, is the essential thing; and second, that profits will not be so largely diminished as they imagine. In 1906 the total assets of Massachusetts savings banks with their restricted investments earned 4.3 per cent. and the total assets of Massachusetts trust companies, practically unrestricted, earned 4.51 per cent. In 1907 the figures were 4.09 per cent. and 4.67 per cent. respectively.

I have been very glad of the opportunity to bring this matter before you in somewhat concrete form, because it has been suggested at meetings of the Section so often in a general way that I believe it will fall on minds not altogether unprepared. As the membership of the Section includes all of the five classes of institutions which I have enumerated as engaged in receiving savings deposits, its members can hardly fail to have been impressed with the inequalities of the laws and regulations under which they are working, and there can be little question that the inadequacy of the savings bank system in some of the States and the total lack of it in so many others, has been the cause of the agitation for a postal savings bank.

There is nothing radical in the segregation plan which I have outlined. It requires no new institutions. It drives no existing institutions out of business. It permits a profit to continue to be made from the administration of savings deposits. The laws of several States, notably Ohio, Michigan, Utah, Oregon, Wisconsin and Idaho already provide that a bank may conduct two separate businesses or departments, "commercial" and "savings." The segregation plan secures a legal and actual separation of these two fundamentally different classes of business, and requires savings deposits to be administered and invested in a manner which should command the entire confidence of the public.

Effect of the Recent Panic on the Eastern Mutual Savings Banks

By John C. Griswold, Secretary Excelsior Savings, New York.

"Mutual" as used by savings banks, for instance, means "common" according to "Webster's," therefore we understand that the moneys of all depositors in mutual savings banks are put in common and the depositors mutually and in common receive such profits as this common fund may earn. "Mutual" further means "reciprocally given and received."

In the Eastern States so termed "mutual savings banks" predominate, and in most of these States "mutual savings banks" only are by laws recognized or permitted. For several generations the inhabitants of these States have grown to their majority with one clear understanding regarding savings banks at least, viz.: that the money there deposited and its earnings all belong to the depositors in common, and that the officers having charge are selected for their trustworthiness.

The statutes of the various States referred to (such as relate to savings banks) are plainly and clearly drawn as a whole, and so well originated, and amended where needful, under the sharp supervision of those unselfish philanthropic
and able men identified with savings banks, whose memory is venerated, that it may be said that if these laws are complied with faithfully no such bank can reach a position which would endanger its depositors. Savings banks are supposed, I believe, to be entirely separate from connection of interests with any other class of banking. When the Hon. Levi P. Morton was Governor of the State of New York, in his first message to the legislature he particularly recommended that savings banks be made entirely independent of banks of discount and deposit, whether State or national, and trust companies. "Any tendency to merge these interests, as in the same personnel in the same roost or suite of rooms leads to confusion of interests and gives great occasion and opportunity for unbusinesslike proceedings and irregular methods," said a former superintendent of banking of the State of New York, and quite properly said.

Mutual savings banks are supposed to be, and it is believed are, managed and their affairs administered, free from politics and personal pecuniary gain to the trustees or directors of their elected or appointed officers, except that active officers are, as would be expected, remunerated for their time, energy and talents. They are practically employees of the bank, expected to perform duties exactly as are professors, superintendents, managers, etc., in all trades and professions. Those trustees or directors (of some institutions) who are members of committees appointed for the purpose of investing the bank's funds or of disposing of securities or for other work of bank are for such actual attendance paid a slight stipend, the amount of which is usually determined upon by the majority of the board of trustees, exclusive of the members of such committee.

All other earnings of such mutual savings banks after payment of general necessary expenses—rent, taxes, interest, stationery, etc.—are the undisputed property of the depositors; as is well known, whose numbers are composed of both sexes and we might say include samples of every grade of education, ability and financial responsibility. Taken collectively such aggregation of depositors is not fitted to manage or to take active part in the management of their possessions so deposited, therefore these funds are invested by a board of trustees selected for that purpose, owing to their high standing as to character, ability, reliability and responsibility, and so selected as provided by the statutes of the different States in which they are located.

The mutual savings banks of the East have wrestled with the rigors of the financial winter from which the country is emerging, as was to be expected of them. The trust placed in them was faithfully kept. Few depositors were in fear as to the solvency of their savings bank during the most distressful times of the panic period, nor of its ability to supply funds to all depositors whose necessity required, and this fear apparently disappeared entirely by January 1, 1908.

Such research as has been possible for me to make in the brief time since allotted this subject shows that in the States of Maine, New Hampshire, Pennsylvania, New York, Maryland, New Jersey and Delaware there was no deposit in savings banks on or about July 1, 1907, $1,609,074,663.39 and on or about July 1, 1908, 1,892,922,935.95 thus showing a decrease in deposits of but $283,248,44 or .00757 per cent.

The reports of Massachusetts are computed to October 31, annually, those of Connecticut, October 1, annually. In Virginia, savings banks statistics are not kept separate from statistics of commercial banks.

In New Hampshire there are 46 savings banks, 9 guaranty fund banks and 6 State banks or trust companies having savings departments.

In Pennsylvania all savings banks are purely "mutual," except one of capital $10,200, which was incorporated prior to the adoption of the Pennsylvania constitution in 1874.

In New Jersey all savings banks are "mutual," except one incorporated by special act of the Legislature in 1869.

In Vermont there are 22 mutual savings banks and 27 trust companies. The trust companies are stock companies and are permitted by law to receive savings deposits same as savings banks.

In all the remainder of the districts included in my research, save Virginia, it is reported that all savings banks are "mutual." Virginia statistics were not furnished.

No savings bank located in New York, Connecticut, Massachusetts, Delaware, New Jersey, Pennsylvania, New Hampshire, Vermont, Maine and Maryland, failed to pay depositors strictly in accordance with their legal contract. In a few larger cities and towns, centres of bustling trade, it was deemed by savings bank managers that it was for the best interests of the depositors and the community to require 90, 90 or 90 days, (as their by-laws read), notice of intent of depositors to withdraw more than $50 to $100.

In instances where need of more was made clear by the depositor payment was made therefrom promptly.

As the banks and trust companies of the City of New York, in which a large sum in aggregate was deposited by the savings banks, were in position to supply such enormous amount of currency as might, if permitted, be required by savings banks depositors, whose sole desire was to put it out of circulation by hiding it as of old in chimney corners, etc., the savings banks of the City of New York (the then center of excitement) advised with the Clearing House Association, and it was mutually decided that the savings banks require notice of withdrawal beyond a limited sum.

This action, which brought content and satisfaction to all interested, and beyond question opened the way wide for reason to travel, was followed for like purpose and with like result, by savings banks in several other larger cities of the country.

In treating this subject, upon which I have the honor to address you, the endeavor has been to be as brief and trite as possible. It is proper for me, however, and I do with pleasure refer to the many institutions located in other States, which care for the savings of the people, but under laws permitting stock companies to act as savings banks, and permitting such institutions to perform various other duties, such as pertain to trust companies, commercial banks, etc.

Many such institutions, as we all know, have grown to immense proportions, and like their relatives in the East, the "mutual savings banks," they stand pillars of strength.

The savings institutions of these other parts of our country during the period treated, it is to be believed, likewise merited the esteem and trust placed in them.

As the years go the question whether savings banks shall be mutual savings banks or shall be stock savings banks may be determined in favor of one or in favor of the other; in either event, we are all a unit, I know, in thinking that the absolute safety of such depositors' deposits must be uppermost in the minds of those whose guidance the statutes to govern are to be prepared.

The deposits should not, in any way preventable, be jeopardized. All that the human mind can, with unselfish skill, invent which will tend toward assurance of safety of principal, together with the best income therefrom, should be at the disposal of institutions caring for savings.

I thank you, gentlemen, for your attention.
Brown Palace Hotel.

MORNING SESSION.

PRESIDENT TETER: This meeting will come to order. Our proceedings will be opened with prayer by the Rev. Dr. Banks, Pastor of Trinity M. E. Church of this city.

PRAYER.

By Rev. Louis Albert Banks, D.D.

Of God, we thank Thee this morning that we are permitted to come to this meeting with health and strength and bright sunshine and pure air and the glorious day opening before us. We thank Thee that the storm has passed and that the day is so beautiful, and we pray that all the stores of our lives may pass by like that; and we may have such faith and confidence in Thee and so do Thy will and work our purpose in life that the ages which are now passing away may come for a time that joy shall come with the morning.

We pray that the grace of this morning may be upon all the men and women who are about to address this body. We pray for those men who have so much of the confidence and faith and good will of their neighbors in the communities in which they live. We thank Thee for the era of confidence and faith in man that has made these great institutions which they represent possible in the earth. We pray that no clouds may dwell upon the work and may so execute the trusts committed to them that they shall add to our confidence and faith and good will upon the depositors of this city.

Let Thy blessing rest upon all the delegates here assembled. We pray that they may be so blessed that their homes may be saved and protected in their absence. We pray that the delegates may be protected from danger and accident in their journeys to-day that they may be safe to return to their homes in peace.

God, we thank Thee for Thy blessing upon this work. We pray that the grace of our Lord and Saviour Jesus Christ may be abundantly poured out upon this work. We pray that the higher and nobler use of life, for Jesus Christ's sake, Amen.

I am also sure that our citizens in general view this gathering with the fullest respect, and are more than glad to have you with us, knowing that none of them have had a more sincere and heartfelt welcome than I have had. I hope I may be pardoned for saying that we who live in Denver have in each other through these associations have more to learn to have in each other through these associations than could possibly be secured by any of the devices of the Centennial State. We are glad that you have honored us with your visit that you may come again after your labors are happily ended to your homes in peace.

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Our meeting to-day is held in a city far from the centres where most of the members of our country and the country as a whole have been accustomed to gather; but it is not necessary that our interests suffer but little and after the first few days had passed interest would have been lost in the discussions which were kept busy attending to financial conditions at home, so it is not improbable to say that most of you have traveled many miles to attend this meeting, and I congratulate you as well as the section upon the effort which you have made.

There is much that is inspiring in all that we see around us. When we receive word that this beautiful City of Denver was founded but fifty years ago, we can realize what is meant by "Western push and enthusiasm," and it only strengthens the confidence that we have in our country great sums have not as yet accumulated in the dormant accounts of savings depositories, financial institutions of the West are strong and vigorous and managed by men who are abreast of the times and efficient in the business of the country. We are going to enjoy it to the utmost. When some of us left our homes for the first time we were in doubt as to the nature of our reception; at the same time, when we arrived at this beautiful city of the mountain and the plain we were almost embarrassed with the glorious showing of the hospitality for which the town is so famous. I can assure you that you are going to enjoy it to the utmost. When some of us left our homes for the first time we were in doubt as to the nature of our reception; at the same time, when we arrived at this beautiful city of the mountain and the plain we were almost embarrassed with the glorious showing of the hospitality of the Denver bankers. We are going to enjoy it to the utmost.

I am also sure that our citizens in general view this gathering with the fullest respect, and are more than glad to have you with us, knowing that none of them have had a more sincere and heartfelt welcome than I have had. I hope I may be pardoned for saying that we who live in Denver have in each other through these associations have more to learn to have in each other through these associations than could possibly be secured by any of the devices of the Centennial State. We are glad that you have honored us with your visit that you may come again after your labors are happily ended to your homes in peace.

The savings bank section especially gets close to the masses of the people, for whatever is done in the interests of the savings of the people of a nation, the stronger is the country. It is interesting to consider that the savings bank section especially gets close to the masses of the people, for whatever is done in the interests of the savings of the people of a nation, the stronger is the country. It is interesting to consider that the savings bank section especially gets close to the masses of the people, for whatever is done in the interests of the savings of the people of a nation, the stronger is the country.

Our meeting to-day is held in a city far from the centres where most of the members of our country and the country as a whole have been accustomed to gather; but it is not necessary that our interests suffer but little and after the first few days had passed interest would have been lost in the discussions which were kept busy attending to financial conditions at home, so it is not improbable to say that most of you have traveled many miles to attend this meeting, and I congratulate you as well as the section upon the effort which you have made.

There is much that is inspiring in all that we see around us. When we receive word that this beautiful City of Denver was founded but fifty years ago, we can realize what is meant by "Western push and enthusiasm," and it only strengthens the confidence that we have in our country great sums have not as yet accumulated in the dormant accounts of savings depositories, financial institutions of the West are strong and vigorous and managed by men who are abreast of the times and efficient in the business of the country. We are going to enjoy it to the utmost. When some of us left our homes for the first time we were in doubt as to the nature of our reception; at the same time, when we arrived at this beautiful city of the mountain and the plain we were almost embarrassed with the glorious showing of the hospitality of the town is so famous. I can assure you that you are going to enjoy it to the utmost. When some of us left our homes for the first time we were in doubt as to the nature of our reception; at the same time, when we arrived at this beautiful city of the mountain and the plain we were almost embarrassed with the glorious showing of the hospitality of the town is so famous. I can assure you that you are going to enjoy it to the utmost.
to the end that eventually the American Bankers' Association and its several sections shall include as nearly as possible all of the banks and savings banks of the United States. The directors will start the splendid increase in membership in the section when at our last meeting. I am very glad of this, but it still remains a matter of regret that we have not, as nearly as is practicable, the substantial mutual savings banks of the East. I believe that we should take some steps to the end that these be brought into our section. I am very glad of this, but it still remains a matter of connection with these mutual savings banks. If this is the difficulty, we should see whether it cannot be remedied. But I suspect that the difficulty is not so great as that yet in the future all the associations have not been able to see the great advantage to be derived from membership in the Association, and also of working relation with our section. I understand that there is some objection to the membership of banks established by the association in connection with savings banks or banks that have the difficulty. We shall see whether it cannot be remedied. I present to you the report of the membership of the committee shall be to investigate thoroughly the subject of increasing the membership of our section in cooperation with the officers, and to report fully at the spring meeting of the Executive Committee, there to receive further instructions as to its future activity.

Mr. Johnston, of Schenectady, N. Y.: I desire to second the adoption of that resolution.

Mr. Chairman: Have you heard the resolution? Is there any discussion of it? If not, all in favor of its adoption will signify it by saying Aye; opposed, No.

Adopted.

President Terrier: I will appoint as the gentlemen to constitute the Nominating Committee, whose duty it is to nominate candidates for the various offices of the Association at the next meeting. The report of the Committee on Uniform Laws will be made by the chairman, Mr. Johnson. The question of uniform laws for State and savings banks throughout the different States is of great importance and it is very desirable that the laws of the several States be made as nearly uniform as possible and of such a character as will be promotive of the spirit of the banking institutions. This is a great work and will take years to accomplish, but, as was the case with the Negotiable Instruments Law, the thing to do is to make a start and keep on extending the principle results with the appropriate agencies.

You will recall that at our last convention we combined our Committee on Auditing; this committee will present to you an excellent report which shows that much of the work of savings banks officers, I would recommend that this committee be continued so that there may be an additional place where suggestions of new and improved methods may be received, acted upon and systematized.

At the last meeting of the Committee of the two sections is the Postal Savings Bank Committee which you authorized at the last meeting. Immediately following our meeting at Atlantic City, New Jersey, I appointed a committee consisting of Colonels Charles E. Sproule, New York; ex-Governor Myron T. Herrick, Chicago, Illinois; and Alfred M. Milam, Lenexa, Kansas, to report on the subject of a separate day for our meeting at the annual convention of this year. A report of the Committee on Uniform Laws will be made by the chairman, Mr. Johnson. The question of uniform laws for State and savings banks throughout the different States is of great importance and it is very desirable that the laws of the several States shall be made as nearly uniform as possible and of such a character as will be promotive of the spirit of the banking institutions. This is a great work and will take years to accomplish, but, as was the case with the Negotiable Instruments Law, the thing to do is to make a start and keep on extending the principle results with the appropriate agencies.

It seemed impossible to secure a meeting of the committee during the latter part of the year 1907, or the early part of the year 1908. In the opinion of your secretary we watched the matter of postal savings bank legislation at Washington and on the floor of Congress with great interest, but were not able to familiarize ourselves with the situation. We avoided discussing the subject because we were under the impression that Congress was going simply with the idea of acquainting itself with the situation. We satisfied ourselves that there was no probability of postal savings bank legislation during the existing session of Congress and having made arrangements for copies of various bills then before Congress to be sent to us, we returned home.

At the meeting of the Executive Committee of the American Bankers' Association in May your officers and executives of the special committee which have done such local work during the past year and have made the satisfactory reports that you have received, to-day. Especially should our thanks be given to our local secretaries, Mr. Bankart. The very good reports now received are much more considerable and the greater part of this report personal attention. All of your officers, including your secretary, and the committee members without a doubt have given a great deal for their efforts in behalf of this section. The success of the National Savings Bank Act means a great deal, and I trust that in the coming year and in all the future years we may maintain high ideals in this work. This history of the past shows us that there has been a great work for the savings bank section and I believe that there is even more to be done in the future.

Mr. John C. Griswold, of New York City: Approve of the admirably set forth suggestion of the President in his address toward increasing the membership of the section, I beg leave to offer one more suggestion in regard to the same subject. It was just about the same as that of this section at the present time, while its income was about one-half of the amount of annual dues of the general association, the former being approximately 1,224, while to-day it is 1,550. A comparison of membership at our several conventions shows us that there has been a great work for the savings bank section in the coming year and in all the future years we may maintain high ideals in this work.

Mr. Johnston, of Schenectady, N. Y.: I desire to second the adoption of that resolution.

Mr. Chairman: Have you heard the resolution? Is there any discussion of it? If not, all in favor of its adoption will signify it by saying Aye; opposed, No.

Adopted.

Resolved, That the President be directed to appoint a committee of three members, to be known as the Membership Committee; the special duty of the committee shall be to investigate thoroughly the subject of increasing the membership of our section in cooperation with the...
our expenditures during the fiscal year from August 31, 1907, to September 1, 1908.

Printing and stationary $216.41
Establishment 260.75
Monetary and typewriting 366.00
Printing of blank forms and books 250.00
Expenses, Executive Committee 393.54
Auditing Committee 97.00
Assurance Company 320.00
Correction expenses 216.30
Book of proceedings 200.00
Holidays 49.00

Total $4,937.87

With our present percentage of over 1,500, we will have to be prepared to meet a somewhat increased scale of expenses; the expense for salaries and rent remains approximately the same as last year, but the expenses for printing, postage, etc., will necessarily be larger; great care and rigid economy are enforced to keep these expenses at the lowest possible point.

In total, all expenses were approved and mapped by the Executive Committee. The report of the committee has continued in some demand, and 918 copies have been sold so far, the net total cost of the work has been $5,478.35.

President Teter: We will now have the report of the Committee on Uniform Laws.

Mr. Cook, of Kansas City, Mo.: Mr. Johnston asked me to say that a slight amendment or correction was now being made in the report, and is being transmitted downwardly by a strong recommendation that the rendering of the report be deferred for a few moments.

President Teter: Let us see; we will receive that later. I now call for the report of the Committee on Auditing.

Mr. Robinson, of Baltimore, Md.: Mr. President and Members of the Savings Bank Section. I beg leave to submit the following report

Report of Committee on Auditing.

To the President and Members of the Savings Bank Section of the American Bankers' Association:
The Committee on Auditing, owing to its existence for a word of explanation from our honored Chairman, Mr. Edward R. Bart, who, at a recent meeting in October, addressed the members of the Committee, in their report to the Savings Bank Section to take steps towards placing greater safeguards about those who have the custody of the savings of the people.

The trustees and officers of savings institutions are not properly educated to appreciate the high privilege of their call.

The methods of handling the savings of the people are not properly appreciated, and the expenses for the purpose of preventing irresponsibility in the routine work of their banks. Savings bank men must be educated to appreciate the privileges of their calling.

The Committee on Auditing, acknowledging the interest which has been taken in the subjects discussed, adds that to the trustees and officers of savings banks.

The Committee on Auditing, while the larger institutions have been reported on, is not limited to those who have the custody of the savings of the people. It is safe to assert that if the trial balances are surrounded with adequate safeguards, the smaller banks—while the bound book is used only by 123 out of 1,000 banks, the book of printed forms has continued in some demand, and 618 copies have been sold so far, the net total cost of the work has been $5,478.35.

We find that the old method of posting from cash book or blotters has been questioned by post teams, hence this method is being discontinued. We are interested in learning that 50 per cent. of all institutions are using the card ledger; the loose leaf is used by more than 50 per cent. of all the smaller banks—while the bound book is used only by 123 out of nearly 600 banks.

Notwithstanding the foregoing, your committee is somewhat divided on the subject of the trial balances. We approve the use of the loose leaves or cards for depositors' ledger accounts, but for general ledger accounts, believing that the trial balances, if taken from the card ledger, is the best method of checking the card ledger, but the situation in each individual bank must determine the trial balance method. It is universally acknowledged that the card system occupies much less room. Your information as to the disadvantages of taking ledger cards leads me to believe that we are using a system which is without economy in filing. The final digit of card number so placed that inaccuracies in filing are almost impossible.

BALANCE AND INTEREST COLLECTED.

Nearly all the banks heard from use the balance column in their individual ledgers. Many use a separate column for interest or dividends. We commend the use of the balance column, as well as the printing of many banks in posting interest in the balance column in red ink.

CARD SYSTEMS FOR SIGNATURES, ETC.

We find the card systems used extensively for checking signatures and pedigrees and for personal bank updates. For example, mergers, investment registers, dormant account searches, etc.; for these uses cards seem especially adapted—they are easily handled, are flexible, and all represent live, active matter.

The alphabetical name indexes in some banks carry the active and closed accounts together. We think it desirable to extract the closed account cards and place them in a separate index. If when accounts are opened and closed, the index cards are of great value. The committee on auditing is advised to avoid trouble in looking up the old ledger accounts where many cards are filed. The committee on auditing is left in the hands of those who have been brought to the office. Primarily these machines are used for trial balance work, but many other wise quickly suggest themselves when they become an invaluable adjunct in the work of the bank.

TRIAL BALANCES.

Our inquiries under this head were framed so as to learn how often a complete regular report was made, and the extra labor involved. To the subject of the regular report was referred to the officers if payment is demanded, the practice of some banks in using "stop cards" to take the place of signatures of those accounts which for special reasons should be closed, and the officers this original signature card being filed in a special drawer. This obtains the danger of making amendments on lost books, attached accounts, etc.

ADJUSTING MACHINES.

Eighty-five per cent. of banks requiring use of the adjusting machines for various purposes, 54 banks having between 16,000 and 20,000 accounts, 145 banks using the machines. We approve the practice of some banks in using "stop cards" to take the place of signatures of those accounts which for special reasons should be closed, and the officers this original signature card being filed in a special drawer. This obtains the danger of making amendments on lost books, attached accounts, etc.

METHOD OF POSTING.

We find that the old method of posting from cash book or blotters has been questioned by post teams, hence this method is being discontinued. We are interested in learning that 50 per cent. of all institutions are using the card ledger; the loose leaf is used by more than 50 per cent. of all the smaller banks—while the bound book is used only by 123 out of nearly 600 banks.

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Bankers' Conferences

Nearly three-fourths of all the banks allow interest from the first of the month upon all deposits made during the first five days of the month. A few still adhere rigidly to the old rule that interest commences on the day funds pass through the vaults.

NOTICE FOR THE WITHDRAWAL OF DEPOSITS

Nearly all the banks are protected by their charter provision in the manner of requiring notice for payments if desired. During the past year this provision was largely availed of, though many bank reports, with a show of some pride, that they have never found this stipulation necessary. Many large banks insist on giving the old method not because of their individual needs, but because the general commercial and banking conditions are such that their savings institutions continue to operate in circumstances which would have been strained to the breaking point. Their action is more than a semblance of doing justice. It will be the opinion of this committee that every savings bank should have the right to require 60 or 90 days' notice of the withdrawal of deposits in order to pro-

AMORTIZATION

AMORTIZATION.

This is one of the most interesting and important topics taken up by the committee—the importance of it, and the way of proving the accuracy of income received from banks to admit it as im-

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adopted, and that is the one referring to the proposed appointment of an agent to make, at any point, a summary of bank and trust operations. Now, it is a matter of history in the American Bankers' Association that as long as there was a committee of men who provided for the appointment of an agent to make such report the American Bankers' Association did not prosper. It took twenty years to develop the membership of the American Bankers' Association. I remember very well having an address on this subject in the American Bankers' Association at the meeting held in Detroit, and the struggle that was had to overcome the oratory of men that had been providing for the appointment of such an agent and their opposition to the direction of the Association for years, and when that was accomplished, the American Bankers' Association began to develop. I believe that if the clause here provided for is adopted and a Committee on Nomination is appointed this year to suggest the names of officers for next year it will be within the power of the committee to provide for the succession of themselves and their friends and the domination of the Section, and it will result in the same situation that faced the American Bankers' Association at the time I speak of. I believe it is unsound, and I believe that this body will best advance its own interests if the nomination of officers is left to the initiative of all the members in open session. I feel more free to make this suggestion, gentlemen, because I have never been and never expect to be and never would be an officer of this Section, but I represent an institution that is member here, and I feel that this is a matter of sufficient importance for us to pass on and we lose at least.

Mr. Edens, of Chicago, Ill.: A motion has been made, as I understand it, to accept the report. Does the acceptance of the report imply the permission of the committee to eliminate the nomination in such points as this come up later?

Mr. Jones: I wish to make a statement of the report of the committee that is before us, that is, all. And, if I have the permission of the gentlemen who made the motion to say a word, I have no desire to do that. I have to say anything that will probably straighten this matter out, and also will cover the point that Mr. Jones has raised. In our present Constitution there is nothing to prevent us in any way to amend or revise it. Now, in the absence of anything in the Constitution about that I would rule that we should follow the same plan that is provided for in the American Bankers' Association, namely, that in amending the Constitution notice must be given to the members of the Convention. Now that has not been done in this case. You have to-day for the first time a new Constitution of the Section proposed. You have heard from a gentleman representing one of the oldest States in the Union, in which he says:

"We have no general savings bank laws in our State, no organized banking department. Sadly lacking indeed."

In the use of the word "banks," we refer primarily to savings banks, but indirectly to any bank that operates a savings department. In the brief time at our command we attempted to review the different laws, but after a careful study of the situation concluded that it required first of all a trained legal mind, which brings us to the point that Mr. Edens, I think, was about to say. From what is our association with the general counsel, affords us the very best, possibly a prayer that the bank associations, the savings banks, and other important tasks and most splendid opportunities given the association is through this change, and we would consequently ask that the preliminary work be done and that we be brought to the question further, that this section ask our counsel, Mr. Palon, to be added to that committee, and that they proceed at once to draft a uniform law, such as the Negotiable Instruments Law, what might be turned a skeleton outline of a savings bank law, this outline to be submitted to the various bank associations, to Articles of Association, Corporate Powers, Management, Banking Department, Deposits, Branch Banks, Profit of Loans and Investments, Liability of Stockholders, Use of the Bank, Banker or Savings, Exchanges, Surplus and Dividends, and for References for Amendments, Supplementing or Repealing.

Your committee realize that for the moment at least it is impossible to draft a uniform law, and the American Bankers' Association did not prosper. It took twenty years to develop the desired results brought about by adopting a standard and then having the different States up to that standard in the requirement or requirements in which they can be lacking. For example: one State may have adequate laws, quite up to our ideas, and yet not have a proper banking department and supervision; another may have all the desired features and yet have no restrictions as to investments, and so on.

We know that the realization of this much to be desired result is likely to be a radical task, yet if persisted in, it will ultimately result in the establishment of uniformity of uniformity and savings laws, but possibly a uniform system of savings banks, respected and trusted alike, from Maine to California, and the desired results couple about by keeping a standard and then bringing the different States up to that standard in the requirement or requirements in which they can be lacking. For example: one State may have adequate laws, quite up to our ideas, and yet not have a proper banking department and supervision; another may have all the desired features and yet have no restrictions as to investments, and so on.

President Teter: We will next listen to an address by Mr. Fredrick C. Nichols, of Pittsburg, Mass. This is a paper prepared by Hon. Perry M. Garey of that State, in Cleveland.

Mr. Jones: Voicing the suggestion of the gentleman from Illinois, I move that the clause as to the appointment of a Nominating Committee with instructions to the committee to eliminate from the clause relating to the appointment of a Nominating Committee will signify it by saying Aye; opposed, No.

Mr. Kauffman: Mr. President, the Committee on the Revision
of the Constitution is ready to report on the matter, which was
recommitted to us.
President Teter: Gentlemen, give your attention to the report
of the Committee on Postal Savings Banks.
Mr. Jones: The Chairman reports eliminating Section 9, to
which objection was made, and adding the section providing for
safety in the operation of the Postal Savings Banks. Therefore,
without reading the report in full, I will state that our report is
practically the report that we made before with the exception
that we have stricken out Section 9, to which objection was
made.
Mr. Jones: The Chair having ruled, as I understand it, that
the consideration of this report cannot be had at this meeting,
I now move that the report of the committee be received.
President Teter: The Chair does not desire to be understood
as being arbitrary about this at all. If the convention wishes
to act upon this report now the Chair has no objection.
Mr. Jones: Then, sir, I move that the report be received and
the committee discharged with thanks.
Mr. Rhue, of New York City: Yes; and the motion
President Teter: All in favor of the motion will say Aye;
opposed, No.
Carried.
President Teter: Before we adjourn I desire to announce
that the Committee on Nomination will meet on this plan in
order now.
Mr. Latimer, of New York: I second the motion made by
Governor Herrick.
President Teter: The Chair will put the question on allowing
Mr. Scheuette an opportunity to be heard. All in favor of so
doing will signify it by saying Aye; opposed, No.
Carried.
President Teter: Mr. Schottke has the floor.
Mr. John Schottke, of Manitowoc, Wis.: Is it in order to
discuss this question? I think both parties ought to be heard.
President Teter: Is it the pleasure of the meeting to record
Mr. Schottke's an opportunity to be heard by the present
Chairman, as I understand it, and that the gentleman ought to
be heard, although I was about to make this suggestion,
mainly, to save the time of the Association, and it is a question
that is going to come before the main meeting of the Association,
and will doubtless occasion some debate in which everybody will have an opportunity to take
part.
President Teter: The Chair will put the question on allowing
Mr. Schottke an opportunity to be heard.
Carried.
Report of Committee on Postal Savings Banks.
To the President and Members of the Savings Bank Section:
1. In our opinion that uniformity of demand should be
enacted into law, because specifically wrong in the following:
A. The exemption of deposits from legal process is vicious, as it
fraudulent, where they could place their money, draw interest so it,
funds deposited nor prevent the centralization of the people's money,
continued, as there is still further work for the committee to perform.

Mr. Harvey, of Huntington, W. Va.: Mr. President, I think
the Postal Savings Bank business is a matter of such extreme
importance that it should be given more time. If the convention
consents, and it is a question that is going to come before the
main meeting of the Association, and will doubtless occasionsome debate in which everybody will have an opportunity to take
part.
President Teter: All in favor of the motion will say Aye;
opposed, No.
Carried.
Mr. Harvey: Is it the pleasure of the meeting to record
Governor Herrick's a motion to extend his time.
Carried.
President Teter: All in favor of the motion will say Aye;
opposed, No.
Carried.
Mr. Jones: The Chair does not desire to be understood
as being arbitrary about this at all. If the convention wishes
to act upon this report now the Chair has no objection.
Mr. Jones: Then, sir, I move that the report be received and
the committee discharged with thanks.
Mr. Rhue, of New York City: Yes; and the motion
President Teter: All in favor of the motion will say Aye;
opposed, No.
Carried.
President Teter: Before we adjourn I desire to announce
that the Committee on Nomination will meet on the following:
...
The second objection is that there would be no incentive for the depositors to discriminate between a conservative or honest banker as against a reckless and dishonest banker. This Mr. Forgan is fond of quoting in order to confound the in- 

awareness of a bank: it is blind faith.' To this I can testify.

When in selecting our Chicago reserve bank, I used the utmost care and wisdom. We have not had a single catastrophe or strong or insolvency in the city, namely, the National Bank of Illinois, but in spite of my caution it failed about eleven years ago.

The third objection is that it would save of patrimonialism or socialism. I would like to know why? It would be more so then the Government would have to bear the losses and interest other interests, which supervision is admittedly in the public in- 

tection. I believe the record of the savings banks of the United

States, and other interests, which supervision is admittedly in the public in-

tection.

Whereas, This savings bank section of the American Bankers' Association represents the savings of the people of the United States, and

Whereas, The record of these banks for conservatism, stability and unselfishness is such as to entitle us to speak in no uncertain terms on the interests of their depositors, is un-

parallel in any country in the world, and

Therefore be it resolved, That we enter the most solemn protest against the enaction into law, either by States or by the nation, of any principle of paternalism or socialism, it would tend to encourage speculation and

The people want security for their deposits the same as the

The resolution that I have offered. It is and should be in no

sense a question to be settled in a political controversy, but it

is re-established, equilibrium has again asserted itself, and we

where there it was investing that money—where? Throughout the United

States. They were accused of being a little rapid and rather

Then, too, the statement was

per cent. myself." (Laughter.) Then, too, the statement was

impossible in their investment, but they gave the stockholders the value of their stock; there were enterprises going forward on which they had agreed to loan money. Now it is a half millions of dollars as a guarantee that the stockholders would probably open the institutions on that plan and then an utter irresponsibility on the part of stockholders,

The money. What is the result—the effect? It is this, that there

on loans and credit. Yet it is proposed to guarantee, to link up

on those institutions would be felt throughout the whole United

country have not been demanding anything of this sort. Why?

Because their loss has been practically nothing. This has come

he was warned by the Governor—Governor Haskell I suppose

in the deposits of the State of New York, which would have produced

you have had that sum on hand in cur-

mercially unwise, unbusinesslike. First, in the advertisement, con-

undamental and miscalculating in the best interests of its depositors, stock-

holders. I believe the leading spirit to institute the Clearing

Home banks to apply this very plan, by assessing all these

of deposits what are you going to pay them with? Three billions

absolutely a negligible quantity.

socialism. In reply I would like to know why? It would be

promising better supervision, stricter laws and enforcement and

in these mutual banks there are upwards of three billion dollars; 

three per cent. interest, one, two and three years, at intervals of months, when they might have their money for a period of months,

opened, and it has more money to-day on hand than it had when

it closed its doors in the panic; it has anticipated the depositors' demand, and it has accomplished one thing that they did not

ever do; they agreed to pay the depositors in the failed Walsh banks, in ex-

Also, you cannot separate the interests of the banker from

the interest of the child in the United States. I believe sincerely in the wording of this resolution.

I believe the record of the savings banks of the United

States. They agreed to do so; they agreed to pay in two and a

half millions of dollars as a guarantee that the stockholders would probably open the institutions on that plan and then an utter irresponsibility on the part of stockholders,

The stockholders got together, the company was in the hands of the stockholders and the stockholders, patriotic in pur-

posed, desire that all of the 17,000 depositors should be paid, and, in order that they might not go to the disaster of final liquidation, a compromise plan of large benefit to the depositors was evolved a plan which was to place the stock in the hands of three voting trustees to continue for five years. These trustees were named, Mr. Fisk and Mr. Riley, and Mr. Cushing was named as the other one. The voting trustees asked the stockholders first, be-

fore they would consent to appeal to the depositors, to make good on their side. They agreed to do so; they agreed to have a half millions of dollars as a guarantee that the stockholders would probably open the institutions on that plan and then an utter irresponsibility on the part of stockholders,

We would have had an assessment of one per cent. on the de-

We have 80,000 depositors and $50,000,000 of deposit3,

Let us call attention to a few practical illustrations of the abus-

Savings Bank Section.
Mr. Herrick: Every bank in existence has got to stand the assessment under the old law.

Mr. Schumacher: Ah! That is not the point. The examination is the same.

Mr. Herrick: Oh, well, the national banks have to stand it if this law is passed as a national law; and, if it is a law that pertains simply to the States, why, it depends in each State on how the law is drawn in that State.

Mr. Schumacher: I understand, Governor, your great influence in Congress, and I want to ask you this: Will you promise not to use your influence against an enabling act and allow me to come in; you can stay out if you want to, but will you oppose, in any way— an enabling act?

Mr. Herrick: My friend, I do not believe that the scheme of combination that you have in mind is a good one. For one reason, I do not believe it is a good one because it will be the formation of a banking trust. If you take a number of banks in a community and let them get together and form an organization, an organization for the purpose of pooling the risks, you legalize the establishment of an organization of capital that makes it impossible for the little fellow, a simple, a small bank, to exist.

Now, Mr. Sullivan, if you seek to make a different organization, a fire insurance company, it is not obliged to be responsible for one of these gravy-hound insurance companies. It is responsible to the assured, that is all; it is not obliged to be responsible for one of these graveyard institutions.

Mr. Schumacher: What I want to ask is: If I put one note in the bank, as against another citizen. That is another reason why I oppose it.

Mr. Sullivan: One moment. The chair has ruled that I have the floor, and I am going to finish what I started to say and I am not going to be interrupted. I suppose I am not allowed to say I am disappointed that any banker would ask a question of this character demand the previous question at this time. Why, it is absurd. I maintain that if you do the one thing you must do the other, and if you do both it shows the absurdity and unsoundness of the whole situation: It is not money, gold or silver or coin, but it is an erg, a product which originates in your note where you borrow the money of the bank: 80 per cent. of all that we are talking about is based on loans. Think of the absurdity of a man putting his note in a bank for $1,000 and having it put to his use or not, and having it guaranteed by all the banks in the United States, and then going off and making himself irresponsible so that he cannot pay the note, but if he could transfer or dispose of that deposit, that is good and the note originates the deposit. Why, it is absurd. I maintain that if you do the one thing you must do the other, and if you do both that not only is the whole machinery of the government thrown off, but the government examination and inflation of credits that is bound to redound to its everlasting discomfort and disgrace.

Mr. J. M. Dinwiddie, of Cedar Rapids, Iowa: I would like to ask the gentleman who last spoke when this matter of the proposed Postal Savings Deposits was disposed of. Some of us over in this part of the hall have not heard of it yet.

Mr. Herrick: Yes, I desire to speak to that resolution. I am sorry that I am not a public speaker that I might have the more properly give you the sentiments that are in my mind.

President Teter: The gentleman will state his point of order.

Mr. Herrick: My friend is mistaken. The report of the committee was presented to the con

Mr. J. D. Sullivan, of Cleveland, Ohio: I am strongly in favor of the proposed postal savings bill. I have been for several years a member of the committee which has been considering the postal savings bill.
Submitted that the American Bankers' Association ought to have gotten together years ago and discussed the matter and framed a bill that the bankers of the entire country could adopt. An economic change has been made, and our currency has been diminished, so that we could live under. Gentlemen, there is another condition confronting this country. Public sentiment is demanding that what it will be, there is a time when you will regret it. We ought to act and act wisely. We should look at conditions as they are. Surely unless something is done to prevent the big depositor who knows nothing about financial affairs, and industry will entail a law that will be as bad or worse than the Vreeland-Aldrich bill. Now is the time to act. There should be a sweeping bill to get up out of the way before Congress will pass a bill being passed that we should not have. I am advocating a guarantee of deposits or an insurance of deposits or any plan at all. I contend that a committee ought to be raised that will devise a plan to take the place of something that we may think important to suit the conditions of the country. There should be some plan to protect depositors. Let us be consistent. The Committee of Ten—the United States Government will not deposit a dollar in the banks there, no matter whose bank it is, unless the bank has a guarantee that the money will be returned on demand. Why should we protect the big depositor? I ask, and not protect the small depositor? The little depositor is perhaps twice as numerous as the banks than the big depositor. Why? The little depositor deposits his money in the bank and lets it stay there waiting until he can accumulate sufficient money to build a home or business in business. What does the big depositor do? Why, he draws a tremendously big check and you have got to meet it when he wants to cash it. You have got the opportunity to loan out his money at a profit, while with the little fellow who is depositing in your bank you can accumulate enough to buy a house or business. You have got plenty of chances to loan his money.

Mr. Vancouver, of St. Louis, Mo: I rise to a point of order that the gentleman is discussing the Postal Savings Bank project and not the resolution before the house.

Mr. Johnston, of Schenectady, N. Y.: The Postal Savings Bank matter involves the question of guaranteeing deposits. President Teter: Gentlemen, I have been allowing comments in support of Governor Herrick and also of Mr. Wade that are not in order. If you are in favor of the guaranteeing of deposits, do not let us get confused. If you are in favor of the guaranteeing of deposits on the other side. Do not attempt to go over the points that I know exist in the minds of very many of the gentlemen present, but as final action upon this question is certain to come up in the general meeting of the American Bankers' Association, I propose to give the proposition with that which is voluntary and that which is intended to be forced upon us as representing financial institutions. In a discussion of the savings bank proposition, it is a totally different idea from the guaranteeing of deposits. Contemplate the question of guaranteeing deposits. Congress is the only authority on the side and this fallacious motion of the guaranteeing of deposits on the other side. Do not let us get the gentleman from the north discussing the question of deposits why not at the same time pass a law and by the same powers which is intended to be forced upon us as representing financial institutions. In a discussion of the savings bank proposition, it is a totally different idea from the guaranteeing of deposits. Congress is the only authority.

Mr. Wade: I heard the gentleman say that the American Bankers' Association had devoted some time to framing a law to prevent a bill being passed that we should not have. I am advocating a guarantee of deposits or an insurance of deposits or any plan at all. I contend that a committee ought to be raised that will devise a plan to take the place of something that we may think important to suit the conditions of the country. There should be some plan to protect depositors. Let us be consistent. The Committee of Ten—the United States Government will not deposit a dollar in the banks there, no matter whose bank it is, unless the bank has a guarantee that the money will be returned on demand. Why should we protect the big depositor? I ask, and not protect the small depositor? The little depositor is perhaps twice as numerous as the banks than the big depositor. Why? The little depositor deposits his money in the bank and lets it stay there waiting until he can accumulate sufficient money to build a home or business in business. What does the big depositor do? Why, he draws a tremendously big check and you have got to meet it when he wants to cash it. You have got the opportunity to loan out his money at a profit, while with the little fellow who is depositing in your bank you can accumulate enough to buy a house or business. You have got plenty of chances to loan his money.

Mr. Johnston, of Schenectady, N. Y.: I rise to a point of order that the gentleman is discussing the Postal Savings Bank project and not the resolution before the house.

Mr. Herrick: I am willing to accept the substitute motion offered by Mr. Breckinridge from Arkansas. A member: I will second it.

Mr. Breckinridge, of Arkansas: I wish to move a substiti-
resolutions of Governor Herrick, and I think in essence his present argument is substantially the same, and I have no desire to repeat it. I desire to take the action here and let the subject be passed upon finally in the general meeting of the American Bankers’ Association.

Mr. Dinwiddie, of Iowa: If it is in order, I would move that a committee of three be appointed to prepare a proper form of the opinion of this body, setting forth its like or dislike to the subject under discussion, and then put it before the meeting for a vote. (Laughter.)

President Teter: Gentlemen, the question is on Mr. Brockeddle’s substitute motion, which is in effect to put the whole matter up to the parent association. All in favor of the substitute motion will say Aye; opposed, No. (Aye and No.) The question is: What action is to be taken? (Aye and No.) Whereupon the substitute motion of Mr. Brockeddle was declared dead.

Mr. Herrick: But this is a question that relates to the business of this section purely, savings banks, and it does not appear to me that we can accept the motions of the general meeting of the association.

Mr. Grewold, of New York City: Would it be proper for this section to name a committee of three to prepare a proper form of the opinion of this body, setting forth its like or dislike to the subject under discussion, and then put it before the meeting for a vote? (Laughter.)

President Teter: A motion is not necessary, as the Chair will recognize any gentleman who desires to discuss the subject.

Mr. Johnston, of Schenectady, N. Y.: I desire to speak on that question, Mr. President. There is a great advantage to any speaker who wishes to set forth facts in having for hearers and listeners a proper form of the opinion of the Association, setting forth its like or dislike to the subject under discussion. It is possible that what I have briefly to bring to your attention will not be new, but if your attention at this time is called upon to certain facts I believe some good will come of it.

Now, the advocates of postal savings banks state:

That the system will be so universally spread throughout the country that people in small towns where there are no banks can put their money in postal savings banks and will avail themselves of the postal savings banks established there.

That foreigners who send their money to the old country under present conditions will lose their money here in government postal savings banks if such are established. That money which is now hoarded in districts of the country in which institutions will be brought into circulation through postal savings banks.

Now it is regarding these propositions briefly stated I take exception to. As to the first proposition, that foreigners will send their money to the old country under present conditions will lose their money here in government postal savings banks, I am not prepared to say.

As to the second proposition, that the change will be made in the postal savings banks for safety, there is at present in the neighborhood of four billion dollars in the savings banks in this country. The total amount of savings has been increasing from year to year since the savings bank system was established until it has approximated this enormous amount. During this time government bonds could be purchased in small amounts by any depositor in a savings bank for most of the years at a rate of interest exceeding which is proposed to be paid by postal savings banks, and yet the government bonds of to-day are not held to any great extent by savings bank depositors. It is the same with first-class municipal securities. It is the savings banks who take the people’s money on an average of three to four per cent, and invest it in these securities. The savings banks have become more important institutions, and the institutions will be brought into circulation through postal savings banks.

Now if it is regarding these propositions briefly stated I take exception to. As to the first proposition, that foreigners will lose their money here in government postal savings banks, I am not prepared to say.

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that we do. We do not want postal savings banks. The banks proper, granting for the moment that there are such, evidently do not care so much about that question as they do about the ques-
tion of how to carry on the savings business. The Standing Law Committee of the American Bankers' Association, whether he is a banker proper or who is a member of an association com-
posing State banks, National banks, or savings banks is a mighty strong organization. Let us work together. (Applause.)

Mr. Briggs: I am not in favor of State banks and savings banks. The Standing Law Committee is looking after legislation in the various States. I take it that that is to secure meetings and to belong to the American Bankers' Association. I suppose Mr. Briggs really meant postal savings banks. I am very glad to have the support of the committee.

Mr. Ford, of Louisville, Ky.: I heartily suggest that this section should not make itself purely a subordinate body of the American Bankers' Association. It is a sectional association, and I think it is important that it should be independent and determine its own policy. I suggest that if you leave that question in the hands of the committee it might be requested to present this motion to the American Bankers' Association as expressing the sense of this body.

Mr. Briggs: I will accept that. My motion was intended to get the American Bankers' Association to express itself publicly.

Mr. Dinwiddie: I second that.

Mr. Ford: There is no real difference between Mr. Briggs and myself. I merely suggested that there be added to Mr. Briggs' motion that the report be read before the American Bankers' Association as expressing the sense of this body.

Mr. Briggs: I will reward my motion as far as to read that it is the sense of this section that we oppose the establishment of Federal savings banks in the United States, and I ask the support of the committee. It is because we have a proper idea of the eternal fitness of things on all sub-

President Teter: The question before the house is the mo-
tion to accept the report of the committee. Mr. Briggs: I am not in favor of the motion will say Aye; opposed, No.

President Teter: The question before the house is the mo-
tion of Mr. Briggs. All in favor of the motion will say Aye; opposed, No.

Mr. Briggs: I do not want to occupy too much time, but there is another thing that I want to speak of. It has been suggested that the Standing Law Committee is looking after legislation in the various States. I take it that it is not so much to secure uniform laws along certain lines. Now I see wherein it is of concern to the Standing Law Committee. It is to the national banks of the country, because they are national under the national law, and it comes to these meetings and to belong to the American Bankers' Association. What I want to say is, what particular advantage is it for the State and for the savings banks to be part of that and yet have the greatest possible say that it was a national matter from local affairs. It does stand aloof from local affairs, from local banks. The Standing Law Committee legislation affects one affects all. But it is not so with State banks and savings banks. We have the motion of the committee that Mr. Johnson speaks of along certain lines, but only the Standing Law Committee of the State who belong to both the American Bankers' Associa-
tion and the State Associations. The Standing Law Committee gets the benefit that they are entitled to, and the State Associations get the benefit to the national banks if the American Bankers' Associa-
tion insists in keeping out of local affairs. I contend that there is no real difference between them. I suggest that in this effort to further the desires of the bankers of different States the bankers of the State are agreed to by the Ameri-
can Bankers' Association that he meets that the State and said banks bank people want the benefit they are entitled to, whether he be local or not. If they ask for it after agreeing upon what they should get. The State of Iowa now desires to have certain legislation enacted. We believe that with the aid of a cer-
tain committee of the American Bankers' Association we might accomplish it. Is that a thing that the American Bankers' Association calls local? Would it not be better to let it go to an object of the Standing Law Committee?

Mr. Creer: I had a few words to say upon the postal sav-
ings bank question, but I am going to refrain. This morning I congratulated Mr. Johnson upon its going to the general convention. This afternoon I have come to the conclusion that having a separate day set aside for discussion of this question is detrimental to us.

President Teter: The hour is growing late, gentlemen, but we will hear from any one else who has a word to offer. If there is no further discussion, we will hear from the Committee on Nominations.

NOMINATIONS AND ELECTIONS.

Mr. Griswold, of New York: Mr. President and Gentlemen of the Association: As Chairman of the Nominating Committee I am requested to submit the following nominations of officers for the ensuing year:

For President of the Section—John H. Johnson, of Detroit, Mich.

For Vice-President—William H. Creer, of Cleveland, Ohio.

For three members of the Executive Committee: Mr. T. M. Walker, President Atchison Savings Bank, Atchison, Kansas; Mr. George P. Carman, President Wisconsin Savings Bank, Milwaukee, Wis.; Mr. W. D. Firestone, President First National Bank, Kansas City.

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BANKERS' CONVENTION.

Louisiana—C. A. Blaffer, Vice-President Commercial Guaranty Trust and Savings Bank, New Orleans, La.

Maryland—Robert D. Rayner, Treasurer Personal Savings Bank, Portland, Maine.

Massachusetts—Prospect C. Nichols, Treasurer Fitchburg Savings Bank, Fitchburg.


Mississippi—F. G. Wieser, President First National Bank, Laurel, Miss.

Missouri—Thurston Cooke, Treasurer Fidelity Trust Company, Kansas City.

Montana—E. F. Chapin, Vice President State Savings Bank, Butte.

New Hampshire—J. E. Forbes, Vice-President Loan & Trust Savings Bank, Concord.

New Jersey—Alfred Lyon, President Perth Amboy Savings Institution, Perth Amboy.

Ohio—Everett Smith, President Steubenville Savings Bank, Steubenville.


South Carolina—W. D. Morgan, President Bank of Georgetown, Georgetown.

South Dakota—Isaac Lincoln, President First State Savings Bank, Aberdeen.

Tennessee—P. D. Houston, Cashier First Savings Bank and Trust Company, Nashville.

Utah—David Rocke, President Ogden Savings Bank, Ogden.

Vermont—C. P. Smith, President Burlington Savings Bank, Burlington.

Virginia—R. M. Kent, Jr., Cashier Capitol Savings Bank, Richmond.

Washington—W. D. Vlacic, Cashier Old National Bank, Spokane.

West Virginia—H. C. Harvey, Cashier American Bank and Trust Company, Huntington.

Wisconsin—C. R. Carpenter, Cashier Commercial and Savings Bank, Racine.


division.

For the honor conferred upon me, I feel that I have done nothing personally to deserve your favor, and I believe the Revelator has said: "I am Alpha and Omega—the first and the last." I won't give the rest of it. You have honored Ohio in the past in electing the President of the largest savings bank in the Middle West, and you have honored now the representative of one of the smallest. They raise everything in Ohio. (Laughter and applause.)

RESOLUTIONS OF THANKS.

Before we close, gentlemen, I think it wise to offer a couple of resolutions, as follows:

Resolved, That the thanks of the section be tendered to the officers for the dignified, energetic and progressive manner in which they have handled the affairs of the section during the past year.

Resolved, That the thanks of the section be tendered to the bankers of Denver for their gracious reception, and to the owners of Brown Palace Hotel for the pleasant and generous treatment of our delegates.

The resolutions were variously seconded.

President Johnson: Gentlemen, all in favor of the adoption of these resolutions will signify it by rising. Adopted.

Is there any unfinished business?

Mr. Herrick: I would request that in referring the matter of postal savings banks to the meeting of the American Bankers' Association the resolution that I offer be also referred to the convention at the same time.

President Johnson: If there is no objection, it will be so ordered. Is there any new business? Is there anything that we can do for any member? If not, then I would announce that there will be a meeting of the Executive Committee immediately after adjournment, and I now declare this meeting of the section adjourned sine die.

Fidelity Trust Company

NEWARK, N. J.

Capital, Surplus and Undivided Profits over $8,000,000

Resources over $25,000,000

TAKES ENTIRE CHARGE of Real and Personal Estates.

RENTS SAFER and more valuable in well-guarded Burglar and Fireproof Vaults.

GUARANTEED TITLES of Real Estate throughout New Jersey.

ACTS AS TRUSTEE under mortgage, Registration and Transfer Agent of Bonds and Bonds of Corporations.

OFFICERS

JOSEPH TAYLOR, Trust Officer

FRANKLIN W. EYSTER, Secretary and Treasurer

JAMES H. SHACKLETON, Asst. Sec. & Asst. Trea.