THE CHRONICLE.

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

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Besides these Supplements, others are published from time to time, like the present Bankers' Convention Section.

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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 121 and 122.

[At this year's Convention was held in Chicago, we present herewith a review of banking in that city from the earliest days.]

HISTORICAL REVIEW OF BANKING IN CHICAGO.

By Frederick W. Gookin.

Less than eighty years ago Chicago, now the second city in the United States and the fourth in rank among the cities of the world, was a frontier military post with scarce a handful of inhabitants. With the story of this phenomenal growth everyone is familiar. Yet it is difficult to realize how rapid the development has been, especially in recent years. Perhaps in no other way is it shown more clearly than in the rise of the city's financial institutions to the commanding position they now occupy.

The history of banking in Chicago is a record of which, on the whole, the city has reason to feel proud. Through all the vicissitudes caused by financial experiments, foolish speculation and extravagant overtrading for which the fertile Middle West has afforded an inviting field, the dominant influence of exceptionally strong and capable men among the Chicago bankers has made for sound practices and has been a steady force not easily overestimated. For this service the names of George Smith, Chauncey B. Blair, Solomon A. Smith and George Sturges—to specify a few only from among those who have passed away—deserve a permanent place upon the city's roll of honor.

The first bank in Chicago was the Branch of the Illinois State Bank, which opened its doors about the middle of December, 1835, and immediately started off with a flourishing business. This enterprise was launched in a time of wild speculative excitement that extended over the entire country. Chicago was in the midst of her first real estate boom. A deluge of newcomers had more than doubled her population within a year, and the stream of those attracted by tales of golden opportunity showed no signs of abating. In a literal sense the term "golden" is a misnomer, for gold was extremely scarce in Illinois in that day. The circulating medium consisted of little else than notes issued by banks in all parts of the Union, but chiefly by those located in the adjacent States. What assets might be back of these issues no one knew with any certainty.

The issuing of notes to circulate as money was then looked upon as the principal function of a bank. The deposit function was regarded as of less importance and to a certain extent as only incidental. Large paid-in capital, though desirable, was not considered indispensable; mobility of credit was expected to serve the same purpose. It would be a mistake to stigmatize this conception as fundamentally unsound. In its essence it involves no departure from the principles upon which the most efficient modern banking systems are based. The difficulty of its practical application was the absence of any machinery for making credits mobile, and for effectively restricting them within safe limits.

To our disgrace, it may be said in passing, no such machinery has yet been introduced into the United States; in this we lag far behind the rest of the civilized world. In the days of "wild cat" banking this machinery had not been perfected. The crude notion that bank notes were money and that their
issue added to the wealth of the community was widely entertained. And while the necessity for keeping banking assets liquid was vaguely recognized, it was far from easy to meet the requirement. The only way was through the maintenance of a sufficient coin reserve, and limiting loans to short term advances to borrowers known to keep their obligations well within their ability to pay promptly at maturity.

Through the year 1836 the speculative fever kept up, and though there were premonitions of the crash that occurred in the spring of 1837, the people of Illinois, vainly imagining themselves too far away to be affected by happenings in the Eastern States, projected a vast scheme of internal improvements, including the building of the Illinois and Michigan Canal, and a network of railroads throughout the State. Then to divorce the State completely from financial dependence upon the East and to provide an abundant supply of local “money,” early in 1837 the capital of the Shawneetown Bank was increased by $1,400,000, and that of the Illinois State Bank by $2,100,000. All of this additional capital was subscribed by the State and paid for with its bonds. Against these the banks issued notes and expanded their loans, though there was at the time no market for the bonds. The inevitable consequences of such financial folly were not long delayed. In July, 1837, the Legislature convened in special session and passed an act legalizing suspension of specie payments. This enabled the State Bank to run along for a few years, and, as the fiscal agent of the State, to make some show of business. In 1840 the Chicago Branch was removed to Lockport, though for a time an agency was maintained in the city. The bank was finally closed in 1843, when the State forced the return of its bonds in exchange for the stock held by it—an act of great injustice to the other stockholders.

Bad as was the currency in use in Chicago and elsewhere in Illinois prior to 1837, it was much worse for several years thereafter. As might have been expected the first effect of the legalized suspension of specie payments was to drive all specie out of circulation. Resort was necessarily had to some extent, and a little later the city was flooded with notes of Michigan banks organized under the vicious land loan banking law of that State.

While matters were in this chaotic condition, George Smith, a young Scotchman, who had first visited Chicago in 1834 and engaged in real estate operations with such success that he had returned to his native land to form a company for future ventures in this field, came back and brought with him Messrs. Strachan and Scott, who opened a private banking office some time during 1837. In the preceding winter the Legislature had granted a charter to the Chicago Marine and Fire Insurance Company, which, though expressly forbidden to do a banking business or to issue any bills in the semblance of bank notes, was by a strange inconsistency authorized “to receive moneys on deposit and to loan the same.” Taking advantage of this authorization the company began in May, 1837, to do a general banking business, and to issue for use as a circulating medium, demand certificates of deposit that were in the semblance of bank notes save as to the wording:

Though these certificates never attained any wide circulation, they showed the way to George Smith. In 1839 he obtained from the Territorial Legislature of Wisconsin a charter for the Wisconsin Marine and Fire Insurance Company, and being joined by Alexander Mitchell, a young banker from Aberdeen, they organized the company and opened a banking office in Milwaukee, with Mitchell in charge. To give currency to the certificates of deposit issued by this company they were redeemed in Chicago at the office of Strachan & Scott, and after that firm removed to New York in 1840, at the office of their successors, George Smith & Co. Smith was a man of uncommon ability, keen, far-sighted and of inflexible integrity. During the twenty years he remained in Chicago he was easily the foremost banker in the city and his influence was always exerted in favor of sound methods. Illegal they were called by his rivals, because he circulated paper not authorized by Illinois law. And many attempts were made to break him by gathering up large amounts of the certificates issued by the Milwaukee institution, and the notes of banks he afterward established in Georgia, and presenting them for redemption. He was, however, never caught unprepared, and the result of these raids was only to strengthen his credit. Hostility to him was confined to his competitors; the citizens in general were only too glad to have a circulating medium on which they could depend. In later years as his business expanded he established redemption agencies in St. Louis, Cincinnati and Detroit and also, for a short time, in Galena.

Between 1837 and 1840 there was little increase in the population of Chicago. Then, although the early ’40s were years of “hard times,” the growth became steady and rapid. By 1844 it is estimated that the number of inhabitants was at least 12,000. The directory for that year shows that besides George Smith & Co., the firms of Murray & Brand and Newberry & Burch were engaged in banking, and Richard K. Swift was established in Georgia, and presenting them for redemption. He was, however, never caught unprepared, and the result of these raids was only to strengthen his credit. Hostility to him was confined to his competitors; the citizens in general were only too glad to have a circulating medium on which they could depend. In later years as his business expanded he established redemption agencies in St. Louis, Cincinnati and Detroit and also, for a short time, in Galena.

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In 1851 the need for a new banking law in Illinois had become so great that another experiment in that line was adopted by the Legislature. This law, which was amended in February, 1853, was in its main provisions copied after that of New York. It was defective in many respects; notably in permitting the establishment of banks with little paid-up capital. A feature that, a few years later, caused the downfall of many of the banks organized under the law, was the requirement that all circulating notes be secured by bonds of the United States, or any of the States, upon which 6 per cent. interest was regularly paid. This was inserted in the expectation that a bond-secured note issue would afford relief from currency conditions, which, in spite of such issues as those of George Smith and a few others, had grown to be almost intolerable. Unfortunately for this expectation there was no way of keeping out of the field notes issued by banks in other States. And the Illinois banks unwisely adopted the practice of redeeming their notes in notes of other banks, and not in specie except at a charge of 1 per cent. It is no wonder that they failed to drive out Smith's currency, which was redeemed at par at its place of issue, and at 1 per cent. discount in Chicago, St. Louis, Cincinnati and Detroit.

The first bank organized in Chicago under the new law was the Marine Bank. Jonathan Y. Scammon was the president and Edward I. Tinkham was the cashier. Its certificate was filed January 13, 1852. A month later the Merchants' and Mechanics' Bank of Chicago was formed, with Levi D. Boone as president and Stephen Bronson, Jr., as cashier. In May the Southwestern Plank Road Company, which had been one of the honest issuers of illegal currency, was incorporated as the Chicago Bank. Early in August Dr. A. W. Davison and T. McCalla opened a bank with a banking office at 50 Clark street, and in October their business was incorporated as the Bank of Commerce. In this month also Seth Paine and Ira B. Eddy opened the so-called Bank of Chicago, the "Christian Bank" of Seth Paine & Co., an institution so unique that only lack of available space prevents the inclusion in this article of an account of its extremely interesting though short-lived career. Shortly before Christmas the Farmers' Bank was established by Chase Brothers & Co.

The thriving young city was now liberally supplied with banking facilities, and competition became exceedingly keen. In the words of the Chicago Democrat, "banks were becoming as thick as groceries in our town." To keep their note issues afloat was the great desideratum. Alas for the expectations of the proprietors of the new institutions, the currency issued by George Smith—who had grown very rich and powerful—continued to dominate the field. He had prepared for the changed conditions by purchasing a controlling interest in the Bank of America at Washington, D. C., and had established two banks of issue in Georgia—the Atlanta Bank of Atlanta and the Internal Bank of Griffin. The notes of all three were regularly redeemed at his banking house in Chicago. At this juncture the newly formed Merchants' and Mechanics' Bank began to emit certificates of deposit in the form of bank notes. A loud outcry was followed by an active crusade of the "regulars," under the leadership of Mr. Scammon, against the "irregulars." In December, 1852, the Grand Jury found true bills against a number of the latter, including George Smith and his cashier, E. W. Wlllard. These indictments amounted to little and apparently were not prosecuted further, as the irregular practices ceased when Mr. Scammon and his associates succeeded in having a stringent statute enacted prohibiting them under severe penalties. It was, however, a barren victory except as it forced the irregulars to legalize their note issues, which continued to circulate as before.

Steady growth marked the period between 1852 and 1857. By the latter year the population of Chicago had increased to 93,000 and the city had come to be recognized as the metropolis of the West. Its banking history during these years was uneventful. A large number of small private banking houses sprang up, but only a few new banks were established and they were comparatively unimportant. Eighteen hundred and fifty-four was a year of short crops and of "hard times" throughout the West. In March, 1855, the Farmers' Bank, the Phoenix Bank, the City Bank and the Union Bank were "closed by protest," and forced into liquidation. These were Chicago's first bank failures. Now that these banks were large; all four paid their notes in full. Many of the incorporated banks at this period did not receive deposits, but existed solely for the profit in issuing circulating notes. The returns made to the Auditor of Public Accounts show that on the first Monday in October, 1856, of the 42 State banks then in business in Illinois, only 17 held deposits, the total amounting to $1,212,882.87, of which $210,483.33 was due to banks. The following table shows the condition of the three State banks in Chicago on that date:

<table>
<thead>
<tr>
<th>Banks</th>
<th>Receipts</th>
<th>Notes in circulation</th>
<th>Loans and investments</th>
<th>Deposits with other banks</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicago Bank</td>
<td>$52,640</td>
<td>$13,750.84</td>
<td>$2,000</td>
<td>$30,000</td>
<td>$104,390.84</td>
</tr>
<tr>
<td>Union Bank</td>
<td>$36,000</td>
<td>$12,000</td>
<td>$10,000</td>
<td>$17,000</td>
<td>$65,000</td>
</tr>
<tr>
<td>Miami Bank</td>
<td>$24,000</td>
<td>$7,000</td>
<td>$5,000</td>
<td>$10,000</td>
<td>$46,000</td>
</tr>
</tbody>
</table>

Neither of these, it will be observed, showed any loans or discounts.

The panic of 1857 found most of the Chicago banks in excellent shape to weather the storm. Nowhere in the country were the effects of the crisis felt, on the whole, less than in Chicago. The reason is not far to seek. In large part the loans...
of the banks were made against staple food products, always salable for cash, and liquidation, therefore, was accomplished without undue strain. And having comparatively small amounts of notes in circulation, the Chicago banks were not greatly distressed either by unusual pressure for redemption, or by the necessity for furnishing additional securities to make good the shrinkage in value of those deposited with the State Auditor.

Nevertheless the disturbance for a time was severe. Its effect upon the miscellaneous currency in circulation was shown in the premium on Eastern exchange, which rose to 15 per cent. when the panic was at its height. The storm burst in New York when the Ohio Life & Trust Company of Cincinnati suspended on August 4. It did not reach Chicago until some weeks later. On September 28, E. I. Tinkham & Co.'s bank failed. The next day a run upon R. K. Swift, Brother, & Johnston, then the largest banking house in the city, was precipitated. Their failure was announced the next morning. Deposits amounting to $1,200,000 had been drawn down to $798,742.73, as appears from a statement issued by them on October 3. Before the excitement died away, the Bank of Commerce and the Merchants' and Mechanics' Bank succumbed. Both paid their circulating notes in full, as did E. I. Tinkham & Co.'s Bank, also. What losses were suffered by depositors does not appear. Besides these failures many of the small private bankers were either forced to close or found it unprofitable to continue. Of the forty or more who were in business in the city in 1857, nineteen are not in the list printed in the directory for the ensuing year.

Between this time and the outbreak of the Civil War the Chicago banks and bankers enjoyed another period of comparative ease. It was a period of retracement and recovery and political unrest, and the general conditions were such as to discourage the formation of additional institutions. Though in 1859 and 1860 a considerable number of small private banking houses were opened, few of them continued for very long.

In 1856, George Smith having acquired a more than ample fortune, decided to return to his native land as soon as he could close up his affairs. The need for a strong bank to take the place occupied by George Smith & Co. caused a group of prominent citizens to join together and establish the Merchants' Savings, Loan and Trust Company, which opened for business on June 10, 1857. This bank is now the oldest in the city. During the fifty-two years since it was founded it has always borne an unblemished reputation and is to-day one of the foremost of Chicago's financial institutions. In 1882 its name was changed to "The Merchants' Loan and Trust Company."

When in the autumn of 1860 the outbreak of the rebellion became imminent, the Illinois banks had more than $12,300,000 of circulation outstanding, and of the bonds deposited to secure these notes 68 per cent. were those of the Southern States. The rapid depression of these securities caused widespread distrust. Suspensions came in quick succession. Merchants carefully scanned the pages of Thompson's Bank Note Reporter before they dared accept any currency tendered them. By November, 1862, only 62 of the State banks were in existence, and two years later only 23 were left. Fortunately for Chicago, her banks at this critical time were not to any large extent banks of issue. A few went down in the general crash, among them the Chicago Bank, of which I. H. Burch was the President. Several of the strongest banking houses in the city at this juncture were private institutions. In the latter part of 1860 Solomon Sturges, who had removed to Chicago from Zanesville, Ohio, four years before, and who had earned a high reputation for prudence and financial sagacity, perceived that it was an opportune time for the establishment of a banking house that would start free from the disabilities that hampered many of the existing banks, and be conducted upon conservative lines. Associating with him his two oldest sons as partners he formed the firm of Solomon Sturges & Sons. The building at Nos. 15 and 17 Wells street, which had been occupied by George Smith & Co. in their later years in Chicago, was rented, and in a short time the largest banking business in the city was built up. It was not, however, long continued. Impairment of his health caused Mr. Sturges to retire from the firm in 1862; and after the establishment in Chicago of many banks organized under the National Bank Act the business gradually fell off, and in 1866 it was closed up and the partners retired. The same reasons that led to the formation of this firm, also caused the Bank of Montreal to open its Chicago Branch in 1860, in charge of E. W. Willard, who for some years had been the cashier for George Smith & Co.

After the general suspension of specie payments on December 28, 1861, and until the National Banking system came into existence, the condition of the currency in circulation in Illinois can only be described as chaotic. The city became the dumping ground for State bank notes, many of which were of doubtful value, yet which continued in use and which the banks were willing to handle in default of anything else, so long as they could pay them out. So abundant were these issues that the legal tender notes were largely driven out by them. Then in 1863 came the National Bank Act. Chicago was quick to take advantage of it. Five National banks were organized that year. Of these the First National is now the third largest bank in the United States; two others, the Fifth (afterward the National Bank of America), and the Northwestern, were among the staunchest institutions in the city until they were merged with the Corn Exchange National Bank in 1900. In May, 1864, the bankers in Chicago determined not to wait for the 10 per cent. tax on State bank notes to accomplish its purpose, but to stop their local use at once. To this end they pledged themselves to receive and pay out "only legal tender notes, National bank notes, and..."
the notes of such other banks as redeem at par in Chicago." This proved effective, and, in the words of the Chicago Tribune's Annual Review, "rag money went down and made no sign." The subscribers to this agreement were twenty-five in number: five National banks, three State banks, sixteen private bankers, and the Branch of the Bank of Montreal.

Banking in Chicago now entered upon what may be called its second stage. The history of the first stage is largely a record of financial experiments upon which Illinois, like many of the other States, had lightly entered, only to discover that natural law is superior to statutory enactments. It is, however, worthy of note that during the twenty-nine years of this early period, bank failures in Chicago were few in number, and the losses sustained by depositors were not severe. Beyond a few isolated reports, statements of notes in circulation and lists of bonds on deposit as security therefor, little statistical information concerning the first stage is available. The amount of a bank's indebtedness to depositors was not at that time regarded as an index of its financial strength. Though the banking law of 1851-1853 called for the publication of quarterly statements of assets and liabilities, only those for October 6, 1856, appear in the biennial reports of the Auditor of Public Accounts. And the special charters to banking institutions which the Illinois legislature began to issue freely after the break-down of the State banking system in 1860, and continued to grant in steadily increasing numbers until the adoption of the Constitution of 1870 put an end to all "Private Acts," made no provision for any public showing whatever.

At the end of September, 1864, a local flurry occurred, during which the failure of the small private banking houses of C. C. Parks & Co., and J. G. Conrad, was followed by that of the Western Marine & Fire Insurance Company, thus reducing the State banks in Chicago to two engaged in commercial banking—the Merchants' Savings Loan & Trust Co., and the Marine Company (the Marine Bank reorganized)—and two exclusively savings banks, the State Savings Institution and the Merchants' Farmers' and Mechanics' Bank. The Union Trust Company was in existence as the Union Insurance & Trust Company, and the Hibernian Banking Association was established as the Merchants' Association of Chicago, but neither was then doing a regular banking business. During the next seven years the population of the city increased from 169,000 to more than 300,000, and the Chicago banks had a period of unbroken prosperity and smooth sailing. Their growth during these years is fairly shown by the following table:
ordinary matters would yield to the majority, but when it comes to paying my debts or the debts of my bank I have only this to say: I have always paid in full and always shall if I can. Perhaps I shall not be able to pay even 25 per cent. The vault is still closed. It may contain only ashes, but I shall do the best I can to meet all the demands of my depositors." This courageous expression was promptly seconded by George Sturges of the Northwestern National Bank. Mr. Coolbaugh and some others urged that the banks ought to stand together, but as Messrs. Blair and Sturges held firmly to the position they had taken, the meeting was adjourned without action. The next day the Comptroller of the Currency arrived in the city and told the bankers who consulted him that partial resumption was out of the question. When it was found the vaults were intact the decision to pay in full was unanimous. This decision was a great relief to depositors and the country correspondents of the "Napoleon of Finance," who came to Chicago from banks who had been anxious awaiting it. And instead of the runs that had been feared, money came pouring in, and deposits were soon larger than ever.

The rebuilding of the stricken city was made easier as the conflagration occurred in a period of widespread speculative activity and overtrading. Marvelous progress in physical rehabilitation was made in the two years following the fire, but before there was time for complete recovery from its effects, the panic of 1873 threw everything into confusion. As the news of one failure after another came in quick succession, and sharp withdrawals of deposits were accompanied by urgent requests from country banks for loans to tide them over the crisis, word was received that the banks in New York, Boston and Philadelphia had suspended cash payment and had resorted to the use of Clearing House Loan certificates. A meeting to consider what course should be pursued by the Chicago banks at this juncture was hastily convened. The session was protracted far into the night. Many advocated following the lead of the banks in the Eastern cities, believing it the only way to avert a general crash. Against this view, George Sturges, President of the Northwestern National Bank; Chauncey B. Blair, President of the Merchants' National Bank, and Solomon A. Smith, President of the Merchants' Savings, Loan & Trust Co., vigorously protested. Firmly believing in the wisdom of a bold policy and resting upon the technically strong position of the city as the country's chief depot of food supplies, they even went so far as to assert that whatever the others might decide upon, the banks under their charge would continue to meet all obligations upon demand. A vote was taken. Lyman J. Gage for the First National Bank voted "No," and it was soon evident that those opposed to the issue of Clearing House certificates were in the majority.

Though some anxious days followed they were tempered by an admirable spirit of mutual helpfulness and no failures of any consequence occurred. The real strain came during the ensuing period of business depression that lasted until after the resumption of specie payments in 1879. Within that period there were twenty-one bank failures in Chicago, most of which were the result of the crisis or of the shrinkage in values which followed it. This enumeration includes several institutions that went into voluntary liquidation. Few of those placed in the hands of receivers owed large amounts to depositors at the time of collapse. Exceptions were the Third National Bank, which paid its depositors in full with interest; and the Cook County National Bank, the State Savings Institution, and the Merchants', Farmers' and Mechanics' Bank (commonly known as the Bee-Hive Bank), which closed in consequence of dishonest management. The Cook County National failure was one of the worst in the history of the city. It was founded by the notorious David D. Spencer, who in 1873 sold a controlling interest to Benjamin F. Allen, a "Napoleon of Finance," who came to Chicago from Des Moines, Iowa, where he had had a successful career. In the wider field his vaulting ambition soon overflowed itself. The bank's funds went into projects from which they could not be released, and in January, 1875, its doors were closed. Ultimately the creditors received something less than 15 per cent. While Allen was playing with the funds of the Cook County National, Spencer was borrowing the funds of the State Savings Institution, which he used to acquire nearly all of its stock, and the President of the "Bee-Hive Bank" was crippling it by similar borrowing.

The failure of these savings banks in 1877 had far-reaching results. The State Savings Institution, originally incorporated as the Illinois Savings Institution, had achieved a reputation for impregnable financial strength and its deposits amounted to between four and five million dollars. Confidence in savings banks received a shock from which it was many years in recovering. While the excitement was at its height a run upon the Fidelity Trust & Safety Deposit Company caused the downfall of that bank also. Later in the year came the failures of the Third National and the Central National banks, but as these were not altogether unexpected, they only served, so to speak, to clear the atmosphere.

Nineteen years were to elapse before there was another bank failure of large consequence in Chicago. Between 1873 and 1877 the total deposits in the National banks in the city declined from $28,000,000 to $26,000,000, and the number of banks was reduced from 19 to 15. By the end of 1888 the number of National banks had increased to 21, and the deposits had reached a total of $93,000,000, and State and private banks held probably $40,000,000. During this period the Illinois Trust and Savings Bank, which was organized in June, 1873, upon the old charter of the Bank of Sterling, and had successfully withstood the "savings bank panic" of 1878, paying down its deposits from about $1,500,000 to $240,000, rose to prominence among the city's financial institutions. The
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partment though they had prepared to meet
pending. In this they did not count upon the coun-
few of the bankers expected even the usual au-
ated by the disturbed condition abroad, consequent
stringency of the preceding autumn, when the nor-
that year, when a sharp withdrawal had been in
rowers in Chicago had made such provision for
upon the Baring failure, many of the larger bor-
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rapidly changing from a provincial into a metro-
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merger of the Continental National Bank and the
American Trust and Savings Bank upon a similar
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formation of State bank adjuncts to National banks,
as in the case of the First Trust and Savings Bank,
which is owned by the stockholders of the First
National Bank upon a plan under which each share
in the latter carries an inextricable proportionate
interest in the stock of the former. The recent
of business has resulted in the
formation of State bank adjuncts to National banks,
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National Bank upon a plan under which each share
in the latter carries an inextricable proportionate
interest in the stock of the former. The recent
merger of the Continental National Bank and the
American Trust and Savings Bank upon a similar
plan, is another step in the same direction, and
points to what may perhaps become a general
move ment.

From 1863 until about 1877 the discount rate of
the Chicago banks was always uniformly 10 per cent.
Then as idle funds accumulated at certain seasons
concessions began to be made and soon became the
rule. Thereafter the rates became responsive to the
law of supply and demand, sometimes falling
very low as in the summer of 1882. Meanwhile the
maximum contract rate had been fixed at 8 per cent.
by act of the General Assembly. Chicago was now
rapidly changing from a provincial into a metro-
politan city. By the autumn of 1892 the popula-
tion was not far from 1,250,000, and the deposits
held by the banks had reached a total of $206,-
000,000, of which $65,000,000 was due to country
banks. These figures are taken from the official
reports made on September 24 and October 26 of
that year, when a sharp withdrawal had been in
progress for several weeks. Warned by the severe
stringency of the preceding autumn, when the nor-
mal tendency in the United States had been accentu-
ated by the disturbed condition abroad, consequent
upon the Baring failure, many of the larger bor-
rowers in Chicago had made such provision for
their needs as to be virtually out of the market, and
few of the bankers expected even the usual au-
tumnal pressure though they had prepared to meet
the financial storm that for some time had been im-
pending. In this they did not count upon the coun-
try banks, from which a heavy demand came with
great suddenness, and it did not slacken until after
the panic of the following summer.

Again the Chicago bankers had to face the ques-
tion of issuing Clearing House Certificates, and
again they decided in the negative. Although their
technical position was not quite so strong as it had
been in 1873, a much smaller percentage of their
loans resting upon the direct pledge of grain and
provisions in store, it was still strong enough to
make an independent stand possible. No doubt the
maintenance of this attitude put an additional strain
upon the banks in the Eastern cities. But it is
equally certain that it redounded to the financial
prestige of the city and caused many Western banks
to transfer their principal reserve accounts to Chi-
icago banks instead of carrying them in New York.
No failures occurred as a result of this policy. The
collapse of the two banks which closed during 1893,
the Columbia National and the Chemical National,
like that of the Park National, which suspended
in July, 1890, was due to inherent weakness and bad
banking.

The years of business depression, widespread
liquidation, and unsettled financial conditions that
followed the panic of 1893 ushered in what may be
called the third stage of banking in Chicago, of
which the distinguishing features have been the
building up of great institutions by consolidations,
and the notable increase in the volume of business
transacted. The extent of changes in the Chicago
banks between 1895 and the present year can most
readily be comprehended by giving the data in the
tabular form.

<table>
<thead>
<tr>
<th>Bank</th>
<th>Change</th>
<th>Capital Decreased</th>
<th>Capital Increased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Trust &amp; Sav. Bank</td>
<td>Failed</td>
<td>$200,000</td>
<td>100,000</td>
</tr>
<tr>
<td>State Trust &amp; Sav. Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>1,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Bank of America</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>1,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>First National Bank</td>
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<td>500,000</td>
<td>1,000,000</td>
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<td>Second National Bank</td>
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<td>Third National Bank</td>
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<td>200,000</td>
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<td>100,000</td>
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<td>Fifth National Bank</td>
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<td>50,000</td>
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<td>Sixth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>12,500</td>
<td>25,000</td>
</tr>
<tr>
<td>Seventh National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>6,250</td>
<td>12,500</td>
</tr>
<tr>
<td>Eighth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>3,125</td>
<td>6,250</td>
</tr>
<tr>
<td>Ninth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>1,562.50</td>
<td>3,125</td>
</tr>
<tr>
<td>Tenth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>781.25</td>
<td>1,562.50</td>
</tr>
<tr>
<td>Eleventh National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>390.63</td>
<td>781.25</td>
</tr>
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<td>Twelfth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>195.31</td>
<td>390.63</td>
</tr>
<tr>
<td>Thirteenth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>97.65</td>
<td>195.31</td>
</tr>
<tr>
<td>Fourteenth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>48.83</td>
<td>97.65</td>
</tr>
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<td>Fifteenth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>24.41</td>
<td>48.83</td>
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<td>Sixteenth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>12.21</td>
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</tr>
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<td>Seventeenth National Bank</td>
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<td>6.10</td>
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<td>Consolidated with Chicago Nat'l Bank</td>
<td>3.05</td>
<td>6.10</td>
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<td>Consolidated with Chicago Nat'l Bank</td>
<td>1.53</td>
<td>3.05</td>
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<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.76</td>
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<td>Twenty-first National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.38</td>
<td>0.76</td>
</tr>
<tr>
<td>Twenty-second National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.19</td>
<td>0.38</td>
</tr>
<tr>
<td>Twenty-third National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.09</td>
<td>0.19</td>
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<tr>
<td>Twenty-fourth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.05</td>
<td>0.09</td>
</tr>
<tr>
<td>Twenty-fifth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.02</td>
<td>0.05</td>
</tr>
<tr>
<td>Twenty-sixth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.01</td>
<td>0.02</td>
</tr>
<tr>
<td>Twenty-seventh National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Twenty-eighth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.005</td>
<td>0.01</td>
</tr>
<tr>
<td>Twenty-ninth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.0025</td>
<td>0.005</td>
</tr>
<tr>
<td>Thirtieth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.00125</td>
<td>0.0025</td>
</tr>
<tr>
<td>Thirty-first National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.000625</td>
<td>0.00125</td>
</tr>
<tr>
<td>Thirty-second National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.0003125</td>
<td>0.000625</td>
</tr>
<tr>
<td>Thirty-third National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.00015625</td>
<td>0.0003125</td>
</tr>
<tr>
<td>Thirty-fourth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.000078125</td>
<td>0.00015625</td>
</tr>
<tr>
<td>Thirty-fifth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.0000390625</td>
<td>0.000078125</td>
</tr>
<tr>
<td>Thirty-sixth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.00001953125</td>
<td>0.0000390625</td>
</tr>
<tr>
<td>Thirty-seventh National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.000009765625</td>
<td>0.00001953125</td>
</tr>
<tr>
<td>Thirty-eighth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.0000048828125</td>
<td>0.000009765625</td>
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<tr>
<td>Thirty-ninth National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.00000244140625</td>
<td>0.0000048828125</td>
</tr>
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<td>Forty-second National Bank</td>
<td>Consolidated with Chicago Nat'l Bank</td>
<td>0.000001220703125</td>
<td>0.00000244140625</td>
</tr>
</tbody>
</table>

While these changes were taking place more than
thirty new banks were organized, some of them
incorporations of private banking houses under the State law, and there were numerous increases of capital by existing institutions. The net result is an increase in the capital of the Chicago banks from $33,177,000 in October, 1893, to $62,925,000 in September, 1909, while the surplus and undivided profits have increased from $20,985,569 to $54,770,480 in the same period.

Of the failures named in the preceding table, the most notable were those of the National Bank of Illinois, and the Chicago National Bank and its allied institutions, the Home Savings Bank and the Equitable Trust Company—all the result of injudicious banking and the tying up of assets that should have been kept liquid but were used to promote ambitious railway schemes. In the case of the Chicago National the effects would have been most notable were those of the National Bank of Illinois, which makes a specialty of dealing in investment securities, and the Pearson-Taft Land Credit Company, which makes real estate loans and issues collateral trust bonds against them. Although these companies are organized under the Illinois banking law, because of the character of their business their figures are not included in the statistical tables given in this review.

Perhaps the best index to the development of the city as a financial center during this third stage is found in the increase in the deposits of the banks.

**DEPOSIT LIABILITIES OF THE CHICAGO BANKS.**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Banks</th>
<th>Deposits</th>
<th>Total Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1895</td>
<td>240</td>
<td>$177,643,986</td>
<td>$223,239,489</td>
</tr>
<tr>
<td>1896</td>
<td>240</td>
<td>$180,617,144</td>
<td>$229,927,981</td>
</tr>
<tr>
<td>1897</td>
<td>240</td>
<td>$184,451,112</td>
<td>$236,563,546</td>
</tr>
<tr>
<td>1898</td>
<td>240</td>
<td>$187,269,258</td>
<td>$243,152,608</td>
</tr>
<tr>
<td>1899</td>
<td>240</td>
<td>$190,020,138</td>
<td>$249,625,653</td>
</tr>
<tr>
<td>1900</td>
<td>240</td>
<td>$192,714,384</td>
<td>$256,120,257</td>
</tr>
<tr>
<td>1901</td>
<td>240</td>
<td>$195,348,933</td>
<td>$262,612,157</td>
</tr>
<tr>
<td>1902</td>
<td>240</td>
<td>$198,013,815</td>
<td>$269,107,992</td>
</tr>
<tr>
<td>1903</td>
<td>240</td>
<td>$200,618,787</td>
<td>$275,604,578</td>
</tr>
<tr>
<td>1904</td>
<td>240</td>
<td>$203,161,907</td>
<td>$282,100,925</td>
</tr>
<tr>
<td>1905</td>
<td>240</td>
<td>$205,651,096</td>
<td>$288,598,651</td>
</tr>
<tr>
<td>1906</td>
<td>240</td>
<td>$208,102,412</td>
<td>$295,097,431</td>
</tr>
<tr>
<td>1907</td>
<td>240</td>
<td>$210,524,708</td>
<td>$301,597,577</td>
</tr>
</tbody>
</table>

*Note:* All the clearings reported in this review were those of the banks located in the city of Chicago.

Perhaps the best index to the development of the city as a financial center during this third stage is found in the increase in the deposits of the banks.
growth in the last decade will be far exceeded in the next.

THE CONVENTION AND THE CENTRAL BANK PLAN.

So far as concerned the interest of the outside world in its deliberations, the discussion of the proposal for a central bank of issue, introduced at the opening of the proceedings in President Geo. W. Reynolds' annual address, was the salient incident of this year's Bankers' Convention. Mr. Reynolds' speech on this subject was aptly timed to attract public discussion. A week before, Mr. E. B. Vreeland, chairman of the House of Representatives' Banking and Currency Committee, had taken ground for a central bank of issue, in a speech to a Pennsylvania bankers' convention. Mr. Vreeland's argument did not go very far; it rested in the main on the defects of our present bond-secured banknote circulation. This system, Mr. Vreeland set forth, introduces a wholly unscientific basis of regulation for expansion and contraction of such currency. Each separate bank "figures upon its own profits as to whether the volume of its note issue shall increase or decrease," the inevitable outcome being that the volume of circulating medium, at any given time, "depends more upon the price of government bonds than upon the needs of business." Mr. Vreeland's conclusion was, that a central bank with monopoly of circulation, with a limited dividend rate, and with some measure of government control, is the ideal solution. On the very day of Mr. Reynolds' speech of September 14 to the bankers at Chicago, President Taft, addressing the Boston Chamber of Commerce, took occasion, after noticing the defects of our present bank circulation system, to refer to the central bank plan, declaring that "it is quite apparent * * * that the trend of the minds of the Monetary Commission is toward some sort of arrangement for a central bank of issue, which shall control the reserve and exercise a power to meet and control the casual stringency which from time to time will come in the circulating medium of the country and of the world."

The speech of Mr. Reynolds, therefore, was at once ensured a hearing; all the more so from the fact that his analysis of the plan, his suggestions of the necessary details, provisions and restraints, and his comments on the probable working of such a system from the practical banker's point of view, gave a clearer comprehension of the problems involved than has been embodied in any other recent review of the subject. The more important provisos suggested by Mr. Reynolds were that the capital of such a bank should be at least $100,000,000, its shares to be owned either by other banks or by the public at large; that its note issues should be secured in part by a metallic reserve and in part by high-grade endorsed commercial notes of a short maturity; that it should be the sole depository of government funds and should hold the re-deposited reserves of national banks of the central reserve cities; that it should accept deposits from the public at large, but should discount for it, such discounts being, however, limited to real commercial bills of high grade, running not more than ninety days; Two boards, in Mr. Reynolds' view, should exercise control over such a bank: one, a "general governmental supervising or overseeing board," should be appointed jointly by the President of the United States, the Secretary of the Treasury, and the Comptroller of Currency, and confirmed by the Senate; the other should be elected by the shareholders, and the officers of the bank should be named for long terms, or for life, by the supervising board after conference with the second board.

That discussion of the central bank expedient, as a solution of the currency problem generally, should have been stimulated into immediate activity by these several speeches, was to have been expected. According to our information, the subject became at once the chief theme of discussion or controversy at the Bankers' Convention itself, and, in perhaps a less degree, it may be said to have occupied attention in public discussion generally. It appears that in the convention, a very considerable difference of opinion developed, and, so far as we have observed, opinion outside of the convention has by no means been unanimous. Newspaper comment on the matter has for the most part, so far as we have observed, been more than usually reserved and disposed to await the fuller discussion of the matter before taking sides positively on the question of a central bank of issue. And this in the main appears to us to be the attitude of the average citizen. Certain objection to the central bank expedient he can foresee; at the same time, he is ready to recognize certain theoretical merits of the proposition.

It is usually the conclusion, under just these conditions, that a "campaign of education" is in order, and we presume that some such public canvassing of the merits of the question may be looked for under the auspices of the Monetary Commission, and perhaps under those of the Bankers' Convention Committee itself. But it is already manifest that discussion of the subject on this basis, in order to bring about any useful results, must address itself chiefly to the objections alleged against the central bank expedient.

That such a solution of the currency dilemma was impracticable politically, has long been believed by some of the most thoughtful men who have studied the question. The New York Chamber of Commerce Committee on Reform of the Currency, reporting in October, 1906, placed the central bank of issue first on its list of alternative expedients. But the committee's report frankly recognized that the proposition might not be feasible; and its chairman, Mr. John Chaffin, in submitting the report, expressed his own judgment that the public mind was not pre-
pared for the expedient, and that it was politically out of the question.

There are many who believe that the public mind is better prepared to accept the central bank proposition now than it was in 1906; that the panic of 1907, the "currency famine," the recourse to irregular and extra-legal forms of money, and the blockade of depositors' bank accounts because of inability to maintain cash reserves, have predisposed the average thoughtful citizen to favor an institution which, if ideally managed in the crisis, ought surely to have averted the worst of these difficulties. We are unable to say whether this is true or not of the general public; it is true, we presume, to a considerable extent of the banking community, though even of this we shall know more when opinion has been more thoroughly canvassed.

We suppose that the objections generally held against the central bank plan may be classified as political, sectional, practical, or sentimental. It was clearly enough the political objection which Mr. Claffin recognized in 1906, and to which Mr. Taft referred last week, in his reference to the necessity of keeping the monetary system and the central bank "free from manipulation for political purposes." Political interference, as generally pictured, would be of one or the other of two somewhat different sorts—one, the use of the bank's facilities and power to favor an administration party; the other, use of its offices as reward for political activities. The first of these conditions has never appeared to us a serious possibility; the notion itself is a survival of Andrew Jackson's days, when something of the sort, if it did not actually exist with the old United States Bank, was at any rate believed to exist. The second suggested avenue of political interference cannot be pronounced an absolute impossibility to-day, when the existing executive departments of the government are themselves not free from it. We imagine that much of the subsequent discussion will converge on this aspect of the question.

For ourselves, we cannot regard the discussions of this month as anything more than preliminary and tentative. Even Mr. Reynolds' very able and enlightening review did not settle such questions as would hinge, for instance, on the concentration of reserves and of public deposits. Government deposits in the national banks, which in times of excessive surplus revenue have risen as high as $200,000,000, are the product of taxes drawn from communities throughout the whole United States; it is from those markets that circulating medium was absorbed through excessive public revenue. Therefore the demand, that such moneys be re-deposited in banks of the localities whence they were withdrawn, is by no means the outcome of selfish desire of the banks of such localities to get a share in the public funds; it voices the dislike to artificial depletion of a community's own supply of currency. How this dilemma would present itself if such deposits were to be converged in a central bank at New York or Washington, is a question to consider; or, if the alternative of numerous branch banks were to be considered, the question of competition with existing institutions would arise. The mere question, where the central bank itself should be located, is a matter of some importance. The question of the bank's relation to the general money market—how far, for example, it should on occasion, like the Bank of England, raise as well as lower the bank rate and restrict the market's supply of credit—is a matter to be pondered. There are problems, by no means yet even tentatively worked out, in the matter of actual control, by government or by outsiders.

We mention these considerations, not as fatal to this plan or to any plan, but as showing the need of much more light upon the problem, and of very careful deliberation on the whole matter of currency reform. We presume the question will be thus debated. It is highly improbable that a bill for a central bank, or for any final solution of the currency question, will occupy the coming session of Congress. The Monetary Commission itself has not yet concluded its labors or formally agreed on any plan, and we have reason to doubt that the central bank will be either advocated, or exhaustively discussed, in the President's next message to Congress or in the Secretary of the Treasury's report.

SOME FEATURES OF THE CONVENTION'S WORK.

With the growth of the American Bankers' Association in membership and influence, and with the extension of the scope of its activities into the various different branches of the banking field, the function of the Annual Convention is confined, and wisely and properly so, to registering its judgment on the work done and in giving expression to its opinion on important current questions. It is gratifying to note that the action of the 1909 Convention on the questions which came before it was conservative and that the Convention took a firm and determined stand against several of the most prominent popular fallacies of the day.

It was, of course, a foregone conclusion what the course of the Convention would be on the scheme for a guaranty of bank deposits. Last year the Association collectively, and all its subdivisions separately, almost unanimously condemned the proposition. It was improbable that the Association would stultify itself by taking any different action on the present occasion and it would have argued that the bankers were lacking in a knowledge of the fundamental principles underlying sound banking to imagine that they could ever be got to give even quasi endorsement to such an untenable and indefensible suggestion as the guaranty proposal.

Notwithstanding, however, that it was known beforehand what stand would be taken on this question, no one would have thought that absolute unanimity of opinion could be depended on in opposition to a proposal which has been commanding a
A wide degree of support from politicians and legislators in some of the smaller Western States. Since last year's Convention recorded its judgment so emphatically in disapproval of the notion, a number of these Western States have enacted laws providing for various guaranty schemes. The banking fraternity, however, as represented by the members in convention assembled, have, it would appear, remained unaffected by the craze which has been gaining headway in some of the remoter sections of the country. At all events, a resolution condemning the mutual guaranty of deposits either by the State or Nation was adopted without a dissenting vote, showing remarkable unanimity of opinion.

Not less emphatic was the position of the Convention with reference to the proposal for postal savings banks, on which subject also past action indicated what present action would be. Here likewise the Convention, without a dissenting vote, adopted a resolution declaring it the sense of the Association "that we should condemn in unequivocal terms the proposition for the establishment of postal saving banks or any other system by which the Government enters directly into banking relations with the people." Another resolution declared "that the American Bankers' Association is opposed to any financial legislation based upon the argument that it was a party pledge and should be redeemed." This it will be seen has reference to President Taft's recent remarks that the Republican platform in the Presidential election of last year had declared its favor of postal savings banks and he believed that the party should redeem its pledge.

A third resolution adopted with equal unanimity reads as follows: "Resolved, that we believe the proposed plan to invest postal savings bank deposits to the extent of $900,000,000 or $700,000,000 in United States bonds simply to maintain such bonds at par is unsafe and unwise legislation and if enacted would ultimately lead to lack of confidence in our National credit."

There was a fourth resolution which formed part of the series, but which was not adopted, making the action of the Convention with reference to the other resolutions stand out in still bolder relief. The resolution which the Convention failed to accept dealt with a substitute proposal for the scheme of postal savings banks. On this the Convention declined to take a definite stand and we think that the fact that it did not is further evidence of the prudence and deliberation with which the Bankers' Association generally acts. The resolution in question recommended a substitute for postal savings banks the maintenance of separate savings bank departments by National banks, the assets to be segregated and accounts separately kept for the protection of the depositors in that proposed department. It is known that some of the National banks are already receiving savings deposits, but whether Congress should confer express authority upon the National banks to solicit such deposits and establish savings departments is manifestly a large question upon which action should be deliberate and taken only with the utmost caution. This fact was recog-
been giving careful and detailed consideration to the subject during the past year. It will be seen from the report of that Committee, published on a subsequent page, that at a meeting of the Committee last February in conference with a number of prominent bankers it was unanimously conceded that savings deposits, wherever held, should be segregated and safeguarded. The opinion is expressed, too, in the report that at the spring meeting of the Executive Committee of the Savings Bank Section in 1910 the Law Committee will be prepared to submit the draft of a skeleton banking law for the safeguarding of savings deposits. In Michigan, as pointed out by Mr. Zimmerman, savings depositors have been the special objects of care and solicitude on the part of the lawmakers. The statute in that State provides that separate books of account shall be kept, that all investments in the savings departments shall be kept entirely separate and apart from the other business of the bank. It appears from the report of the Savings Bank Law Committee that the general situation as to savings bank laws in the different States is this: Eighteen States have no savings bank laws; eight States allow stock banks to be organized with departments for commercial and savings business; other States permit organizations of stock savings banks; in New England, some of the Middle States, and a few of the Western and Southern States, mutual savings banks (without stock) are provided for.

Another paper read before the Savings Bank Section is of interest far beyond the confines of the savings bank circles. We refer to the paper of Robert M. Rother on "Partial Payments Compared with Sinking Funds." Mr. Rother argues that sinking funds are a doubtful assurance to the lender and an expensive undertaking to the borrower. To have any value at all the provisions for a sinking fund must be conscientiously carried out, and the accumulated funds must be advantageously invested. The first is not always done and that the investment of the fund is subject to all sorts of contingencies is self evident. Mr. Rother contends that however sound in theory a sinking fund may be, its administration cannot be placed beyond the pale of human weakness; it always was and always will be an unknown quantity—a speculation. The partial payment plan, he declares, is free from these uncertainties. The specific amounts to be paid each year on account of principal and interest are determined in advance, and the liability of the issuing corporation is reduced with every payment. There is no guessing; it is fixed figures and facts from first to last.
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Some Problems of the Comptroller's Office.

By Hon. Lawrence O. Murray, Comptroller of the Currency.

Every public officer, clothed by law with extended powers and wide discretion, has many difficult problems to meet. Perhaps the hardest one of all to settle, to the satisfaction of a critical public, is the general problem of the internal administration of his own office. This, to a public officer is the fundamental problem. No matter how high his ideals may be, no matter how devoted he may be to the settlement, in a fair and equitable way, of every particular question, whether legal or commercial, that comes before him, if the machinery of his office is below the necessary standard of efficiency, his administration is doomed to failure.

Bank supervision and bank examinations exist for but one reason—to offer greater security to the creditors of the banks. If examining and supervising are to be done at all, they ought to be as well done as possible under existing laws. If poorly done, the State or the Federal Government, as the case may be, affords only a false and misleading security to the depositors. The public official, whether Federal or State, charged with the duty of enforcing banking laws, who is a party to a form of administration that beguiles the depositor into a sense of security which has no basis in fact, perpetrates a fraud upon the public.

Co-operation with bankers.

There has always been a great deal of criticism of the National bank examiners, and perhaps there always will be. Some of it is just; much of it is very unjust. When I became Comptroller, I determined to find out exactly how the bank examiners did their work, and there seemed no better way than to ask the bankers themselves. A letter was sent to the president of each National bank, asking how the examiners were doing their work; whether or not it was being well done; and whether the examiners took time enough to go into the details of the bank as the law contemplates, and asking them, in a general way, to point out every defect in bank examinations.

About 2,000 bank officials severely criticised the manner in which bank examinations were made, and offered suggestions for improvement. Such a percentage of criticism showed something radically and fundamentally wrong. Some of the remedies suggested were excellent; some were impossible. But one important fact was established beyond any question—there was room for great improvement in the work.

The careful reading of the letters of criticism put the Comptroller's office in possession of specific and reliable information as to just how the work was being done. About forty of the examiners were then called to Washington for a conference. At this conference they were told, in language as plain as could be used, that some of them did excellent work, that some of them gave fair service, that some of them were incompetent and their work both a farce and a fraud.

This conference developed clearly the need of closer co-operation between the bank examiners themselves, as well as between the bank examiners and the Comptroller's office. Examiners had gone on for years, working in the same district, conferring with nobody, each following his own methods of examination, often faulty and crude, and knowing nothing of a borrower's standing and little of the value of securities, except what they learned in the banks in districts to which they were assigned. An examiner cannot make a reliable estimate of the value of the assets which he finds, unless he has a broader basis of information than he will be able to get by going around and examining only certain banks, and none other. The service was therefore reorganized on a new basis. The country was divided into eleven districts; some one of the very best examiners in the service was named as chairman of each district, and the examiners assigned to each district were required to attend a joint meeting in their district at least twice a year.

These district meetings of examiners are now not only clearing houses for the exchange of information on credits, but the examiners attending discuss many matters of
mutual interest, such as better methods for doing their work; the adoption of new forms and methods of good and bad banking practices; good and bad bankers. They return to their work better equipped for effective service.

At these meetings, each examiner brings to the chairman of his district a report on every bank which he considers unsatisfactory. From all these reports of the individual examiners, the chairman makes up a final report for the Comptroller, and sends a copy of his report to each of the other examiners for their information and for the information of the examiners in the other districts. The systems already held have been most successful. The information submitted in the reports by the examiners in the other districts, is now possible for any examiner who is interested in any particular line of credit, or in any securities, to write to the chairman of the district to which he is assigned, and find out what the officers of any one of the seven thousand National banks; to agree in writing that hereafter, no matter what the size of the banks, was to be the basis of a bond to the Comptroller, in the sum of $200,000, for the faithful performance of his duty. In all cases, the Comptroller's office knows every bank promoter now on the books; there is not an examiner who owns a share of stock in any one of the seven thousand National banks; there is not an examiner in the service to whom the bank examiner who does his full duty is engaged in business sufficiently important and responsible to require his best and undivided attention to the work at all times.

Every National bank examiner, therefore, who was either a borrower or a stockholder in any National bank, or engaged in any other business that of examining banks, was required to dispose of all the stock held in National banks; to resign as an officer or director of business corporations; to at once pay any loans which he might have in National banks; to agree in writing that hereafter, while a National bank examiner, he would not borrow, either directly or indirectly, from any National bank; that he would not acquire stock in any National bank, either directly or indirectly; that he would not accept public office of any kind or nature whatsoever, and that he would not become an officer of any corporation.

For forty-five years the Comptroller's office has been receiving letters from banks which had been criticized, stating that the examiner's report on which the letter of criticism was based was unfair, and the reason given was that the examiner making the criticism was a stockholder in or borrower from a rival bank. Since the recent order was issued, no such letter has been received, and none ever will be as long as that order stands. Every examiner is now engaged in business except examining banks, and there is not a man in the service who is not giving his best energy, his best thought, and his undivided attention to his work.

RELATIONS OF BANK EXAMINERS TO BANKS.

One of the first things to which I gave attention was the relation of the bank examiners to the banks. I can think of nothing more indefensible or fatal to any sound system of bank examination than to have men examining banks who are themselves stockholders in or borrowers from those banks. An investigation of this matter showed that some of the bank examiners were stockholders, many of them were borrowers; some of them were officers in corporations which borrowed money from the banks which they were themselves examining; others were officers or directors of National banks, and some were officers or directors of State banks.

No one can defend such a situation as that. A National bank examiner ought never to borrow a dollar from any National bank, or own a share of stock in one. A bank examiner who does his full duty is engaged in business sufficiently important and responsible to require his best and undivided attention to the work at all times.

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OATH AND BOND OF BANK EXAMINER.

As the National bank act does not specifically require it, no oath of office has ever been required of the bank examiners. Neither does the law require that the bank examiner shall give a bond for the faithful performance of his duty. But it seemed to me that, as a matter of good administration, the men who actually handle twice a year nearly a billion dollars in cash, and pass on the valuation of nearly ten billion dollars of notes held by the National banks, should not only take an oath of office, but should give a bond to the Comptroller of the Currency, in a substantial sum, for faithful performance of their duty. So every examiner now in the service has taken an oath of office required of all government officials, and everyone hereafter appointed will do the same. Every examiner has given a bond to the Comptroller, in the sum of $200,000, for the faithful performance of his duty, so there are to-day outstanding and in force bonds given by the National bank examiners in the penal sum of two millions of dollars.

BANK PROMOTERS.

Every Comptroller of the Currency takes a natural pride in seeing the banks grow in number, in strength, and in popularity. I believe in the expansion of the system, but I do not believe that that expansion should be along normal, safe and conservative lines. I do not believe in the organization of a bank in a community where there is no good reason for its existence. I do not believe in the organization of banks in communities where the business that would naturally come to them is insufficient to warrant success; nor do I believe in the organization of any bank in a community where the Board of Directors will not be composed of men of business ability equal to the best to be found in that community.

If we are to have a great system of banks, sound, well managed and prosperous, the greatest attention and scrutiny must be exercised before the government issues a charter. In the National system we want banks organized in places where the demand is spontaneous and originates with the people living in the place who feel an actual need of banking facilities. I do not believe in the organization of banks by promoters who go about the country, calling public meetings, and by methods of advertising characteristic of the circus, endeavor to arouse enthusiasm for the organization of a bank.

In some cases the promoter is satisfied to organize a bank for the sole purpose of having his company supply furniture and fixtures. And in some cases promoters have charged the bank more for organization expenses than the net earnings would amount to in five years, even if it should not lose a dollar in bad debts.

The Comptroller's office knows every bank promoter now operating and has a special report on file concerning him. It has full information as to the methods used, not only as a general rule, but in each particular case. It has a fairly good file of the alluring advertisements and the handbills which they have spread broadcast in the places where banks have been promoted.

As soon as an application comes to the office for the establishment of a bank, if it bears any of the earmarks of the application of a promoter, although his name may not appear upon it, a letter is written to every man signing the application, raising these questions: First, did the idea of the organization of the bank originate with the
people of the community themselves, and is it the outgrowth of a necessity for banking facilities, or is it the plan of a bank promoter? and, secondly, if the bank is established, will the business which will naturally flow to it be of such volume and character as to reasonably insure success?

The answers to these latter, in a great many instances, are that the organization of a bank was entirely the idea of outsiders who came there for the purpose of organizing, and that they signed the application with very little consideration as to the probable outcome of the venture. In these cases, the promoters are asked to make a deposit of a sufficient amount of money to cover the expenses of a competent examiner from my office to go to the community and make an honest and thorough investigation of the whole situation; and if his report is to the effect that there is no necessity for its reorganization, no field for the bank; no reasonable chance for its success, the application is promptly disapproved.

CLEARING HOUSE EXAMINERS.

I believe in co-operation between the Comptroller and the Superintendent of Banks of the different States; in co-operation between National and State examiners, at least in the examination of allied institutions; in co-operation of the National examiners and the clearing house examiners, and where there are no clearing house examiners, in the co-operation of the National examiners and the clearing houses.

At present the ideal examination can best be made by clearing house examiners, owing to the manner in which they are paid and the unlimited time at their command, and I would like to see at least one examiner so equipped in each of the large cities of the country. It has been suggested to me that the Comptroller ought to look with disfavor on the clearing house examiner, because the necessity for such an examiner seems to reflect on the work and the official character of the National bank examiner. I take exactly the opposite view. I am heartily in favor of clearing house examiners, and I have instructed the National bank examiners, in the cities where there are clearing house examiners, to co-operate with them fully; and the cooperation goes to the extent that the clearing house examiners and the National bank examiners go into the banks at the same time and make a joint examination.

CLEARING HOUSES AND NATIONAL BANK EXAMINERS.

But the great majority of clearing houses have no examiner, and cannot afford to have one, by reason of their limited membership. In all such cases, however, the clearing houses may, if they desire, utilize the results of the work of the National bank examiner. If any clearing house association in the United States, no matter how large or how small, requests me to have the National bank examiner for the district in which it is located co-operate with the clearing house in the interest of better and more conservative banking, I will direct the bank examiner to do so. He should report only dangerous conditions and tendencies. The only condition required is that the request be signed by all the banks composing the clearing house, or at least that the co-operation be requested by a committee properly authorized to make such a request.

CO-OPERATION BETWEEN THE NATIONAL AND STATE EXAMINERS.

In every State, with possibly the exception of Massachusetts, there are very closely allied institutions, one under the National system and one under the State.

It has been the policy of the Comptroller's office for several years to make an effort to arrange with the State superintendents to have the State institutions examined at the same time that examinations are made of the allied National banks, but the effort has been in the main a failure. When the State examiner was ready to examine the State institution, the National bank examiner would not be ready to examine the National bank; or vice versa.

During the last year instructions have been issued to the National bank examiners advising them that the joint examinations must be made if possible, and putting all the inconvenience of it upon them. They are told to arrange in advance positively for certain dates upon which the joint examination must be made; and, if necessary, to delay the examination of the National bank until such time as it may be convenient for the State officer to examine the allied State institution. So that now we have, for the first time, an effective co-operation between the National and the State examiners, in all the allied banks. The examinations of these allied institutions at the same time will accomplish nothing unless the examiners have a conference after the examinations have been made, and fully discuss with each other what they find in the banks. That kind of co-operation is correcting bad conditions where any are found to exist.

NATIONAL BANK EXAMINERS AT LARGE.

There are conditions existing to-day, and continually arising in banks in various parts of the United States, with which the regular examiner can do nothing, is unable to cope, either because of insufficient time or because he has not that positive and forceful character and determination necessary to handle that particular situation. It therefore seemed wise to appoint some National bank examiners at large, whose duty it would be to make examinations of banks found to be in an unsatisfactory condition. Five of the best examiners in the service, men of tact, good judgment and of wide experience, have already been appointed, and they have examined and by direction of the Comptroller have forced the directors to put into satisfactory condition, during the last nine months, many banks which have been severely criticized for years.

The bank examiners at large have another and equally important duty to perform, and they are performing it well. As these National bank examiners at large are going all over the country, examining banks in different districts, they are requested to report whether or not the regular examiners for the district are doing their work carefully, accurately and conscientiously, and in the painstaking way required by the Department. They are, therefore, not only examining and improving the conditions found in many banks, but they are reporting what they find out about the work of the other examiners.

DIRECTORAL CONTROL.

I come now to the question of directoral control, and I approach it with no inclination to controversy.

The director of a bank who poses before the people as the trusted custodian of their funds, and who is using his trusteeship for the purpose solely of personal gain, who is recklessly speculating with the people's money by borrowing unwarranted sums upon insufficient security, is the greatest menace to the safety of the banking system to-day. The elimination of this type of director from the control of banking institutions and the fostering of a keener sense of responsibility among a certain class of bank directors of the duties of their high office is being attempted by me through all the means at my command.

No matter how effective a law the Comptroller may have at his disposal: no matter how efficient the bank examinations may be, in the last analysis the internal management of the bank makes for either success or failure. The three forces, good examination, strict enforcement of the law, and directoral control, are absolutely essential; but the most important of all is the directoral control. As every Comptroller takes an oath of office to see that the National banking law is enforced, it seems not only my official duty, but that I am bound morally, to make an effort to bring home to the management of every bank, where it is either careless or inefficient, a due sense of its legal and moral responsibility to its depositors. When the government gives to a body of men a charter which authorizes them to receive other people's money, and at the same time the law fixes upon a government official the duty of supervising
these corporations, he is doing no more than the law re-
quires of him when he inquires of the directors how they
are performing the duties which they take an oath to
perform.

The reasons for my determination to make an effort to
stimulate directoral control were these: First, a National
Commission is now making a study of the entire banking
situation in this country. And as in the present banking
law the duties of directors are not specifically set out, it
seemed well to ascertain definitely just how the seven
thousand banking corporations chartered by the govern-
ment are internally managed by the board of directors;
so that, if, in the new law, it seems wise for Congress to
specify in detail what the duties of directors shall be, it
will have the statistics as to just how the banks are man-
gaged at the present time. And, secondly, I wished to find
out just how the banks are managed, so that, with no
additional legislation at all, bad conditions may be reme-
died by good, effective administration. And I have found
such a remedy. I now know exactly how every bank in
the country is managed, and the few badly managed ones
will be examined hereafter four times a year, and in the
presence of the directors. And in the banks where the
management is either careless or not up to a fair standard,
the directors will be asked to adopt such rules for the
internal management of the banks as will remedy for all
time all ground for just criticism, either from the Com-
ptroller or from anybody else.

And I can say to you now that I firmly believe that
before the end of this year every single bank will comply
with this reasonable request. The result will be that
within a few months there will be on file in the Com-
ptroller's office a letter from the boards of directors of every
bank whose internal management is subject to any criti-
cism, agreeing to meet all reasonable requests of the Com-
ptroller's office; and further agreeing that the internal
management of the bank, in the future, will be vigorous,
effective, constant and watchful.

I assumed the active control of the Comptroller's office
just a year ago, and, during the year an investigation has
been made as to the management and condition of every
one of the seven thousand National banks. I have gone
over the reports of the examiners of every bank, as well
as the answers made by the directors to the questions put
to them, and I can say to you this morning that for hon-
esty of purpose, for painstaking devotion to the heavy
duties and responsibilities placed upon them, for keen busi-
ness ability and devotion to the interests of the nearly six
million depositors, for the wise handling of the assets of
the banks, in round numbers nearly ten billions of dollars,
the officers and directors of these seven thousand National
banks as have no superiors in any corporation in the world.
And it is in hearty co-operation and accord with those
directors that I desire to work, to correct every condition
which we may find that is not up to a reasonable
standard.

I have been asked repeatedly what my position is on the
question of guaranty of bank deposits.

Gentlemen, I believe in just one kind of guaranty of
deposit. I believe in the guaranty which comes from the
Comptroller of the Currency doing his duty under the law,
from the bank examiners doing their duty and from the
executive officers and directors of the bank doing their
full duty and in accordance with the oaths of office which
they take. That is the only kind of guaranty of deposits
in which I believe. That kind is practicable, and it does
not cost the banks an extra dollar, nor permit depositors
to lose a dollar.

CONCLUSION.

I have briefly touched on some of the problems that con-
front the Comptroller's office. In the near future other
problems will come up, and an earnest effort will be made
to meet them in a fair and business-like way, and if im-
provement can be made in the management of the Comp-
troller's office, I want to be among the first to suggest the
improvement, and the first to make it. I am not one of
the public officers who believe that the way the govern-
ment has been doing things for fifty or one hundred years
necessarily is the best way. I am looking for a way to
make betterments every day, and the moment they can
be made, with safety and security, they are made.

I have but one request to make this morning, and that
is that in the solution of the problems coming before me
you give me, when you feel I am right, your kindly con-
sideration, your encouragement and your support; and
when you feel I am wrong, your fair criticism, for fair
criticism is as helpful as honest approval.

National Wealth and the Farm.

By Hon. James J. Hill, Chairman of the Board, Great Northern Railroad.

The well-being of a country, its political institutions,
the direction of its industrial progress and ultimately of
popular genius itself depend ultimately upon the amount,
distribution and employment of its capital in the shape of
cash and credit. This is the motive power of the national
engine. It always has been so. "Commercialism" has been
common and must be common to every time and every
race above the barbaric level. Men are always seeking to
better their condition. The increase of wealth is an out-
ward and visible sign of an increase in intelligence and
power. The use made of that wealth will determine largely
the quality of the next national era and the ideals that
move the new generation. The bankers of a country, for
centuries past, but more completely now than ever before,
rank high among the custodians of the nation's future.

This gives to the deliberations of a body such as yours a
profound and far-reaching significance.

I may, therefore, be excused for departing from precedent
if I devote this opportunity to a brief review of one of
the larger national needs of the United States, since the
wealth and industry of the whole country are represented
there, rather than to some topic directly connected with
the conduct of the banking business. It will be, I hope, more
profitable to leave these matters to the experts among your
own number and to consider instead the rapidly changing
balance of our industries which leads to disturbances and
possible disaster to the nation. If there be any dislocation
of the process of wealth-building in sight, the bankers of
the United States have more interest in a clear perception
of the fact and an effort to forestall misfortune than any
other class.

The public is now to some extent awake to the relative
value of the different occupations as sources of wealth.
The farm is our main reliance. Every other activity de-
pends upon that. The farms of this country are now
adding annually over eight billion dollars to the total of
our assets; a total which, unlike that of manufacturing
and other industries, represents not value conferred by
human labor upon some material already existing, but
value actually created out of elemental things. This is the
annual miracle of the earth; quite as wonderful as if a
new planet should appear in space each twelvemonth. It is
the mother of every other form of human industry. Our
tiltable area may be made to support millions of people
greatly multiplied after the last bit of mineral has been
extracted from the earth, and man's ingenuity in fashion-
ting tools and fabrics has passed its limit. There is no
comparison, in volume, in value and in relation to human
enterprise and the very continuance of human life between the cultivation of the soil and any other occupation. So far the majority of people will agree. What they fail to realize practically is the declining status of agriculture in this country. They are misled by the statistics of the values and products, mounting annually by great leaps, into thinking that this absolute increase implies a relative advance of this industry as compared with others. Exactly the opposite is the case. I refer not merely to the quality and results of our tillage, concerning which something may be said a little later on, but to the aggregate deposits in all the banks of this country. During the last ten years, the value of these deposits has increased by $1,500,000,000. While the value of our exports has steadily advanced, the value of the imports has increased as fast. The result is as if dry-rot had eaten through the timbers supporting a great structure. We should consider now the change accomplished and that impending.

In the earlier history of the country, it is well known that the great mass of the people followed the cultivation of the soil. The census of 1870 was the first to group the population of ten years old and upwards in great divisions according to occupation. The drift away from the land became pronounced in 1880. Since then the process has been accelerated, and the rise of the number of people living in towns. At the time of the Civil War, the percentage had risen to 16. In 1890 more than 31 per cent. of our population was urban. The change is portentous; and there is no doubt that the coming census will show it to have proceeded in the last ten years with accelerated speed. In spite of the warnings of economists, the amelioration of the soil, the opening of new and attractive employment on the land through the spread of irrigation and the growth of the fruit industry, the encouragement of public men and the wider dissemination of agricultural education, the percentage of our population who work on the farm constantly declines. If that proceeds too far, it is as if dry-rot had eaten through the timbers supporting some great structure. We should consider now the change accomplished and that impending.

From all the States, East and West alike, comes the complaint that the children will not stay on the farm, and that the laborer cannot be enticed there except by high wages for a few weeks in summer. It is quite probable that the greatest mass will show this great population reduced to 30 per cent. of the whole. We may certainly say that it does not exceed one-third. And, unless this tendency is counteracted, no one can now predict to what inconceivable fraction it may one day be reduced. Totals of farm products expressed in dollars and those expressed in bushels or pounds tell quite different stories. We maintain the showing because new and fertile land is still being opened, while at the same time older lands are abandoned or deteriorate. The possibility of this disappears with the appropriation of most of our available unoccupied land. The further fact is that we have been for more than a generation, in spite of our boasted progress, in the grip of a revolution that has preceded declining wealth and falling institutions wherever it appeared since history began.

The effect of a constant decrease in the number of those engaged in producing any foodstuff, while the number of consumers steadily grows, is already evident in our markets. We exported last year 65,000,000 bushels of wheat, which was about 30,000,000 bushels more than we had to spare. At six and a half bushels per capita for home consumption and seed, this leaves us a surplus of 115,000,000 bushels. We shall probably export 125,000,000 bushels, under the pressure of foreign demand, leaving us nearly as badly off as we were last year.

With our annual increase of over 1.5 per cent., in population from natural causes and immigration, that has not been less than three-quarters of a million any year since 1892, there will be from two to two and a half million more mouths to feed every year. Having in view this increase in population, the declining average yield per acre of cultivated land in the United States after it has been farmed for a few years, the rise of prices, the higher cost of living and the movement of the working population away from the land, the time is now approaching when we shall not only cease to be a wheat selling nation, but will find it necessary to import a portion of what we can consume.

Last year the value of our total exports classified as foodstuffs, either crude or partly or wholly manufactured, and food animals, amounted to $458,000,000. We imported of the same classifications nearly $329,000,000. The idea that we feed the world is being corrected, and unless we can increase the agricultural population and their products, the question of a source of food supply at home will soon supersede the question of a market for our own products abroad. Our foreign trade in the past has rested mainly on our exports of products drawn from the earth directly, or only once removed. Our manufactures for export are to a large extent natural products converted into a few simple processes. How are we to meet the immense trade balance against us, how prevent financial storms of frequent occurrence and destructive force, how feed the growing millions, if the farmer, who pays most of the bills, has retired to the city or the country town in order that his children may the better enjoy their automobiles and enter into the delights of the social game?

Since the percentage of those at work on the soil declined by about one-fourth in the last thirty years, we have to consider not only the increase of food demand over its domestic supply but also that disturbance of the balance between one form of industry and another upon which prosperity and stability depend. This industrial interdependence appears to be one of those universal laws that prescribe harmony and proportion as essential to health. Just as every member of the body must have its appropriate exercise, as a hygiene food ration must include a proper amount of each of the chief chemical constituents to produce physical and mental vigor, so human occupations must be distributed with reference to one another if the big machine is to work without loss of efficiency or collapse. Up to this time other industries than agricultural would have flourished and grown amazingly in the United States without any artificial stimulus, because the large percentage of the total population engaged in agriculture furnished an adequate market. This condition is changing rapidly.

If, in a population of 100,000,000 people, which we shall have shortly, 45 per cent. are engaged in agriculture, then 45,000,000 people are calling upon the labor of 35,000,000
for clothing, professional service, commercial help, tools and furniture and all the smaller comforts and luxuries.

If, instead, the agricultural percentage is reduced to 30, such demands, while 70,000,000 instead of 55,000,000 come a soil becoming annually less productive, a revolt against the life of the farm and a consequent rise in wages amounting, since 1895, to 65% per cent., for ordinary day labor on the farm without board or 0.3 per cent., with board, compel such a rise of all prices as bears ruinously upon town and country alike. Our real concern is not so much to save the home market from the incursions of the foreigner as to keep it from destruction by an enlarged city life and a neglected country life, a crowded artisan population seeking voluntarily that calamity which has been forced upon them by physical conditions. The time of her greatness was the era of prosperous agriculture, of her industries proportioned to it duly. Long after that balance was disturbed, she maintained herself because the growth of her colonies was equivalent to added farms in England.

At the same time she improved her domestic agricultural methods and doubled her product. Thus she protected and preserved her special position. The growing trade and her trade unions made much of her production too costly for the markets of the world. Their limitations on output, their embargo upon exceptional skill and industry, their opposition to enterprise and their practical control of legislation were proportioned to it duly. Long after that balance was disturbed, she maintained herself because the growth of her colonies was equivalent to added farms in England.

There are few more interesting chapters in history than those detailing the relation between industrial development, the food supply and the growth and decline of political institutions and national greatness. Civilization is mostly the story of the triumph of the human spirit in its struggle for food equal to the work of physical and mental evolution. Events and epochs that puzzled the historians of the past are explained by a study of common human experience. An economic cycle runs through all the affairs of men from the earliest times. There is a period of foundation-laying, in which agriculture is the accepted resource of the State, and national strength is built upon it. Then the demand for an enlarged life stimulates the manufacturing and the commercial interests, and there ensues a period of great prosperity, which sees the rise of great fortunes, the relative decline of the food supply, the introduction of luxury, the growth of indolence and a universal increase in prices. Never yet has this enhanced cost of living, when due to agricultural decline and inability to supply national needs, failed to end in national disaster. Professor Ferrero, in his story of "The Greatness and Decline of Rome," after describing the agricultural depression of Italy, the decay of her industries and the distress of the masses that followed, attributes it to the increased cost of living, not entirely to West European wheat has become cheap, for it is dear not entirely because of Western competition, but because there is neither good cultivation nor enough cultivators. The younger generation is thenceforth drawn to the cities, and the land, rented by its owners to tenants careless of everything but immediate profit, is abused and robbed of its fertility. In New York State 20,000 farms are for sale. The southern central position shows a progressive loss of population. Professor Tarr, of Cornell University, at the beginning of the present year, says: "I have driven much over the country roads of this section, and have been astonished at the evidence of general decline in the farming industry, especially in the hilly sections. Abandoned houses in all stages of decay abound, and in some cases the forest is encroaching on the pasture." Schuyler County had 3,815 less population in 1895 than in 1850, Tioga County 2,600 less and Yates 902 less. If anybody imagines that this process of exhaustion and abandonment of transfer to other uses is peculiar to the East, let him look at Iowa, whose average wheat crop in the years 1890-97 was 39,922,939 bushels, and in the five years 1904-08 it was 9,976,488 bushels. In 1908 it was 8,058,000.

This has come about notwithstanding economic changes favorable to the occupant of the farm. In the introduction to the census of 1870, relating to the agricultural interest, we read this: "It is sufficient barely to allude to such notorious facts as corn selling in New England at 90 cents and being burned for fuel in Iowa; wheat selling at 31.2 cents in New York and for 45 cents in Minnesota; beef bringing 27 a hundred on the hoof in the East, while in Texas it was being slaughtered for 8 cents and a hundred in Texas." Such inequalities the census itself refused to consider because of the difficulty of getting the requisite returns. The situation, then, sums itself up thus: We have almost received our goods from foreign lands at reduced prices, which our own soil had ceased to yield. With the decline of agriculture every one of these nations lost its leadership and either disappeared or remains a mere name.

The consumers of bread throughout the world increase by probably 30,000,000 to 60,000,000 per year. In our own country we shall require from 13,000,000 to 15,000,000 bushels more annually for seed and home consumption. The domestic supply cannot be maintained by present methods. Not only is the cultivation of the soil being neglected, but it is also notoriously insufficient. Over the wheat product per acre from the older lands falls steadily. Our national average is less than half that of England or Germany, both of which have soil inferior to our own. Only by bringing rich new land under cultivation have we prevented the fall from becoming abrupt. Good farms in the Mohawk Valley in New York State forty years ago were worth from $100 to $150 per acre; now many are sold at from $25 to $80. This is not because wheat has become cheap, for it is dear not entirely because of Western competition, but because there is neither good cultivation nor enough cultivators.

BANKERS' CONVENTION.

for clothing, professional service, commercial help, tools and furniture and all the smaller comforts and luxuries. If, instead, the agricultural percentage is reduced to 30, only 30,000,000 people instead of 45,000,000 people would make such demands, while 70,000,000 instead of 55,000,000 complete their duties in the fields. The satisfactory earning product, a soil becoming annually less productive, a revolt against the life of the farm and a consequent rise in wages amounting, since 1895, to 65% per cent., for ordinary day labor on the farm without board or 0.3 per cent., with board, compel such a rise of all prices as bears ruinously upon town and country alike. Our real concern is not so much to save the home market from the incursions of the foreigner as to keep it from destruction by an enlarged city life and a neglected country life, a crowded artisan population seeking voluntarily that calamity which has been forced upon them by physical conditions. The time of her greatness was the era of prosperous agriculture, of her industries proportioned to it duly. Long after that balance was disturbed, she maintained herself because the growth of her colonies was equivalent to added farms in England.

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Once the valley of the Euphrates was earth's garden in a period of tropical vegetation, and the waters of the Nile flowed north in the direction of its delta. When Greece was at the summit of her power, her ambition was to capture the grain trade by holding sway over the Black Sea and the Bosphorus. Even in good seasons Attica is said to have been obliged to import about 15,000,000 bushels of wheat. Every one of the great nations of antiquity guided its foreign relations and directed its domestic policy to the increased cost of living. This, rather than imperial ambition or race decay, is the key by which history unlocks the secrets of the past.
sal form. That wealth is the slow accretion of many centuries. It changes its form and occupation with wonder-
ful facility; but so slight at all times is the margin be-
 tween the world's production and its consumption, that its savings have been acquired almost as slowly and pain-
fully as the miner's board. Practically only a few months
lie between a universal cessation of production and the de-
struction of the human race by starvation. The mar-
velous diversity of modern industry and its products blin-
d us to the bare simplicity of the situation. Those
who, like you, are main factors in supplying to industry
the means to carry it on, who open up the main and lateral
channels through which the fertilizing stream of capital
may be turned upon the otherwise barren field of
labour, should be always mindful of the first great source
and storehouse of national wealth, and the most sensitive
whenever it is depleted or endangered.

What we must come to—and the signs of the times
indicate that we cannot make head in that direction too
rapidly—is the smaller farm, in the United States,
agriculture. We support, in round numbers, ninety
million people on three million square miles of land.
We should be able to support 150 per square mile as easily as
30; and then we should have but a fraction of the density
of population of Denmark with 707 inhabitants per square
mile, Holland with 470, or our own State of Rhode
Island with 407 in 1800. But the education of a whole
people in right methods of tillage is a stupendous task.
It took England nearly fifty years to do this, with power-
ful agencies at command and with a control over his
farmers through leasehold conditions that no one in this
country possesses. She has raised her average wheat yield
from 12 and 15 to upwards of 20 bushels per acre. If it
should take us fifty years, we would by that time prob-
ably have doubled our population also, and barely kept
pace with our necessities. But we have not yet accom-
plished the mere preliminaries of such a process.

Not only have we not begun, except in a few cases so
rare that they furnish striking illustrations for maga-
zine articles and experiment station bulletins, to mend our
farm methods, but the machinery by which the great
body of farmers may be reached—as they must be reached
if any change worth considering is to be brought about—
has not yet been determined upon. While we do consider-
able for the boys and girls who attend them through our
more than threescore agricultural colleges, but little im-
personal is made upon the bulk of all the people engaged
in farming. Here are some extracts from a letter written
recently by an intelligent farmer for publication: "I don't
think one-half of 1 per cent. of the farmers of the State
have not yet been determined upon. While we do consider-
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Bankers' Convention.

Bankers and their customers alike are deeply interested in this subject. For some years past this interest has manifested itself in a growing demand that bank supervision should be as thorough and bank examinations as efficient as it is possible to make them. In response to this demand there has been a steady development of method and a widening of scope in government examinations—both National and State. The clearing house associations of some of our larger cities have organized examination bureaus, and private audits by chartered accountants have become of much more general and more frequent use. These developments have greatly enhanced the efficacy of bank supervision and improved the efficiency of bank examinations.

So marked have been these developments and improvements that there seems now some danger that the limitations of bank supervision by examination will be overlooked and that too much reliance will be placed in the efficacy of external supervision. The public must not be deluded into the belief that official examinations will relieve them of the fundamental duty of exercising their own discrimination in the selection of a bank. The entire credit system rests on the bank's officers and directors. The Comptroller of the Currency is, of course, statutory, which places limitations on his jurisdiction and restricts it to such powers as are conferred upon him by the National Bank Act. The powers thus conferred upon him, briefly stated, are as follows:

1. To approve or disapprove increase or decrease of capital stock.
2. To require reports from banks and to fine them for refusal.
3. To direct or approve additional reserve cities and additional central reserve cities.
4. To appoint a receiver.
5. To compel oath of directors.
6. To require a copy of the articles of association, the by-laws, the minutes of stockholders' meetings, and the report of the Comptroller of the Currency for the preceding year.
7. To compell banks to file their annual reports.
8. To require the Comptroller of the Currency to report the condition of the bank at the end of each quarter.
9. To examine the books and papers of the bank at any time upon written demand.
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And during bank operation—

1. To require a copy of the articles of association, the by-laws, the minutes of stockholders' meetings, and the report of the Comptroller of the Currency for the preceding year.
2. To condemn or disapprove additional reserve cities and additional central reserve cities.
3. To appoint a receiver.
4. To require reports from banks and to fine them for refusal.
5. To require the Comptroller of the Currency to report the condition of the bank at the end of each quarter.
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The The Efficacy and the Limitations of Bank Supervision by Examination and the Responsible Source of Bank Management.

By James B. Fordham, President The First National Bank of Chicago.

Bankers and their customers alike are deeply interested in this subject. For some years past this interest has manifested itself in a growing demand that bank supervision should be as thorough and bank examinations as efficient as it is possible to make them. In response to this demand there has been a steady development of method and a widening of scope in government examinations—both National and State. The clearing house associations of some of our larger cities have organized examination bureaus, and private audits by chartered accountants have become of much more general and more frequent use. These developments have greatly enhanced the efficacy of bank supervision and improved the efficiency of bank examinations.

So marked have been these developments and improvements that there seems now some danger that the limitations of bank supervision by examination will be overlooked and that too much reliance will be placed in the efficacy of external supervision. The public must not be deluded into the belief that official examinations will relieve them of the fundamental duty of exercising their own discrimination in the selection of a bank. The entire credit system rests on the bank's officers and directors. The Comptroller of the Currency is, of course, statutory, which places limitations on his jurisdiction and restricts it to such powers as are conferred upon him by the National Bank Act. The powers thus conferred upon him, briefly stated, are as follows:

In connection with bank organizations he is empowered—

1. To approve a copy of the articles of association.
2. To require the Comptroller of the Currency to report the condition of the bank at the end of each quarter.
3. To authorize banks to begin business.
4. To certify payment of stock.
5. To compel oath of directors.

And during bank operation—

1. To approve or disapprove increase or decrease of capital stock.
2. To require reports from banks and to fine them for refusal.
3. To designate or approve additional reserve cities and additional central reserve cities.
4. To appoint a receiver.
5. When a bank has refused to redeem its circulating notes, or
6. When its legal reserve is short and it fails to make it good within thirty days, or
7. When it shall be dissolved and its franchises declared forfeited, or
8. When a creditor obtains a judgment against it which remains unsatisfied thirty days, or
9. When its capital is impaired and it fails to pay it up after three months' notice,
10. When its capital is impaired and it fails to pay it up after three months' notice,
11. When its capital is impaired and it fails to pay it up after three months' notice,
12. When its capital is impaired and it fails to pay it up after three months' notice,
appoint a receiver he is given the power to decide when a bank is insolvent. He is again hampered here by the Federal Courts' definition of insolvency, which is "inability to pay current debts as they mature," and he could be enjoined in the District Court for any abusive exercise of his discretion.

Notwithstanding these limitations and restrictions, I believe it may truthfully be said that under no other banking system in the world are such executive authority and plenary powers conferred on any one man as are vested in the Comptroller of the Currency. Now do the laws of other countries place such restrictions and limitations on banking operations as are placed on those of our National banks.

Considerable attention has recently been directed to the possibility of improving the Government's supervision of National banks by the passage of further restrictive laws and by extending the Comptroller's powers so that he may enforce them by fining or otherwise punishing those who break them. If all the suggestions that have been made along this line were enacted into law the Comptroller's overworked department would find it impossible to charge him with specific duties, which are impractical because impossible of fulfillment, will only weaken the administration of his office and detract from its usefulness. Any attempt to regulate individual bank management by specific legal enactments and to hold the Comptroller responsible for their enforcement would prove futile, for as has been well said by Senator Aldrich in this connection, "we cannot legislate good judgment and honest purpose into the minds and hearts of men." Realizing this, our legislators should be careful that bank management is not hampered with such petty legal restrictions as only retard the natural and legitimate development of the business, stunt the growth of individual banks and impair their ability to compete for international business with the older and greater banks of other countries.

Under our system of free, individual and purely local banking, rising industries of all kinds in any given locality must provide themselves with banking facilities by organizing and usually controlling their own local banks. The natural tendency of this is to place the management of new banks directly under the control of their principal local borrowers, hence, our banking laws have had to be strongly restrictive and prohibitive. This is a weakness inherent in our system of numerous small independent banks.

It is evident, however, that restrictive measures which may be necessary to regulate a country bank with very limited resources, when applied to large city banks with resources aggregating many millions, would prove exceedingly irksome, tending only to retard their progress, enable their delinquent debtors. Gradually accommodation notes are permitted to go through as representing actual transactions, until the parties in control of the bank, besides having borrowed on their direct obligations all the law permits, have become liable as endorsers on a wholly unwarranted line of discounted paper, which is not what it professes to be, but is composed of renewals of bad credits, accommodations, kites or otherwise worthless paper, together with all the other abominations to which mismanagement and bad banking fall heir. Such a condition of affairs is a most difficult one for the Comptroller or his examiners to handle. The longer it lasts the worse it becomes, and it is difficult from a legal standpoint to allege a cause for action. The only thing that can be done is to promptly take exception to such business in its incipient stages, keep on objecting to it and finally take action when it becomes so bad that an impairment of capital or insolvency takes place.

This evil, however, diminishes as industries grow and increase, and banks grow with them. Villages become towns, and towns cities, and banks develop with them, increasing their resources, diversifying their business, distributing their credit risks and gradually becoming independent of any single controlling interest or influence. Just as in other lines of business, the weak and poorly managed drop out of the race and the strong and well-managed survive. With our business rush and rapid growth, together with the necessity there has been of employing men to manage our banks who have had no previous knowledge or experience in the business, the wonder is that failures have been so few. The results afford no basis for serious complaint against the Comptroller's department, as it has been administered, and disclose but little necessity for new laws to regulate it or bank examinations as they are conducted under it. Both are developing in a self-correcting system and are steadily improving in efficiency.

Many of the suggested changes in the administrative features of the National Bank Act are such as, under the general powers conferred upon them, the Comptroller, his deputy and examiners can work out for themselves. Some of them, however, are quite necessary and desirable. It would, for instance, be ideal to have a corps of trained examiners, adequately paid by salary and under civil service rules, both as to their appointment and the tenure
of their office. Also to make the position of Comptroller of the Currency such as to inspire the ambition of leading and successful bankers to fill it. But these suggestions, however desirable, do not seem practical or available at the present time. It is the duty of our system and in the meantime we should take such practical steps as may make them possible in the future. Good, capable and faithful service are not always nor mainly dependent upon adequate remuneration. This is conspicuously the ease in the public service. This fact affords no excuse, however, for perpetrating and perpetuating a palpable injustice. The pay of the Comptroller is not mainly dependent upon adequate remuneration. This should be considered a post-graduate honor and a distinction of the highest order to be conferred on men who have previously filled a president's position and demonstrated their ability by the success they have achieved. Their ideals can hardly be realized, nor can their positions be equal to the acceptance of the honor by one holding such a position. They would mean the reduction of his income by from one-half to two-thirds, besides having to give up a permanent position for one of limited term of service.

The pay of the Comptroller's deputies and examiners should also be such as to command the services of experienced and competent men. The policy adopted by the present Comptroller of appointing as examiners men of previous banking experience, giving preference to those who have been connected with sound, progressive and well-managed institutions and refusing to consider applications from officers or employees of badly managed banks, cannot be too highly commended. However, as he will have to compete for the services of such men with practically all the good banks in the country, their remuneration should be made such as will enable him to do so successfully.

It is most desirable, almost essential, that bank examiners should have had a bank training. Without it, unless they are men of very exceptional natural ability and adaptability, they are liable to be impractical in their work and erroneous in their judgment, applying theoretical to problems which will not solve them and failing to exercise that sound judgment which, as a rule, is only acquired through practical experience in the business. On the other hand, the experience of a bank examiner is of incalculable value in the evolution of a bank training, provided he has previously been long enough in the banking business to have acquired something of what may be called the banking sense—a sort of intuition by which a banker reaches conclusions and makes decisions that are generally his best. Policies controlling successful bank management must be in accord with the laws of political economy and with sound financial theories. Such laws and theories will not, however, solve the problems connected with individual applications for loans, no two of which are ever alike. The theoretical banker, who knows all it and can give you a definite rule for all, is not generally a successful one. Acquiring theoretical knowledge there must be sound judgment and applied common sense. Bankers have human nature to deal with in all its varying propensities. They must, as Burns advises, "Keep thro' ev'ry other man, Wil sharpen'd, sly inspection."

Not coming into daily contact with the borrowing public and having constantly to pass judgment on transactions after they have been committed to the further development of our system and in the meantime we should not neglige this opportunity of the development of this banking sense, and unless they have by previous experience acquired it they are very liable to get into a too critical frame of mind and to become over-technical and theoretical in forming their judgments. Having been a bank examiner myself I speak from experience. The value of a bank's resources cannot be measured by the rules of mathematics, accountancy, political economy or finance, and yet bank examiners, as well as bankers, should be familiar with all of these sciences.

A year ago when playing golf on the old links at St. Andrews, Scotland, I saw a party of players coming towards me with quite a gallery following them, showing that they were recognized as experts at the game. Turning to the old man who was carrying my club, I asked him who the players were, which he told me. Recognizing among their names that of a well-known authority on the game, I remarked that I supposed he was a very good player. "Well," said the caddy, "he used to be among the best, but two years ago he wrote a book on the science of golf and he has not been much of a player since."

I have sometimes wondered since if there was not some practical sense in the old man's observation. The gentleman's close attention to the technique of the game may possibly have affected his natural ability to play it; while thinking of how to play his feet he may have neglected to keep his eyes on the ball.

Borrowing from their own banks by officers and directors is another matter which it is thought should be regulated by further prohibitive or restrictive legislation. That there has been serious abuse of banking privileges along this line is only too evident. As I have already pointed out, it is too evil lying at the very foundation of the development of our banking system, the arbitrary prohibition of which now would be almost revolutionary. The trouble lies in one man being permitted to act on both sides of a transaction, i.e., both as borrower and lender. Officially, he passes judgment on his personal credit, and it is not human nature that he should degrade himself in his own estimation. Bank directors who know their responsibilities and care to assume them will not permit such practices.

It may be necessary under our system to do as some of our State legislatures have already done, prohibit loans to salaried officers, except with the full consent of the Board of Directors, regularly recorded in their minutes. It is a mistake, however, to pass laws which are too easily circumvented. It only induces evasion which is always demoralizing. As a rule, salaried officers of banks would have little occasion to borrow, and it is open to question if when they do they should not so at their own banks, always on satisfactory security and with the knowledge and approval of their directors; never in my opinion otherwise.

It is important to stop short of such a step, for it is better that men should not have the opportunity of going to some officer of another bank, or to some personal friend and customer, with whom reciprocal arrangements for mutual accommodation could be so easily established.

However this may be, it is certain that to absolutely prohibit loans to directors, or to place legal restrictions on loans to them, or to corporations in which they are interested, that do not apply to other customers, would completely upset our present banking system, destroy the integrity of its directorate and seriously impair its usefulness. The best directors can have, and those they now do have, are the men connected with the leading commercial and manufacturing industries, whose close touch with business affairs makes them the best judges of credits in their various communities. If by being directors they are detarred from the legitimate banking facilities to which they are entitled, they will cease to be directors, and the inevitable result will be that dummies will take their places, possibly to do their bidding. The demoralizing effect of such a condition of affairs, affecting practically every bank in the system, can easily be imagined than that described. It does not follow from this that the present practice of showing directors' liabilities in reports to the Comptroller should be discontinued, or that examiners should not take special cognizance of them to see that the bank is not being illegitimately or unreasonably used for the special benefit of those controlling it. This is always a legitimate and necessary subject of investigation.
It will, however, be found in nearly every case that the best loans in the banks are those to its directors, who are engaged in the most successful and profitable enterprises of the communities in which they live.

A serious defect in the Bank Act, as the courts have interpreted it, is that false reports made to the Comptroller are not a misdemeanor as are false entries in the books of the bank. In either case the injury is suffered to the bank itself. This is all wrong and should be promptly corrected. The making of false reports to the Comptroller should be regarded as the most heinous offence of its kind and should be punished accordingly. A false report to him means a fraud on the public whose representatives he is. It should be the duty of every examiner to check up reports made to the Comptroller. The integrity of the system depends on the reliability of the statements made from time to time to the Comptroller and published in the newspapers. There should be no weakness in the administration of the Comptroller's office in regard to the criminal prosecution of bank officers who are guilty of falsification or misrepresentation. Such offences should be nipped in the bud. When an examiner discovers anything in the books, the securities, the loans or the records that misrepresents actual conditions it should be a cause for the immediate discharge of the examiner and the law should be such as to facilitate prompt action.

At an early stage of my banking career the inviolability of bank reports was strongly impressed on my mind. A bank agent in my native town misappropriated some of the bank's money. According to the rules of the bank a monthly statement had to be rendered to the head office in Glasgow. In the absence of the regular accountant, the head inspector, a friend of mine and whose honesty was unquestioned, was temporarily filling his place and it became his duty to sign the statement. The agent, claiming that he had something important to attend to and that he wished the statement dispatched at once, induced the young man to sign it, without giving him an opportunity to count the cash in his custody, but promised that he would do so next morning. The next day he put him off again, and after a few days, when the young man found that the agent had no intention of fulfilling his promise, he wrote his brother, who happened to be a clerk in the inspector's department at the head office in Glasgow, in support of the facts to his brother and asked his advice under the circumstances. His brother showed the letter to the head inspector, who promptly dispatched two men to the branch to investigate. They found a deficiency in the agent's cash and had both him and the clerk arrested. The owner of the bank, on a charge of having signed a false bank statement, was tried and sentenced to the penitentiary inside of thirty days, and it was only due to the action of the inspecting examiner that the bank was not ruined. This incident ended his banking career and he is now a respectable farmer in this country.

In this statement the agent and accountant had both to certify that they had counted the cash and that it was all on hand as stated. The regular accountant being absent, a clerk, who was a friend of mine and whose honesty was unquestioned, was temporarily filling his place and it became his duty to sign the statement. The agent, claiming that he had something important to attend to and that he wished the statement dispatched at once, induced the young man to sign it, without giving him an opportunity to count the cash in his custody, but promised that he would do so next morning. The next day he put him off again, and after a few days, when the young man found that the agent had no intention of fulfilling his promise, he wrote his brother, who happened to be a clerk in the inspector's department at the head office in Glasgow, in support of the facts to his brother and asked his advice under the circumstances. His brother showed the letter to the head inspector, who promptly dispatched two men to the branch to investigate. They found a deficiency in the agent's cash and had both him and the clerk arrested. The owner of the bank, on a charge of having signed a false bank statement, was tried and sentenced to the penitentiary inside of thirty days, and it was only due to the action of the inspecting examiner that the bank was not ruined. This incident ended his banking career and he is now a respectable farmer in this country.

There is a matter on which there is a difference of opinion has for many years existed between the Comptroller's department and some of the most conservatively managed banks in the system. While it may not be considered germane to my subject, I should like, if I do not weary you, to discuss it now. I refer to the contingent account not shown in the published statement. Like many other banking practices, sound when kept within reasonable limits, it is susceptible of abuse and may be made the means of misrepresenting a bank's true condition. When built up beyond reasonable limits and its existence is only known to the officers, directors and a few favored stockholders, great injustice may result. Outside shareholders, ignorant of the book value of their stock and of its real earning power, might be induced to sell it to inside parties at much less than its actual value. This, however, would be a misdemeanor on the part of the officers and directors and could be controlled by the criminal code as other frauds are. It was, however, done by the deceived shareholders. No harm could come to depositors from a bank being stronger than its statement discloses. In the interest of the bank itself as an institution, as well as in the interest of the stockholders who own it, a reasonable contingency fund is not only necessary, but generally necessary. Such a fund furnishes a reserve strength to protect a bank's resources against contingencies of which there are plenty. In exceptionally prosperous years when profits are large provision should be made for possible losses in lean years. Thus a bank's earning powers can be calculated and the bank's credit strengthened by the book value of its stock prevented, much to the benefit of the stockholders. For example, the year 1908 was one of abnormally large banking profits, while for far this year, owing to the low rates prevailing for money, profits have been abnormally small. Last year, therefore, it was possible to make liberal allowances for losses, and in view of the panic, just then passed, it was good banking that this should have been very generally done. This year there has been no margin of profit on current business out of which, after paying dividends, the usual necessary provision for losses and a margin of safety made. Such a margin might have been impractical to specifically apply the amount then appropriated, while in view of general business conditions and their effect on the bank's customers the directors had good reason to anticipate considerable loss on current loans and when they had thus cause to expect it who will say that it was anything short of their duty to provide for it? It is neither necessary nor advisable that whenever loss is threatened on the accounts of certain customers still actively doing business a portion of their current loans should be charged off as if loss on them had already occurred. Such an appropriation should be made as in the judgment of the directors seems necessary, charging it to profit and loss account and crediting it to contingent account, where it can remain until the anticipated losses materialise, which they generally do. Such appropriations should, of course, be regularly shown in the statement of profit and loss account rendered to the Comptroller, and the contingent fund should be kept in the general ledger open to the investigation of examiners. In my judgment no sound, conservatively managed bank can afford to be without such a fund. It protects the new shareholders who invest in the stock at the market price. It affords to be without such a fund. It should be regarded as the most heinous offence of its kind and should be punished accordingly. A false report to him means a fraud on the public whose representatives he is. It should be the duty of every examiner to check up reports made to the Comptroller. The integ-
of bank managements to make the best showing possible in their published statements, and the general tendency being decidedly along this line, it would be a wholesome policy on the part of the Comptroller to encourage if not to require the maintenance by the banks of a reasonable contingent fund. It would lead to the keeping of an anchor to the windward for the benefit of all concerned. It would certainly be an improvement on the present erroneous practice, against which no exception seems to be taken. I refer to the very general practice followed by the banks of overstating their accumulated profits by including in them discount on time loans collected in advance. All mortgage discount up to the date of the statement appears in it at their face value, while their real value is the price at which they are purchased, that is, they are subject to the rate of discount received on them from the time the statement is made to the various dates of their maturities.

How would a banker regard a customer's statement if he learned that in taking inventory of stock on hand the customer had added the selling price of the cost price, thus "counting his Chickens before they are hatched." And yet in bank statements this is the common rule to which correctly made statements are the rare exceptions.

The needs being the maintenance of the integrity of the assets and the adjustment of profits and losses one year with another, so that the growth of the surplus may be solid as well as steady and uninterrupted, the publica-
tions of the State banking laws. After careful investigation these committees are required to answer to a general question: 1.

1. "Does your State have a State banking department with a head appointed at its head appointed by the Governor?"
2. "Is your State banking law considered by bankers, law-

ers and business men generally adequate in its re-
quirement in the way of:

- Maintenance of reserve,
- Frequent and searching examinations and authoritative supervision,
- Prevention of overextension of credit to heavy bor-

rowers,
- Possibility for the making of false statements of con-

- Credit liquidation in cases of failure?"

These questions, it strikes me, furnish an almost com-
plete synopsis of everything that governmental supervision can be expected to accomplish, and, with the exception of providing for adequate punishment for the making of false reports to the Comptroller, our National Bank Act already covers them all. The growth of the surplus may be accomplished through governmental supervision.

"After a year's trial of the Bank Act, I can say to you frankly that its just powers are derived from the consent of the people individually and for their protection collectively. Thus its just powers are derived from the consent of the people individually and for their protection collectively."

The Department in its methods is showing its ability to keep abreast with the development of the banking sys-
tem and its administration is steadily improving in the value and reliability of its service both to the banks and the public. As an illustration of this and of the ability of the department officers to develop their own methods under the general powers they now possess without specific legal enactments for every move they make, which would render them uncertain and make them more likely to help them, let me draw your attention to some of the department regulations recently inaugurated:

Bank examiners can be neither stockholders or borrowers from National banks.

Bank examiners are to be selected from men of previous banking experience who have been connected with sound, pros-
gressive and well-managed institutions.

Banks are classified in the department according to the character of their management and such as are classified poor are being examined four times a year in the presence of their directors, from whom a letter is required promising that conditions subject to criticism will be attended to and corrected, while those whose management is classified as very bad are being handled with still more vigorous means.

Examiners are now required to make such careful and com-
plete reports in writing of all evidence discovered by them tending to show that there was any violation of the statutes of the Department of Justice may determine from them without further investigation whether or not there has been a criminal violation of law.

The National bank examiners through the country have been divided into eleven districts with a chairman appointed by the Comptroller for each. In each district there are required to meet twice a year to have a general discussion of methods of examination and to prepare reports of banks in the district whose condition is unsatisfactory and of any cases of doubtful credit in them; each examiner to report to the chair-

man for his own particular section and the chairman to furnish the Comptroller with complete reports of examinations containing a copy for reference at future meetings. The chair-

man of each district at his discretion can report to the chairman of any other district such information as he may deem advan-
tageous.

The efficacy of government supervision by examination lies primarily in its restraining influence on bank man-

agement. The knowledge that the banks are to be examined holds the owners in check. This followed by the criticism of the Comptroller based on the examiners' reports is efficacious in inducing or compelling bankers to comply with the law and with proper banking methods and to face and provide for losses as they occur. This should afford the public reasonable assurance. Such are the benefits to be derived from governmental supervision, and the degree of their accomplishment is the measure of their efficacy.

All external supervision is, however, based on the examina-
tion and consideration of transactions after they have oc-
curred. It cannot control the making of loans or invest-
ments at the time they are made. It has no control of initia-

tive management. It cannot, therefore, be held responsible for errors of judgment or lapses of integrity. Its business is to discover such and its efficacy depends upon its ability to do so. It is at least a human device and in common with all such devices its limitations should not be ignored.

The next branch of our subject is "clearing house super-

vision in the interest of associated banks." As you are doubtless all aware this method of local supervision was first inaugurated in Chicago three years ago. Its main strength lies derived from the fact that it was evolved from the voluntary action of the banks themselves for their own benefit individually and for their protection collectively. Thus "its just powers are derived from the consent of the governed." Similar bureaus have since been organized in St. Louis, Minneapolis, St. Paul, San Francisco, Kansas City, Philadelphia, St. Joseph, Milwaukee and Los Angeles, would answer, that in my opinion the only essential change was one interesting bank examiners, as the country districts are, to the extent of having the Comptroller review their work. Furthermore, that it is the Comptroller who would answer, that in my opinion the only essential change was one interesting bank examiners, as the country districts are, to the extent of having the Comptroller review their work. Furthermore, that it is the Comptroller who would answer, that in my opinion the only essential change was one interesting bank examiners, as the country districts are, to the extent of having the Comptroller review their work. Furthermore, that it is the Comptroller who would answer, that in my opinion the only essential change was one interesting bank examiners, as the country districts are, to the extent of having the Comptroller review their work. Furthermore, that it is the Comptroller who would answer, that in my opinion the only essential change was one interesting bank examiners, as the country districts are, to the extent of having the Comptroller review their work. Furthermore, that it is the Comptroller who would answer, that in my opinion the only essential change was one interesting bank examiners, as the country districts are, to the extent of having the Comptroller review their work. Furthermore, that it is the Comptroller who would answer, that in my opinion the only essential change was one interesting bank examiners, as the country districts are, to the extent of having the Comptroller review their work. Furthermore, that it is the Comptroller who
while other cities are showing their interest by investigating our methods and the benefits to be derived from them.

A short statement of the Chicago method may therefore be of interest to you. Neither the committees having the matter in charge nor the examiner are hampered in their work by any code of rules and regulations adopted by the associated banks. Both were given an absolutely free hand. The committee was by resolution instructed to secure the services of a suitable man of experience to examine the seventeen member and some forty non-member banks clearing through members. Having secured the services of such a man, the committee in turn instructed him to call special attention to any unwarranted conditions or gross irregularities discovered. His detailed reports will not be examined by the Clearing House Committee except when it may appear necessary to do so from the general report of conditions made to it.

And the following from a letter sent out later to the directors of each bank as the first examinations of them were completed will show that the method was intended to benefit directors and that their co-operation in correcting anything open to criticism was desired and expected by the committee.

"The examiner will furnish you for the use of your directors a detailed report on the condition of your bank at the date of his examination. He will file in the clearing house vault, under his own custody, a copy of such detailed report. He will also make a separate report to the Clearing House Committee expressing in general terms his opinion of the condition of each bank. He finds it absolutely necessary to call special attention to any unwarranted conditions or gross irregularities discovered. His detailed reports will not be examined by the Clearing House Committee except when it may appear necessary to do so from the general report of conditions made to it."

Our experience has been that the banks have almost unanimously adopted every suggestion made by the committee. The method has worked with but little friction, and while I cannot discuss such details as would show its efficacy, I can say that the result has been most satisfactory to all concerned and that much good has been accomplished for the Chicago banks individually and collectively.

The organization being entirely voluntary partakes somewhat of the nature of a gentleman's agreement, under which each bank binds itself to conduct its business under proper methods. The disciplinary effectiveness of the method lies in the fact that they are all measured by the same standard, viz.: that their statements as rendered to the committee are accurate and true. The committee assumes responsibility for the individual examinations of all the banks. The following extract from the original letter addressed by the committee to the president of each bank will fully explain the method adopted:

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"The Clearing House Committee, desiring the cooperation of bank directors in maintaining a high standard in the condition of banks in the city, has requested the official examiner to notify the directors of each bank, individually, when he has completed and delivered his report to the president so that every director will have an opportunity of perusing it. The committee urges upon every director that he should, as a part of his directorial duty, carefully examine such reports as promptly as possible after he receives notice of their existence."

Bank examiners have been most enthusiastic in their commendation of the method. They find that it gives them an opportunity of judging of their bank's condition as a whole, which the mere passing upon individual loans at their meetings does not afford.

Our experience has been that the banks have almost unanimously adopted every suggestion made by the committee. The method has worked with but little friction, and while I cannot discuss such details as would show its efficacy, I can say that the result has been most satisfactory to all concerned and that much good has been accomplished for the Chicago banks individually and collectively.

The organization being entirely voluntary partakes somewhat of the nature of a gentleman's agreement, under which each bank binds itself to conduct its business under proper methods. The disciplinary effectiveness of the method lies in the fact that they are all measured by the same standard, viz.: that their statements as rendered to the committee are true and accurate. The committee assumes responsibility for it. The officers appointed by them discharge their duties as the bank exists, and while they are so far responsible for everything done by it, they are not responsible for individual acts. They are responsible only for the result of the acts of the bank staff.

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Mr. President and Gentlemen:

I greatly appreciate both the courtesy and the honor you have bestowed upon me in the invitation to attend your annual meeting and to address you at this hour. For reasons which must be obvious to you all I accepted your invitation with no small degree of hesitancy. In a very modest way I have had dealings with individual bankers at various times, but to come before a multitude of them under present circumstances is a new relation for one of my vocation.

I confess that I have been much puzzled to know what would be the proper thing for me to discuss. The percentage of each class to the aggregate total should be shown and the periodical classifications compared with each other. This will disclose the progressive condition of the assets, whether they are growing better or worse, and from the result the management may be judged. I suggest the following classes:

1. Good desirable business.
2. Fair business risks.
3. Business not desirable as a new proposition, but which policy makes it necessary to carry along for the purpose of gradual liquidation.
4. Loans which should be liquidated and on which more or less loss is probable.
5. Loans so bad that they should be charged off now.

The respective percentage of these five categories forms a very good criterion of the character of a bank's management. It must be the constant and unswerving aim of its officers to reduce class three to its smallest possible proportion and to eliminate entirely the fourth and fifth classes.

Co-operation among all supervisory powers is most desirable. National and State government examiners should consult and co-operate with each other and, where the opportunities exist, with the clearing house examiners. The Comptroller and the State banking commissioners might, with propriety and with much benefit to both systems, establish confidential relations with each other and with the different clearing house committees, and all should keep in close touch with the bank directors and take them into their confidence regarding everything open to criticism in their banks. They are all engaged in the work of raising banking standards and improving banking conditions, and they should avail themselves of every opportunity for co-operating towards those highly desirable ends.

External supervision alone, under whatever authority it may be exercised, it is needless to repeat, cannot establish safe and sound banking. Honorable and intelligent initiative management must be relied on for the ultimate success of individual banks. As now administered, however, governmental and clearing house supervision are doing a great deal (in my opinion as much as can reasonably be expected of them) along the line of purging and purifying our system, raising our standards of banking and giving to the business a character which conduces to that healthful tone so essential to the commercial, industrial and social life of the nation.

Our Industrialism and Americanism.

BY PRESIDENT JOHN C. KILGO, of Trinity College, Durham, N. C.

Mr. President and Gentlemen:

I am engaged to speak to an audience of this kind. For the best of reasons, I did not deem it wise to select a technical subject of banking, and I have, therefore, chosen as my theme "Our Industrialism and Americanism."

Helen has been a housewife. Our Ulysses has been a railroad builder, our Hector has been a miner, and our Hector has been a miner. But, however it may be accomplished, it is up to the officers, to whom they have delegated their investigations, to rely on their investigations and reports. For an intelligent knowledge of what is being done and of their bank's condition. Systematic organization is necessary, whether a bank is small or large, and directors must see to it that one of its results is that they are kept fully posted as to the bank's operations and condition. This can be accomplished quite as effectively in large as in small banks through the employment of competent auditors either permanently or when they are wanted. Such auditors in their investigations should represent the directors and should report direct to them, uninfluenced by any of the executive officers. But, however it may be accomplished, it is up to the directors to keep themselves posted as to their bank's operations to the extent of enabling them to form a correct opinion of actual conditions in them and to judge of the integrity and ability of the management, as it is conducted by the officers, to whom they have delegated managerial powers.

The progressive success, or lack of success, in bank management can be fairly well discovered by the periodical classification of a bank's loans and investments. This classification should be conscientiously made outside of the executive officers. It may be done by a committee of directors or by a competent auditor, at whose disposal must be placed the statements of customers and all the information available in the credit department. The assets can be divided into five classes and the result will, I think, disclose to the directors the necessity for a contingent fund, such as I have advocated. The percentage of each class to the aggregate total should be shown and the periodical classifications compared with each other. This will disclose the progressive condition of the assets, whether they are growing better or worse, and from the

said: "American works, honors work, and knows how to organize work." This is a very high tribute from a very worthy source; and when read in the light of all the circumstances the story of our industrial evolution is without parallel in the world's history and is really no less romantic than the myths of ancient Greece. Our Ulysses has been a railroad builder, our Hector has been a miner, and our Helen has been a homemaker.

I do not, sir, agree with the pessimistic views sometimes expressed concerning our industrialism. I do not think I am ignorant of its tendencies, and I am sure I would not flatter any of its evils, nor would I unduly magnify any of its virtues. It has, after all, been much more to the good than to the bad.

In many of its methods and its conceptions it has departed from the ways of former times, creating new problems which have engendered widespread suspicion and very great confusion. In the vastness of its conceptions and the daring of its undertakings it startles the imagination, and a host of evil prophets have pictured it as a huge beast devouring the life of our nation. But the captains of our American industries are not pirates invading our coasts to thieve and ruin. They are Americans, the descendants of sturdy citizens who fought in our battles and labored for the welfare of their nation. Bound by honorable family tradition and trust to believe in their country, I see no just reason why our industrial leaders should be
regarded as less patriotic than that of class of American citizens into whose hands has fallen the guidance of our political affairs.

For the past twenty-five years industrialism has been clearly in the ascendency among us. It has engendered our best energies, taken possession of our political thought, given direction to our educational policies, shaped our social influences, and strongly influenced our literature and our religion. Holding the dominant place in our American life, it is inevitably the chief agency through which the cardinal principles of our civilization and the ideals of our social life must find their largest and their most effective expression. Our faiths must be verified amid the strains and the conditions of our industrial activities. Our ideas of government, of society and of religion must become embodied in the laws, the relations and the ethics of industry. We cannot, for example, separate our religious duties and acts from the relations and the tasks of the shop, the bank and the factory; and if there be any need for a revival of our religious life, it will not be found in the demand for new creeds, but in making old creeds do less service amid the dust and din of industrial tasks. I shall content myself with pointing out only two of our national virtues which it seems to me find peculiar expression in our industrial life, because it makes such a classification, in the fields of industry, of society and of government. In its geography there is no Mason and Dixon line, and the battle of Gettysburg is not on the front page of its history. It invests in railroads that run from the lakes to the gulf, and from sea to sea; it puts its capital in Alabama mines and Oregon banks, and sends its agents into every State of the Union. Its very soul throbs with nationalism, and nowhere on this continent, sir, will you hear a finer note of nationalism than you will hear in the humming wheels of a Carolina cotton mill.

If this American Union of States is to be real and not merely nominal, if it is to be vital and not incidental, it must be a deeper and a stronger bond than the articles of our national constitution, and it must be held together by a power greater than legislative enactments. People are bound together not by documents and enactments and bayonets, but by the ties of a common ancestry, by the traditions of a common religion, by the commerce of their history, and by their associations with each other, and these find a very real form in our industrial activities, in our social relations.

In its freedom from class distinction and the rule of caste our American industrialism is the finest triumph of democracy to be found in any part of the world. This freedom is strikingly illustrated in two forms. First, the distinction between capital and labor, which in aristocratic governments is a real class distinction, does not represent a real distinction in our industrialism. While economists for the sake of their science make such a classification, in reality the American capitalist is an American worker. The idle capitalist spending his time in lordly indolence finds a very real form in our industrial activities, in our social relations.

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dustrialism the crimes of social life, the shortcomings of the educational spirit, or the failure of politics. Judged by every fair test there are ample reasons to believe that the democracy of our industrialism is not in a failure, but that it shows signs of health and of vigorous growth. I feel justified in believing that in it the spirit of democracy is developed to a larger degree and in a sounder form than in any other department of our national life. It is more democratic than our politics, than our society, than our industry each man is to a larger degree the master of incidental circumstances count for less and personal man-

1. The first is Abraham Lincoln. A child of our frontier and, like the Wise Men of olden times, followed the bright-

2. Great Americans, sir, as I see it, is an infinite faith in with exalted ambitions; no community surroundings can history. The force of circumstances predestined him to be on the failing side of the course of events. Viewed in the light of consequences, he is America's immortal hero of defeats. Yet he holds a place in our national esteem which grows more and more as years go by. True Americans without regard to their political sentiments or the sectional country in which they live, hold in sacred regard the memory of this superb man. And Virginia has selected his statue along with Washington's to be put in the capitol at Washington as those of her two great-

3. The best is Abraham Lincoln. A child of our frontier life, born in a rough cabin, the son of poor, unlettered and common parents, he was the heir of domestic spirit. He inherited no ancestral traditions to stir his boyish heart with exalted ambitions; no community surroundings to refine his thought and polish his manners; no educa-

4. Robert E. Lee was the son of a noble line of gentlemen and a patron of letters, and in the copy is the citizen of the country and the heir of industrial traditions that made possible to him the day when he will own the paper and his voice become a national power. That is not the dream of democratic idealism, it is the wonderful record of our democratic industrialism, a roll that also re-

5. The story of his life is common Americanism, is an infinite faith in the rights of unadorned manhood. And the supreme place which Americans who rightly understand the genius of civilization give to personality, the sincere enthusiasm with which they hold their faith in the divine rights of manhood; the hearty homage which they pay to the lord-

6. How will we account for his fame? How can we ex-

7. How would he account for his fame? How can we ex-

8. Until the shadows of ignorance, and no wealth to take from his hand to European advantages to push back from his youthful vision the shadows of ignorance, and no wealth to take from his shoulders the crushing weight of daily toil. He was no debtor to favorable circumstances; he owed nothing to public approbation and no iron gates closed before him the path to service and to fame. He took counsel with the highest voices in his soul, and, like the Wise Men of olden times, followed the brightest star in the skies. The story of his life is common household knowledge among Americans. I need not repeat the details of how he rendered circumspection and no pre-
strain his rare wisdom was a guide in national affairs. But Robert E. Lee was never a minister at a foreign court; he was never in the councils of State.

Thomas Jefferson as the author of the Declaration of Independence and the founder of a political party gained a place of lasting fame in our history. But Lee wrote no governmental documents and founded no political party.

Pulitzer and Morse by invention and discovery brought the nation under everlasting gratitude to them, and their names hold high place in our history. But Lee invented nothing, he discovered nothing.

Emerson, Lowell, Whittier and Longfellow gave American literature a larger place in the world, and for their work do we them increasing honor. But Lee wrote no poetry, history or philosophy.

Webster and Clay and Calhoun in the legislative halls of the nation contended for the rights of States and let us speeches that give us splendid examples of oratory. But Lee was never a legislator, and he made no speech that belongs to our literature.

George Washington for seven weary years followed the hopes of his people through the war and in the end gained their freedom and gave a new nation to the world. He returned from the field of battle to be greeted with the shouts of a conquering people, and to be crowned with the honors of an immortal hero. It is natural to admire victory and to exalt a victor. But Lee after four years of an heroic struggle as ever engaged human courage, came at last to an overwhelming defeat. When he turned from Appomatox to rebuild a college in the mountains of Virginia.

Yet this man has honor; he has increasing admiration; he has immortal fame. Why? Does it not take victory to gain fame and honor and admiration? He has reversed the order of history and conquers without victory, and achieves without success. By what strange law does he do these things? There is but one satisfactory answer. He does them by the might and majesty of his incomparable personality. He is our one American who does not need triumph to make him great. Men honor him because he was brave, they praise him because he was clean, they pay him tribute because he was godlike, they build monuments to him because he was the embodiment of invincible manhood. So he will stand along with Lincoln to prove by undeniable fact that in American manhood is the one thing that counts, and that Americans believe in it whether he is in friend or foe.

Sir, as a college president, to some extent seriously desirous of inculcating in Southern youth who come up under my direction the true idea of Americanism as I see it. I have often coveted the right and the ability to build on my college grounds an American monument. I should build a great, strong pedestal upon which with their sheathed swords at their feet, clasping each other's right hand, I should place the statues of Ulysses S. Grant and Robert E. Lee, the hero of victory and the hero of defeat. I should symbolize by their hand-grip the reunion of a land too strong to be hewn asunder by battle-axe. I should adopt as the sentiment to be inscribed upon it those famous words of Grant: "Let us have peace." On one side of the pedestal with bronze tablets I should celebrate the virtues of the Federal soldier, on another I should celebrate the virtues of the Confederate soldier. On another I should pay tribute to the unparalleled patriotism of American motherhood and sisterhood; and on the remaining I should pay due honor to the high example of loyalty so sublime illustrated by the old negro daddy and mammy who worked in Southern corn fields and cared for Southern women and children during those years of fierce strife. And, sir, out of the whole conception I would wish the student to read this glorious truth: Americans believe in the union of their country; they believe in and exalt human virtues whenever expressed, whether in friend of foe, whether in man or woman, whether in lord or slave, whether in white or black. Whether in the North or the South or the East or the West, always and everywhere Americans believe in manhood and manhood's virtues.

We have a great country, sir, and it bequeaths us all to labor for its largest prosperity. I come from that great section of it that lies on the other side of the Ohio River. Many of the most tragic chapters in the eventful history of our nation have been wrought out down there, and not a few of the men whose names give glory to our past have been sons of the South. Out of that I bring you greetings. We have come to know that our fields and forests, our mountains and our rivers, are filled to the brim with undeveloped resources of wealth, and we are busy trying to bring them forth. Week after week we are adding millions to the wealth of the nation. A new generation of Southerners have taken charge of our industries, and under their vigorous leadership the South is coming into a new era of prosperity. I tell you these things because I am sure that no other class of Americans is more deeply interested in the welfare of every section of our country than the American bankers are. What should chiefly concern the South and the North and the East and the West is how wisely to wisely use our enormous resources of wealth for the permanent good of mankind, and to illustrate to the world the faith of James Madison when he said, "The United States is useful to prove things that have not yet been proven."
Committee Reports—Banking Section.

Annual Report of the Secretary, Fred. E. Farnsworth.

New York, September 1, 1909.

To the American Bankers' Association:

This report marks the close of my second year's administration of the affairs of the American Bankers' Association, and it is with much pride that I submit same covering in a general way the year's business. This report with all others which will be presented to this convention, will show the Association in a most prosperous condition, and the past year the most successful in its history in growth, activity and results, and in distinction and in the satisfaction of a large membership. It is not necessary at this time to enlarge on the work of the sections and committees, nor to occupy your time by going into details, for you will have full reports from these adjuncts of our Association.

EXECUTIVE COUNCIL.

The report of Chairman Watts deals generally with what has been accomplished by the Council. As to the method of selecting its members, I believe this change was a wise one. While it was feared that the new Council might be too large in number to discharge business expeditiously, the May meeting was a disclaimer of this belief. The business was so arranged and carried on that there was no more successful meeting in any particular when the Council was small in numbers. By allowing each State to select their own members on the Council, additional interest has been created in the Association and its work. Representative men of the various States are now chosen and harmony prevails.

SECTIONS.

The Sections have been active along the various lines laid out by them and for which they were established. The Trust Company Section has compiled for its members some valuable publications. The Savings Bank Section, through a special committee, has shown great activity and done very efficient work in its campaign against Postal Savings Banks, and by a special effort materially increased our membership. The Clearing House Section has perhaps done the most effective work in its history and has in operation features which will rapidly develop to the advantage of the clearing houses of the country. The American Institute of Banking Committee, having increased the Institute, has now 11,651 members and fifty-one chapters. The work which is being done by the Institute and its chapters is of incalculable benefit to the bank clerks of the country, and incidentally will extend its influence and power and training to the banker of the future.

CURRENCY COMMISSION.

The appointment of the Monetary Commission of Congress over a year ago caused the suspension of all banking and currency legislation, hence the operations of the Currency Commission for the time being have ceased. While member of the Currency Commission, yet representing it as secretary, it would seem wise to me that we should continue this Commission as a part of our work. When the Monetary Commission shall finally report out a bill, it may then become necessary for our Currency Commission to act. I have great faith, however, in the outcome of the work which is being done by this body and believe that there will come from their deliberations and investigations a new banking and currency bill which will be satisfactory to the financial and commercial interests of the nation.

STANDING PROTECTIVE COMMITTEE.

The year just closed, as in the past, emphasized the importance of the work of the Standing Protective Committee. Without question there is no other feature of the American Bankers Association which so strongly appeals to the banks of the country as the services rendered to your Secretary during the past winter, with the increased work in these offices, that the protective feature was not and could not receive the close attention which it was also obvious in so great a work as this and of such peculiar nature that it would be much more effective were there a department provided for this work by a man more experienced in this class of work. My suggestion to our Standing Protective Committee in this regard appealed to them, and the results of their recommendations to the Executive Council at our spring meeting. That these matters have the fullest investigation, and a move of this importance receive proper consideration, a special committee was appointed and authority given to the executive officers of the Association to establish a Protective Department. The Special Committee, after its deliberations, decided in favor of the proposition, and on April 2 the new department was created, and there was placed at the head of it Mr. L. W. Gammon, who held a most responsible position in the United States Secret Service, and who was very highly recommended for the place. That this was a wise move is already apparent, and the past year the sixteen years in the Secret Service will insure much more effective results in this department in the future, and without doubt, realize a saving to the Association, and give more prompt and satisfactory service. The Association has a most excellent Protective Committee who are earnest and painstaking in their duties, and have been willing to sacrifice their time when occasion required. The Association in to be congratulated in this respect.

COMMITTEES.

The Association now has six active standing committees. At the Bellevue meeting of the Executive Council, four of our committees were either discharged because their duties had been performed, or their work was merged with that of other standing committees. Time and space prevent my taking up the work which has been accomplished by these committees during the past year. The work has been extensive and great results have been achieved which are appreciated by the membership, and will be of great benefit to the Association in the future. The standing committees referred to are as follows: Finance Committee, Committee on Bills of Lading, Standing Law Committee, Federal Legislative Committee, Committee on Express Companies and Money Orders, Institute of Banking Committees, State Associations. We now have in the union forty-six State Associations. During the past year there have been organized three Associations, namely, Nevada, Utah and Vermont. There are the States without Associations—New Hampshire, Rhode Island and Delaware. I have come to look upon these State bodies as the strong bulwark of the banking interests of the country. Without their active interest and co-operation, the work of the National Association will never be successful. The representatives of the American Bankers' Association I have been very warmly received by the State bodies, and I am sure that these visits have been advantageous to this Association as well as the State Associations. Since our last annual convention I have attended the conventions of Illinois, Alabama, Mississippi and New Jersey; the Tri-state convention of Oregon, Washington and Idaho; the joint meeting at New Orleans of the States of Alabama, Texas, Mississippi and Louisiana; the organization of the South Dakota State Association; the Annual Dinner of the Massachusetts State Association, and Groups No. 6 and No. 8. Nevada, Utah and Idaho; the Annual Banquet of New York Chapter American Institute of Banking; and the Seventh Annual Convention of the American Institute of Banking at Seattle. As Secretary of the Organization of Secretaries of State Bankers' Association, of which I was one of the founders, I have been very closely into contact with the Secretary of every State Association, and in them I have found the warmest friends of our own great organization.

LEGAL DEPARTMENT.

Although the Legal Department may have been considered problematical by some, the wisdom of this action was never questioned by the Secretary, for many of the State Associations had such departments which were successful. General Counsel Paton's long experience as editor of the "Banking Law Journal," and as a student of banking law, and as attorney for our various committees, had ably fitted him for the position. Mr. Paton has been strongly supported by the Legislative Committees of the various States and much has been accomplished in new laws drafted by him and passed by many of the States. Our membership has to a great extent also taken advantage of the privilege of obtaining opinions on questions of banking law which have been given publicity through the "Journal.

THE "JOURNAL.

The "Journal" completed its first year on July 1. The general office has every evidence from our large membership, by correspondence and otherwise, that the publication meets with great favor and that it (of a supply) is now in demand. The "Journal" is now in the hands of Mr. Paton and is now being issued weekly, and the Association has to a great extent availed itself of the circulation of the "Journal" to bring together our entire membership monthly and keep them closely in touch with what is transpiring in Association affairs.

ASSOCIATION OFFICERS.

Since my last report of one year ago all of the adjunctions of the Association have been brought together under one roof and occupy our general suite of offices. With the increase of departments and work, it became necessary to enlarge the office
The net loss for the year in delinquents decreased as follows:

MEMBERSHIP BY STATES.

As of August 31, 1909.

| State       | New Hampshire | New Jersey | New York | California | North Carolina | North Dakota | Ohio | South Dakota | Tennessee | Texas | Utah | Virginia | Washington | West Virginia | Wyoming | Idaho | Illinois | Indiana | Iowa | Kansas | Kentucky | Louisiana | Maine | Maryland | Massachusetts | Michigan | Minnesota | Missouri | Montana | Nebraska | Nevada | New Hampshire | New Mexico | New York | New Jersey | New Mexico | New York | New Mexico | New York | New Mexico | New Mexico | New York | New Mexico | New York | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New York | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New Mexico | New M
It would not be possible to carry on so vast an organization as ours successfully and make the progress that has been made, if you have not had the hearty support of the executive officers, committees, and members, and I desire to express my sincere appreciation for the splendid courtesies and services which I have received from President Reynolds, Vice-President President, and Chairman Winch. These gentlemen have been ever ready to respond to every call upon them, and in every direction of the interest of the Association, and Treasurer Kaufman has been a live, energetic and enthusiastic official, co-operating with the general officers in the increase in membership, has been largely due to the efforts of these officials, and to them I express my sincere thanks. The additional work in the Association brought about by new features and departments made it necessary to enlarge to a certain extent the office force. To them and to Assistant Secretary Farnsworth is due much credit for expeditions week and they have all willingly contributed to the success of the administration by faithful services.

Prospective.

It is an established fact that the Association today is more widely and better known than at any other time in its history; that the business of the Association has never been so prosperous as at present. It is my firm belief that it will continue to grow in prosperity and achievements. It will be necessary, however, to be ever active and alert and increase our new places of business from time to time, and to me one of the most important steps in the near future will be the publication of a bankers' directory to embody the Association, of course, all extraneous matters, having the publication in compact and convenient form: this I believe would be appreciated by our membership.

Mr. President and Gentlemen:

You will find my report as Treasurer of the Association printed in full in the little pamphlet entitled "Reports," which has been distributed throughout the hall.

I will not read it in full, but simply call your attention to some points of reference. The fact is, in the year ending September 1, 1909, the accounts of the Treasurer are kept in the home office of the Association under the management of Secretary Farnsworth.

Most of you are aware of the fact that all this labor has been taken off the shoulders of the Treasurer, who is simply the disbursing officer. After the appropriations have been made by the Executive Council, the accounts against each of the various organizations of the Association and the several committees to which appropriations have been made are kept by the Secretary in the New York office, and the vouchers as drawn and countersigned by the Treasurer for payment in one course. The active work of the Association being conducted in the New York office, it is, of course, necessary that the accounts of the several organizations and committees be kept there. At the close of each month an account is stated by the Secretary as against the Treasurer, five copies of which are made and forwarded to the Treasurer for reconciliation. One copy of which, with the reconciliation sheet, is sent to the President of the Association, one to the Vice-President, one to the Chairman of any committee of the Executive Council, one to the Secretary at the New York office, and the fifth retained by the Treasurer in his own office. In this way the accounts are so thoroughly authenticated. It is possible for any one of the members of the Association to go into the Secretary's office and in a moment find the exact balance in the hands of the Treasurer, the amount expended by any committee, and the purpose for which the expenditure was made. At the close of each year the accounts of the Association are carefully examined and audited by the Auditors Corporation of New York, all the vouchers in the Treasurer's hands being forwarded for examination. I cannot see how it is possible to improve upon the method in which the accounts of the Association are kept.

Respectfully submitted, P. C. KAUFMAN, Treasurer.

TREASURER'S FINANCIAL REPORT
FOR FISCAL YEAR ENDING AUGUST 31, 1909.
BANKING

Traveling expenses ........................................... 1,061.41
Executive Council, Vice- Presidents and Secretaries ........... 604.55
Refund account dues, 1907-1908, prepaid ................................ 5.60
Refund account dues, 1909, prepaid ................................ 150.23
Refund account dues, 1909, prepaid ................................ 10.60
Executive Council meeting, 1909 .................................. 7,569.29
Sigs. and postage ................................................. 256.60
Gold hedges for President and 40 members of Executive Council .... 213.17
Surplus expenses .................................................. 1,306.97
Balance August 31, 1909 ......................................... 2,075.86

$123,414.55

September 1, 1909:
Cash balance .................................................... $2,075.86

Report of Standing Protective Committee.

New York, September 1, 1909.

To the Executive Council of the American Bankers' Association:

Gentlemen—The detailed Financial Report of the Standing Protective Committee for fiscal year ending August 31, 1909, is as follows:

RECEIPTS.

Oct. 1, 1908, by Appropriation Executive Council ... $25,000.00
May 1, 1909, by Appropriation Executive Council .... 20,000.00
Received from data from the Hanover Bank, New York ... 37.50
Received from Salsbury Savings Bank, Salsbury, Maryland .. 12.05

$45,049.55

DISBURSEMENTS.

Pinkerton National Detective Agency, service for contract for one-half fee due September 1, 1909, 8,998 Members at $2.95 ....... $18,075.60
Same due May 1, 1909, 10,010 Members at $1.50 ........... 15,015.00
Account of special cases ....................................... 15,024.67

$48,115.27

Credit Balance, August 31, 1909, charged off per resolution of Executive Council ....... $713.18

The following data will show you the result of the Committee's work during the year:

The record of criminals arrested, convicted, sentenced, awaiting trial, bank burglaries, etc.

Arrested prior to September 1, 1908, 25; arrested since September 1, 1908, 125; convicted, 91: sentences of 177 years and 9 months; indeterminate terms, 21; suspended sentences, 9; escaped convicts, 13; confined or released, 47; awaiting trial, 47.

During the last year there were 88 robberies upon non-members, amounting to $177,900.00, and 19 cases against 215,576.01 by members, making a difference of $116,231.26.

The number of robbery offenses upon non-members was 8, with a loss of $2,625, against an attack on 7 members, with a loss of $15,062.15, making a difference of $12,437.15.

The total of imprisonment for criminals that have been convicted for the fiscal year 1908-09, amount to 377 years and 9 months. This does not include 21 indeterminate terms.

The following cases are pending or have been concluded:

1. "The Committee will not take cognizance of petty larcenies or thefts by employees.

2. "The Protective Committee can spend no money, undertake no detective work, employ no lawyers and pay no fees to any kind in cases of local swindles, or frauds or confidence tricks. The vigilance, alertness and energy of the officers of the banks must be relied upon in such cases."

3. "The Association cannot take cognizance of petty larcenies or thefts by employees.

4. "The Committee cannot undertake action on any case unless immediate notice of crime has been given to the Secretary or such notice sent to the nearest Pinkerton office."

5. "The Committee will not take cognizance of cases where other than members are defrauded. If customers of members cash checks for unidentified strangers, and such turn out to be fraudulent, the officer of the Pinkerton Agency at their own expense."

As a result of the work of the Protective Committee increasing to such an extent, and in view of the fact that it was impossible for the Secretary's Office to give the required attention to this work, the association, after considerable study of the situation, authorized the Protective Committee to employ an officer, on August 2, 1909, of a representative of the Government Secret Service, who had been for years in its employment. The Committee believes the appointment of a Confederate agent, to be a great benefit to the association. The Committee believes that the appointment of a Confederate agent, to be a great benefit to the association. The Committee believes that the appointment of a Confederate agent, to be a great benefit to the association.

Your Committee have examined, reported and acted on over 20,000 letters and reports in connection with their work during the fiscal year 1909.

We are pleased to report that there have been fewer crimes in proportion perpetrated against members than for any previous year. We refer you to the report of the Pinkerton National Detective Agency for additional details.

Respectfully submitted,

STANDING PROTECTIVE COMMITTEE.
## BANKERS' CONVENTION.

### Financial Statements of the Various Committees.

**Credit Balances as reported September 1, 1909, charged off as per Resolution of the Executive Council.**

**AMERICAN INSTITUTE OF BANKING.**

**New York, September 1, 1909.**

From September 1, 1908, to August 31, 1909.

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Receipts</th>
<th>Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct. 1, 1908, By Appropriation</td>
<td>$7,500.00</td>
<td>Special Work</td>
<td>$736.00</td>
</tr>
<tr>
<td>May 5, 1909, &quot;</td>
<td>500.00</td>
<td>Buttons</td>
<td>10.00</td>
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<tr>
<td>May 5, 1909, &quot;</td>
<td>500.00</td>
<td>Stationery and Printing</td>
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<tr>
<td>May 5, 1909, &quot;</td>
<td>500.00</td>
<td>Typewriter and Stenographer</td>
<td>24.00</td>
</tr>
<tr>
<td>May 5, 1909, &quot;</td>
<td>500.00</td>
<td>Traveling Expenses</td>
<td>949.50</td>
</tr>
<tr>
<td>May 5, 1909, &quot;</td>
<td>500.00</td>
<td>Postage</td>
<td>464.00</td>
</tr>
<tr>
<td>May 5, 1909, &quot;</td>
<td>500.00</td>
<td>Sunset</td>
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<tr>
<td>May 5, 1909, &quot;</td>
<td>500.00</td>
<td>Special Appropriation</td>
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</tr>
<tr>
<td>May 5, 1909, &quot;</td>
<td>500.00</td>
<td>Executive Committee Meeting at Briarcliff, N. Y.</td>
<td>740.90</td>
</tr>
<tr>
<td>May 5, 1909, &quot;</td>
<td>500.00</td>
<td>Postal Savings Banks</td>
<td>7,535.00</td>
</tr>
<tr>
<td>May 5, 1909, &quot;</td>
<td>500.00</td>
<td>Savings Bank Laws</td>
<td>284.40</td>
</tr>
<tr>
<td>May 5, 1909, &quot;</td>
<td>500.00</td>
<td>Membership</td>
<td>88.85</td>
</tr>
<tr>
<td>May 5, 1909, &quot;</td>
<td>500.00</td>
<td>Vice-Presidents</td>
<td>46.74</td>
</tr>
</tbody>
</table>

**Credit Balance, September 1, 1909** | $1,402.82

### CURRENT COMMISSION.

**New York, September 1, 1909.**

From September 1, 1908, to August 31, 1909.

#### RECEIPTS.

**Oct. 1, 1908, By Appropriation** | $7,500.00

#### DISBURSEMENTS.

**Special Committee, 1907-1908** | $1,493.00

**Stenographic Work** | $20.00

**Traveling Expenses** | $1,991.37

**Typewriting and Stenographer** | $24.00

**Postage** | $464.00

**Sundry Expenses** | $20.00

**Credit Balance, September 1, 1909** | $347.18

### TRUST COMPANY SECTION.

**New York, September 1, 1909.**

From September 1, 1908, to August 31, 1909.

**RECEIPTS.**

**Oct. 1, 1908, By Appropriation** | $7,500.00

**4 Copies Trust Co. Proceedings** | $11,500.00

**24 " Proceedings 1904-1908** | $72.00

**25 " Proceedings 1904-1908 (less exchange, 60c.)** | $352.00

**27 " Trust Company Laws** | $598.00

**Stamped envelopes, returned** | $15.40

**Account Meeting of Executive Council, overpaid** | $7.25

**Sale of one bookcase** | $15.00

**Credit Balance, September 1, 1909** | $9,004.55

### CURRENCY COMMISSION.

**New York, September 1, 1909.**

From September 1, 1908, to August 31, 1909.

**RECEIPTS.**

**Oct. 1, 1908, By Appropriation** | $7,500.00

**4 Copies Trust Co. Proceedings** | $2.00

**Printing, Stationery and Supplies** | $277.45

**Postage** | $675.00

**Stenography and Typewriting** | $332.00

**Rent** | $337.50

**Convenience Expenses** | $282.05

**Allowance of Secretary** | $1,575.68

**Book of Proceedings** | $69.30

**Credit Balance, September 1, 1909** | $5,895.94

### DISBURSEMENTS.

**Printing, Stationery and Supplies** | $238.64

**Stamping Expenses** | $144.00

**Rent** | $110.00

**Professional Services (Legal)** | $2,500.00

**Better Badges** | $97.50

**Printing and Stationery** | $18.15

**Postage** | $17.60

**Sundry Expenses** | $46.97

**Credit Balance, September 1, 1909** | $704.32

### AMERICAN INSTITUTE OF BANKING.

**New York, September 1, 1909.**

From September 1, 1908, to August 31, 1909.

**STANDING LAW COMMITTEE.**

**New York, September 1, 1909.**

From September 1, 1908, to August 31, 1909.

**COMMITTEE ON BILLS OF LADING.**

**New York, September 1, 1909.**

From September 1, 1908, to August 31, 1909.

**COMMITTEE ON EXPRESS COMPANIES AND MONEY ORDERS.**

**New York, September 1, 1909.**

From September 1, 1908, to August 31, 1909.

**COMMITTEE ON UNIFORM LAWS.**

**New York, September 1, 1909.**

From September 1, 1908, to August 31, 1909.
**BANKING SECTION.**

**SUNDRISES**

44.65

**At Atlantic City there were marked dissensions, and what difficult task.**

The Executive Council, as at present constituted, is the largest and most representative in the history of the Association. The detailed reports of all such work will be very thoroughly presented to you during this Convention by those in whose immediate charge it was placed.

Practically all of the special work undertaken by the Committees of this Association in the past has been well done and of real value, and while the record stands so, it seems a most opportune time to call attention to the disappointments of most of similar bodies to constantly increase the number of Special Committees-out of proportion to the importance of the work upon which they are called to do. The record of your present Council is most excellent on this point, as only two special committees were created and those were unanimously appointed—while it is true that the term of all committees created by it should end at the first meeting of the body thereafter, unless appointed for some other specific time or continued by affirmative action.

The Association and its sections have been especially active in opposing these after-the-fact proposals, "the Bank Guarantee of Deposits" and "Postal Savings Bank." Equally wrong in principle, the latter seems more formidable because of the power and influence of its advocates and because the defects of the guarantee scheme are more glaring, and therefore more effectively placed before the public. The Currency Commission has not been as active during the last year as during the previous one. This apparent inactivity should not be misunderstood. The interest of the Association as a whole and that of the Currency Commission has not been static during the year, but what the best thoughtful bankers have been crystallizing more and more upon the true principles of currency reform as set out in the "Special Currency Commission Report," no argument. The principles they enunciated are not altered or affected by the growing sentiment among the best bankers and public opinion favoring a central bank. After the appointment of the Special Currency Commission by Congress, a committee of the highest type and apparently seeking after the plan most suitable to our conditions and necessities, the officers and committees of this Association considered their duty lay in supporting the report of the latter's most thorough and non-partisan investigation.

**COMMITTEE ON VOUCHER CHECKS.**

**From September 1, 1909, to August 31, 1909.**

<table>
<thead>
<tr>
<th>RECEIPTS</th>
<th>DISBURSEMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct. 1, 1909, By Appropriation</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>May 5, 1909, By Resolution of Executive Council</td>
<td>$1,551.84</td>
</tr>
<tr>
<td>Credit Balance September 1, 1909</td>
<td>$1,551.84</td>
</tr>
<tr>
<td>COMMITTEE ON VOUCHER CHECKS.</td>
<td></td>
</tr>
<tr>
<td>New York, September 1, 1909.</td>
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<td>From September 1, 1909, to August 31, 1909.</td>
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<td>$1,551.84</td>
</tr>
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</table>

**COMMITTEE ON REVISION OF THE CONSTITUTION.**

From September 1, 1909, to August 31, 1909.

To say something of the Association and its work not already brought to your attention through the "Journal" is a difficult task. The Executive Council, as at present constituted, is the largest and most representative in the history of the Association. The detailed reports of all such work will be very thoroughly presented to you during this Convention by those in whose immediate charge it was placed.

The Association and its sections have been especially active in opposing these after-the-fact proposals, "the Bank Guarantee of Deposits" and "Postal Savings Bank." Equally wrong in principle, the latter seems more formidable because of the power and influence of its advocates and because the defects of the guarantee scheme are more glaring, and therefore more effectively placed before the public. The Currency Commission has not been as active during the last year as during the previous one. This apparent inactivity should not be misunderstood. The interest of the Association as a whole and that of the Currency Commission has not been static during the year, but what the best thoughtful bankers have been crystallizing more and more upon the true principles of currency reform as set out in the "Special Currency Commission Report," no argument. The principles they enunciated are not altered or affected by the growing sentiment among the best bankers and public opinion favoring a central bank. After the appointment of the Special Currency Commission by Congress, a committee of the highest type and apparently seeking after the plan most suitable to our conditions and necessities, the officers and committees of this Association considered their duty lay in supporting the report of the latter's most thorough and non-partisan investigation.

Before concluding, I take this opportunity to publicly express my appreciation of the official and personal association during the year with the President, First Vice-President, Secretary, Treasurer, General Council and the entire membership of the Executive Council. So far men ever worked more harmoniously to the common end of building up our profession in America.

**REPORT OF EXECUTIVE COUNCIL, BY F. O. WATTS, CHAIRMAN.**

To the American Bankers' Association:

"Through the merger of the American Bankers' Association" the members have been so well informed from month to month of the work of the Executive Council and the Special Committee and officers under its control, that for the long established custom of having a written report for such Convention, and my constant purpose to fall in with all good customs and procedures, I would have no further report.

"To say something of the Association and its work not already brought to your attention through the "Journal" is a difficult task. The Executive Council, as at present constituted, is the largest and most representative in the history of the Association. The detailed reports of all such work will be very thoroughly presented to you during this Convention by those in whose immediate charge it was placed.

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**REPORT OF GENERAL COUNSEL, THOMAS B. PATON.**

During the year since the Denver Convention, the work of General Council has been devoted to the promotion of legislation having for its object the greater safety of banking transactions, as well as general banking and other general matters of interest to the profession, and has also included active and continuous services rendered the various sections and committees and the members in general.

**LEGISLATIVE MEASURES.**

I am pleased to report that the various legislative measures drafted and introduced by the General Council in the Association in the banking interest have met with considerable success during the year. No less than thirty-seven Association bills have been enacted in different States, and this does not include the Negotiable Instruments Law, which has been enacted in two additional States, and the Uniform Warehouse Receipts Act, which has been passed in eight States this year.

1. The bill to punish the banking or use of false statements...
been introduced in a large number of other States, but have not been compulsory upon the bank. Deposit guarantee laws have been enacted in Michigan, Montana, and in South Carolina in modified form. Nebraska has enacted a Guarantee law under which the beneficiary upon the death of the Trustee has been passed in Michigan, Montana, and New Jersey.

9. The bill authorizing the payment of a deposit standing in trust to the beneficiary upon the death of the Trustee has been passed in Michigan, Montana, and in South Carolina in modified form.

10. The bill requiring a notary, though a stockholder of a bank, to take acknowledgments and protest paper where the bank is a party, has been enacted in Michigan, Montana, New Jersey and Wyoming. The promotion to enactment of such a large number of bills has proceeded with technical corrections, together with the preparation and making of a number of legal arguments, and the result is most gratifying. But in this connection it must be said that all these Association measures, so far as enacted, were drafted or prepared by General Counsel and put forth with the approval and recommendation of the Standing Law Committee and other committees of the Association, and that the new law provides that the net income shall be ascertained by deducting certain specified expenses, losses, and other items from gross income. The law also provides that in the law as finally passed, this defect was corrected and recommendations made.

CORPORATION TAX AMENDMENT.

On August 5 the Congress enacted a Corporation Tax law as part of the Tariff Bill, by this a special excise tax equivalent to one per cent. upon the entire net income of corporations over $5,000, is imposed, and all corporations, State and National, are subject to this tax.

7. The bill amending the Negotiable Instrument Law, by clearing up all doubt when a time instrument made payable at a bank may be paid, specifying that payment must be made on the day of maturity only, has been passed in Missouri, Montana and New Jersey.

8. The bill providing for the payment of a deposit in trust to the beneficiary upon the death of the Trustee has been enacted in Michigan, Montana, and in South Carolina in modified form.

9. The bill authorizing the payment of a deposit standing in trust to the beneficiary upon the death of the Trustee has been passed in Michigan, Montana, Nebraska and New Hampshire. It is a part of the State Bankers' Associations merely as suggested measures for local needs and conditions required; and it has been chiefly

10. The bill qualifying a notary, though a stockholder of a bank, to take acknowledgments and protest paper where the bank is a party, has been enacted in Michigan, Montana, New Jersey and Wyoming. The promotion to enactment of such a large number of bills has proceeded with technical corrections, together with the preparation and making of a number of legal arguments, and the result is most gratifying. But in this connection it must be said that all these Association measures, so far as enacted, were drafted or prepared by General Counsel and put forth with the approval and recommendation of the Standing Law Committee and other committees of the Association, and that the new law provides that the net income shall be ascertained by deducting certain specified expenses, losses, and other items from gross income. The law also provides that in the law as finally passed, this defect was corrected and recommendations made.

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As applied to a bank, the term "other indebtedness" would cover deposits and a reasonable construction of this provision, as passed by the Senate, would have prevented a bank from deducting from its gross income all interest paid on amount of deposits in excess of capital. This would have been a very serious hardship on a large number of banking corporations whose lines of business were depositing accounts. Accordingly, General Counsel immediately prepared a brief showing this defect and this hardship in the law, which was submitted to the President of the Association, approved by him and immediately sent on to the proper committee at Washington. As a result I am pleased to report that in the law as finally passed, this defect was corrected so that banks are allowed to deduct from gross income all interest paid on deposits during the year. This correction was made by an addition to the clause I have quoted of the following language:

"...and in the case of a bank, banking association or trust company, all interest actually paid by it within the year on deposits."

In the progress of his work, General Counsel, has accumulated the Banking Laws of all the States, together with the latest amendments; also the current decisions affecting banking and banking transactions, which have been arranged and classified, so as to constitute a bureau of legal information for ready reference.

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The bank in event of "night hold-ups," a kind of loss which has not heretofore been covered, is the result of agitating the subject in the "Journal." A considerable number of legislative committees were appointed to consider and report on certain items of loans and investments by savings banks, fixing the minimum salaries of savings bank presidents, and increasing the salaries of the Bank Commissioners.

SUMMARY OF STATE LEGISLATION DURING 1909

A new Banking Law, which was prepared under the supervision of a committee appointed by the California Bankers' Association, and a commission appointed by the Governor, was enacted this year. Under this law banks are divided into three classes.

(a) Savings Banks.
(b) Commercial Banks.
(c) Trust Companies.

Savings banks are required to hold two-thirds of their deposits on hand or with other banks, and the investments made, shall be held solely for the repayment of the depositors in said banks. The State Depository Law enacted two years ago makes it obligatory for all banks outside of the city 10 per cent. The Delaware legislature passed a law requiring all State banks and trust companies to keep a reserve fund, which, in the case of banks in the City of Wilmington, must be 15 per cent, and as to all banks outside of the city 30 per cent. Five per cent, of this reserve fund must consist of cash in hand; the remainder of deposits may be kept in approved banks.

ILLINOIS

By Act approved June 8, 1908, the legislature adopted the principle of the Association measure to punish the making of statements for credit, by amending Section 97 of the Criminal Code, so as to extend the crime and punishment of an officer or employee of a corporation, or a member who obtains credit for his corporation, or a member who obtains credit for himself, Section 97, as amended, is given below; new matter in blackface.

"Sec. 97. Whoever by any false representation in writing of [his own] the respectability, wealth, mercantile correspondence or connections, or assets or liabilities of himself, or of any firm for which he is a member, or whoever, being an officer of a corporation, by any false representation is writing, known by him to be false and signed by him, of the respectability, wealth, mercantile correspondence or connections, or assets or liabilities or of any or all of them, of such corporation, obtained credit for himself, for such firm or for such corporation, and thereby causes any person of money, goods, chattels or other valuable thing, or whoever procures another to make a false report in writing, known by him to be false and signed by him, of the respectability, wealth, mercantile correspondence or connections, or assets or liabilities of such corporation, obtained credit for himself, for such firm or for such corporation, and thereby causes any person of money, goods, chattels or other valuable thing, shall be sentenced to return the money or property so fraudulently obtained, if it can be done, and shall be fined not exceeding $2,000 and confined in the county jail not exceeding one year." A law was passed making the 12th of October, or Columbus Day, a legal holiday in each year.
A bank guarantee bill and an inheritance tax bill were before the legislature, but did not pass.

KANSAS.

The Legislature of Kansas created a Bank Depositors’ Guarantee Fund. This bill does not require new assessments, but banks which are qualified (banks having surplus of 10 per cent. of capital and surplus with like surplus after doing business one year) are “authorized and empowered to participate in the assessments, and benefits and to be governed by the regulations of the Bank Depositors’ Guarantee Fund.

Certificates are issued by the Bank Commissioner to the guaranteed banks. The cost of a bond deposit (or cash in lieu thereof) with the State Treasurer of $500 for every $100,000, or fraction, of average daily deposits until deposits eligible to guarantee before a bank can receive a certificate, approximates $500,000. In the event of depletion, additional as- proportionate share of money then in the Depositors’ Guarantee Fund, claims of depositors revert to the Depositors’ Guarantee Fund until the fund is fully reim-

The following bills were this year passed by the Maine legislature:

1. An Act to punish the making or use of false statements to obtain credit.
2. An Act to punish the making, delivering or transmitting of statements, representations, or expressions deceptively to the depositor of a bank, or the establishment of a bank.
3. An Act concerning notaries public who are stockholders, directors or employees of banks or other corporations.
4. An Act defining bills of lading, presenting as to the form, issue and surrender thereof, with penalties.
5. An Act to the use of the words “Savings,” “Trust” and “Safe Deposit” except by authorized corporations; but allow-

BILLS AND OTHER MEASURES WHICH ENSURED THE PROTECTION OF DEPOSITORS.

The Banking Law of the State was also amended in several pa-

The legislature of Michigan enacted the following measures recommended by the American Bankers’ Association:

1. An Act to punish the making or use of false statements to obtain credit.
2. An Act to punish the making, delivering or transmitting of statements, representations, or expressions deceptively to the depositor of a bank, or the establishment of a bank.
3. An Act defining bills of lading, presenting as to the form, issue and surrender thereof, with penalties.
4. An Act concerning notaries public who are stockholders, directors or employees of banks or other corporations.
5. An Act to the use of the words “Savings,” “Trust” and “Safe Deposit” except by authorized corporations; but allow-

The Uniform Warehouse Receipts Act was passed this year.

BANKERS’ CONVENTION.

The following bills were this year passed by the Maine legislature:

House No. 71. Investment of deposits of savings banks.

House No. 81. Clamping official designation of head of Banking Department, and giving such head powers in relation to ex-

MASSACHUSETTS.

Bills have been enacted into law as follows:

Chapter 445, Acts of 1909, for the making of savings deposits in trust companies. Last year trust companies were compelled by law providing other savings banks. This State depository banks (as provided by law governing other State depository banks) subject to the order of the Bank Commissioner. In case of failure, Commissioner takes charge of the bank, issues to depositors upon which bank has reserved right to require . notice of withdrawal.

The following bills were this year passed by the Maine legislature:

House No. 262. Giving savings banks power to loan, maintain and receive deposit loans and vaults.

Senate No. 83. Relating to taxation of loan and building as- sociations.

Senate No. 102. Exempting State and municipal banks from taxation.

House No. 602. Amending the law relating to investments of savings banks.

The legislature of Michigan enacted the following measures recommended by the American Bankers’ Association:

1. An Act to punish the making or use of false statements to obtain credit.
2. An Act to punish the making, delivering or transmitting of statements, representations, or expressions deceptively to the depositor of a bank, or the establishment of a bank.
3. An Act defining bills of lading, presenting as to the form, issue and surrender thereof, with penalties.
4. An Act concerning notaries public who are stockholders, directors or employees of banks or other corporations.
5. An Act to the use of the words “Savings,” “Trust” and “Safe Deposit” except by authorized corporations; but allow-
The legislative of Missouri passed the following act recommended by the American Bankers' Association:

An Act concerning the payment of deposits in trust. The Act is

BANKING SECTION.

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An Act concerning the payment of deposits in trust. The Act is

NEVADA.

The legislature of Nevada, by Act approved March 24, 1909, passed:

"An Act to define and regulate the business of banking, creating a State Banking Board and giving it powers and duties, and providing for a bank examiner and the investigation and supervision of banking corporation; and for the appointment of receivers in certain cases, and giving powers and duties for the violation thereof, and other matters relating thereto."

While the above measure was pending it contained provisions for a guarantee fund for the protection of depositors. This feature was voted down, and the law as passed omitted the guarantee fund provisions. This was done near the end of the session, and the guarantee fund provision was ordered by going through the bill and

striking out every section relating to it. This examination, however, was not completely made, and Sections 48, 49, 52 and 57 of the act passed containing provision based on the existence of the Depositors' Guarantee Fund, while the law itself does not provide such a fund. As the law stands, references made to the guarantee fund in the above sections are meaningless.

NEW HAMPSHIRE.

By Act approved April 8, 1909, the legislature of New Hampshire enacted the Uniform Instruments Law, to take effect on the first of January, 1910.

Also the measure recommended by the Standing Law Committee of the American Bankers' Association, authorizing the payment by banks of deposits made in two names.

Certain amendments were made to the laws relating to investments of savings banks, and limiting the dividends to be paid by savings banks prior to the accumulation of a guarantee fund of 5 per cent. of deposits.

NEW JERSEY.

The legislature of New Jersey passed the following laws recommended by the Standing Law Committee of the American Bankers' Association:

Amending Section 85 of Negotiable Instruments Act by inserting the words "circuiting payables" and "circuiting due.

Amending Section 87 of Negotiable Instruments Act by adding:

"But where the instrument is made payable at a fixed or determinable future time, the order to the bank to pay is limited to the day on which the instrument is payable."

An Act amending the holiday law.

The bill to punish the making or use of false statements to obtain credit, passed both houses, but was vetoed by the Governor.

A bill seeking to impose a collateral inheritance tax on the estates of residents and non-residents, and making banks liable for the amount of tax, with interest, and a fine of $1,000 in case such tax was paid, was defeated.

NEW MEXICO.

The legislature of New Mexico passed a law amending the former banking law by making a semi-monthly statement and reports to the bank examiner, and providing for the appointment of a deputy bank examiner. The law also provides for the payment of the examiner by the banks for the taking over of insolvent banks and closing them, and for the liquidation thereof by the examiner.

The Uniform Warehouse Receipts Act was passed this year.

NEW YORK.

No provisions materially affecting banks were enacted by the New York legislature this year.

The "Consolidated Laws of the State of New York," being the sixth compilation of the general statute law of the State, prepared under legislative authority, were enacted.

NEW JERSEY.

The legislature of New Jersey passed the following laws recommended by the Standing Law Committee of the American Bankers' Association:

Amending Section 149 of the Negotiable Instruments Law by adding:

"The giving of the aforesaid worthless check, draft or order shall constitute prima facie evidence of intent to cheat and defraud."

The object of the amendment is to protect any one that may unknowingly accept a bank check that is alleged to be forged or raised checks. The time limit is fixed at six months.

The "Consolidated Laws of the State of New York," being the sixth compilation of the general statute law of the State, prepared under legislative authority, were enacted.

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The Uniform Warehouse Receipts Act was passed this year.
A bill was passed relating to burglary implements and materials, and making it prima facie evidence if any burglary tools are found in the possession of anyone that their intent is to violate the law. The law fixes a penalty not exceeding five years or one thousand dollars fine.

A new General Banking Law was enacted (Chapter 222), entitled, "An Act to revise the laws authorizing the banking business of the State, providing for the organization and control of banks and to establish a banking department for the supervision of such business."

The legislature of Tennessee passed the Act to punish the making or use of false statements to obtain credit, with certain amendments. This bill entirely eliminates checks from the operation of Section 150 BANKERS' CONVENTION.

The legislature of South Dakota passed an Act authorizing the formation of a State Association of Incorporated Banks, and to permit the voluntary creation and maintenance of a bank deposit insurance fund and the issuance of deposit insurance certificates for such banks: providing for the supervision and regulation of such insurance by the Board of Commissio

The legislature of North Dakota passed the Act recommended by the standing Law Committee of the American Bankers' Association, concerning forged or raised checks, with a time limit of thirty days. It provides:

"That if any bank shall deposit with the drawer of such paper within thirty days thereafter funds sufficient to meet the same, with all costs and interest which may have accrued, the prosecution under this Act shall be discontinued.

A further Act to provide punishment for a person who makes or has in his possession burglars' implements under circumstances evidencing an attempt to commit an crime.

The Uniform Warehouse Receipts Act was passed this year.

The State of Texas enacted a law providing for a Depositors' Guarantee Fund, but it is a misdemeanor to advertise they are guaranteed by the Depositors' Guarantee Fund;

Texas

The State of Texas enacted a law creating a Depositors' Guarantee Fund, but it is a misdemeanor to advertise they are guaranteed by the Depositors' Guarantee Fund;
The law provides:

"Every such corporation shall keep its trust accounts in books separate from and distinct from those recommended by the Interstate Commerce Commission—a contention contended nullifying some of the provisions of the Uniform Bill of Lading Act for State adoption, and have recommended same for enactment into law by the legislatures of the various States.

2d. The Canadian railroads have all adopted the Uniform Bill of Lading recommended by our Interstate Commerce Commission, including yellow and white forms for straight and order bills of lading, and your committee recommends that bankers loaing on bills of lading make sure that the form they receive is the "order" or yellow form.

It is with some regret that we omitted to mention some of the provisions of the Uniform Bill of Lading agreed upon, by stapping new conditions on the face. Bankers should carefully scrutinize and reject any such bills. A few Southern railroads, also, have been led to issue a form similar in appearance to the uniform and in the colors recommended by the Interstate Commerce Commission, the yellow form for order bills and the white form for straight bills of lading, and your committee recommends that bankers loaning on bills of lading make sure that the form they receive is the "order" or yellow form.

A Guarantee of Deposits bill was introduced but did not pass.

WYOMING.

The legislature of Wyoming passed the following Association measures:

Chapter 111. An Act defining the crime of burglary with explosives and providing punishment. (Penalty not more than twenty years.)

Chapter 112. An Act relating to bills of lading. (Three months' notice.)

Chapter 113. An Act authorizing the appointment of an additional deputy examiner; providing that no bank can open a branch in another place without authority stating either that "the non-interest bearing and unsecured deposits of this bank are protected by the State Bank Guarantee Fund" or that "All deposits of this bank are protected by security bond under the law of the State of Texas."

The Bill of Lading Law, omitting the provision for the taking of a bond by the carrier in the event of delivery of the property described in a cumber bill of lading without requiring surrender of the same.

The legislature of Wisconsin enacted a new trust company law, with certain notable features. Trust companies are prohibited from receiving deposits from trust accounts and trust companies. The business must be kept separate and distinct from the business of banks or trust companies. The business of stockholders, directors, officers or employees of banks or other corporations. The business of banks or trust companies. The business must be kept separate and distinct from those recommended by the Interstate Commerce Commission—a contention contended nullifying some of the provisions of the Uniform Bill of Lading Act for State adoption, and have recommended same for enactment into law by the legislatures of the various States.

The legislature of West Virginia was one which rightly appoints the taxation of banks to the State.
Turning from the matter of form to the subject of State and National legislation covering bills of lading, we have now, for the first time in the history of the Comité, a complete and full account of the Comité's investigations on Uniform State Laws, a full and complete draft of law which provides for full negotiability for order bills, regulation of the manner of their transfer and negotiation, defines the obligations and rights of the carrier, including the essential feature of liability upon bills although issued without receipt of goods, and sets down the order upon which the bearer or any transferee must draw his order on the bill. The draft is dated June 15, 1909, and in sum respects fully all matters concerned with the issue, transfer, and redemption of these documents, containing the principal features of the order upon order bills of lading, and, in short, regulates fully all matters connected with these instruments.

Mr. Thomas D. Paton, who has regularly attended the sessions of our committee, has prepared the draft of law recommended by the Inter-State Commerce Commission, which it is practicable to make permanent by legislation, and as its main feature covered the liability of carriers to bona fide holders upon bills issued without receiving the goods, upon unmarked duplicates, and for delivery of the goods without receipt of the documents. A copy of this draft is appended to the Bill of Lading and Legislative Committees of the State Associations, and introduced in the legislatures of ten States:

- Delaware
- Pennsylvania
- Wisconsin
- Michigan
- Iowa
- Washington
- South Carolina
- North Carolina
- Oklahoma
- Wyoming

and we are glad to report that the Act was passed in four States:

- Washington
- Wyoming
- Michigan
- Oklahoma

and also passed one House in Iowa, North Carolina and Oklahoma.

We attach a copy of this law as part of our report (Appendix C). This result is due not only to the efforts of the Bill of Lading and Legislative Committees and bankers of those States, but to the strong support given the measure by the merchant interests.

At a meeting of your committee held prior to the opening of the Seventy-fourth Congress last December, the provisions of the Maynard Act, introduced into Congress at its previous session, were carefully considered, and a new measure drafted and introduced which was referred to the same committee. After a hearing the bill was reported to the House Committee on Commerce, which was referred to the Committee on Interstate and Foreign Commerce. The bill was reported by the Committee on Interstate and Foreign Commerce on December 16, 1908, and was reported by the General Counsel of the American Bankers' Association, Mr. Albert M. Read, President of the National Board of Trade, Chairman of the Conference of State Bill of Lading Committees and Committee on Bills of Lading; (2) Unmarked Duplicates; (3) delivery without surrender of documents; also (2) Unmarked Duplicates; (3) delivery without surrender of documents; also

APPENDIX B. Draft of an act relating to Bills of Lading, approved and recommended for enactment in the respective States by the Conference of Commissioners on Uniform State Laws, Detroit, Mich., August 24, 1909.

APPENDIX C. A bill relating to Bills of Lading prepared for State enactment in pursuance of resolution adopted at Denver, Colo., September 28, 1908, by joint conference of State Bill of Lading Committees at the Atlantic City Bill of Lading Conference, two years ago, particularly Mr. George W. Neville, Mr. William C. Breed, counsel of the National Wholesale Grocers' Association, and Mr. Albert M. Read, President of the National Board of Trade. We also wish to express our appreciation of the valuable assistance rendered by the General Counsel of the Association, Mr. Thomas D. Paton, and of Professor Samuel Williston, of Harvard University, who have been acting as counsel to your committee.

LEWIS E. PETHICK, Chairman.
FRANK L. WERNER,
WILLIAM LIVINGSTON,
WILLIAM INGLE,
J. A. LEWIS.

Six appendices were attached to the report, as follows:

APPENDIX A. Fourth tentative draft of an act to make uniform the law of Bills of Lading. Approved and recommended for enactment in the respective States by the Conference of Commissioners on Uniform State Laws, Detroit, Mich., August 23, 1909.

APPENDIX B. Draft of an act relating to Bills of Lading, prepared for State enactment in pursuance of resolution adopted at Denver, Colo., September 28, 1908, by joint conference of State Bill of Lading Committees at the Atlantic City Bill of Lading Conference.

APPENDIX C. A bill relating to Bills of Lading prepared for Congressional enactment and made the subject of four hearings before a sub-committee of the House Committees on Interstate and Foreign Commerce during the winter of 1908-1909.

APPENDIX D. State statutes covering (1) False Bills of Lading; (2) Unmarked Drafts; (3) delivery without surrender of bill; in force January 1, 1909.

APPENDIX E. Foreign laws governing the negotiability of Bills of Lading. Especially the effect upon bills of lading when no goods were received and the carriers' liability on an order bill of lading not taken up by the carrier on delivery of the goods and, subsequently, endorsed to a bona fide holder for value.

Report of the Committee on Express Companies and Money Orders.

GENTLEMEN: Your committee has three important subjects upon which to report, and will take them up separately in the following order:

EXPRESS COMPANIES' MONEY ORDERS AND TRAVELERS' CHECKS.

The case of the American Bankers' Association vs. the Express Companies has had two hearings, the first before Commissioner Clark, in New York City, at which evidence was placed before the commissioner by witnesses from various States, showing the nature of the banking business done by the Express Companies. The second hearing was before the committee on the Exchange Market, due to their banking business, as represented by their agencies and their ability to ship currency for themselves at practically no cost. It was shown that...
Main points involved. The decision of the Commission on these shipments of currency that would otherwise be unnecessary. The companies do not abuse the unusual powers that they have, due to their organized banking business, to change the tides of currency shipments when against the currents of Exchange, thus forcing bankers to make new arrangements for sending money. The recognized common carriers in our land, upon whom rests the responsibility of safe and prompt delivery of mail orders, are in a position to change the tides of currency shipments whenever they desire to do so. It was also shown that the ordinary demands of daily business already exceed the capacities of all the departments of the companies; yet their current transactions of this kind are not a circumstance of purpose or ability of the officers or employees of the companies, but one which, on account of the peculiar arrangement of the American Bankers’ Association, the Commission stated that it would be, no doubt as to the jurisdiction of the Interstate Commerce Commission in the case. The acceptance of the complaint was denied. Further hearing of the case was set for April 23, 1909.

2nd. MONEY ORDERS. The Money Order system started by the American Bankers’ Association, was denied. Further hearing of the case was set for April 11, 1209. A temporary stay was taken at this hearing, the attorneys for both sides taking up the time allowed in the presentation of arguments upon the time allowed for the presentation of argument on these two points was handed down January 5, 1909.

A charge of $10 a thousand was made for the cheques. This does not nearly cover the cost, and the charge is not made for that purpose. If the cheques could be obtained without cost, many banks would not demand for them at all. However, it has been found necessary, however, to make certain changes in the system in order to have it perfect, as the element of exchange worked somewhat against the plan as it was originally drawn up.

The Committee and the Surety Company have been working to bring about the changes thought necessary, and while they have had considerable success in eliminating certain undesirable features, your Committee has not as yet been fully successful in securing the cooperation of certain clearing house cities with the 2nd and 3rd principles of the plan. When this cooperation is secured, the Surety Company intends to push the matter with even greater vigor.

Travelers’ Cheques. The Committee and the Surety Company have been working to bring about the changes thought necessary, and while they have had considerable success in eliminating certain undesirable features, your Committee has not as yet been fully successful in securing the cooperation of certain clearing house cities with the 2nd and 3rd principles of the plan. When this cooperation is secured, the Surety Company intends to push the matter with even greater vigor.

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Each of the cheques, and the Bank Note Company printing the cheques.

The Trust Company has been making daily shipments from the cheques held by it to replace cheques sold by lending banks. As the demand on the part of each bank develops, the number of cheques it holds in its vaults can be easily regulated to meet it. When placing orders to have additional cheques printed, the proportion of the denominations in each denomination can be easily made to conform to the demand.

Banks do not resell for the face value of the cheques during the whole season and will continue to do so.

Banks no longer have clients of high standing who make it habit to carry large amounts of cheques than they expect to have use for, in order to be prepared for emergencies.

The application blanks the customers fill out when purchasing cheques are printed in copying ink, in order that banks may keep account of the cheques issued and return them to customers when unnecessary.

The application blanks for each order. The system is, therefore, very simple one to handle and requires no expert knowledge of Foreign Exchange or complicated bookkeeping.

Banks using the system have been supplied with the cheques since the time of their introduction, as the American Bank Note Company has not been able to keep pace with the orders, and today, with the height of the travel season, are about a week behind in delivery.

The Trust Company originally made arrangements at some ten thousand points outside of the United States for the cashing of American Bankers' Association Travelers' Cheques. This arrangement as well as all other arrangements for the cheques, and is continually obtaining the cooperation of new banks in all parts of the world.

A representative of the Trust Company is in Europe, making special arrangements at the principal hotels and agencies to explain the system. In Paris he covered sixty-two hotels and over three hundred shops, and in London a much larger number. Holland and Italy have also recently been covered, and with entire success. Wherever necessary, this means for the cheques is thoroughly understood.

In addition to such arrangements, circulars of instructions, together with a reduced face value of the cheques, have been forwarded to hotels throughout the world. Realizing that some of the papers written in the main language of a country are not understood, special letters have been written in the languages of the principal countries of the world, explaining the system and advising hotel proprietors of the entire safety of cheques held by it to replace cheques sold by lending banks.

The Trust Company has been making daily shipments from the cheques held by it to replace cheques sold by lending banks. As the demand on the part of each bank develops, the number of cheques it holds in its vaults can be easily regulated to meet it. When placing orders to have additional cheques printed, the proportion of the denominations in each denomination can be easily made to conform to the demand.

It might be well to mention here that savings banks and trust companies in many cities, particularly in the East, are now using the cheques. To the messenger. To make such officers and employees in the quantity demanded there is only one way, and that is to make them make themselves.

To the American Bankers' Association:

Respectfully submitted,

Joseph Chapman, Jr.
Chairman.

Committee.

Report of American Institute of Banking Committee.

To the American Bankers' Association:

Since becoming a section of the American Bankers' Association a year ago, the membership of the American Institute of Banking has increased from 3,550 to 13,015, included in 57 chapter cities and the Correspondence Chapter. With the development of American banking efficiency it has been necessary for banks to handle these cheques with the best possible service.

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Although the system was only started the middle of last April, over thirteen hundred banks, including the majority of those in reserve cities, are selling American Bankers' Association Travelers' Cheques. This arrangement as well as all other arrangements for the cheques, and is continually obtaining the cooperation of new banks in all parts of the world.

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The educational work of the Institute in large city chapters and through correspondence instruction as conducted by the Correspondence Chapter, is satisfactory, but the problem of small city chapters has not been solved as yet. Meetings in small towns where schools of finance and law are not available, the Institute has prepared courses of lectures in "Banking and Finance," and "Commercial and Banking Law." Such lectures are typewritten and are intended to be read in chapters by some member chapter appointed for that purpose; in connection with such lectures are quizzes which are conducted by the instructor in charge, who will have a key to the quizzes for personal use. The lectures thus provided are not intended to supersede chapter work conducted by professional instructors, but may be used to supplement work wherever needed.

While knowledge obtained through books and lectures is of primary importance, and is the only kind of knowledge that can be Lawsoned, the development of personality through association in Institute chapters and conventions is equally important. In the making of progressive bankers a combination of knowledge and personality is commanded. That the Institute makes such bankers is evidenced by numerous applications of Institute men to official positions in banks, and the banking and business of leading States and leading financial institutions. The substantial benefits of the Institute, however, are not so much in the official recognition of its members, gratifying as such recognition may be, but in the general benefit of the rank and file of banking employees. 

Following is a statement of Institute receipts and expenditures for the fiscal year ended August 31, 1909. This statement is included in each statement of the International Banking Association. 

Expenditures:

Salaries of Educational Director and assistants...
Bulletin and stationery...
Editorial contributions and press clippings...
Traveling expenses of Educational Director...
Association researches...
Bonds of Treasurer and Educational Director...
Work on textbook...
Price essay contest...
Stenographic report of Seattle Convention...
Balance on hand August 31, 1909...

Income:

Balance Sept. 1, 1908, from associated chapters...
Expenditures Sept. 1, 1908, from associated chapters...
Balance September 30, 1908...
Bonds of Treasurer and Educational Director...
Bulletin subscriptions less exchange...

The educational activities of the Institute are done at less than cost, and it is the option of your Committee that it is both just and expedient that the financial development of personality through association in Institute chapters and conventions is equally important. In the making of progressive bankers a combination of knowledge and personality is commanded. That the Institute makes such bankers is evidenced by numerous applications of Institute men to official positions in banks, and the banking and business of leading States and leading financial institutions. The substantial benefits of the Institute, however, are not so much in the official recognition of its members, gratifying as such recognition may be, but in the general benefit of the rank and file of banking employees. 

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Your committee has kept up its auxiliary organization in the different Congressional districts of the United States, and we are very much interested in the various movements, and as much as possibly in the various assistance they have rendered us in times of emergency, thereby benefiting the banking and business interests of the country.

Your committee in close touch with the Committees of Congress, with the committee representing the State Bankers' Associations, and with the leading commercial organizations of the country, and have been in constant touch with such associations as the American Bankers' Association.

We have, whenever measures have been presented, which seemed to be detrimental to the Association, taken immediate steps to put the information before legislatures so that no measures might be passed.

CURRENCY LEGISLATION.

"The question of currency legislation, as unfavourably the most important to be considered by the American people, has not been lost sight of by your committee, and while there has not been that publicity given the subject as hitherto, yet there has been devoted to it more careful thought and study than in any previous year.

There has been no attempt made to secure banking or currency legislation during the last regular session of Congress. Your committee, as well as the Currency Commission, recognize the fact that the Monetary Commission appointed by Congress are exerting every effort to secure obtained opinions and accurate information of the various banking institutions of foreign countries, which has been given to create branches in various cities to afford redemption facilities, etc., and that the membership of this Association should be alert to this situation. This Monetary Commission has representatives in every country putting together information, which, when published will be the most accurate and complete history of the various operations thusfar ever published.

What the report of the Commission will be at this time, unknown, and probably unfounded. However, when all of the information is put in shape the embodiment their views will be presented to Congress for enactment.

The question of some form of Central bank with exclusive note -issuing power, or a plan of guaranty by either State or Federal Government; and that such a plan would seek to get a proper consideration of such legislation. There were several bills introduced in Congress for the establishment of postal savings banks. We were engaged in trying to get a proper consideration of such legislation. Among them was a bill that would provide for a postal savings bank system for the United States. We will not at this time discuss the various bills, as they are all dead (except to the Senate), but will present the bill presently which could have been put in practical operation.

Your committee wishes to call your special attention to the fact that the advocates of the postal savings bank legislation, published and used as statistics, figures, absolutely inaccurate, and misleading to the public, and no instances were correct figures given us to the amount of savings placed in the post office, the number of such deposits, and the average amount of such deposits, nor the average rates of interest paid on such deposits.

If the statistics of foreign post offices and savings banks are correct, as published, they show that the post office has more than doubled the savings of England, Wales, Belgium, France, Russia, and Japan combined. The advocates of this measure have claimed that the establishment of a postal savings bank department would be of advantage to the government, whereas, the facts are, that such departments have caused a deficit in many foreign countries, and are there, as they would be here, under any measures so far advanced, a burden and not self-supporting.

One of the arguments advanced in favor of that which we should encourage for citizens of a certain class to deposit their savings in United States postal savings banks. The intelligent foreigners do deposit their savings with the banks of this country, and we do not understand why they should be such sole subjects for the solicitations and manipulation of the speculators and foreign agents, who want enough to buy a foreign draft or postal order. What is needed here is immigration law rather than the postal banking system of this country, which has been a failure, by being extremely unsuccessful, by being too much unlike the postal savings banks.

To establish postal savings banks would be contrary to the general plan of our government, whereas the originators of the Constitution sought to leave the largest measure of liberty and freedom to the people to transact their own affairs.

Establishment of postal savings banks would be a movement on the part of the government to take from intelligent and progressive citizens the small sums they keep in their pockets, or deposit in the hands of any office -holding class. The danger of the political use of such a power should cause all patriotic men to hesitate before adopting such a plan.

Your committee does not believe that it is wise statesmanship to urge upon the American people the passage of certain laws, solely for the reason that they are supposed to be needed and desirable on this question. We do not believe that a movement on the part of the government, without due consideration or opportunity being given to those concerned with the subject to show the fallacy of such legislation, and only for the purpose of furthering political interest.
A MESSAGE TO OUR NATIONAL CREDIT.

The credit of our Nation has been a source of great pride to us all. America has stood at the forefront. Her bonds have been the lowest rate of interest and her securities have had the widest market. Do we want a blot on this magnificent record? Do we want the credit of our country restricted? Do we want in times of emergency the question to be raised as to the amount of demand deposit liabilities the Federal Government has outstanding? Do we want an injustice placed upon our credit in the shape of the money borrowed from the people by the Government? If so, give us the postal savings bank. Do you know that England had at the time of the Boer War one billion six hundred million dollars of postal savings accounts? What was the result? The Government was engaged in a long drawn out conflict. The people became frightened and the country was con
troverted with the double necessity of financing the war and paying off frightened depositors.

Your committee is opposed, should a postal savings bill pass, to the inviting of such funds in either United States, State or Municipal bonds, and we are opposed to the investment of $500,000,000 or $700,000,000 in United States bonds as has recently been advocated by our Chief Executive, knowing full well that such an action would be a serious mistake and a menace to our Nation's credit, as it is to that of other countries where such investments are made.

It is the belief of your committee that the agitation in favor of the guarantee of bank deposits and the establishment of the postal savings banks has created sentiment with a certain class of our people that some form of protection can be secured without cost to them. While we believe that both of the plans suggested are in principle fundamentally wrong, yet it is apparent that the question must be met and some solution proposed, which will afford ample protection to good business principles.

We believe the demand for a postal savings bank arises largely from the inability of certain classes to discriminate between banks and also from the facts that various Postmasters-General for years have been recommending the establishment of such a bank, and have emphasized to a certain public sentiment to that end.

If savings deposits were protected in this manner, and it must, be held for the protection of those deposits, at the same time reducing the reserve requirements of the savings department to correspond with the reserve of State institutions.

This we believe should afford the same security now secured by mutual savings banks in New York and other Eastern States. These banks have been a bulwark for the workman and a boon to the country.

Resolved, That it is the sense of this Association that we should condemn in unqualified terms the proposal for the establishment of postal savings banks in any other system by which the Government enters directly into banking relations with the people.

Resolved, That the American Bankers' Association is opposed to any financial legislation based upon the argument that it was a party pledge and should be redeemed.

Resolved, That we believe this end can be accomplished through another channel, to wit: That of State and Federal supervision, which is a function entirely proper to exercise.

SAVINGS DEPARTMENTS IN NATIONAL BANKS.

Your committee last December presented to the Monetary Commiss
sion of Congress a method or plan to accomplish the desired result without introducing new or radical features or questionable efficiency.

The suggestion was made that National banks under supervision of the General Government be authorized to establish savings de
partments, segregating the assets and designating the class of invest
ments to be held against the liabilities so incurred, such assets to be

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THIRTY-FIFTH ANNUAL CONVENTION HELD AT CHICAGO, SEP'T. 14, 15, 16 AND 17, 1909.

FIRST DAYS PROCEEDINGS.

Tuesday, September 14th, 1909.

The convention was called to order by the President of the Association, George M. Reynolds, president of the Continental National Bank, of Chicago, Illinois.

The invocation was offered by Rev. Joseph A. Milburn, D.D., pastor of Plymouth Congregational Church of Chicago.

The President: I take great pleasure in presenting Honorable Charles S. Deneen, Governor of Illinois, who will extend to the Association the welcome of the State.

Address of Welcome by Gov. Chas. S. Deneen.

I am pleased to welcome to Illinois this gathering of representatives of the banking interest of the West. The custom which has been rapidly growing among business men of late years, of gathering to discuss subjects which are of special interest to the credit and the conduct of their business, is of the greatest benefit both to the businesses concerned and to the community at large. In these discussions of business officers in their larger aspects, the truth is sure to come to the surface that the greatest requisite of business prosperity in any special line is the general welfare of the community.

Every one of the most important and necessary conditions of business and the most scrupulous honesty of all business that he is welcome, and then, after providing the things necessary for his comfort and physical well being, to place the places of amusement for which cards are supplied, or to go sightseeing and to do anything else which individual fancy prompts. We have made her a Queen, and which in time shall enthrone her on the throne.

We wish to show them the things which are most beautiful and most characteristic of the modern business conditions. Its most obvious features, as contrasted with old fashioned methods of business is the great dependence of industries in the modern system. Everywhere is more sensitive perhaps than any other to the failing or prosperity or adversity makes more than ever important the widest knowledge of prosperous conditions which obtain in other industries.

Our citizens will, therefore, view with eagerness the accounts of your proceedings as reported in the daily press reports, and will await with the keenest interest whatever conclusions you may reach as to the future of the banking business.

But I shall not detain you any longer with my remarks.

I welcome you to this city and to our State. You have already contributed much to the welfare of both, and I look forward with confidence to the results of your present deliberations. I trust that you will stay with us and prove agreeable and that we shall have the pleasure of greeting you again on some future occasion.

The President: We will now be favored with an address of welcome by Joseph T. Talbert, President of the Chicago Clearing House Association, and also President of the Commercial National Bank of Chicago.

Address of Welcome by Mr. Joseph T. Talbert, President of the Chicago Clearing House Association.

It is a pleasure and a privilege to be called upon to extend in behalf of the banks and bankers of Chicago an official welcome to the members of the American Bankers' Association on the occasion of this, their third convention in our city.

Occupying as you do a position unique in American finance and representing as you do not only the small and remote banks, but also the great and strong among our financial institutions, this privilege becomes an honor.

It is easy to say that you are welcome and that we are glad to have you with us; but we intend to try not only to make you at home but to give evidence of the fact that you are genuinely welcome. In carrying out this purpose we have not sought to make a display of entertainment, nor to prepare a formal program, consuming every moment of time, through which each visitor must pass or not; but there has been left opportunity for all to visit their friends and do their business as the spirit moves him, or to go sightseeing, or to attend the lectures and discussions of the meeting; or to scoff at the pieces of amusement which card rooms supply, or to do anything else which individual fancy prompts.

We have thought that the greatest interest lies not only in the visits of all that he is welcome, and then, after providing the things necessary for his comfort and physical well being, to place the places of amusement for which cards are supplied, or to go sightseeing and to do anything else which individual fancy prompts. We have made her a Queen, and which in time shall enthrone her on the throne.

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BANKING SECTION.

I would make a lengthy speech reviewing the growth in importance and power of your Association, numerically and financially, which have been experienced in Chicago, and again in 1885; and in contrasting the modest beginnings in those years with your present membership of over ten thousand, including the nearly six hundred property owners over fourteen billion dollars. I might call attention to the growth in numbers and wealth of the primary banks of Chicago, which has been no less remarkable. Within fifteen years the deposits of the associated banks of the city have increased nearly five fold, growing from $172,000,000 to about $750,000,000. This is an impressive, almost a startling fact. Much is interesting and significant might be said about it, but I fear it is necessary to pass over it now to speak of the strange and wonderful story of the people's experience with the question of the free and unlimited coinage of silver submitted to the people as the leading political issue, that delusion was definitely and finally settled.

It required twenty years to educate the people to a proper understanding of the question, and when they realized that the remedy is in their own hands there can be no question but that their verdict will be equally and conclusively in favor of a sound currency system; and, I may fairly say, to the alarming tendency towards universal and widespread State banking laws. We have reason to hope for good results in the way of New York, the example of New York, without warning suspended currency payments and resorted to Clearing House certificates. Perhaps this may be regarded as a fitting and successful test for us to have done so, but to all who have any such lingering wishes, I wish to say that there are within my hearing bankers from New York, Chicago, and perhaps from other cities, who know it is a fact, and who will confirm the statement that London (which is the market of last resort to which we can turn in such crises for the purchase of gold) is definitely and finally refused to sell and ship gold to the United States before we ceased currency payments, as New York and Chicago banks have done, and to do after we have experienced in finance and whose opinions were entitled to respectful consideration, went for naught; but eight years later the panic came, during which we passed through one of the most disastrous periods in our financial history. In a few months, more than 150 National banks and no less than 500 state, savings and private banks closed their doors. The loss to the business interests of the country was incalculable for the depression following the panic was great and protracted. These were the-...
BANKERS' CONVENTION.

These laws shall flourish a system of banks as safe and efficient as in any in the world. But we cannot hope for so precious a possession without labor, co-operation and patient effort on our part.

Again you are assured that it is a pleasure to extend each of you a cordial welcome to Chicago, and you are invited to visit our banking institutions, and to become acquainted with our bankers.

The President: We will have the pleasure of treating with representatives of the American Bankers' Association, Ladies and Gentlemen:

I am requested to respond on behalf of the members of the American Bankers' Association to the words of cordial welcome addressed by His Honor, the President of the American Bankers' Association, Ladies and Gentlemen:

I shall be brief, for I am sure that you have a most astute, discerning and patient ear which will enable you to understand why I was named to perform this pleasant duty. After considerable thought, I decided that your committee, with all the single-mindedness of the human race, that it would be appropriate to have this beautiful welcome on the part of the Chicago of the West accepted on behalf of the American Bankers' Association.

This is a city renowned for its prosperity. It has won the confidence and approval of the people of the country, and of the American citizen, may we say, that exists to-day with this enormous membership. It has increased membership of the Executive Council and the manner in which the conventions of the State Associations are held, has brought such close relationship between this Association and the various State Associations, and in addition has eliminated sections has been Rion lines of interest to State institutions doing a trust and savings bank business, but bankers, generally, are greatly indisposed to the Savings Bank Section for the want work, and the annual report showing the complete abandonment in our country of a system of postal savings banks.
The Institute of Banking has made splendid progress during the year, and is doing much to equip our men for future responsibilities in the business world.

Inasmuch as under our constitution the actual business of the Association is transacted and much of its real work is done by its local conventions, I would urge upon you a careful study of the reports which will follow, to obtain a detailed account of all matters taken up by the Association; and I urge upon you a careful study of the minutes of the meetings of the various committees, in order that you may have a real full realization of the character and magnitude of the work that has been done.

In a day when the mechanization of all industries affects very largely the individual members, measured by this standard, the magnificent attendance at this convention is very suggestive of the possibilities of the future. In no word in the vocabulary means so much as "co-operation" when it is applied in a practical way to every phase of life and business, and if this Association stands for anything it stands for co-operation among the bankers of the United States.

No one can possibly deny that the object may be in the formation of an organization of this kind, if it is to succeed and be successful, its success must come as a result of the benefits that accrue to the individual members through their cooperation—the pooling of interests which makes the cause of the weak and the cause of the strong the common cause of all.

The fact that this Association has continued to show a steady growth, until it now numbers its members nearly eleven thousand of the principal bankers of the United States, affords the best evidence that there is some good coming to the bankers of this country through the efforts of the Association.

There are still a few bankers who, regret to say, shrug their shoulders and ask, "What is the good of this Association?" and say that it does not accomplish anything of real value, and that its meetings are nothing more nor less than excuses for junkets.

Can any intelligent man who possesses a knowledge of the science of human nature stand before this splendid audience and say that the coming together of you, gentlemen, from every section of the country, social interests, for the exchange of ideas and information is not a recognition that our organization is an organized body of questions of vital interest to the banking fraternity is only an excuse for a junket?

I believe you will agree with me that much of the cause for the last panic is properly chargeable to our currency system, that the Government has taken any action in the premises. That we are so rapidly approaching a more satisfactory condition is due not so much to any change in our economic conditions as to the wonderful recuperative powers given us by the richness and fertility of the soil of our country.

The report which the commission will make to Congress will be a complete financial history of the principal countries of the world, the past one hundred years. It will form a textbook upon currency and will be given general distribution among our people.

The fact that the Government, by means of this Association, is both a realization of our hopes of the past and, an inspiration for the future. No word in the vocabulary means so much as "co-operation" when it is applied in a practical way to every phase of life and business, and if this Association stands for anything it stands for co-operation among the bankers of the United States.

Inasmuch as under our constitution the actual business of the Association is transacted and much of its real work is done by its local conventions, I would urge upon you a careful study of the reports which will follow, to obtain a detailed account of all matters taken up by the Association; and I urge upon you a careful study of the minutes of the meetings of the various committees, in order that you may have a real full realization of the character and magnitude of the work that has been done.

In the brief time I have at my disposal I can only touch upon some of the salient points of such an institution, but since I see them located in all possible positions in banking the country affords.

For twenty years I have been a regular attendant at these annual conventions, and I have seen hundreds of men, young and old, who have begun their experience in banking in rural districts, and country bankiers, grow in experience, capacity and personal influence. They have been among the associations for some years, and their attendance at these meetings has afforded them, until I see them located in all possible positions in banking the country affords.

The first convention of this Association I ever attended had a registration of only about three hundred, and I have seen a steady increase in the number, year by year, until to-day the delegates are counted by the thousands instead of by hundreds, and these meetings have grown in interest as the membership of the Association has increased.

The people of 1897 was probably the most severe one ever experienced in this country, and since we were forced into a period of financial confusion and disaster to business at a time upon the return to better conditions should be tempered with conservatism and caution until this has been accomplished.

The people of the United States, while keenly alive to every
question involving a national problem, are slow to cast aside well-known practices to adopt entirely new theories which con-
template radical or revolutionary methods. Therefore, I would
recommend for your serious consideration only that which
would make the present system elastic and fit to meet the
present National banking system, with slight modifications, to
which I will refer later, and with such additions to it as will be
likely to prevent the evils in the system; the present system over
commissions from it.

In considering this question it is necessary for us to first
accept the general principle that the National banking system
need, and to suggest a remedy for such imperfections.

Under existing conditions the banks for reserve purposes are
sufficient in times of need the banks are
required to contract their credits, instead of expanding to meet
the needs of the country; and if these credits were increased
without increasing their credit-giving powers. Again, under our present
time there is not sufficient flexibility in our bank notes to
enable banks to meet the reasonable demands of business on
times of emergency.

With about $850,000,000 of our circulating medium consist-
ing of National bank notes secured by United States 2% bonds
carried by the banks at a highly inflated value, the only flexi-
bility shown has been a material expansion of our bank notes
during the past few months, when we have had a plethora of
money and interest rates have been abnormally low; and since
our banks could not have followed any other course without
suffering great loss through the sale of their United States
bonds, it proves that our system is wholly unsatisfactory and in
times of stress impractical.

The above is a market value of United States 2% bonds owned by National banks and pledged to secure their circulating notes is a subject that is engaging the attention of
times. The Secretary of the Treasury has been empowered to sell a large issue of 3% bonds. If these bonds are carried by the banks at a highly inflated value, the only flexi-
bility obtained would be fearful of this result, for our
Secretary of the Treasury is known alive to the
necessity of maintaining a parity for the 2% bonds, and since he has
issued special certificates to the amount of $200,000,000, I am sure we can depend on
him not to put out any of the 3% bonds, the issue of which
has not yet been considered, until after the next meeting of
Congress, when, in案, confident, the tax on circulating notes secured by 2% bonds will be increased sufficiently to assure a parity for the 2% bonds that are pledged by our banks as
security for their circulating notes.

Thus the process of having the banks support United States
bonds by a price in excess of their intrinsic value is to be
reversed and the fictitious value of the large amount of out-
standing bonds is to be maintained by a discrimination against
bonds of a higher rate, which I think is just. After all, which
is far from scientific or satisfactory.

The most important requirements are to have estab-
lished an institution which could in time of need furnish credit
in proportion to the reasonable needs of business and which
would be subject to the power, under intelligent management, to
issue its notes to be used as a circulating medium.

A central bank, organized under a charter which would give it
influence of that power, under intelligent management, to
issue its notes to be used as a circulating medium.

First, it must be a central bank in fact as well as in name, and its powers and functions should be restricted to the needs
of business: Its plan of organization and operation should be
such that it would automatically support the needs of and be
the servant, and not the master, of business. Its capital should
not exceed $100,000,000. Whether the capital stock should be subscribed for by the National banks of the country, and the only effect of the adoption of the plan I
would then restrict the discounts of the central bank to
short-time credits of this character; those which would run
say, not to exceed ninety days; I would make the bank a bank
discount for the National banks of the country; and it
would be necessary to do so to enable it to employ its funds.

I would allow the bank to accept discounts from the public, but
it should not receive deposits from the public. Whether or not the right to draw checks be given is also only a matter of detail and is not important from the standpoint
of the general plan of a central bank.

If the bank has a large amount of deposits, it would be able to
discount for the public and the banks of the country large
amounts of paper during crop-maturity seasons and in times of
emergencies—and it must have this power to do this if it meets our requirements—the proceeds of these
loans would be required in some form of money which could be
used as a circulating medium. The only possible way to
provide for this would be to give the bank the right to issue its
own notes. Without this, you say, "but how shall these notes
be secured?" This is the rock upon which the craft of many
a financial student has been wrecked, and it has provoked the most heated discussions among political economists and prac-
tical business men.

The security for a bank note, first of all, should possess the
qualities of safety and stability. The only type of security
which would be gold coin, but since it would not be available in
quantities sufficient to enable the bank to carry a coin reserve
equal to its outstanding notes, we must find a substitute
which we can require that these notes will be secured and at
the same time give us a safe and elastic form of currency which
will expand or contract automatically as the requirement for
discounts increases or decreases.

Permit me to say in this connection I believe the notes
of the bank should be secured in part by a coin or metal reserve,
but if we secure the relief we need, a considerable percentage
of the notes thus issued must be secured in some other way.

What shall we require this security to be? It should be a
security which, in the natural course of business, will first be
redeemed and under any unforeseen exigencies or deficiency of
funds, the bank's capital stock and surplus,

If it is wise to restrict the character of the paper which
will be eligible for discount at the bank to that which will be
first paid, the party who owns the credit or who is offering an
actual transaction in business between solvent concerns
why should we not make paper of that character, with a certain
required percentage of credit, subject to supervision by a central bank, and at the same time allow the bank to use that
credit which it controls, in its business, the public credit
credit of the Government, that the Government would receive as deposits the funds of National banks in the three central
reserve cities, acting as reserve depository for banks in those
cities, just as you receive deposits from banks in the local
regular reserve cities. This would not affect the relations now
existing between the banks in the country, either as to reserves
or deposits.

A central bank, in its operation, should not, at the beginning
at least, interfere with the functions of the National banks of the
country, otherwise the effect of the beneficial results I suggest
would be to take away from the National banks all of the
functions of the reserve system now deposited with them.

The charter under which the banks would operate should
provide that the bank would have branches in each of the cities
where there were National banks. The effect of this arrangement
would be necessary to give an adequate service to the whole
country; and since the bank would be the fiscal agent of the
Government that the proceeds of these loans would be required
in some form of money which could be
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provide for this would be to give the bank the right to issue its
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or deposits.
in the same manner, with the same restrictions, it would go should have a first lien upon the specific securities held in the savings department and in addition be general creditors. The published statements should show just the amount of savings investmats should be segregated from the general assets of the bank, and in case of a failure of the bank the savings depositors should be segregated from their general deposits. Furthermore should be given the right under a specific declaration of law to deposited and securities held against same, and the savings deposits held by National banks should carry the same require-

than this, the law should define definitely the character of in-
vestments the banks should carry against savings deposits, which

accept savings deposits, but the savings deposits thus received
banks in the National system under Federal control.

Just about double the amount of gold carried by all of these
Iteichsbank of Germany combined, and we had in this country
because we were not able, under our existing currency laws,

held over one hundred million dollars more gold than was
Bank of England alone furnished us directly and indirectly
billion one hundred million dollars was held in the Treasury,
bank law, give us the desired relief.

through a process of evolution which would not disturb business
details properly worked out and fully described in its charter
keep the bank free from political influence or intrigue.

The restriction regarding paper eligible for discount should be
that, for instance, representing a speculative transac-
tion would be admissible.

When the United States bonds secured, National bank-note eligible for discount, when the central bank has the ex-
cclusive right of note issue, it will furnish Mod for reflection. At that time our Treasury

Mr. President and Gentlemen of the American Bankers' Association: I really was not aware that I was to attempt to make any remarks here until yesterday. The Association was kind enough to invite me, but as the weather was warm and as I had been engaged for some time in attending to the business of a large firm, I said to the Secretary of the Treasury that I could not come. I did not take the time to put in black and white, as I should have done if I should have been able to come and talk to you to-day for an informal address, Hon. J. G. Cannon, Speaker of the House of Representatives. (Applause.)


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Mr. President: The next order of business will be the re-
port of the Secretary.

Annual Report of the Secretary.

(THE report of Secretary Farm Credit will be found on pages 140.1)

Mr. President: We have with us to-day a man who per-
more than any other man in this country has directed the legis-
been engaged at Washington. He is a man who, regardless of the changing sides of public opinion, has gone forward in discharging his duties as he has given the light to its guidance, apparently uninterested in criticism, and certainly impertinent to public opinion and personal per-

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...
not perfect, but in my judgment it can be perfected. There is something of legislation required for its administration, both for the protection of the people, or the honest banks, and for the proper management of the bank notes; if you take the whole number of people—of the poorer people, each man walking under his own hat—men and if one does not, he ought to—(laughter and applause), it is a maxim among litterists that no legislation is bad if it is absolutely perfect. (Laughter and applause.) Benny Bern-

It is a maxim among lawyers that no legislation is good
and cannot call attention otherwise to himself, he comes
around with a currency scheme and cries aloud and spares
nothing to do! And if we can find out, let us enact it, and then,
in my judgment, without quarrelling with anybody, with such proper administrative legislation. The National banks, if you choose—in my judgment, the best banking system in the world for us will be evolved. (Ap-

It does not necessarily follow that the English banking sys-
tem or the German banking system is better than the
American system, but it is better for them, because they have
It but not, and some of the best citizens and some of
the schemes and the other schemes, and each one, in his opinion,
is absolutely perfect. (Laughter and applause.) Benny Bern-
stahl of New York, if you never heard of him—let me
think, on an average six or seven letters a week from Benny
with all kinds of schemes for the benefit of the currency,
slowly; at times it makes mistakes. The people whom you
speak to, or the other who can see at once that legislation touching great vital questions
of the 20th century, will see the ninety millions of people
would of the resources and population of the country,
will have done well. Such men have spindal columns. But I have thought
and from the 49th parallel down to the southern boundary,
drang on, that it cost at least five hundred million dollars in cessation of
production, waiting for fear that they wouldn't get the cost of
production, waiting for fear that they wouldn't get the cost of


and deposited in the vaults, ready to be issued, if the time ever
came that it was necessary to issue it. And it has been printed

say "Pay" through fear of a panicky. Therefore, with one ac-
cord, you said, "We will get our money out of the great com-
mercial banks and the great centers." and, as you all

now, has anything been done? Can anything be done
...

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and deposited in the vaults, ready to be issued, if the time ever
came that it was necessary to issue it. And it has been printed
and it is there in the waists. How are you going to get if you may ask. You are going to get it, if you need it, by depositing the items that you have. Yes, your deposit, and great com-
mercial center is called upon to pay, he will furnish the securi-
ties. There is not a banker here, you know, but what has had 
some difficulty, and if you have problems, you will find that the 
payment of the currency. Why, out of one hundred thousand 
dollars, and that multiplied by a million, it was worked out 
rapidly. I went on to the other and I said, that their laws are, as we say, 
Do you know what I hope? I hope that if 1897 is ever 
duplicated, the knowledge that the seventh great manufacturing 
fear a run by their depositors, that the great central or commercial bank can get the currency and assist 
them to pay out what they owe the more with these security loans, they will not be scared. You were not scared because you thought any 
of these banks were insolvent; you just wanted to protect your-
self. Well, now, it is all proper. You cannot abolish 
for a million of years and I could not in all that time get as 
evening. Well, they cannot print it for nothing, and they 
profits. The good will of a successful greater paper or publishing 
tion a little bit, and that perhaps is all right. Perhaps if they 
write the articles; two or three armies who help to make the 
civilization. Now, I said it—we all get much of mis-
headlines, if you will read the despatch that is headlined, tell a 
different story from what the despatch does, but it catches the 
how and where they were appointed. I am sure that the pres-
empt any of the powers of this Congress. I might talk about it longer, but I 
It takes time, gentlemen, you see, to do those things. It was 
except the power of God could make this session of Congress 
make the civilization. Now, I said it—we all get much of mis-
stand the meaning of the term "Good enough Morgan." 
Now that is all I want to say about that. Oh, if this was a 
said Lincoln; and he was right. (Applause.)
The American Bankers' Association expresses its hearty appreciation of the splendid work of the Bills of Lading Committee and its recommendations adopted by this convention and the committee continued to further prosecute its splendid work.

The work of the committee has been wonderful and deserves all praise. I hope to have the following resolutions:

Resolved, That the American Bankers' Association expresses its hearty appreciation of the splendid work of the Bills of Lading Committee, has recognized the need of the merchant of America, and the success that has thus far crowned their labors.

Further, that the report of the committee be accepted and its recommendations adopted by this convention and the committee continued to further prosecute its splendid work.

The resolution was seconded.

The President: Unless there is opposition, the minutes will be adopted and the committee continue to further prosecute its splendid work.

Report of Committee of Committee on Bills of Lading.

Mr. Lewis E. Pierson, of New York: Mr. President and Gentlemen, the report is as follows:

The report of the Committee on Bills of Lading Committee was appointed four years ago and has worked hard in conjunction with the Special Committee of the Executive Council and the work of the committee is well under way. It is in print, and I will summarize it as briefly as I can.

The report of the Committee on Bills of Lading will be found on page 154 of this publication.

On motion the report was accepted and ordered published in the Proceedings.

The President: Next in order is the report of the Committee on Bills of Lading.

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Mr. E. J. Buck: Mr. President and members of the American Bankers' Association: Upon the recommendation of the American Bankers' Association, the following resolutions were adopted:

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The President: Unless there is opposition, the minutes will be adopted and the committee continue to further prosecute its splendid work.
show that the resolution is unanimously adopted. The Chairman hearing no objection, it is so ordered.

The President then ordered the adjournment of the meeting until two o'clock on the afternoon of the 26th, at which hour he presided in the absence of Mr. W. W. Harley, who was in the city on business. The President then adjourned the meeting until two o'clock on the afternoon of the 26th, at which hour he presided in the absence of Mr. W. W. Harley, who was in the city on business.

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The President: The next order of business is the report of the American Institute of Banking Committee. Mr. J. H. Puelicher, of Milwaukee, is the Chairman. I understand that Mr. Puelicher was called away on account of the death, I think, of his grandmother, and if he has not left his report with some one to be read—

The Secretary: He has.

The President: Will you read it?

Mr. Puelicher: I think, Mr. President, perhaps if I just make a short announcement and briefly refer to some of the headlines, and then have the report published, it will be better.

The President: The conception of Banking is a very important adjunct to the American Bankers' Association. Those of us who are working with it know how much good it is doing.

The Secretary: Then read some of the headlines of said report.

Report of the American Institute of Banking. [This report is printed on page 154.]

The President: You have heard the report as read, gentlemen. What will you do with it?

A Member: I move that it be received, approved, adopted and filed.

Motion seconded, put and carried.

The President: Next is the report of the Standing Protective Committee. Mr. Farnsworth, the Secretary, will read the report.

The Secretary: If it is agreeable, I shall only refer briefly to this report. As a matter of record it should be presented.

It has been presented to the Executive Council of the American Bankers' Association, by them approved, and is now referred to the convention.

Report of Standing Protective Committee. [The report of the Standing Protective Committee may be found on page 145.]

The President: You have heard the report, gentlemen. What will be its disposition?

A Member: I move that the report be received, adopted and filed.

Motion seconded and carried.

The President: That concludes our programme for the day, with the exception of the two practical banking questions, discussions on which are limited to thirty minutes for each topic, open to delegates under the five-minute rule. On account of the lateness of the hour, and on account of the correctness of the attendance at this moment, unless there is some objection, we will omit this for today, since we have the same thing appearing again on our programme for Friday. If there is no objection, we will omit this discussion and stand adjourned until Friday morning at 10 o'clock, to meet in the same place. I hope we will assemble promptly.

Adjourned to Friday, September 17, at 16 A. M.

SECOND DAY'S PROCEEDINGS. Friday, September 17, 1909.

The President: The meeting will please come to order. We will now join in prayer led by Rev. William P. Merrill, D.D., Sixth Presbyterian Church.

PRAYER.

Oh God, our Eternal Father, as we begin the tasks and the opportunities of this day, we would bow before Thee asking that we may be conscious in every moment of Thy presence with us. It is hard for us, children of this busy age with its exacting demands, with the many conflicting interests that clamour every moment and every thought—it is hard for us to make Thy presence real as men did in days past. We pray Thee that Thine help will be received and Thine influence and influence may not be only the# clearness of judgment, for that strength of purpose, for that in-.

The President: The next report will be that of the Federal Reserve Bank. Mr. W. H. Field, Chairman of the Committee, is the Chairman. I understand that Mr. Puelicher was called away on account of the death, I think, of his grandmother, and if he has not left his report with some one to be read—

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and that we recommend, as a substitute therefore, the maintenance of separate and independent banks for the purpose of lending to all depositors all deposits safeguarded by their own assets instead of to the Federal Reserve Banks, under proper regulations to be prescribed by law.

In other words, we have not undertaken to outline this in detail, but we simply offer it to be worked out hereafter.

Mr. Myron Campbell, of South Bend, Ind.: I doubt the propriety or expediency of this Association undertaking to recommend to the Legislature a proposition that would cause no objection. I think, to our reuniting the negatives that have been brought forth in this report of the committee; but it seems to me that the Committee of the Association to refer this particular clause to the Banking and Currency Commission with power, I would also suggest that we add the word “Banking” to that “Currency Commission.”

Mr. Arthur Reynolds: In reply to Mr. Campbell, I have this suggestion to make. While bankers, under their breath and to each other, are expressing a fear that this Postal proposition is going to prevail, I think it might be important that the Association take some steps to protect deposits against what they conceive to be a disaster—that they are endeavoring to employ a new method of treatment; they are endeavoring to get on a footing or settle the other side of the body, to ease the pain. In doing so, it appears to me, sir, that they are doing just what the conventions of the political parties are doing. They are making the matter of segregation of deposits, look at it for a second in a practical way and see whether it will accomplish what you desire. Are you going to open the banks to depositors, and at the same time, introduce these depositors into two classes, and secure the one with the best assets you have got? If you do, what becomes of your depositors on the other side? Are you going to be a man who has just spoken, in giving us his idea of segregation, misrepresents the matter; he is entirely misleading in what he says. Do you know why there has been no money lost in National banks, and his resolution, as I understand it, refers to the commission. Mr. Johnston: Yes; but does the gentleman, in referring to the segregation of deposits, refer to the savings banks also? Mr. Arthur Reynolds: Well, as I understand it, you refer to the segregation of deposits in National banks, and his resolution, as I understand it, refers to the resolutions here.

Mr. Campbell: That can only refer to Federal legislation.

Mr. Delano: I ask for the re-reading of the resolution before we vote on it. The President: Will you please read the resolution again.

Mr. Reynolds: (Reading.)

The President: The motion at present before the house is on the rejection of this entire resolution to the Currency Commission.

Mr. Rother: There are two subject matters in that resolution; and they should be separated. I think that this body is prepared to vote for the first section, but not for the second, in favor.

The President: The motion at present before the house is on the rejection of this entire resolution to the Currency Commission.

Mr. Rother: I only wanted to call your attention to the fact that there are two resolutions in this one resolution.

Mr. Campbell: My motion said that the affirmative part of the resolution—there are two parts, one negative and one affirmative. I think the part that recommends legislation be referred to the commission.

The President: You have heard the question. All in favor of Mr. Campbell's motion will please signify it by saying aye. Contrary, no.

Motion carried.

GUARANTY OF DEPOSITS CONDEMNED.

Mr. Arthur Reynolds: I want to offer one resolution that I read, and which I will now re-read.

Resolved, That the American Bankers' Association is unanimously opposed to the following to the neutralization of deposits either by the State or nation, for the following reasons:

1. It is a function outside of State or National Government.
2. It is impractical and misleading.
3. It is impractical and misleading.
4. It is revolutionary in character.
5. It is subversive to sound economy.
6. It will lower the standard of our present banking system.
7. It is productive of and encourages bad banking.
8. It is a delusion that a tax upon the strong will prevent failure of the weak.
9. It discriminates honesty, ability and conservatism.
10. A loss suffered by one bank jeopardizes all banks.
11. The public must eventually pay the tax.
12. It will cause and not arrest panics.

I now offer that resolution.

Resolution seconded and adopted unanimously.

Mr. Arthur Reynolds: Now, the second resolution: Repealed, That the American Bankers' Association is unanimously opposed to any arbitrary plan looking to the neutralization of deposits either by a State or the Nation, believing to be impractical, sound and misleading, revolutionary in character, and subversive to sound economy, placing a tax in the hands of the usurpers and inexperienced for reckless banking; and knowing further that such a law would weaken our banking system and jeopardize the interest of the people.

A Member: I move the adoption of that resolution.

The President: Gentlemen, you have heard the resolution. Those in favor will hold up the aye, contrary, no. Unanimously adopted.

Mr. Campbell: I move the report of this committee to be received, with the thanks of the convention for the consideration they have given the matter entrusted to them, and that the committee be continued.
A Member: I second the motion.

The President: You have heard the motion which has been seconded. I move that it be adopted. By saying aye: contrary, no. Motion unanimously carried.

The President: I find that a representative of the Trust Company Section is in the house prepared to report. We will now have the report of the Trust Company Section.

Mr. McIntosh: Mr. President and Gentlemen of the Convention, I will make a brief report by reading extracts from the report of the Executive Committee, which was adopted by the Trust Company Section. The part of the report that I do not read will be found in the printed proceedings.

The President: Is there any one in the house prepared to report for the Savings Bank Section? If not, we will pass that.

No response.

The President: The next is the report of the special committees. Are any special committees present or represented by any one who desires to report?

No response.

INVITATIONS FOR CONVENTION

The President: If not, we will pass that. The next order of the programme is the reading of the invitations extended to the Association for the convention next year. Mr. Farnsworth will call the roll of the special committees that I think, has some letters on this subject which he will now read.

Mr. Farnsworth then read invitations from the following cities:

- Richmond, Va., for 1911; Saintonge, N. Y.; Put-in-Bay Island, Cedar Point, Ohio, and Rochester, N. Y., for 1912; San Antonio, Tex., for 1913; San Antonio, Tex., for 1914; N. S. Graham, of San Antonio, Tex., stated that on behalf of his city, which had extended an invitation for the Association, he had written the Executive Committee asking them to defer to Los Angeles, while extending a like invitation on the part of San Antonio, Tex., for the year 1911.

General Secretary, of Kansas City, stated that on behalf of the large number of delegates from the Missouri Valley Section, he was instructed by them to second the motion that Los Angeles be designated by the convention as the place of meeting next year. Motion seconded.

The President: The motion before the house is on the accept ance of the invitation from Los Angeles to hold our next con vention in that city. All in favor will signify by saying aye; contrary, no. Motion carried unanimously.

(Applause.)

Mr. Joseph D. Badger: On behalf of the committee, Mr. J. M. Elliott and myself, appointed by the Clearing House, I want to thank you. On behalf of the State of California I want to thank you, and more and more on behalf of the city of Los Angeles I want to thank you. It is up to us now to demonstrate whether your confidence has been misplaced or not. We invite you all to come and inspect us closely in 1911.

(Applause.)

The President: Gentlemen, before proceeding with the regular programme, I wish to state to you that we are fortunate in having with us today, Dr. Kilgo, President of the Trinity University, Durham, N. C. I regret exceedingly the fact that Dr. Kilgo’s name does not appear upon our programme. In explanation of this I desire to say that a few days ago, or just as the programme was ready for the press, we were informed by Dr. Kilgo’s physician that his health was such that it would be impossible for him to keep his engagement with us. With a view of having the programme represent only those persons who desire to have in the way of entertainment for you, and in the way of a programme, Dr. Kilgo’s name was left off. Dr. Kilgo’s physician at that time did not object to his acceptance, however, and in his desire to keep his promise, he has violated the wish of his physician and is with us today, and I want to make it distinctly clear that he does not appear upon the programme and the members of this convention have not been advised as to the hour at which he will speak, that he will immediately follow the address of Mr. Forgan.

Ladies and gentlemen, I am a firm believer in the law of compensation in this world, in whatever line of work one may be engaged. I believe that a man reaps in proportion as he sows, and I believe his harvest is as the seed that he sows. We have with us a gentleman who will address us, who, I think, represents what is possible for a man who follows the law of compensation in his work. (Applause.)

A few years ago a poor boy from Scotland emigrated to America—a boy without influence or friends in this country. By sheer force of ability he has gradually worked his way from that of an inconspicuous clerk in the Bank of British North America until he is to-day, and has for some years past been, one of the most conspicuous figures in banking in this country. This gentleman is a big man; he is large of stature, big in intellect, great in character and strong and forceful in all that he does. He comes from Chicago and took charge—active charge—of one of our banks some years ago—perhaps fifteen—when it had only twenty million dollars of deposits. Today it is the largest bank—considerably the largest bank in the city of Chicago. And when you measure the character of the business done by that bank and the character of business done in Chicago, I believe, it is as the seed that he sows, and I believe his harvest is as the seed that he sows.
RESOLUTION TO ENCOURAGE ORGANIZATION OF COMPANIES FOR INSURING DEPOSITS REFERRED.

Mr. Watts: A resolution offered by Mr. John Schults, President of the savings bank at Manitowoc, Wisconsin, reading as follows:

Whereas, Bank failures are the only causes of bank runs and financial panics, resulting in immense losses to all interests; whereas more than half of the capital of the various banks is sunk in the various parts of the United States, said Bankers' Association.

Resolved, That the Executive Committee of the Association considering at all the matter of going into the business of insuring depository bonds, under all of these conditions the insuring of bank assets will be an unquestionable safeguard; therefore, they offered a resolution that this Association should consider the writing of surety company bonds. At the Bankers' Convention at San Francisco I took the stand against the proposition of this Association considering at all the matter of going into the business of insuring depository bonds or burglary insurance. That was that time, I did so hesitatingly, because the Association in the convention in New Orleans appointed a committee, of which Mr. John L. Hamilton was the head, and that committee met for the purpose of settling that question, and they offered a resolution that this Association should consider the writing of surety company bonds in the following words:

RESOLUTION TO ENCOURAGE ORGANIZATION OF COMPANIES FOR INSURING DEPOSITS REFERRED.

The President: Mr. Watts, please read the resolution again.

The President: Are there any further remarks on the subject? If not:

Mr. John L. Hamilton: Before the adoption of that resolution or voting upon it, it seems to me, if it is advisable to take up this particular subject at this time, that it should be both considered and that we ought to let the surety companies of the United States know that we are greatly interested in the matter of going into the business of insuring depository bonds, as well as burglary insurance, as they are closely allied and might just as well be both considered as one.

Mr. Watts: Mr. President and Gentlemen: It may be somewhat difficult to direct the attention of the surety companies of the United States to the point which I am endeavoring to make, that is, his acceptance of such an amendment as proposed by Mr. Hamilton would probably be in order, and if he accepts the amendment, I will include it in my motion upon the adoption of the resolution. What is your pleasure, Mr. Ingle?

Mr. Ingle: I have not the slightest objection to amending it in accordance with the wishes of Mr. Hamilton. I can only add this, I have personally been in correspondence with some of those companies, and I believe they are already in a mind in which they will recognize the necessity of the proposition as submitted in the resolution which I prepared. I believe that the surety companies will accept the suggestion, and that the moral pressure brought to bear by the adoption of such a resolution as has been read will be helpful. Whether or not it will be helpful in whatever situation by conferring with it, I have no idea. It is altogether another matter. If, in the wisdom of the convention, it is thought best to make the resolution as a wider subject, I am in entire accord with it, but I think as it stands it will come very close to accomplishing its purpose in connection with the underwriting of depository bonds.

The President: Unless Mr. Ingle is willing to have his resolution amended as suggested, it will not be possible to have it put. Mr. Ingle: I entirely accord with the amendment.

The President: Does the seconder accept this amendment?

Mr. Watts: Mr. President, please read the resolution again. (Resolution read.)

The President: Are there any further remarks on the ques-
tun? If not, all who are in favor of the adoption of the resolution kindly say aye; carry, by the same sign.

Resolution adopted.

The President: Mr. Thomas, of the Information Bureau, has some letters and telegrams for members, a list of which will be glad to have him read.

Mr. Thomas reads the list, and also stated that to-day was the last day for validating railroad transportation.

The President: I want to announce that the new Council will meet immediately after the adjournment of this convention this afternoon in the banquet hall on the sixth floor of the Congress Hotel, unless the Congress Hotel is not the Auditorium, in the banquet hall on the sixth floor.

I want to take this opportunity to assure you gentlemen and ladies who have attended this convention that Chicago feels highly honored by the magnificent attendance which we have had. I want to tell you, my friends, that the entertainment which has been accorded you during your stay among us has not been provided by the Chicago Clearing House Association alone. It has included all the books in the Clearing House Association, but it has also included the non-Clearing House banks—in fact, all the banks; and I think it is only fair that you should know that the smallest banker in Chicago, as well as the largest, has helped to contribute to the best of their ability to your entertainment. (Applause.)

Gentlemen and ladies, those of us who are charged with the management of financial responsibilities, believe that we carry large responsibilities with us. The management of a financial institution of any character does create a responsibility—a very great responsibility, but I want to tell you, my friends, that peace of mind and contentment and happiness cannot come alone through the accumulation of large wealth and accomplishment of business, for those qualities come only as the result of qualities of heart and mind, which, when applied to our business, teach us that we should do our duty to the other and each to the community in which we live, to the commonwealth and to the nation.

We have with us to-day, gentlemen, a gentleman who, in my opinion, occupies a position quite as, if not more, responsible than the position held by the manager of a financial institution, for he is charged with the responsibility of managing the character of the young people whom he has under his charge, and to whom he is teaching and preaching. We have with us today Dr. John G. Kilgo, President of Trinity College of Durham, N. C., and it gives me great pleasure to introduce to you Dr. Kilgo, who will talk to you upon the subject of "Our Industrialism and Americanism."

Resolution to adjourn.

[We print Dr. Kilgo's address on pages 136 to 139.]

The President: The next order of business is the report of the Committee on Nominations. Is the committee ready to report?

REPRESENTATION OF STATES AND TERRITORIES WHERE THE MEMBERSHIP IN THE AMERICAN ASSOCIATION IS LESS THAN 100, THE TOTAL MEMBERSHIP AGGREGATING 267 MEMBERS.


FOR MEMBERS EXECUTIVE COUNCIL FROM STATES AND TERRITORIES WHERE THE MEMBERSHIP IN THE AMERICAN ASSOCIATION IS LESS THAN 100, THE TOTAL MEMBERSHIP AGGREGATING 267 MEMBERS.


FOR MEMBERS EXECUTIVE COUNCIL REPRESENTING THE VARIOUS BANCORPORATIONS ENGAGED IN THE PRACTICE OF BANKING.

FOR VICE-PRESIDENT OF THE VARIOUS BANCORPORATIONS ENGAGED IN THE PRACTICE OF BANKING.

FOR EXECUTIVE COUNCIL REPRESENTING THE AMERICAN INSTITUTE OF BANKING SECTION.

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Mr. Reynolds, Mr. Pierson, Ladies and Members of the American Bankers' Association. In spite of this very flattering introduction I assure you that I shall hardly worthy of the high honor conferred upon me. However, it will be my earnest endeavor to further the best interests of the American Bankers' Association. Before I take up this gavel I wish to express to Mr. Reynolds the real pleasure that it has been to me to have worked with him in the work of this organization. I have always had the greatest admiration for the efficient manner in which he has conducted the duties of the office he now relinquishes. The American Bankers Association has grown in membership and influence tremendously since Mr. Reynolds came into the direction of its affairs as the Executive Council; and, gentlemen, it is no small task to take up the work where he now leaves it as President and continue the progress he has made. In order to properly attempt to impart to you the importance of all the officers, and particularly of every member of the Association, is necessary; and members should take an interest to see that at all times they select the best men for membership on the Executive Council, for it has been the endeavor of the officers of the Association in its efforts to advance the interests of the members to elect the best men for the executive body of the Association. This is the true success of an organization, when for the honor of the Society the best men are elected to be its servants. I now introduce to you the gentlemen whom I have elected as Vice-President for the next two years.

Mr. George M. Reynolds, of Chicago, Ill.; Mr. Brown, and Mr. McMillion.

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plesant to me as I have been working in association with you; it would require a heart larger than this building in which to put them. I appreciate more than I can tell you the many acts of kindness you have shown me and the many times that you have expressed your confidence in me, but I care ten times more for your friendship and your expression of confidence than I do for all the souvenirs in the world, highly as I shall always prize this momento.

I cannot refrain from taking this opportunity to say that unconsciously you have all been very helpful to me in achieving the little of success I may have had, for had it not been for this Association and the friendship engendered by it, I perhaps would still be running a little country bank in Iowa. I hope you will not think I am sentimental in referring to this, for I am sincere when I say to you that unconsciously through your friendship, support and confidence you gave me strength and courage to achieve, and you more than I are responsible for the positions of trust that have come to me in later years.

And again, and again, I thank you. (Applause.)

Mr. J. M. Elliott, of Los Angeles, Cal.: Mr. Reynolds, you will have to stand up once more. On behalf of the Association and by the hand that merely represents your thousand and one friends from one end to the other of the country, I decorate you with the President's badge. Last year the Association honored you with the Presidency, and you have honored the Association by your incumbency of the office. May this badge ever be a reminder of that fact to you and to your descendants afterwards. (Applause.)

Mr. Reynolds: Thank you. I can only say that if I had a vocabulary that would respond equal to the promptings of my heart I might be able to properly express my thanks. (Applause.)

THANKS TO CHICAGO.

President Pierson: Is there any further business to come before the convention?

Mr. P. C. Kauffman, of Tacoma, Wash.: As a slight expression of appreciation on the part of the delegates to this convention for the many courtesies that have been extended to us while in Chicago, I beg leave to introduce the following resolution and move its adoption by a rising vote:

Resolved, That the members of the American Bankers' Association hereby express their hearty thanks to the associated banks, bankers, and business men generally of Chicago for the very efficient entertainments that have been given them and all the courtesies so hospitably extended; to the press for the splendid report of the proceedings of this convention; to the telegraph and telephone companies for courtesies received; and to all who in any way have contributed in making this the thirty-fifth annual convention of the American Bankers' Association, the most successful in the history of the Association.

The motion to adopt the resolution was seconded from all parts of the hall.

President Pierson: The Chair takes great pleasure in putting the question on this resolution, and will request that it be adopted by a rising vote.

Adopted.

Mr. August Blum: If there is no other business to come before the convention, I move that we adjourn.

All in favor of adjourning will say aye; opposed, no.

President Pierson: If there is no other business to come before the convention, I move that we adjourn.

Secretary Farnsworth: Before adjournment is taken, Mr. President, I wish to announce that the meeting of the new Executive Council will be held in the banquet hall, on the sixth floor of the Auditorium Hotel, immediately after this convention adjourns.

ASSOCIATION OF CREDIT MEN PRESENTS COMPLIMENTS.

I would also read the following telegram, addressed to the Secretary, under date of September 14, from the National Association of Credit Men:

The National Association of Credit Men presents its compliments to the American Bankers' Association and extends its best wishes for a successful convention. The following resolution was unanimously adopted: Whereas, The American Bankers' Association and the National Association of Credit Men have many interests in common, which can be and are best advanced through co-operation:

Be it resolved, That we, the members of the National Association of Credit Men in convention assembled, do express our sincere gratification at the cordial relations existing between the two organizations, and take this occasion to declare that it is our earnest desire to cooperate with the American Bankers' Association in any movement looking to the improvement of credit conditions which its members may become interested in furthering.

President Pierson: Gentlemen, you have heard the communication from the National Association of Credit Men. What is your pleasure in respect to it? It would seem to the Chair that it would be in order for the Secretary's office to make a suitable response to it.

Mr. H. S. Hall, of Waterville, Me.: I move that the Secretary be instructed to extend a suitable response to the communication.

The motion was seconded.

President Pierson: All in favor of the motion instructing the Secretary's office to suitably acknowledge the greetings of the National Association of Credit Men will say aye; opposed, no.

Carried.

Secretary Farnsworth: I would announce that we had prepared for the Vice-Presidents of the various States a permanent badge for them to wear during this week and to take away with them and retain to wear at future conventions. Quite a number of those badges have not been called for, although we sent out notices to the Vice-Presidents and asked them to inquire for their badges when they registered. If there are any of the Vice-Presidents here who have not called for their badges I would request that they do so this evening at the registration headquarters, otherwise we will mail the badges to them.

President Pierson: Are there any other announcements to be made?

Secretary Farnsworth: That is all, sir.

President Pierson: Then the motion to adjourn will be put. All in favor of adjourning will say aye; opposed, no.

Carried.

Adjourned sine die.
Post-Mortem Administration of Wealth

By Daniel S. Remsen, of the New York Bar. Author of "Ressen on the Preparation and Contest of Wills."

Death is the great conveyancer. To-day we own our property, to-morrow death works a transmission to others. It fulfills the conditions upon which settlements and trusts depend. It sets in operation the law of intestate succession and gives effect to wills. Thus in our country property to the value of billions of dollars passes each year under any form of post-mortem administration. In all such administration trust companies have a peculiar interest, but for the sake of simplicity let us confine our attention to testamentary administration and consider our subject from the viewpoint of a person about to make a will.

REQUISITES OF TESTAMENTARY ADMINISTRATION.

The first requisite of a proper testamentary administration is a properly planned will. The second requisite is a carefully prepared will. The third requisite is the selection of proper executors and trustees.

PLANNING A WILL.

The first thoughts of a person about to make a will relate to its plan: (1) what property he may give, (2) to whom he will give it, and (3) whether his gifts shall be absolute, conditional or in trust. With these points in mind the wise testator seeks sound legal advice. He remembers that many things, expected and unexpected, may or may not happen before or after his death. The amount or character of his property may materially change. His real estate may be converted into personal property or vice versa. His securities may be paid off or otherwise changed in form. The value of his property may increase or decrease. Innumerable changes may occur through marriage, birth or death among the objects of his bounty. His own condition may change so that he may no longer have the power to amend his will to meet new conditions as they arise. In short not only probabilities but possibilities must be considered and the will planned accordingly.

WRITING A WILL.

In the preparation of no legal document is the inaccurate use or location of a word or phrase more serious than in a will. Under the most favorable conditions every person experiences difficulty in writing the English language so as to convey his exact meaning beyond the possibility of a misunderstanding or a double reading. In testamentary writing this difficulty is increased tenfold, for the writer must look into the future and prepare an instrument which is to deal with such conditions as time may bring to the testator, his family and estate.

INSURANCE OF WILLS.

A will cannot be insured against a contest as can a house against fire. The only known method of insuring a will is to employ the most skillful of professional experts to draft the will in the first instance or to search for its accuracy before death renders amendment impossible. No one can prevent a judicial inquiry into testamentary capacity, but much may be done to prevent disputes concerning the meaning and legal effect of the instrument and to render litigation improbable. The will of Samuel J. Tilden is a far-famed but unfortunate example in testamentary writing of what "might have been." It is not generally known that in scrutinizing that will the late James C. Carter pointed out the very defect that proved fatal and that the Governor's failure to make the correction was due to his procrastination in directing Mr. Carter to prepare an amendment. As Hon. John Bigelow puts it: Governor Tilden was "surprised by death before he had executed his intention to profit by the counsel" of Mr. Carter. Thus it appears that a letter or telegram from Greystone doubtless would have saved the Tilden will.

Trust companies, as prospective executors and trustees, have a special interest in proper testamentary writing that they may accept such trust business as comes to them without being subjected to unknown liabilities in the performance of duty. Consequently they have done much for the betterment of testamentary writing, but still the safe and sound will is the exception rather than the rule in America. Where testators subject their wills to a rigid critical interpretation before death fully three out of five discover satisfactory reasons for making amendments. Most testators seem to proceed on the theory that it is better to let their estates take the chance of defending a cheap or home-made will at any cost rather than themselves to take the necessary steps to insure a proper document. Thus it is that an undue number of estates pass under defective or ambiguous wills, creating family feuds and paying what may be termed salvage to the legal profession.

Americans do not appreciate the value of constructive law. American lawyers and law schools need more to stimulate English patience and perseverance in the preparation of legal documents. Their attention is riveted upon the remedial at the expense of the constructive. While in case of disaster the proper handling of a wreck is as necessary in law as at sea, constructive law is of equal if not greater public utility, for it insures peace and prosperity and, in the case of wills, prevents disruption of families and a ruinous waste of assets. Constructive law should receive more attention than it has in the past and law schools should aim to turn out architects-at-law as well as masters of the remedial arts. When laymen and their legal advisers are more fully
alive to the importance of better testamentary writing litigation concerning wills will be materially less; testators will act with more confidence; families will be more harmonious; beneficiaries will fare better and executors and trustees will be more free from personal liability.

HUMAN AGENCY IN ADMINISTRATION.

Let us now consider from the testator’s view the human agency upon which he must rely to carry the plan of his will into effect. We must accept the testator’s point of view, for he is entitled to make his own selection. When a person makes a will and selects his executors and trustees he has several courses open: (1) he may select one or more individuals with or without bond; (2) he may select a trust company to act alone, or (3) he may select a trust company jointly with one or more individuals. Each one of these agencies has some advantages and some disadvantages, but over the other two. We cannot say that one of these agencies is always better than another, for the personal equation varies with each selection. We are told that nature has not produced a perfect blade of grass, a perfect flower or a perfect fruit and we might add that human nature has never produced a perfect trustee, but as one blade of grass, one flower, one fruit is more perfect than another, so among trustees the testator has room for choice. The duties of executors and trustees are two-fold; they are not only business and financial but also human and personal. A testamentary trust is more than a business; it carries with it a confidence. Under some wills the business and financial sides predominate, but in all cases the human or personal element of personal interest in the beneficiaries is usually a determining consideration, sometimes even at the expense of longevity. In the selection of trustees testators, in a large number of cases, are guided by the wishes of the testator as the first law of his being.

SAFETY OF THE ESTATE.

The prime factor in post-mortem administration is the safety of the estate. It often determines the selection of executors and trustees. The old method before the days of trust companies and surety companies was to rely upon the character and financial standing of the individuals appointed, supplemented in some jurisdictions by individual bonds. Such appointments have been the occasion of much unsatisfactory administration. They have resulted in loss both from embezzlement and dereliction of duty. To secure safety from these hazards trust companies and surety companies have each offered a solution which has proved more or less satisfactory to many testators.

The plan advocated by surety companies is the appointment of individuals of known character and business ability under a legal or testamentary requirement that suitable bonds be furnished, preferably by a surety company at the expense of the estate. Such testamentary provisions are sometimes inserted at the request of prospective executors and trustees on the ground that the joint control of assets and the accompanying supervision of surety companies is an aid to proper administration, a protection against mistakes and a safeguard against the negligent or wrongful acts of employees or of a co-executor or co-trustee. The bonds thus advocated guarantee the estate against loss arising from dereliction of duty as well as from misappropriation of funds.

The plan advocated by trust companies is their own appointment with or without the addition of one or more individuals as co-executors and co-trustees. If a trust company is appointed it must carry out the wishes of the testator as the first law of his being and it carries with it a confidence. Under some wills the business and financial sides predominate, but in all cases the human or personal element of personal interest in the beneficiaries is usually a determining consideration, sometimes even at the expense of longevity. In the selection of trustees testators, in a large number of cases, are guided by the wishes of the testator as the first law of his being.

guaranty for the performance of its duty, but not as a guaranty for the performance of duty by a co-executor or co-trustee. Where the possibility of loss through a co-executor or co-trustee is not cut off by a surety company bond it is generally well hedged about by a trust company for its own convenience and protection. The practice of trust companies acting as co-executors or co-trustees in assuming the custody of securities is in itself an important element of safety. Some testators insert provisions in their wills looking to this end, often to the relief of the individual executors and trustees.

Both plans of safety involve a corporate custody of securities, in one case joint and in the other absolute. They differ in that the liability of the surety company is limited to the amount of its bonds while the liability of the trust company is co-extensive with the estate. The difference also extends to compensation. The former receives an annual premium as for insurance while the latter receives no compensation except for the performance of its duty as executor or trustee.

In England a new feature has been injected into trusteeship. Corporations with powers somewhat corresponding to our trust companies are sometimes appointed custodian trustees for the purpose of holding securities subject to the trust, while the other duties of the trust are performed by individuals, known as managing trustees.

Experiences have shown that both surety companies and trust companies under proper capitalization and management offer excellent plans for reducing to a minimum the possibility of loss attending post-mortem administration. Thus the testator has at hand ample means for the protection of his estate from dangers to which it would otherwise be subjected.

WISE MANAGEMENT.

To insure an estate against loss from embezzlement and dereliction of duty is of course a wise precaution but it is wholly negative in character. The testator seeks affirmative qualities. He demands sound judgment, wisdom and efficient management, and above all at its inception when an unwise exercise of discretion has often resulted as disastrously as embezzlement or dereliction of duty.

The first duties under a will are performed by the executor. After a thorough study and understanding of the will he realizes on the testator’s assets, pays his debts and distributes the surplus or turns it over to trustees for investment according to the terms of the will. Where the duties of executors and the duties of trustees begin. The executor turns over the trust estate to the trustees in such form as the testator directs. The trustees may then open review the state of the investments and square them with the law and the terms of the will. If under the will the executors have already performed that duty the task of the trustee is much reduced. Thenceforth the duties of the trustee are those of investment and re-investment and the collection and application or payment of income. Thus it is that the duties of executors are less routine in character, more difficult to perform and more temporary in their nature than the duties of trustees. Consequently testators are disposed to look more for mature experience and discretion in the selection of executors and less to longevity. In the selection of trustees testators, in a large measure, seek the same qualities with an added care for a continuity of the trusteeship during the trust term. The element of personal interest in the beneficiaries is usually more or less present in the mind of the testator in the selection of both executors and trustees and is frequently a determining consideration, sometimes even at the expense of good business administration.

INDIVIDUALS AS EXECUTORS AND TRUSTEES.

While in the selection of individuals as executors and trustees the testator has a wide range of choice there are certain qualities which he cannot overlook. He must have integrity and ability and should have good business habits. In selecting such persons the testator usually relies on
personal acquaintance, observation and reputation. He looks with confidence upon persons of good personal habits and character. He values the respect of the community. Married rather than unmarried men, upon the man who has no adverse interest, who is morally sound, whose family is not extravagant, who has a means of livelihood, who does not live beyond his means, who has good and regular business habits, who is moderately successful, whose position is not speculative, who does not buy and sell on margin, who has a mind of his own but is not self-opinionated and who is free from prejudice, capable of discrimination, sound in judgment and considerate of the rights of others.

This may be a high standard to set for post-mortem administrators of wealth, but to me it seems to be the true one. It certainly is one testators are continually applying and therefore should receive serious consideration in the selection of directors, officers and employees of a trust company if it is to attain any degree of success in this important branch of its business.

**KINDRED AS EXECUTORS AND TRUSTEES.**

In selecting executors and trustees the mind of the testator usually turns first to his family, then to his friends, business associates, legal advisers and trust companies. In his family he is most likely to find an element of personal interest which strangers do not possess. Yet so frequently are other qualities absent that no general rule can be stated as to the wisdom of placing post-mortem administration in the hands of kindred. So much depends upon the individual, the estate and the will that each case is the subject of discussion among testators and their counsel and sometimes the determining factor than is generally supposed.

Hon. Lyman J. Gage has well described the situation. He says: "Character and capital are the best assets of a trust company. Its officers and directors, therefore, should be men of wide experience, men who have been tried and who devote themselves to the real duties of their positions."

**COMBINATION OF COUNSEL AND TRUST COMPANY.**

Generally speaking and without specifying particular situations or testamentary conditions, the best results seem to have been attained in post-mortem administration of substantial estates by combining as executors and trustees a trust company and the testator's counsel, sometimes alone and sometimes joined with one or more of the testator's family or friends. Thus are secured the advantages of corporate management as well as personal responsibility and individual discretion.

This is not merely a personal view. It is the opinion of many persons, including some of the greatest financiers in this country and having the personal acquaintance and personal associations, upon males rather than females; upon males of wide experience, men who have been tried and who possess the qualities which carry confidence and make for benevolence and good results. In these respects the record of trust companies is most satisfactory and honorable. Their corporate responsibility and the fact that business qualifications, honesty and ability are sufficient and family jealousies not likely to be aroused, such appointments are eminently proper. If, however, the will contains a trust very different considerations necessarily enter into the selection of a trustee. Thus business qualifications may well be entrusted with power over a man. If, on the other hand, the estate is large or somewhat involved or trusts are present in the will, the necessity for outside assistance becomes more apparent.

Where the will contains no trust, and the corpus is to be divided upon the settlement of the estate, usually there can be no objection to the selection of executors because of interest or kinship. Where business qualifications, honesty and ability are sufficient and family jealousies not likely to be aroused, such appointments are eminently proper. If, however, the will contains a trust very different considerations necessarily enter into the selection of a trustee. Thus business qualifications may well be entrusted with power over a man. If, on the other hand, the estate is large or somewhat involved or trusts are present in the will, the necessity for outside assistance becomes more apparent.

The trust company, after adopting proper business methods and squaring the human agency behind the corporate name with the qualities which carry confidence and make for personal satisfaction, can render no greater service to itself and to the interests it is to serve than by educating the public as to the importance of a sound will and the advantages of corporate administration after death.
Trust Company Resources and Revenues: A Five-Year Summary.

By Edward T. Peine, President of The Audit Company of New York.

Basis of the Summarized Figures.

The Executive Committee of the Trust Company Section have once more honored me with an invitation to prepare and present to the Section a statistical statement of the affairs of all the trust companies. In seeking to fulfill this request, and in the no small task of compiling the essential figures, as of a period of five years past, a basis of research has been available at the present time which did not exist at the beginning of that period. I should, therefore, at the outset, make my acknowledgments to the valued collections of statements and other data which have been issued annually since 1903 by the United States Mortgage and Trust Company, of New York City, under the title “Trust Companies of the United States.”

These statements and other data show, even on the most casual inspection, that the trust companies are growing alike in numbers, in resources, and in earning power, and an interesting question presents itself, therefore, as to what the precise measure of this growth has been. Phases of this question affect many trust company accounts. With expanding aggregates of capitalization, have surplus funds and undivided profits also expanded, and in what amounts? With increasing deposits, general and in trust, have relative cash holdings been equally maintained, if not established on a higher ratio? Have the failures, and other disappearances from the lists of companies reporting in former years been frequent or important, as bearing upon the aggregate position of all the companies? Has the volume of dividend disbursements been well sustained? Moreover, what have the effects of the recent business depression been upon the trust companies as a whole, and how completely have they rallied from that depression?

These queries are now to be answered, in so far as aggregates and averages of dollars and cents will show, and answered in a manner which cannot fail to be gratifying to those in interest in the administration of trust company affairs.

Tabulations have been prepared by the speaker, using the figures contained in the 1904 to 1909 editions of the reference book before alluded to, together with the figures shown on advance sheets for 1909, the latter having been courteously loaned for this purpose by the publishers. The resources, and corresponding Liabilities, are as of the date June 30 in each year; while the dividend summaries are on a basis of the annual rates reported down to December 31 in each previous year.

The tabulations show many interesting results, and your attention is invited to certain of the totals, such as these:

GROWTH IN NUMBERS AND IN CASH HOLDINGS.

There has been a marked growth in the number of companies reporting. The totals are:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1904</td>
<td>994</td>
</tr>
<tr>
<td>1905</td>
<td>1,115</td>
</tr>
<tr>
<td>1906</td>
<td>1,304</td>
</tr>
<tr>
<td>1907</td>
<td>1,480</td>
</tr>
<tr>
<td>1908</td>
<td>1,470</td>
</tr>
<tr>
<td>1909</td>
<td>1,496</td>
</tr>
</tbody>
</table>

an increase for the five years of 502 companies, which number represents an increase of over 50 per cent. since 1904.

The combined cash on hand and in bank held by the trust companies on June 30 five years ago, amounted to the sum of 822 millions of dollars. In the succeeding years, down to 1909, the respective totals were 633 millions, 588 millions, 607 millions, and 894 millions. On the same date this year the remarkable total was reached of 999 millions of dollars, which sum carried with it a sufficient number of odd thousands of dollars to make the cash holdings of this year’s 1,496 trust companies only a shade less than a round aggregate of one billion dollars. The increase in the cash and bank accounts in 1909 over 1908 has been found to be 105 millions of dollars, an increase of 34 per cent., while the increase for the five years is 377 millions of dollars, or nearly 61 per cent.

DEPOSITS BEFORE AND AFTER THE PANIC.

In 1904 the trust companies were liable to their depositors, general and in trust (including other trust companies and banks), in the sum of 2 billions 301 millions of dollars. A year later this liability aggregated 2 billions 046 millions. In 1906 and 1907 the respective amounts were 3 billions 18 millions, and 3 billions 223 millions. Then, in 1908 there occurred, for the first time in trust company history, a heavy shrinkage in their deposit liabilities. From June, 1907, to June, 1908, there was a contraction from 3 billions 222 millions to 2 billions 913 millions, the decrease being 309 millions of dollars, almost 10 per cent., and leaving a smaller aggregate than in any year since 1904. The total for June of this year is 3 billions 917 millions, but the recovery of 1909 marks a great growth, the total being the vast sum of 4 billions 567 millions of dollars, an increase of 654 millions for the year, or 22 per cent., and an increase of 1 billion 206 millions for the five years, which is an increase of 31 per cent.

In considering the various totals of deposits it is to be observed that the percentages borne thereto by the totals of cash on hand and in bank, taken together as total reserve, have at no time during the five years averaged less than 19.3 per cent., the average percentages on June 30 in each of the years having been:

<table>
<thead>
<tr>
<th>Year</th>
<th>Per Cent.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1904</td>
<td>26.5</td>
</tr>
<tr>
<td>1905</td>
<td>21.5</td>
</tr>
<tr>
<td>1906</td>
<td>19.5</td>
</tr>
<tr>
<td>1907</td>
<td>20.0</td>
</tr>
<tr>
<td>1908</td>
<td>21.5</td>
</tr>
</tbody>
</table>

an increase for the year of 4 per cent., and for the five years of 1.7 per cent.

The Total of Resources and Liabilities in 1909.

The summarizing of the total liabilities of the trust companies, and of their corresponding resources, naturally leads into aggregates of imposing size. It is found that the statements of all the trust companies reporting in 1904 showed an accumulation of 3 billions 183 millions of dollars. The succeeding years of 1905, 1906 and 1907 show 3 billions 582 millions, 3 billions 844 millions, and 3 billions 221 millions respectively. In 1908 there was a contraction to 3 billions 917 millions, but the recovery of 1909 marks a great growth, the total being the vast sum of 4 billions 609 millions of dollars. These four and three-fifths billions of total resources and liabilities show an increase since a year ago of 622 millions of dollars, or over 17 per cent., while the increase for the five years is 1 billion 471 millions of dollars, a 47 per cent. increase.

Total Capital and Surplus Summarized.

Considering next the figures tabulated to show total capitalization, it appears that the share capital of the present 1,496 companies is 415 millions of dollars, being an increase of 85 millions over the 330 millions of capital outstanding on the part of the 994 companies of five years ago. The
average capital per company at that time is thus found to have been 332 thousands of dollars, yet even in the face of the great growth which has occurred in numbers during the five years, the average trust company of to-day is now an institution with no less than 277, thousands of dollars of capital.

The totals under surplus and undivided profits show growth in a marked degree. The figure for five years ago was 579 millions; to-day it is 562 millions, an increase of 123 millions.

When these totals of capital and of surplus and undivided profits are united in a lump sum of liability to stockholders, it is found that the aggregate of such liability is now 917 millions of dollars, as against 799 millions five years ago. The same figures afford a basis of determining the average percentage of book value applicable to all of the capital stock of the companies, and it is found that the average book value is at present $221.00 for each $100 of par, as compared with an average of $214.38 in the year 1904.

FIFTY MILLIONS OF EARNINGS PER ANNUM:

Interesting results appear in the tabulations as regards dividends and payments throughout the five year period. On December 31, 1903, there were 560 companies on a divided paying basis. The number has grown in succeeding years to 601, 777, 905, and 984, respectively. The average rate paid upon the shares of these companies which have been divided paying has increased from 10.3 per cent. to 11.9 per cent. In aggregate, the average percentage for all the companies, dividend paying and non-dividend paying, has increased from 7.7 per cent. to 9.4 per cent. The total amounts disbursed each year have been computed, with the result of finding that there has been a constantly increasing volume of dividends in each of the past five years. The totals so disbursed have been:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Dividends Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1904</td>
<td>$250,000,000</td>
</tr>
<tr>
<td>1905</td>
<td>$320,000,000</td>
</tr>
<tr>
<td>1906</td>
<td>$360,000,000</td>
</tr>
<tr>
<td>1907</td>
<td>$300,000,000</td>
</tr>
</tbody>
</table>

A CONTRAST WITH NATIONAL BANK FIGURES:

The growth of the trust companies since 1904, enormous as regards the older institutions and substantial in the case of the newer ones, is clearly proven by the summaries made of each year's figures. With a volume of wealth nearly approaching 5 billions of dollars, the entire number of trust companies is approximately equal in size to the National banks of ten years ago, the fact being that 3,383 National banks reported on June 30, 1909, to the Comptroller of the Currency that their total resources and liabilities were 3 billions 174 millions. In aggregate resources and liabilities these 807 companies now hold 4 billions 72 millions, an increase of 1 billion 48 millions for the five years. This aggregate of 4 billions 72 millions represents 88 per cent. of the 4 billions 669 millions of aggregate trust company wealth of the country, the remaining 12 per cent. being held by 699 companies organized within the five years, or not reporting in 1904, and now showing as their share of the total wealth 536 millions, or somewhat less than one-eighth of the whole.

Add to this the fact that the companies which have five or more years of duration in dividends during the calendar year 1908 upwards of 35 1/2 millions of dollars, or over 90 per cent. of the aggregate dividends of all the companies, and it is a fair claim to make on behalf of these 807 companies of five years ago, and of the present, that they have recently established a record for growth and for earning capacity as well, unequaled by the accomplishments of any similar group of financial institutions anywhere during an equivalent period of time.

WHAT IS SHOWN BY 807 "VETERAN" COMPANIES:

Of the 994 companies reporting in 1904, there have been 32 failures, without subsequent resumption of business. These failures occurred in 20 different States, but no considerable number took place in any one section of the country. It is true, however, that 37 of the failed companies were located east of the Mississippi River, and only 15 beyond. The total resources of these 53 companies are found to have been 64 millions of dollars, or only about 2 per cent. of the aggregate of all the companies for 1904. There were, in addition, 91 companies which are now reported as being no longer in trust company business (having in most instances become National or State banks), together with 23 companies whose statements have not been obtainable this year. These disappeared and non-reporting companies represent only 12 millions of total resources. The remaining companies, inclusive of 21 mergers, number 807. These are the survivors, the veterans, so to speak, of the trust company army. A summary of their aggregate position, contrasted with the corresponding aggregate for 1904, reveals striking conditions of past growth and present strength.

These 807 "veteran" companies had, on June 30, 1906, stock and bond investments of 978 millions of dollars, an increase over 1904 of 264 millions. Their loans, including mortgages, and their bills receivable amounted to 2 billions 38 millions in 1906, or over 665 millions more than in 1904. Their cash on hand and in bank amounted to 897 millions, averaging over a million dollars per company, and showing an increase in total holdings, as against five years ago, of 253 millions. Their real estate, banking houses, safe deposit plants, and furniture and fixtures accounts, totaled 117 millions, an increase of 47 millions. Similarly their capital stock showed an increase of 10 millions, being now 220 millions. Their surplus and undivided profits showed an increase of 90 millions, being now 408 millions. Their deposits increased during the five years 883 millions, an average of over a million dollars per company, the present total being 3 billions 143 millions. In aggregate, the resources, dividends, and surpluses of these 807 companies now hold 4 billions 72 millions, an increase of 1 billion 48 millions for the five years. This aggregate of 4 billions 72 millions represents 88 per cent. of the 4 billions 669 millions of aggregate trust company wealth of the country, the remaining 12 per cent. being held by 699 companies organized within the five years, or not reporting in 1904, and now showing as their share of the total wealth 536 millions, or somewhat less than one-eighth of the whole.

Fourteenth Annual Meeting TRUST COMPANY SECTION, Held at Chicago, Ill., September 15, 1909.

MORNING SESSION.

WEDNESDAY, SEPTEMBER 15, 1909.

CHICAGO, ILL., September 15, 1909.

The Fourteenth Annual Meeting of the Trust Company Section was called to order by the President, Mr. A. A. Jack-

The President: It gives me very great pleasure, gentle-
mans, in order to call the Fourteenth Annual Meeting of the Trust Company Section of the American Bankers' Asso-
ciation.

The Rev. Herman Page, rector of St. Paul's Church of Chi-
ago, will ask the Divine blessing upon our gathering.

PRAYER.

By Rev. Herman Page.

Our Heavenly Father, in whom we move and live and have our being!

We beseech Thee to give us a realizing sense of our solemnity to Thou and our fellowship to one another.

We thank Thee for the many blessings that have been vouchsafed to us, and especially for the privilege of living and working in this great and beautiful land in this wonderful age.

We beseech Thee to increase in us a deeper sense of our responsi-

bility to Thee and to our fellows, and may we and we in the work which

Thee hast given to us to do our chief opportunity for service,

Grant that we may more and more appreciate the virtue of honesty,

and especially the relation of brotherhood that still will lead us to

serve the weary to their homeward home, and give us joy in our work.

With the members of this organization in the meeting to-day,

and grant that Its deliberations may redound to their good and to

the destinies of this Section from 1904-5, and who has always

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go, will ask the Divine blessing upon our gathering.
Perhaps it will be fitting for me to dwell for a few moments upon the progress that has been made by this branch of the American Bankers' Association. The progress is almost phenomenal. The past year has been largely characterized by the formation of new trust companies and the expansion of old ones. The growth of this section is no part of the whole.

We are not old. Only thirteen years ago a small number of men, who with many of us who are here today, began to consider the incorporating as an individual segregation the trust companies of this country, which until that time had been more or less scattered and without any general banking interests of the United States. Through the efforts of these men certain trust companies affiliated to the American Bankers' Association took the important place to which they were entitled in the life of the Association; not as a separate body, but one with the whole and yet representing the important collateral relationships which the members of their resources bear in the financial life of the nation.

Since then the wisdom of this action has been amply demonstrated. By a procession, at some times more rapid than at others, from this small beginning the Trust Company Section has grown to its present membership of nearly one thousand companies, with aggregate resources in the neighborhood of four billions of dollars.

It may be argued that such a growth is only natural by reason of the development of this country, and that this growth is more rapid than that of any other interest, but in common with the other interests which have grown in the ranks of the nation, the trust companies have been in the forefront. And we must remember, also, that every company bearing the word "trust" in its name is not admitted to membership in a protective and advisory capacity as careful in such a large organization is devoted to the standing of the applicant, and while an effort is made to make of our legitimate institutions, no welcome is extended to those transacting a business foreign to our field, and always the efforts of a corporation to accommodate the protection of the use of the word "trust" in corporate titles.

As each year brings a new meeting of this section, it seems to me that the great purpose of those who attend them the benefits of coming together for deliberation upon general topics of interest to the trust company world. But this is to my mind is perhaps the smaller part of the advantage to be derived from this membership. Not only do we meet at these conventions men whom we have known perhaps only in correspondence, and thereby bring together for the promotion of future business of mutual interest, but the fame of these gatherings induces the enlargement of the Association, and the natural increase of work for the efforts to be desired.

Thus, for example, let me congratulate you. They are men chosen. It is unnecessary for me to tell you what has been done in the past two years' period, for you have been intimately connected with the management of our affairs. This is submitted to you in the reports of your several committees, and that of your Executive Committees, as planned by your able Chairman, nor need I indicate what shall be done for our welfare during the coming period, for such recommendations will come from you in your discussions of to-day.

It remains then for me, who in an hour or so am to relinquish this office of which I have had so much pleasure and so much help, to urge that in the year to come that bears such promise of prosperity, we join in making this Trust Company Section of the American Bankers' Association bigger, more powerful and better than it has ever been.

The President: The next business is the report of the Secretary of the Section, Mr. Philip S. Babcock.

Report of Secretary.

New York, September 1, 1908.

To the Members of the Trust Company Section American Bankers' Association.

Gentlemen—The financial statement for the past year is as follows:

RECEIPTS.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1, 1908, by appropriation</td>
<td>$1,200.00</td>
</tr>
<tr>
<td>May 5, 1908, by appropriation</td>
<td>4,000.00</td>
</tr>
<tr>
<td>4 copies Trust Co. Proceedings</td>
<td>2.00</td>
</tr>
<tr>
<td>20 copies Proceedings</td>
<td>75.00</td>
</tr>
<tr>
<td>Book cost</td>
<td>30.00</td>
</tr>
<tr>
<td>90 copies Proceedings, 1904-1908</td>
<td>54.00</td>
</tr>
<tr>
<td>50 copies Trust Co. forms</td>
<td>196.90</td>
</tr>
<tr>
<td>Stamped envelopes, returned</td>
<td>12.40</td>
</tr>
<tr>
<td>Budget September 1, 1908</td>
<td>$11,064.55</td>
</tr>
</tbody>
</table>

Disbursements

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
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</thead>
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<tr>
<td>Salaries</td>
<td>$1,015.23</td>
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<tr>
<td>Postage</td>
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</tr>
<tr>
<td>Stamps, postage</td>
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<td>Typing and stationery</td>
<td>261.10</td>
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<td>Petty cash</td>
<td>165.50</td>
</tr>
<tr>
<td>Telephone expense</td>
<td>195.97</td>
</tr>
<tr>
<td>Equipment</td>
<td>97.90</td>
</tr>
<tr>
<td>Credit balance September 1, 1909</td>
<td>118.00</td>
</tr>
</tbody>
</table>

Balance September 1, 1908...

Balance August 31, 1908...

$12,094.55

Cash in bank, advance subscriptions to book of "Trust Company forms"...

Membership September 1, 1908...

Loss by non-payment of dues, cancellations, liquidations and other causes...

New members to August 31, 1908...

Membership September 1, 1908...

MEMBERSHIP TRUST COMPANY SECTION BY STATES.

August 31, 1908

Alabama 15 13 20 20
Arkansas 16 18 20 19
Arizona 15 10 12
California 25 29 25 31
Colorado 16 21 23 25
Connecticut 16 21 23 25
Delaware 6 5 6 8
Florida 5 5 7 6
Georgia 8 9 12 13
Idaho 5 5 7 6
Illinois 32 41 56 59
Indiana 18 21 24 29
Iowa 18 26 14 14
Massachusetts 30 28 30 29
Michigan 4 6 6 6
Minnesota 4 6 6 6
Mississippi 9 12 9 12
Missouri 17 26 24 22
Montana 2 3 3 3
Nebraska 4 1 1 1
Nebraska 2 2 2 2
New Hampshire 2 2 2 2
New Jersey 2 2 2 2
New York 18 17 18 18
North Carolina 2 3 3 3
North Dakota 2 2 2 2
Ohio 15 15 15
Oklahoma 2 2 2 2
Oregon 1 1 1 1
Pennsylvania 2 2 2 2
Rhode Island 2 2 2 2
South Carolina 2 2 2 2
South Dakota 2 2 2 2
Tennessee 2 2 2 2
Texas 2 2 2 2
Utah 2 2 2 2
Vermont 2 2 2 2
Virginia 2 2 2 2
Washington 2 2 2 2
West Virginia 2 2 2 2
Wisconsin 18 18 18 18
Wyoming 2 2 2 2

REPORT OF EXECUTIVE COMMITTEE.

By Oliver C. Fuller, Chairman.

To the Members of the Trust Company Section of the American Bankers' Association:

This report, which is well laid out by the Executive Committee last year, and is intended to carry out as nearly as possible the many excellent recommendations contained in its annual report at Denver, your committee has been quite busy throughout most of the past year.

Besides the regular spring meeting of the committee, held at Pittsburgh, which was attended by all the officers of the Section and every member but one of the committee, as well as by several of the State vice-presidents and members of special committees, numerous meetings have been held during the year between officers of the Section and the chairman and other members of the committee in regard to the several branches of work being carried on, and in arranging the programme of the annual convention, and in the preparation of the programme for to-day's meeting. Also several meetings have been held during the year between officers of the Section and member but one of the committee, as well as by several of the State vice-presidents and members of special committees, numerous meetings have been held during the year between officers of the Section and the chairman and other members of the committee in regard to the several branches of work being carried on, and in arranging the programme of the annual convention, and in the preparation of the programme for to-day's meeting.

The President: What is your pleasure respecting the Secretary's report?

Mr. E. M. Buck, of Mobile, Ala.: I move that it be approved and printed in the Proceedings.

The motion was seconded.

The President: What is the pleasure of the Section with respect to the report of the Secretary?

Mr. E. J. Buck, of Mobile, Ala.:

The President: The next item on the programme is the report of the Executive Committee, which will be presented by Mr. Fuller.

RECEIVED, APPROVED AND PLACED ON FILE.

RESPECTFULLY SUBMITTED,

P. S. BABCOCK, Secretary.

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RESPECTFULLY SUBMITTED,

P. S. BABCOCK, Secretary.
gentlemen, I am very glad to see so many trust company representatives here, and I congratulate the officers of the Trust Company Section on this occasion. We beg to report that we have continued since your last meeting to promote interest among the bankers of the several States in special legislation for the protection of the use of the word "trust" for the establishment of suitable public provisions for the use of the word "trust," for the establishment of suitable public provisions for the segregation of savings deposits, and to provide proper safeguards in the face of any radical and sustained opposition to our proposals, nor because it could not muster all the support required for its passage—but because the assurance of success has never been formally offered until the time limit upon the introduction of new bills had expired.

One State alone, in all the list, rejected the bill prepared by the Committee. This bill was referred to the report just read. The Savings Bank Section charged a Committee during the year with the duty of securing the passage of uniform laws for the segregation of savings deposits, and to provide proper safeguards in the face of any radical and sustained opposition to our proposals, nor because it could not muster all the support required for its passage—but because the assurance of success has never been formally offered until the time limit upon the introduction of new bills had expired.

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The President: It has been moved, amended and the amendment accepted, and the suggestion variously seconded, that the address delivered by Mr. Remsen shall be published in the proceedings as soon as possible and that at least one extra copy shall be mailed by the Secretary to each member of the Section. In putting the question upon this motion the chair requests that the motion be sustained as a result of the vote, thus thanking Mr. Remsen for his able address.

Mr. Edwin Chamberlain, of San Antonio, Texas: I think the idea of Mr. Parker is simply to have a few extra copies of the address sent out by the Secretary so that each trust company if it desires to do so may have printed any number of copies for its own use. (Applause.)

Mr. E. J. Parker: That is my idea precisely.

Mr. Taylor: of Little Rock, Ark.: In view of the general expression of sentiment among the members here that Mr. Remsen's address is what we all want for distribution, I wonder how the motion that has been made suggests to the Chair that when the question is put it be emphasized by a rising vote, thus thanking Mr. Remsen for his able address.

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on the side of the stockholders of the trust companies as to what is the most profitable business for them, considering, of course, the risks of conducting the business in proportion to the return of the risk.

The President: Now, gentlemen, we are ready for discussion.

Mr. Fuller: It seems to me from the reading of the letter of Mr. Morrison, that his company is probably one that does more of a banking business than a trust business. He seems to me to be prepared to discuss the profitableness of that business as compared with what he thinks is the risk of a trust company business. I should say from his letter that he has an undue appreciation of the risks of the trust department business involved in the operation of trusts. In Wisconsin, we are confined almost exclusively to a trust business; pure and simple, and I think the duty of a bank officer in the handling of a trust business must be performed by a properly managed company. There are grave responsibilities, but very little risk. I notice the President of Mr. Morrison's company, and perhaps he would like to speak upon this subject.

The President: Mr. Bowles, we would appreciate it very much, if you would make a few remarks on Mr. Morrison's letter.

Mr. Thomas H. Bowles, of Baltimore, Maryland: As that letter was written by our Vice-President in the absence of the President, I wish your vacation this summer, you will have to relieve me of any responsibility that may be attached to it. Mr. Morrison told me about the matter, but this is the first time I have heard the letter read. I must say that I understand the experience of more of the more experienced men along that line. I don't know that I am prepared to discuss technically the more of the property that is involved in the operation of trusts. In Wisconsin, we are confined almost exclusively to a trust business; pure and simple, and I think the duty of a bank officer in the handling of a trust business must be performed by a properly managed company. There are grave responsibilities, but very little risk. I notice the President of Mr. Morrison's company, and perhaps he would like to speak upon this subject.

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thing I do, but it seems to me that this is opening the question rather too wide. We come in contact, in our business, with everything of this sort, and it seems to me that if we try to touch every point of business if we extend this principle as suggested by the gentleman who last spoke.

The commercial business seems to be the point of contact between trust companies where most of the difficulty arises, and we are getting into all of these matters. We are endeavoring to conduct the business in a manner which seems to have foreseen the movements suggested by President Reynolds, because it has provided a space in this building to accomplish a trust company business.

In view of the recommendation of President Reynolds of the American Bankers' Association that National banks be authorized to accept trusts, and savings deposits, is it not advisable for trust companies to enlarge their functions by being conducted in a manner that has heretofore been done by individuals? We have a real estate department. The combination is very limited to only the safest and best securities.

Reading:

It would therefore seem that a proper limitation for trust companies would be broad enough to enable it to do any trust work which may be contracted for under the law, and should be limited so as to restrain it from doing such business as would tend towards speculative ventures.

In general it seems that the functions of a trust company should be broad enough to enable it to do any trust work which may be contracted for under the law, and should be limited so as to restrain it from doing such business as would tend towards speculative ventures.

To sum up: Mr. Holliday's test of the limit to trust company functions is determined by the answer to the question as to whether the particular function sought to be exercised by the company comes within the trust nature only; otherwise, opportunities for speculation and desire for large profits may cause it to become too aggressive in a speculative way, which, if followed generally, might work its own undoing, and cause the enactment of laws destroying those functions. Mr. Holliday is entirely right.

Mr. J. T. Jaster, of Cleveland, O.: I am very glad that the fellow-citizens of mines have seen fit to speak upon this subject, for it is a subject that has been before Congress for several years. The bank that I am connected with is a State bank, organized under the General Laws of Ohio and doing a general banking business, it not doing any real estate business as would tend towards speculative ventures.

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sufficient business in its own line if it will stick to that line.

Now, the point I want to make particularly is this: That if we antagonize all these other institutions it will be the worse for us one of these days. Mr. Juster speaks about the advantages of the convention and permitting National banks to open savings departments and taking trusts. I want to say to you, gentlemen, that it is my firm conviction that the directors of the Trust Company should devote all their effort to the prosperity of trust companies, and it will be like the dackey who said: "You may lose yo' soul, boss, but you can't get another one; but if you lose yo' soul, boss, it is good-by, John." (Laughter and applause.)

The President: There is a gentleman present who knows so much about what a trust company should be and what it should not be—a man whom all who know him love, and whom those present who do not know him would love if they knew him; a man who was active in the affairs of this Section from its beginning and as finally President of it, and who is now Superintendent of Banking of the State of New York, and yesterday was elected President of the Association of Supervisors of State Banks. I assume the liberty of taking a very unfair advantage of him in asking that he say a few words to us. I present Mr. Clark Williams of New York.

Mr. Clark Williams, of New York: Mr. President and gentlemen: I am exceedingly grateful to Mr. Jackson for this expression of opinion in my favor. I consider it myself to be a great privilege to meet with trust company men, and particularly with members of the Trust Company Section of the Association. I have been so deeply impressed by the splendid resolutions which I have had for the last eight or ten years, with only one exception, occurring in the fall of 1907, when in the city of New York and in that State we were exceedingly busy, if my opinion on that question under discussion would be of particular interest, and I should dislike to commit myself. I am inclined to the position taken by Mr. Witt and by Mr. Holbrook, that any legislation of the kind which has given the trust company movement its success, and it is worth while to adhere to, because if one commits oneself without a clear definition of the terms, his opinion may be misleading, and it is necessary to commit oneself in order to have any influence. I believe we should vote on the proposition. But I say emphatically that I am inclined to the position taken by Mr. Witt and by Mr. Holbrook. (Applause.)

Your President has alluded to the honor which was done me by my appointment in my election to the presidency of an organization of which I think probably you know very little.—The National Bankruptcy Reform Union. I make no apologies because of my friendship for you and my loyalty to this organization to make a suggestion as to your future work. I know something of the work which your Legislative Committee has given to the particular points which seemed at this particular time. I might say that it was President Taft's line.

Mr. Charles H. Crane, of Chicago, Ill.: Mr. President and gentlemen: I am bound by the interests of the bankers in the service of a great many of the States a proper protection to the trust companies. (Applause.)

The President: Is there any further discussion of this subject? I assure Mr. Williams that the recommendations he would be brought before the Executive Committee.

Mr. Dinkins: At the Chicago meet last spring it was the sense of the members of the Executive Council that it would be desirable for the Legislative Committee to initiate legislation in any State, because we could not have had any better conditions than that which Mr. Williams has mentioned. State Banks are really in a better position to further such legislation than any committee which this body might appoint could be, because, as a rule, they are more closely in touch with political conditions.

The President: We have a copy of a placard which is now on exhibition at our State capital. I think it contains the statements which Mr. Williams has mentioned. State Banks are really in a better position to further such legislation than any committee which this body might appoint could be, because, as a rule, they are more closely in touch with political conditions.

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The President: The next business is the second subject on our programme for discussion—"Duties and Responsibilities of Trustees Under Corporate Mortgages." Mr. Willard V. King, of New York: Mr. President and Gentlemen. In opening this discussion let me touch upon one phase of the subject without attempting to cover even in a small way the vast field which it embraces.

Even the casual observer must be conscious that a general elevation of thought, particularly in business, is unerringly following the increasing methods of searching of the mind with an eye to its morality, where previously we had studied them only by the light of their own ugly reflection. We know that an emphasis on morality, in a simple, tedious duty to an indefinite number of unknown persons who will give us nothing—except it be a lawsuit for damages; and I feel that in the march of events a legal liability may somehow be imputed.

One fruitful and frequent cause of wrong is the common cause directing the trustee to certify and deliver the bonds upon the mere order of the company's officers. It is no doubt proper that the trustees should not be interfered with in the application of the proceeds of a bond issue; but could we not require an engineer's certificate, or an affidavit of some officer, stating that the proceeds of the bond are for the security of the bondholders, or that the property described in the mortgage had been acquired or constructed for their benefit?

As to the second point—we are confronted with the dilemma that we owe our appointment as trustees generally to the favor of the mortgaging company, but our allegiance to the adverse interests of the bondholders. Our conscience, our hope of more business, lie on the one hand; on the other, our simple, sedulous duty to an indefinite number of unknown persons who will give us nothing—except it be a lawsuit for damages.

The President: The next business is the second subject on our programme for discussion—"Duties and Responsibilities of Trustees Under Corporate Mortgages." Mr. McNair: I regard the acceptance of a trusteeship under a corporate mortgage as the most important act that any trustee can perform in the discharge of his duties. There are dangers that we do not realize, as was brought home to me quite vividly several weeks ago. We often act as trustee in such cases, and sometimes discuss the matter with our attorneys, but more frequently by other attorneys. Those men have a personal feeling of pride in their own work, an individual interest, and they often magnify the object to make changes that we suggest for our own protection. Several weeks ago a gentleman brought in a mortgage which he had taken as trustee. He said that it was bad advertising as well as expensive to defend a suit for a violation of trust.

The President: Is there anything further to be said on this subject?

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not act as trustee until we are satisfied that the mortgage is in
control of a manufacturing property passed into the hands
about the matter.
default in keeping up proper insurance the trustee is authorized
the trustee would rather pay them than have any trouble
liability. In the case I speak of the insurance was about 50
Pennsylvania Railroad, how could we tell how good the title
property or the value of it, I think he would stand in an un-
bonded. I believe if ever the trust companies put
become more saleable the trust companies will be open to
pany had a right to mortgage it and did mortgage it. Cove-
tains such as those occur in some mortgages, but not in every
mortgage. I have had some unpleasant experiences where companies intended to construct a railway line; and the
be as assuming any responsibility in regard to the title to
morally the trust company has been guilty of negligence?
bind you.
legally bind you; but I think in all good morals it ought to
require something such as is done in England. I think the
acts of the world have in these matters : and, if we do. not
I think we ought to be scrupulous not to call those bonds
so that Mr. Rutter has written about. I will ask the Sec-
The President: We will proceed to the next subject—The
The Secretary (Reading) :
Mr. Ralph Stone, of Detroit, Mich.: Do you recommend the
company, for instance?
Mr. King: That is usually done. If you do anything else
the taking of a certificate of an engineer, the constructing engineer
would be a good provision to insert in a mortgage that the
trustee might employ its own engineer to report on the facts,
not an engineer in cases of construction, but to take up any previous requirement
as to the issuance of bonds, and not take the mere statement or resolution of a board of directors as being conclusive on
The President: Then, if there is no discussion of the sub-
Mortgages as Investments for Savings Minds of a Trust Company.'"
Mr. Ralph Stone: I know of a case where the engineer was the
engineer of a railroad company and he made a fraudulent cer-
other words, the promotor cannot take Bill Jones and say.
the engineer of a railroad company and he made a false cer-
there is any likelihood of any such thing as that occurring it
at the expense of the mortgagor; not only an engineer in
as to the issuance of bonds, and not take the mere statement

Mr. Benjamin I. Cohen, of Portland, Ore.: I would like to
Mr. King: I think that is one of the questions that is going to
be threshed out in the court and where very likely we will
suffer more than we have. There have been cases where a
mortgage was called a "first mortgage" and there were prior
liens on the property, and where the mortgage was not held
accountable for it. Only a few years ago the Clover Leaf
Railroad was reorganized, and they could not get out a first
mortgage 4½% bond and at the same time put out a prior lien
3½% lien ahead of it, while anybody picking up a first mortgage
bonds, and yet they had a prior lien ahead of them. So
Mr. Ralph Stone: I know of a case where the engineer was
Mr. King: I do not think that the mere statement that this is a
bond, without saying whether it is a first mortgage bond
or a second mortgage bond, would help us.
Mr. King: That depends upon what you mean by "bond.
Today, according to the decisions of the courts, it does not
legally bind you; but I think in all good morals it ought to
blow you.
Mr. King: If the mortgage says that it is a first mortgage bond,
are not in a first mortgage bond. If you are not sure
energy, or funds to be used on any such prospectus or circular as
a director, becomes liable to anybody that has the security and
incurs a loss, unless he can show affirmatively that the facts
stated in the prospectus or circular are true. If the facts are
quoted or stated in a prospectus or circular, the promoter
must show affirmatively that the expert or engineer was qualifi-
ced as an expert or engineer to make the statements in
other words, the promotor cannot take Bill Jones and say.
Mr. Ralph Stone: I know of a case where the engineer was
the engineer of a railroad company and he made a fraudulent cer-
the engineer was an engineer of repute and character, and not the mere tool of a group of promoters.
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company, of which the writer is Secretary, makes it a rule to keep the mortgage department, as far as possible, separate from the mortgage department, and also invested in mortgages. In order to do this, we have arranged, with some of our largest states banks, to have four people who give their entire time and attention to this branch of the business. In the past year and a half this department has handled mortgages aggregating more than a million dollars, and has been able to work up the average rate of mortgage investments in the savings department to 7%. In that company we pay out about 3/4% interest to savings depositors, so that with half the deposit invested in 7% mortgages, the income from that source would be sufficient to pay the interest on the entire investment and still leave a half of the savings held either in reserve or invested in bonds or warrants. Under this system it is easy to see how the savings bank department can be made a profitable business.

As to safety, in thirteen years the bank has never made a single mortgage foreclosure nor come into the possession of a piece of real estate on which it held a mortgage. As for disinterestedness of interest, greater interest is reduced to such a small fraction as to be negligible. All our loans are made on the recommendation of the managements of the savings banks and to the approval of the Executive Committee of the bank. As for the percentage of loans on city property in Spokan, we lend up to 40% of the valuation in cases where the bank can realize twice the value of either the ground or of the improvements. All loans are made with annual reductions, usually amounting to 1% per annum. The principle of the entire composition of assets in the trust department is that the borrower and prompt payment of payment is insisted upon. Thus the security is constantly being improved by virtue of the trust. We have a clause in the contracts under which the borrower and prompt payment of payment is insisted upon.

In residence loans we have had a very good success under a plan of mortization, under which the borrower makes a flat level payment of the same amount, including both principal and interest, payable monthly during five, six and seven years. This is almost identical with the Credits Foncier of France, with the trifling exception that our amortized house mortgage bears interest at 10%, whereas the French pay around 5 1/2% and 4%. In loans under this amortized plan we usually make a payment of a certain amount on the amount of the land and improvements. Under our scale a monthly payment of $312.50, including principal and interest, will pay a loan of $1,000 in 84 months.

This plan is admirably suited to savings banks when they will themselves with a competent mortgage department to keep the funds from insolvency, as they are paid in. We consider our mortgage department the most profitable department in the trust company, because not only has it succeeded in raising the average income on the money lent, but it has also enabled us to make good mortgages to trust estates in our hands, but we have always felt that in doing so we look not a moral but a actual moral liability, and, for this reason we have kept the bank.

Mr. Benjamin I. Cohen: Some years ago I knew of a case where a large trust company in Baltimore became a subscriber to a bond issue. The bank was not only a subscriber but the agent as well. The company had a very highly respected citizen deceased, and the trust company was put in charge of his estate, and they transferred the estate to a large amount of the amount of the estate, and still sold the estate. Time went on, and the bond dropped in the market price, and the heirs of the estate sued the trust company, and the trust company had to make good the difference between 102% and 98%.

In view of this decision and also following out my own ideas about the subject, I have been long of the conclusion that it was both morally and financially wrong to deal with yourself; but I recognize the fact that we have to take good mortgages when we can get them, and agree that a large amount of the time that we will not take mortgage, and we have not taken the trust funds on hand, and to them a large amount of these bonds at 102%, the bond dropped to the estate a large amount of the value at that time, and the estate was reduced to cash. What the company that I was formerly connected with had done was to buy mortgages, and we have, and it is easy to deal with the difference between what the market price and what it was sold for; and in that case the court held the Trust Company liable for several thousands of dollars in one estate, and it was required to refund it. I think it would be a very good way to avoid this.

Mr. Ralph Stone: This same question was asked at the first meeting of the Trust Committee Section twelve years ago, and I join the members present at that meeting in calling attention to the case of the State of Illinois, a case that had taken the benefit of the difference between what the security cost and what it was sold for; and in that case the court held the Trust Company liable for several thousands of dollars in one estate, and it was required to refund it. I think it would be a very good way to avoid this.

Mr. King: Under the common law the injustice does not lie in taking the profit, but in dealing with yourself as trustee. I think in my State where special statutes have not been passed the mere question of the propriety of the court would be the shrinkage in the mortgage value of the investment from the time it was turned into the estate until it was reduced to cash. The company that I was formerly connected with has done after consultation with several firms of lawyers was practically what you have done. We bought mortgages, and we invested in a bond and we declared our policy at the time to be investing our capital only in the mortgages, and, buying mortgages from day to day and from year to year, we will have trust funds that we will not be able to retrieve. I think with a declaration of what the court found; especially if it was shown on the books that those mortgages were bought for the use and benefit of a trust fund, it would be a very good way of avoiding this.

Mr. Cohen: Wouldn't you be dealing with yourself in just the same way?

Mr. King: No, because you would be really advancing the bond. I think that in this case the court would hold you liable for any loss.

Mr. Edwin Chamberlain: I think it would be a very good way to avoid this.
SEGREGATING DEPOSITS.

This only brings me to the topic—the segregation of deposits sometimes called the segregation of savings deposits. How are you going to do it? Time deposits and demand deposits are of two classes. In this State, by their terms, many magnificent books issued by this Association recently I found that when you come to certain sections of the country the powers are extensive, and we get a notion and the public supposition seems to be—nothing being specific—that you can do anything you like. It is like the characters issued by some bank. It is going to be; what the effect is going to be upon the capital for the regulation of that institution, the preservation of the funds deposited under certain circumstances, and for a division of the profits after salaries are paid. In other States savings funds are established on an entirely different basis. Still by reason of this common term “savings funds” we all get at sea as to what the statute says to be a certain kind of money deposits in savings institutions. A saving fund in Pennsylvania is money deposited in an institution created by a special law of the State which provides without capital for the regulation of that institution, the preservation of the funds deposited under certain circumstances and for a division of the profits after salaries are paid. In other States savings funds are established on an entirely different basis.

Now, what suggested this thought to me is the topic suggesting the use of mortgages for saving funds. What are savings funds? Well, we can all refer to the saving deposits if we find it profitable so to do. Unfortunately in our reck of hand I have heard of no one who has yet declined to receive deposits on the security of the note. When you come to certain sections of the country the powers are extensive, and we get a notion and the public supposition seems to be—nothing being specific—that you can do anything you like. It is like the characters issued by some bank. It is going to be; what the effect is going to be upon the capital for the regulation of that institution, the preservation of the funds deposited under certain circumstances, and for a division of the profits after salaries are paid. In other States savings funds are established on an entirely different basis.

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Mr. James: In Pennsylvania all trust funds are required to be kept in United States bonds or other investment securities. There are no State bonds. Now, if you buy United States bonds at a premium you cannot very well pay much over 2% to redeem them. If you pay off in specie, I should imagine as a rough guess that there are $325,000,000 of bonds of that kind. Now suppose the Pennsylvania institutions were required to invest the surplus of their savings deposits in government bonds or in first mortgages. There would be no great first mortgages when there wasn't a first mortgage on the market. The investments are limited in amount and in kind. We cannot mortgage our deposits in first mortgages, and the investment in first mortgages is limited to 60% of the appraised value of the property. That appraised value is fixed not by the assessor's value, although it is taken as a basis, but by the value of outside appraisers, just as the board of investments in the bank sees fit to decide. We are limited to United States bonds and to certain railroad bonds. The Commissioner of Banking issues a circular giving the kinds of investments permitted by the State for savings department funds.

Mr. Ralph W. Cutler, of Hartford, Conn.: What is true of Massachusetts in this respect is also true of Connecticut. Under a recent law the seven trust companies that have savings deposits and savings departments were given five years in which to invest in such securities as are made legal investments in the State. The investments of the savings banks are mainly in the form of mortgages. If the law is so worded as to give the savings deposits the right to be invested in any other kind of securities, the investments are limited by the State law. It might have some bearing on your objection.

Mr. James: Then it would be possible to give the savings deposits the right to be invested in anything else if you will, but it would not be sufficient to pay the depositors in full the savings depositors if there wasn't a first mortgage on the market. I think it is perfectly feasible and quite proper to segregate the savings deposits from the other assets of the company.

The President: Perhaps, Mr. Rhoades, if you will explain how the savings deposits are treated in Michigan, it will give us another bearing on your objection.

Mr. Rhoades: The law of Massachusetts is that all investments of the savings department of a trust company are kept separate even though they are under the same roof. This movement for segregation is going, I believe, throughout the country. The law in Ohio and Indiana is to that effect, not quite so strict as the California law. Now, if I understand it correctly, the Massachusetts law provides that the savings funds shall be segregated. The savings deposits have a first lien on the securities of the savings department and a general lien on the other assets of the company. In that connection I would like to ask whether the annual meeting of class legislation has near come up, and is this not class legislation and therefore unconstitutional?

The President: Perhaps Mr. Rhoades can answer that question.

Mr. Rhoades: The law of Massachusetts is that all investments of the savings department shall be held for the payment of the savings depositors, and these are kept entirely separate. Then in case the investments of the savings department are not sufficient to pay the savings depositors in full, the savings depositors become general creditors with the other creditors of the institution and the capital and the surplus is held for the payment of the other creditors in the order of their priority.

Mr. James: What do you do with the general creditors—those whom you cannot class as savings depositors?

Mr. Rhoades: I say that the savings depositors become general creditors.

Mr. James: Then you give the savings depositors a specific lien upon a specific line of securities?

Mr. Rhoades: Yes.

Mr. James: And you give them the opportunity of dividing with the general creditors the rest of the assets of the company?

Mr. Rhoades: Yes, sir.

Mr. James: But you do not give the general depositors an equal opportunity with the savings depositors. That is, you discriminate against the general depositors?

Mr. Rhoades: No, sir.

Mr. James: Well, if that is so, I don't think you will have many general depositors in a few years time when the public generally becomes aware of that law.

The President: As I said before, that is what I would call class legislation.

Mr. H. P. Beckwith, of North Dakota: Every State in the Union, I believe, has different laws on this subject. We have a law in North Dakota which is quite similar to the law of all of the States, to be answered by the Vice-President in brief reports of the conditions concerning trust companies in their respective States.

Mr. Edwin Chamberlain: I move that this order of business be dispensed with, and that the Vice-President from the different States read the brief reports of the President for publication in our Proceedings.

The motion was seconded.

Mr. Curley: I do not think that would be quite fair to those gentlemen who have come here prepared to answer on this roll call.

Mr. Donaldson of Little Rock, Ark.: I am not a Vice-President, but I for one would like to hear what the conditions are throughout the country. I think we should proceed with the regular order.

Mr. William G. Edens, of Chicago, Ill.: The hour is quite late, and we have had a very long and interesting session, and I think we might rest at all from the interest of the proceedings if we might have an opportunity to read the remarks of the Vice-President instead of waiting here longer to-day.

Mr. Andrews, of Denver, Colo.: I don't care whether the Vice-President choose to talk or not, but I am going to get a chance to say just one word, and that is this. When you go to Los Angeles next year we want you to stop over in Denver, and we will give you a good time.

Mr. Bowles, of Maryland: I hope the gentlemen who are Vice-Presidents and who want to speak now will stand up, that will settle the question.

Mr. Remsen: I think that would be very unfair, because we don't want to embarrass anybody.

(Cries of Order! Order! Order!)

The President: The question before the house is on the motion of Mr. Chamberlain, that the Vice-Presidents send in to the Secretary their remarks for incorporation in the published Proceedings. All in favor of the motion will say aye; opposed, no.

Mr. Cutler: I now move that those Vice-Presidents who desire to do so send their remarks to the Secretary, and that those who desire to speak from the floor be permitted to do so.

The President: It is not necessary to make that motion, because the meeting has already decided to proceed with the regular order of business. Of course, as the roll is called those who do not desire to report now may send in to the Secretary a written statement, and it will be incorporated in the Proceedings.

Mr. Ralph W. Cutler, of Hartford, Conn.: Mr. President, I desire to leave immediately and I ask unanimous permission to hand in my report to the Secretary without reading it.

The President: Unless objection is made, the report of the Vice-President from Connecticut may be handed in. The Chairman has the call on the resolution. (The Secretary then called the roll of the States. The only responses made were from Connecticut, Missouri and New York, the responses from other States are to be sent to the Secretary and incorporated in the published Proceedings.)

NOMINATIONS AND ELECTIONS.

The President: Is the Committee on Nominations ready to report?

Mr. H. P. Price: The Committee on Nominations reports recommending for election as members of the Executive Committee to fill the vacancies caused by the expiration of the terms of members leaving this year the following:

E. K. Bolster, Vice-President First Trust & Savings Bank, Chicago, Ill.

John D. McKee, Vice-President Mercantile Trust Company, San Francisco, Calif.

Charles J. Bell, President American Security & Trust Company, Washington, D. C.

F. N. Goff, President Cleveland Trust Company, Cleveland, Ohio.

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

The President: The Committee, this does not exclude nominations from the floor. Are there any nominations other than these?

Mr. James: No, sir.

Mr. Price: Motion carried. The nominations were declared closed.

The President: The nominations for President and First Vice-President are now in order.

H. P. McIntosh, President of the Guardian Savings & Trust Company, of Cleveland, Ohio, was thenepoll nominated for President.

Mr. Chamberlain, I must announce that the names of Mr. McIntosh and Mr. McIntosh, the conventions of the other States were called for, and they were declared duly elected.

The President: The President and First Vice-President shall be chosen by a vote of the members of the executive committee present, and that vote shall be cast one ballot for the election of the gentlemen nominated, and they were declared duly elected.

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is too late to detain you with a speech. I propose that I will endeavor to so discharge the duties of my office as to justify your action in conferring this great honor upon me.

(Applause.)

Mr. Fuller: Next in order is the election of Vice-Presidents to represent each State.

Vice-Presidents from each State were then elected as follows:

Arkansas: Clifton H. Breckinridge, president, Arkansas Valley Trust Company, Fort Smith.
California: E. G. Tognazzl, manager, Central Trust Company of California, San Francisco.
Delaware: Richard Rees, treasurer, Equitable Guarantee & Trust Co., Wilmington.
Florida: John Trico, president, Citizens' Bank & Trust Company, Tampa.
Georgia: R. E. Myers, president, Oglethorpe Savings & Trust Company, Savannah.
Hawaii: F. B. Tensley, president, Hawaiian Trust Company, Honolulu.
Idaho: W. P. Harford, president, Commercial Trust Company, Lewiston.
Indiana: J. L. Hendel, secretary, Central Trust Company, Greensburg.
Iowa: A. T. Bennett, president, Bennett Loan & Trust Company, Des Moines.
Kansas: J. B. Wigg, cashier, Ohio Valley Bank & Trust Company, Kansas City.
Louisiana: Frank Roberts, Columbus Trust & Savings Bank, Lake Charles.
Maine: E. G. Merrill, Merrill Trust Company, Bangor.
Maryland: Monture H. Grupe, assistant treasurer, Continental Trust Company, Baltimore.
Minnesota: Eugene A. Merrill, president, Minnesota Loan & Trust Company, Minneapolis.
Michigan: Ralph Scott, secretary, Detroit Trust Company, Detroit.
Mississippi: H. L. Bennett, vice-president, Hattiesburg Trust & Banking Company, Hattiesburg.
Missouri: H. S. Schmehl, secretary, Commerce Trust Company, Kansas City.
Nebraska: W. E. Barkley, Jr., president, Lincoln Safe Deposit & Trust Company, Lincoln.
Nevada: Owen Young, president, Bull-Frog Banking & Trust Company, Butte.
New Jersey: William C. Beeghley, president, Trust Company of New Jersey, Hoboken.
Ohio: W. E. Craven, secretary, Dayton Savings & Trust Company, Dayton.
Oklahoma: J. W. McLeod, president, Tulsa Trust Company, Tulsa.
Rhode Island: Charles Perry, president, Washington Trust Company, Westerly.
South Carolina: John F. Ficken, president, South Carolina Loan & Trust Company, Charleston.
South Dakota: Ernest E. Hart, president, State Banking & Trust Company, Sioux Falls.
Texas: H. N. Tinker, vice-president, Dallas Trust Company, Houston.
Utah: Joe F. Smith, president, Zion Savings Bank & Trust Company, Salt Lake City.
Vermont: Bradley B. Snell, president, Burlington Trust Company, Burlington.
Virginia: M. S. Qualls, vice-president, Virginia Trust Company, Richmond.
West Virginia: H. Walker Peterson, president, Dollar Savings & Trust Company, Wheeling.
Wisconsin: C. C. Brown, of the North-Western Loan & Trust Company, Kenosha.

On motion, the members of the Executive Committee were given power to fill any vacancies occurring in the list of officers. On motion, a rising vote of thanks was rendered to the bankers of Chicago for the hospitality and courtesies extended to the members of the Section.

A vote of thanks was also extended to the retiring President. President McIntosh: Is there any further business to come before the meeting? If not, I declare the fourteenth annual meeting of the Trust Company Section adjourned sine die.
The Segregation and Safeguarding of Savings Deposits.

BY HON. H. M. ZIMMERMANN, Commissioner of Banking for Michigan.

Originally a bank organized to receive savings deposits was properly and commonly regarded as a philanthropic institution, and its policy was influenced by educational considerations, its object being to promote provident habits and to increase the resources of the laboring classes, its first concern being the safety of its deposits. Such a bank was conducted solely in the interests of its depositors. The banks of this character in America are the "trustee" or "mutual" savings banks located principally in the New England States. This was the characteristic type in England, and, no doubt, accounts for their establishment in the colonial States of this country. That these banks have not been more generally established in the States is, no doubt, due to democratic rather than aristocratic social conditions.

There has grown up in the last quarter of a century in this country another kind of savings bank, commonly called a "stock" savings bank, prevailing particularly in the extreme and middle West. This is a corporation having the same function as a mutual savings bank, but it is conducted for the profit of the owners of the capital stock. The depositors receive interest on their deposits at a rate fixed by the directors.

Besides, in the United States there are building and loan associations, savings and loan associations and co-operative banks which, in many of their functions, are practically the same as savings banks.

There are also State banks, National banks and trust companies which now operate what are known as "savings" or "interest" departments, although organized to transact solely a commercial business.

Then, again, in some States—notably Michigan, California, Massachusetts, New Hampshire, Connecticut, Rhode Island, Ohio and Texas—banks may incorporate to transact both a commercial and a savings business, although the statutes of these States prescribe certain limitations on the character of the investments such as banks may make with savings funds and require the separation of the commercial and savings business of such banks.

As we look over the history and development of these various institutions we can see that the deposits of tradesmen, mechanics, laborers, servants, minors and other persons, commonly designated as savings deposits, have been
rapidly drifting into commercial channels? The encroach-
ment through the medium of the various and sundry so-
called "savings" and "interest" departments in our com-
mercial banks, trust companies, building and loan associa-
tions, etc.—now so common everywhere,—has given us much evi-
dence of such a condition of affairs. Thus it is not sur-
prising that the insurance of deposits and the postal savings plans have and are now being so vigorously and effectively discussed.

Savings deposits have always been regarded as "trust funds" when left with "trust" or "mutual" savings banks, and surely should be so regarded, both legally as well as morally, when placed with any other institution. The char-
acter of such deposits is certainly not changed, no matter what the change of the corporation or association may be into whose hands they are placed. The investment of such funds in ordinary commercial business risks would not be con-
templated by the courts if in the hands of administrators or guardians. Neither should it be contemplated when these funds are in the hands of corporations which are not re-
quipped for the laws of the State in which they operate to
invest them in the most stable securities to be had.

The commercial depositor’s money is received under far
different circumstances. He expects to leave his money with the bank for convenience and as he may need it in his business. It does not represent his "all." His deposit is very frequently made and received by the bank with the express understanding that in consideration of the use of his funds the bank should extend a line of credit to him to carry on his business. A loss to him in case of suspension or failure of the bank does not mean so much in any sense as it does to the savings depositor. The distinction between a savings deposit and a commercial deposit is so apparent and well understood that it requires no elaboration.

The lawmakers of the States which I have mentioned—in which banks may be organized to transact both a com-
mercial and savings business—have recognized this im-
portant distinction and have sought to safeguard savings deposits by requiring the banks to segregate such deposits and invest them only in the most stable securities. Mich-
gan, I believe, is conceded to be the pioneer State in the adoption of such legislation.

DISTINCTION NOT UNDERSTOOD.

Though some States have incorporated such provisions in their banking laws, yet it is known that the people as a rule do not understand the distinction between a bank chartered for a savings deposit business and a savings deposits and discount and deposit or other institution operating a so-called "savings" or "interest" department, maintained clearly in evasion of its chartered functions. It is for that reason that we should go farther, in my opinion, and urge the adoption of a general law in the nation as well as in the States that any institution chartered by either which holds itself out to the public to receive savings deposits should be required to segregate them and invest them in a definite and prescribed manner. Thus, in my opinion, many, if not all, of the alleged reasons for the insurance of deposits and the establishment of postal savings depositories would disappear.

We cannot turn back and undo the past, but can urge the adoption of such general laws as shall bring about these much-desired results. In this connection the suggestion may not be out of place that the Monetary Commission might very properly give this subject its very best consideration.

BREAKING AWAY FROM ESTABLISHED PRINCIPLES.

We may disagree with the advocates of both the insurance of deposits and the postal savings plans, but we must admit that we have been gradually breaking away from some of our more conservative and well-established principles, so far, at least, as the safeguarding of our savings deposits are concerned.

This is apparent in the masterly argument of Professor Laughlin, in the July Scribner's of last year, in opposition to the insurance of deposits. Though he treated his subject from a purely national standpoint, yet he found occasion to remark:

"Protection for depositors in savings banks for small private banks. It is a little different problem from one dealing with commercial banks, in which the bankers are accustomed to engage in only one line of business—namely, that of ordinary banking. The question for the protection of the saving depositor that government postal banks are suggested as conferring absolute safety."

Again, Professor Kinley, in his able article in opposition to the insurance of deposits, which appeared in the March number of The Review of Reviews last year, uses this significant paragraph:

"The only kind of deposits for the insurance of which there seems to be any reasonable ground are savings de-
posits. If it be true, as is generally admitted, that these on the whole represent the hard-won savings of the working people, public policy requires that they should receive all the security necessary to insure against their loss. This, however, is done by institutions of those States who have proper savings banks—like Massachusetts and New York. There is something to be done in this direction where sav-
ings banks and the national type do not exist. These are the classes in a community that is peculiarly able to take care of itself. These deposits fluctuate rapidly and largely from day to day. They need no special protection, either from the viewpoint of the interest of depositor or the banker."

It is apparent that, while Professor Kinley admits that there seems to be reasonable ground for protecting or guar-
anteeing savings deposits, he is mistaken in his assumption that such deposits are not accepted by National banks. The Comptroller of the Currency reports that on June 21, 1900, the date of the last call, the savings deposit in the National banks amounted to $399,042,286. Besides, it is well under-
stood that not only the National banks receive these deposits, but State banks, trust companies, private banks and building and loan associations also hold themselves out for their reception, and that a large volume of such deposits are also held by these institutions.

If Professors Laughlin and Kinley are taken as authority on one proposition they should be taken as authority on another. While it may be impracticable or unwise to adopt the insurance of deposits plan or urge the establishment of postal savings depositories, yet it would seem there is an apparent need at least for the segregation and safeguarding of our savings deposits.

OTHERS HAVE RECOMMENDED THE SAFEGUARDING OF SAVINGS DEPOSITS.

I am pleased to endorse what the distinguished now ex-
Commissioner of Banking of the State of Massachusetts, Mr. Pierre Jay, said to you a year ago on this subject:

"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. It is also urged by the State banks and the savings banks that no one is required to invest savings deposits in securities of more established stability than mercantile credits, with seriously diminishing their profits. The answer is, that for savings deposits no one is so charged, rather than large deposits with essential-
thing, and, second, that profits will not be so largely diminished as they imagine."

The very able Commissioner of Banking of the State of New York, Mr. Williams, is evident from his late reports, has given the subject under consideration much thought and attention, and I take pleasure in referring you to the language he employs in this regard:

"While we may oppose the plan of State or Government insurance or guarantee of deposits, we must sympathize with the desire of the people at large to have their deposits made as safe as they can pos-
sibly be made. It is not sufficient for us as bankers merely to oppose this proposition. It is incumbent on us to take steps to make impos-
able just as much as we can the failure of any State or National bank; and we shall fail in our purpose unless we are able to present a plan which will practically accomplish the desired end and at the same time be based on sound business principles."
BANKERS' CONVENTION.

regulate your own affairs or to have them regulated for you? Is it better to be compelled by government influences to do what is right or do it of your own initiative?"

I wish to congratulate the Association of Supervisors of State Banks for having last year unanimously recommended the segregation and safeguarding of savings deposits.

I am especially pleased to find that among the officers of your association you have such ardent advocates of this subject as my good friend Mr. Johnson, your President, and I am pleased to remind you of what he said in support of the Savings Bank Association of the State of New York in an address made by him last May. After referring to the guarantee of deposits and the postal savings plan, he said:

"Each of those questions being prominent in itself, I will pass on without further comment, other than to say that we must meet this double err. The force that we have protecting otherwise against both of these prominent features is not sufficient to restrain the mass of their unsteadiness. We must give them something to go on better, and prove it to them."

In fact, there is such an unanimity of opinion on this subject by those who have given it serious thought that it is unnecessary to quote as authority the opinions of others who are high in the profession of banking as well as in authority in supervision over our banks. To me it seems very clear that the advocates of the segregation and safeguarding of savings deposits have proven their case and that the recommendations made are irresistible.

I have just had an intimation that your Committee on Legislation has already concluded to adopt the segregation and safeguarding of savings deposits as its legislative policy. If that be true then I am pleased to know that the jury has already, in fact, agreed upon its verdict, and thus, so far as you are concerned, the subject would need no further argument.

IN MICHIGAN.

It may be of interest, however, to the members of your Association to know how banks permitted to transact both a commercial and savings bank business are regulated. To be more familiar with the statutes requiring the segregation and safeguarding of savings deposits in Michigan, it must be plain indeed that the savings depositors there were the special objects of care and solicitude on the part of the lawmakers, since the statute provides that separate books of account shall be kept, that all investments in the savings departments shall be kept entirely separate and apart from the other business of the bank. Originally the law did not provide for the preference of savings depositors, but the law was amended from time to time. In 1853 this provision was inserted evidently after due deliberation and with the plain intent of taking special care of savings depositors.

The reasons for this are quite evident. The lawmakers returned to the original idea or purpose of savings banks, as it was understood in the New England States when the English savings bank plan was adopted. It is apparent that the lawmakers of Michigan were convinced that savings banks should be established to encourage thrift among wage-earners, to offer safe and profitable depositories for their funds, and provide safeguards against loss, since the law expressly provides that savings banks may receive deposits from tradesmen, mechanics, laborers, servants, miners and others. While this enumeration of the persons from whom deposits may be received by savings banks in Michigan may have no particular legal significance in itself, yet it indicates very clearly the character of the business intended for savings banks. The Michigan law also provides the amount of reserves to be kept on hand, and details how the remainder of the deposits of a savings bank shall be invested, which, for convenience, may briefly be stated as follows:

Fifty per cent. of deposits shall be invested as follows:

1. Loans on real estate of assessed value, not exceeding $2,500.3 The amount so invested shall not exceed 10 per cent. of the amount of the deposits.

2. Bonds of the United States.


4. Bonds of states, railroad corporations (subject to certain restrictions).

5. Street railway, steamship, gas and electric light and power bonds, under certain restrictions and provided they are approved by the Securities Commission, consisting of the State Treasurer, Attorney-General and Commissioner of Banking.

6. Banks may loan on negotiable paper secured by above classes of securities.

Thirty-four per cent. of savings deposits may be invested in collateral loans with collateral of known marketable value worth 10 per cent. more than face of loan; or a portion of these 34 per cent. not exceeding capital and additional stockholders' liability may be invested in negotiable paper, approved by directors.

Since such investments as these are not readily turned into cash, the bank is given the right to make against sudden calls for money in the savings department. In pursuance of such statute the bank may lawfully adopt a by-law calling for ninety days' notice of withdrawal of savings deposits. On the other hand, in the case of commercial banks, the lawmakers aimed to satisfy the needs of business life and the demands for credit in mercantile transactions. Investments made by banks of this character, it is evident, must be readily convertible into cash. By specific provisions of the statute all commercial deposits are payable on demand without notice, except where there is a special contract with the depositor to the contrary. Real estate investments are not unlimited. The requirements of commercial banking, since they cannot be readily turned into cash, and this statute thus prohibits the commercial banks from investing in real estate securities except in amount not exceeding one-half of the capital stock, and then only when authorized by a two-thirds vote of its board of directors. No limitation is otherwise placed upon the investments which may be made by commercial banks.

These dual functions conferred upon the State banks of Michigan have been taken advantage of by more than 90 per cent. of the banks organized in the State, there being comparatively few strictly commercial banks and strictly savings banks. This must be convincing that the plan operates successfully and to the advantage of both banker and depositor. If we had no such law it is evident that in the smaller communities banking facilities would be seriously handicapped, since in such places if a strictly savings bank were established it would not meet the commercial demands of the locality, and so, on the other hand, if a purely commercial bank were established savings depositors would not have the same advantage or protection as the law intended for such depositors.

In case of failure or dissolution the savings depositors in Michigan have a first lien on the assets of the savings department of the bank, and if these are insufficient then 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.

The Supreme Court of the State of Michigan has held, in line with the courts of those States in which mutual savings banks are established, namely, that savings deposits constitute a trust fund, and, in People v. Receiver of the City Savings Bank of Detroit, reported in 131 Michigan 322, the court used this significant language:

"So long as it is entirely possible to trace the fund which was invested in these securities as a fund derived from the savings department, we think there is no difficulty in saying that it should be impressed with a trust in favor of the savings depositors."

In Michigan there are now 505 State banks, with a total capital and surplus of $29,167,038. The aggregate of commercial deposits therein is $680,340,000, while savings depositors of the State have to their credit in these institutions $147,760,000.

Thus the lawmakers of Michigan, while recognizing the paramount necessity of safety, stability and permanency in the reception and investment of savings deposits, also kept in mind the first requisite of a commercial bank; ease of negotiation of its investments made from commercial de-
Real Estate Loans For Savings Banks and Their Amortization.

By R. M. Welch, Cashier of the San Francisco Savings Union, San Francisco, Cal.

From the very inception of saving banks, loans on the security of real estate have been regarded as pre-eminently a legitimate and desirable form of investment for the funds of such institutions. In volume they are virtually inexhaustible, and they afford the most remunerative employment that can be found for funds where security is the first essential. Their immobility in time of stress and panic is the only objection that can be advanced against them, and it is the reason why a savings bank is forced to limit them to a certain proportion of its assets. It is an interesting incident in the history of one of the oldest, and what is now the largest savings bank in this country, that having invested its funds exclusively in loans on real estate, the panic of 1837 found it with nothing but these immovable assets. But, even so, it was able to sustain itself by exchanging certificates of mortgages for much-needed bonds, which it therefore turn hypothecated, thereby obtaining the needed cash. Were savings banks restricted in the employment of their funds to bonds of the class prescribed for them by law their earnings would be wholly inadequate to pay depositors a rate of interest that would be sufficiently attractive to encourage savings.

One of the most potent arguments against the wisdom of a postal savings banks system in the United States is the very reasonable apprehension that it will drain away from localities where needed, and absorb in other forms of investment, funds that would otherwise be available for the development of the realty values of those localities. Realizing this, and further realizing that the rate of interest proposed to be paid by the government will be so trifling when compared with that paid by the savings banks as to discourage deposits at the post offices, friends of the measure are gravely suggesting that the government arrange to lend the postal savings funds on real estate security so that a rate of interest approximately as high as that of the savings banks be paid. The spectacle of the Government of the United States adding to its already numerous activities that of making loans on real estate to individual borrowers is too absurd to be dwelt upon.

It is a question, however, whether savings banks have not permitted to drift away to another class of institutions loans of a character that have proved exceedingly profitable to those institutions, and which would have conferred on the banks benefits that might be termed cumulative in their value.

There will come to the savings bank two classes of applicants for loans on real property: one the owner of large loans and country seeking funds to improve his holdings and requiring large sums therefor; the other small farmers or city residents with comparatively moderate needs. To the savings bank of vast resources the single loan large in amount appears more desirable than a number of loans aggregating a like amount; the economy of detail is enormous. There is virtually as much detail in the making of a loan of $2,000 as one of $25,000, but in making the ten loans the bank has become known to and has added to its clientele, not alone the ten individual borrowers, but the members of their immediate families and their connections. The savings bank which desires the greatest possible degree of success should seek large individual loans only when it cannot find a sufficient number of smaller borrowers to employ its loanable funds.

In conclusion I wish to congratulate you upon this most successful convention, and especially upon the good work which the Savings Bank Section is doing. I am very grateful to you, indeed, for both your courtesy and the kind attention given me. I thank you.
event of his death? In these days of industrial and other forms of moderate priced life insurance, the borrower should be urged to make use of this means of assuring his family against the payment of the debt. The value of the bond may be satisfactorily determined, such a loan may safely be made. There is not lost sight of the added security of fire insurance, which it seems unnecessary to tell an assembly of savings bank men should be taken, the loan under the policy being made payable to the bank.

But it would be wholly imprudent for a savings bank to make the principal sum of a loan of this character payable at the expiration of a term of years. The improvements necessarily deteriorate from year to year. Even though the upkeep be thorough, in those days of advanced methods of construction and introduction of new facilities and conveniences houses soon become over-fashioned, out of date and unprofitable. If there be neglect in the upkeep the deterioration is rapid. Although the amount of the loan may have been confined to the value of the land the improvements represent the margin of security, and as they deteriorate the loan becomes less secure. It is to the advantage of the borrower that through the exercise of thrift and industry he be free from debt as rapidly as he can do so, and it is the duty of the bank as an exponent of that spirit to stimulate the practice of those economies. A plan of repayment should, therefore, be determined on which within a given time will amortize the loan—at least in part; if not as a whole. It is entirely reasonable, too, in view of the additional bookkeeping imposed that a slightly higher rate of interest be charged. The custom usually is to charge one-half of 1 per cent. per annum higher on the installment loan than on the simple flat loan; but even so, the borrower gets his money far more cheaply than he could get it under like conditions from any other source.

The form of amortization should preferably be the payment of equal monthly installments, of which so much as necessary would be applied to pay the balance of principal and the remainder in reduction of the principal sum. In determining what the amount of the installment is to be the borrower should be urged to agree to pay such an amount monthly as would approximate the rental he would have to pay for similar premises for the occupancy of himself and family. We read the repeated suggestion by real estate dealers that the payment of rent should be stopped, that the rental money be applied to acquiring a home, and the suggestion is an excellent one. Unhappily, the too frequent payment of rent is stopped too late, after the incurring of debt, and the monthly expenditure for the payment only of interest being so much less than was theretofore necessary for the payment of rent, an apparent surplus is created—which is expended in unnecessary indulgences instead of being applied in reduction of the debt.

In some instances the loan may be of such an amount that the attempt to repay it in any reasonable number of monthly installments will prove too burdensome to the person of small means. In such cases the loan may be divided into two notes, one to run for a term of years and for such an amount that the bank would feel warranted in renewing the loan, and the second note into two notes, one to run for a term of years and for such an amount that the bank would feel warranted in renewing the loan. Or a simpler proposition—the accuracy of which is readily verified—is that twelve monthly installments of $86.47 each will discharge a debt of $1,000 (one thousand dollars) with interest at one-half of 1 per cent. per annum.

The form of note taken for a loan repayable in a given number of equal monthly installments is as follows:

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Savings Bank, a corporation duly incorporated and doing business as such, or its order, at its office, and in Seventy-two (72) equal monthly installments, each of the amount of twenty-four dollars and seventy-three cents ($24.73), the principal sum of one thousand dollars ($1,000.00), and interest at the rate of one-half of 1 per cent. per month on the monthly decreasing balance of said principal sum, which will remain unpaid after the payment of each of said monthly installments, whenever the first shall be payable on the first day of October, one thousand nine hundred and nine, without grace, and one of the remainder shall be payable on the first day of each and every succeeding month thereafter, without grace, until all are paid.
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And I hereby covenant and agree that each installment, when paid, shall be applied, by the holder thereof, first, to the payment of interest; second, to the payment of principal sum which will remain unpaid after the payment of the said principal sum, and next the balances thereof to the repayment of the said principal sum.
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And I hereby promise to pay both principal and interest in United States gold coins, at any time when I may have or hereafter to pay the same in any other currency.
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And I further agree that in case of default in the payment of any of said installments, in the manner above specified, the holder of said principal sum shall become immediately due and payable and the holder of this note shall no effect, and shall bear interest at the rate of one-half of 1 per cent. per month from the date of maturity of the last said principal sum and interest shall be paid.
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The instrument to secure this note may be either a mortgage or a deed of trust of such real property pledged.

This form of loan was at one time very generally made by the San Francisco savings banks, but gradually fell into disuse—largely as the result of the peculiar working of the mortgage-tax provision of the State constitution. This declared that a mortgage is an interest in the real estate it covers, but directs that it be assessed to the lender, the borrower being credited with a corresponding amount on the assessed value of the property as a whole. That is, in assessing a piece of encumbered real property the amount of the mortgage is assessed to the lender and the remaining value of the property, in so far as it is assessed to the owner. The lender was formerly prohibited, under penalty of forfeiture of interest, from contracting for the payment of the mortgage-tax by the borrower. The tax was in reality paid by the borrower, for the lender added to the normal ruling rate of interest the equivalent of the tax, plus a little more for contingencies.

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The instrument to secure this note may be either a mortgage or a deed of trust of such real property pledged.
of the debt as existing on the first Monday of March in each year was assessed to the lender, and he paid a year's taxes on it, but he did not get a year's interest on that balance, because it was steadily decreasing each month through the payment of installments. So the loan repayable in installments fell into disuse among lenders, and another hardship was thereby imposed by the provisions of the State constitution on the very class of persons for whose benefit those provisions were intended.

More recently the prohibition of the agreement between the lender and borrower as to the payment of the mortgage tax has been removed by constitutional amendment, and while the mortgage is yet taxed the borrower agrees to pay the tax, and gets his money at the normal ruling rate of interest. This removes the objection to installment loans noted on the part of lenders, and it is likely that such loans will again come into more general use in California, especially in San Francisco, where loans are needed for rebuilding purposes, often in excess of what is warranted by a conservative estimate of the ground value.

An instance is known where there was need for the proceeds to provide a lovely and very valuable building—the returns from which were assured once it could be completed for occupancy—the sum of $100,000 in excess of what had been estimated and what it had been agreed to lend. The note for this additional $100,000 was taken repayable in thirty-six monthly installments of $3,642 each. This is a larger transaction than it is usually contemplated to cover with a note payable in monthly installments; it is merely cited as an instance that the system can be applied with advantage in a large transaction as well as in a small one.

But it is to the small borrower, the home-builder, that the loan repayable in monthly installments of moderate amount is particularly applicable, and if obtained from a savings bank the borrower not only gets his money at a more reasonable cost, but may expect a greater degree of indulgence should misfortune overtake him than could be extended by an association whose rules of forfeiture must be rigidly enforced for the average of the general membership. A savings bank may suspend the collection of the monthly installment for a time, being content until more prosperous times return with the payment of interest on said loan as follows: At the expiration of the (annual or semi-annual) period from date of said loan, or on the regular interest dates if desired) so much of the amount so paid during the preceding (year or six months) shall be applied to the payment of interest up to said loan, and the balance shall be credited on the principal.

The average person has a rent-payer before becoming a home-buyer, and this plan follows the line of least resistance: (a) on said loan as follows: At the expiration of the (annual or semi-annual) period from date of said loan, or on the regular interest dates if desired) so much of the amount so paid during the preceding (year or six months) shall be applied to the payment of interest up to said loan, and the balance shall be credited on the principal.

The advantage to the bank of this form of loan is that it removes largely the consideration of the element of depreciation, for the loan is being reduced regularly, and the security is growing better each month. It provides a constant income each month from mortgage loans, instead of a variable one; and this plan is understood, easy to reckon. Every man owes it to the citizens of the community to assist them to accomplish this desirable object. An installment loan is an easy way to get out of debt—a "straight" loan makes it easy to stay in debt.
Partial Payments Compared With Sinking Funds.

By Robert M. Rothen, President Hopkins Place Savings Bank, Baltimore, Md.

The borrowing of large sums of money for long periods by corporations of every description has reached such large proportions that it is an important question to determine the most advantageous provisions for the liquidation of these loans. That there are serious objections to the sinking fund plan is generally recognized, but the substitute for it—partial payments—favors as yet with but few men. Is it because of lack of investigation or indifference, or is it because of a desire to perpetuate "systems" which give "opportunities"? The fact remains that sinking funds, with all their shortcomings, are provided for in nearly all loans marketed where provisions are made for the liquidation of the debt. This is especially so with States and municipalities where liquidation by a certain period is obligatory by constitutional requirements, and where partial payments can easily be applied.

Generally speaking, the promise of a sinking fund appears to give a proposed issue of bonds a tone of strength and security in the mind of the intending investor, because the ultimate liquidation at maturity of the money borrowed is theoretically assured through its operation.

Few men, however, ask how sinking funds operate. Experience teaches us that they are a doubtful assurance to the lender and an expensive undertaking to the borrower. To have any value at all the provisions for a sinking fund must be conscientiously carried out, and the accumulated funds must be advantageously invested. That the first is not always done is well known, and that the investment of the fund is subject to all sorts of contingencies is self-evident.

However sound in theory a sinking fund may be, its administration cannot be placed beyond the pale of human weakness; it always was and always will be an unknown quantity—a speculation.

Sinking funds are under the control of the debtor—the borrowing municipality. If badly invested, misused or squandered they are even dangerous. There are uncertainties in the management of a sinking fund which should receive serious consideration by all public-spirited men. It may be depleted by dishonest or incompetent officials, or by unfriendly legislation. Even with wise management the rate of interest yield cannot be controlled, and when the securities must be sold to obtain the funds with which to pay the debt for which it was accumulated the proceeds may or may not cover the loan.

In England the successive failures of sinking funds made the term almost one of reproach.

A. D. Chandler reports: "There was a fraudulent misappropriation of over $20,000 connected with the Boston sinking fund in 1889, and in 1903 about $200,000 was taken from the sinking fund for current expenses. Chicago sinking funds have been generally used for current expenses. In Mississippi a sinking fund was begun in 1832 with $250,000; in 1839 it amounted to $800,000; in 1848 it had shrunk to $100,000 from bad investments." These are but a few cases of a large number of mismanaged sinking funds.

Another uncertainty of the sinking fund plan is that at the maturity of a loan for which provision has been made, the amount necessary for the loan may have been properly accumulated in the fund, but only a part of the fund will consist of the particular loan to be redeemed; the balance will have been invested in other securities, which must be sold whether conditions are favorable or not to obtain the funds necessary to pay the loan for which it was accumulated.

The partial payment plan is free from these uncertainties. The specific amounts to be paid each year on account of principal and interest are determined in advance, and the liability of the issuing corporation is reduced with every payment made. There is no guessing; it is fixed figures and facts from first to last.

Bonds issued under the sinking fund plan mature on the same date, not at all. Under the partial payment plan the bonds mature in from one year to the last year of the life of the loan, and the desires of every intending buyer can be accommodated.

The only way to sink a debt is to pay it, and the safest sinking fund, with no uncertainty, are partial payments. There are no doubts about partial payments. If you owe $1,000 and pay $100 you know the balance due is $900, neither more nor less. This is partial payment. By this method the debt is reduced annually by payments on account of principal, thereby reducing each year the liability and the interest charge.

Compared with the sinking fund plan the partial payment method applied to the same loan costs considerably less in the aggregate, as will be shown by the figures given later on. The results given are brought about by the fact that the gradual extinguishment of the debt by annual payments operates as if the latter were invested at the same rate which the obligation bears. It works automatically without loss of interest. There can be no mismanagement, nor dishonesty, nor manipulation; nor can any unwise or unfriendly legislation interfere.

One of the objections advanced to the partial payment plan is that the extra payments are too large on account of the large interest payments and a heavy drain on the taxpayers. This only applies to the plan of paying an equal amount of the principal each year; if it does not apply to the plans proposed here. The annual charge can be made less from the beginning than the sinking fund requirements would be.

The scheme is flexible and a plan can be worked out to suit almost any condition. The larger the payments on account of principal in the early years the larger the saving in interest on the loan.

The following two plans worked out for a fifty-year 4 per cent. bond issue of $5,000,000 will illustrate the meaning of the above, and it may be proper to say that similar plans may be worked out for any given amount of loan at any rate of interest and for any period.
### Savings Bank Section

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On the sinking fund plan the above loan would require fifty annual payments of $244,327.80, a total of $12,216,390—a difference in favor of partial payments of $826,470.

The specific advantage of the plan here given is that the payments on account of the principal are so arranged that the taxpayer derives the benefit of the saving at the very beginning, the amounts being graded in such manner that the aggregate sum of principal and interest required each year is less than the amount it would be necessary to pay into a sinking fund including interest.

The first table showing an aggregate saving of $278,590 is so arranged that the annual saving of $11,576.78 per annum is distributed almost equally each year.

In the second table, which shows a saving of $826,470, the payments of the earlier years are somewhat larger, but even then they are less than the requirements under a sinking fund plan.

That the defects of sinking funds are gradually being recognized is evidenced by the various devices resorted to by a large number of municipalities to reduce their debts by a partial avoidance of them. In some instances partial payments are adopted, but without grading, which is objectionable to the taxpayer. Others reserve the right to redeem at stated periods in the life of the bond, and another resort is to make the bonds optional on a certain date, long before they mature. All are but partial remedies and disadvantageous to the borrower, but will ultimately lead to partial payments applied on scientific principles.
Branch Savings Banks.

BY EDWARD B. CARNEY, Treasurer of Lowell Institution for Savings, Lowell, Mass.

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

The Legislature of the Commonwealth of Massachusetts, during the session of 1908, codified, revised and amended the laws relative to savings banks and institutions for savings. Very few of the old laws were stricken out, but a number of new ones were added. One of the important amendments to the statutes was that allowing savings banks to receive deposits outside of the banking rooms. This statute as amended is as follows:

"Such corporation shall carry on its usual business at its banking house only and a deposit shall not be received or payment on account of deposits be made by the corporation or by a person on its account in any other place than at its banking house, which shall be in the city or town in which the corporation is established; except that the corporation may, with the written permission of and under regulations approved by the commissioner or the management of the corporation, accept deposits on account in one or more branch offices or depots, for the receipt of deposits only, in the city or town in which the banking house is located, or in towns not more than fifteen miles distant from which there is no savings bank at the time when such permission is given. The annual meeting and meetings of the trustees or board of investment of such corporation shall be held at any place in the city or town in which its banking house is located."

In compliance with this statute, written permission was given by the Bank Commissioner, July 7, 1908, for the Lowell Institution for Savings to establish and maintain branch offices for the receipt of deposits only at the factories of Abbot & Co., worsted manufacturers, and C. G. Sargent's Sons, makers of wool washing machinery, in the town of Westford, which is ten miles from the city of Lowell, and the first deposit was received July 18, 1908. The operatives in these factories had for many years been depositors in this savings bank, as it offered them better accommodations when they came into the city Saturdays than the other banks did. They formerly depended on the steam railroad for transportation, and the last train left for their homes at 5 o'clock, but now an electric car line has been built from Lowell to Westford, so that the time of their departure from the city is not limited as it was.

Each Friday afternoon—which is pay day at these factories—one of the clerks of this bank leaves at half-past 1 o'clock on the electric cars, reaches the first of the mills about half-past 2 and finishes at the last mill shortly after 5 o'clock. The fare for the trip is thirty-five cents. For the first few weeks the clerk remained in the office of the superintendent while work was neat to the overseers of the various rooms that the "bank man" was ready to receive deposits. This method did not prove a success, as it was afterward found that an operative seldom went to the office for any other purpose than to receive chastisement, and he, therefore, kept away as much as possible. Another reason offered was that the operative did not want the superintendent or the management to know that he was saving money for fear that his wages might be reduced. A tour of inspection was made through the various rooms, and, after talking with the overseers and many of the operatives under them, it was decided to go directly to the operative at his machine and there solicit deposits. This change proved to be a marked success at once, as in this way we came in personal contact with the very ones to whom the idea of a savings bank had never suggested itself, for those that we reached were the foreigners and the boys and girls.

A large per cent. of the unskilled operatives in the New England factories are foreigners, and a personal appeal to them by a representative of a savings bank, with the assurance and approval of the management of the factory, has done more, in our case at least, to gain their confidence in our savings banks than any written guarantee could do. Within a month of the time that we changed to personal solicitation one afternoon the clerk opened two new accounts with Poles, one for $200 and the other for $100. It is the custom of these foreigners to keep on their persons the actual money that they receive, and when a sufficient amount has accumulated to send it to their native land. These are the funds that should be brought into our banks, and in a manner we have derived some depositing garments to our banks. One operative allowed his deposit to accumulate until it amounted to $7, when he withdrew the full amount. We afterward learned that this was made a test case to satisfy him and his associates that the money given by the factories actually found its way to the bank. He has since opened a new account and has quite a respectable deposit.

For a number of months the boys and girls were very apt to sit in the seats of the scornful and laugh at those who made deposits. Talking to them brought no result, but finally a plan was adopted that made eight of these depositors, with the promise that more would become so later. It had been the custom for quite a few years for a certain number of these boys and girls to form themselves into clubs, and each member would deposit weekly twenty-five cents into the treasury of the club. Some member, previously drawn by lot, would get all of the week's deposit, and so each week a different member would receive the deposits. In this way, while the member of the club contributed twenty-five cents each week, once in so often, depending upon the number of members in the club, he would receive a good-sized dividend. This method was very good for saving, but the one who received the week's deposit was quite apt to consider it so much clear gain and spend it at once. Acting upon the suggestion offered by these weekly deposits, two clubs, with four members each, have been started, one of boys and one of girls, to make deposits in the bank each week, and as a special inducement to encourage them to save the members of the board of investment, personally, have offered to give $5 bonus when the deposits on the bank books of each club shall amount to $50. Each member of one club has the privilege of making deposits besides that received from the club, and so receive a greater share of the bonus money, when the amount of deposit of the club to which he belongs shall reach $50.

A number of the overseers have taken a special interest in having the operatives under them open accounts and make regular weekly deposits, and with money deposited in a savings bank nearby the operative is more contented with his work. One overseer reports fewer changes among those under him than before we began to receive deposits.

We have heard from a number of individual cases where a good deal at the fort and old has been possible because there was a bank account, even if a small one, to draw from.

After thus outlining the methods used to solicit deposits, it is interesting to note what has been the result:

At the time of the starting of our branch offices these factories, in common with all New England industries, had not recovered from the financial depression that had so recently been felt throughout the whole country. The number of operatives had been reduced and the hours of labor were very much shortened. This condition existed well into October.
ber, when full time was re-established, and the number of
 operatives was gradually increased until the full force
 was finally taken back. These factories are not large, employing
 at the most about five hundred, of which number 120 are
 aliens, coming mostly from the Russian provinces, with a
 few from the southern European countries. Of these for-
 eigners thirty-three, or about 25 per cent., have become
 depositors, with a deposit amounting to $3,442, and only
 one of the accounts has been withdrawn, and that was done
 because the depositor moved to a Western city.
 Deposits have been received during the period of one year
 every week, except the two weeks previous to Christmas. For
 the fifty weeks that we have been to the factories 915 deposits
 from 155 depositors have been received, amounting to
 $13,196, or an average of $84.658 per depositor per year.
 Of the 155 depositors 122 have opened new accounts at
 the factories. About 31 per cent. of the total number of oper-
 atives are depositors, and of this number 24 per cent. have
 become new depositors. The average deposit per week has
 been $1,786. The largest number of deposits made by one indi-
 vidual was thirty-three, with a deposit amounting to $82.
 This one case is evidence of the success of the undertaking.
 In conclusion, we believe that the benefits derived from
 the experiment warrants its continuance for three reasons:
 First, the spirit of saving and confidence in our savings
 banks have been brought to the operative; second, the
 amount of deposits in the savings bank has been healthfully
 increased; and, third, the operators of these factories have
 received the benefits derived from those who are more con-
 tented since they have become an active part in the great
 financial system of this country.

The Department of Mercy.

BY EDWARD L. ROBINSON, Vice-President Eutaw Savings Bank of Baltimore, Baltimore, Md.

Most of the papers presented for consideration at the
 meetings of our Section are technical in thought and presenta-
tion; we do not generally seek an audience wider than our
 earnest efforts to serve those who honor us by placing in
 their hands their hard-earned hoard, expecting confidently to
 keep his head above water and adding constantly to his
 savings, and find our compensation in the exercise of all our kindly
 acts for the interchange of ideas, for the stimulus of the elbow touch
 and cheerful optimism.
 We are practical men of affairs, gathering together for
 the day’s work; not all of those who struggle in business
 conquest and content ourselves by playing

A Table of the number of deposits.

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of new deposits</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 15</td>
<td>7</td>
<td>$27.60</td>
</tr>
<tr>
<td>Aug. 4</td>
<td>10</td>
<td>$29.00</td>
</tr>
<tr>
<td>Sept. 22</td>
<td>19</td>
<td>$31.00</td>
</tr>
<tr>
<td>Oct. 31</td>
<td>26</td>
<td>$35.00</td>
</tr>
<tr>
<td>Nov. 28</td>
<td>20</td>
<td>$42.00</td>
</tr>
<tr>
<td>Dec. 14</td>
<td>31</td>
<td>$51.00</td>
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<tr>
<td>Jan. 11</td>
<td>29</td>
<td>$63.00</td>
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<tr>
<td>Feb. 12</td>
<td>20</td>
<td>$74.00</td>
</tr>
<tr>
<td>March 13</td>
<td>31</td>
<td>$86.00</td>
</tr>
<tr>
<td>April 24</td>
<td>29</td>
<td>$99.00</td>
</tr>
<tr>
<td>May 10</td>
<td>31</td>
<td>$112.00</td>
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<tr>
<td>June 12</td>
<td>20</td>
<td>$125.00</td>
</tr>
<tr>
<td>July 24</td>
<td>20</td>
<td>$138.00</td>
</tr>
</tbody>
</table>

 Totals 122 $13,196.23

*Bank not opened.

In our savings banks the Gospel of Push does not crowd
 the atmospheres with its fetid nostrums; we note the
 air of

"rainy day" fund, and we, too, are glad. Our hearts go

out to the one in whose face we see written pain and defeat

and who is rapidly losing his foothold through the gradual

deposition of his slender savings, and we show him our sym-
pathy (in evidence; deception and knavery of many kinds often

tempt us to lose faith in our fellows. There are those, for

instance, who habitually hand in less than the amount

called for as their deposit; there are others who present order

of Mercy."
forgery; there are still others who constantly seek an unfair advantage of the bank. These occurrences sicken our souls, but the percentage of such transactions is small indeed, and we disregard them when we consider the multitude of those who have a claim upon our more tender side. We train ourselves to be gentle to those who bear the marks of sorrow and bereavement; we try to speak a word of courage to the man who seems to be losing his grip—fighting an uneven battle with forces he cannot master; we try to be tolerant of those who love to tell their funded troubles—in a word, we must be all things to all men, entering deeply into their heart problems and giving them counsel in their many-sided business relations with the world.

Does it pay? you ask. Yes, it does. After a long experience with many depositors of many minds I can affirm with truthfulness and candor that the average savings bank depositor is responsive to sympathy and good advice. Wise and tactful influence brought to bear upon him often yields the fruit of good citizenship; a little leaven of kindness will leaven a big lump of sunshine for those who have to live with him, for if he can succeed in cultivating the thrifty and frugal instincts I submit that we go far toward establishing the happy and well-ordered home.

The Department of Mercy in a savings bank should throw its protecting arms about our unfortunate and incompetents; it should be able to protect its depositors who are ignorant of the real value of their property, which others, wiser than they, are seeking to buy below its value. It should protect them when tempted to place their little capital in questionable enterprises advertised under "Business Opportunities" in the daily press. It should go farther and establish the happy and well-ordered home.

A chapter from my own experience, illustrating the selflessness and unfairness of husbands to their wives in money matters, may be interesting. Money earned through the joint efforts of husband and wife in a little mercantile enterprise was deposited in the name of the husband. He, tiring of the faithful wife, planned to desert her. She made known her trouble to the bank and appealed for justice; payment was refused when demanded by the husband, the bank exercising its legal right to require sixty days' notice. He was advised that his wife claimed a share of the deposit, and that she would be given a chance to establish this claim in a court of equity; meantime the fund would be tied up. Rather than test the matter in the courts he weakened in a few days and divided the fund with her equally—a practical case of help extended when needed badly. This occurrence is typical of similar cases, which many of you doubtless can recall.

Let me cite two other illustrations of the way in which savings banks have served their depositors:

A large bank in New York a few years ago advertised for information concerning a depositor whose account had lain dormant for many years; the bank's record indicated that the depositor was a private in a certain regiment in the United States Army. A young woman responded to the advertisement, stating that her deceased father bore the advertised name. Patient investigation by the bank's officers established the daughter's claim to the fund, and, better yet, the bank's minute record of the depositor's occupation furnished the missing link in a chain of evidence required to secure a pension to which the daughter was entitled. The arrears alone of this pension represented a sum in excess of $5,000.

The following incident occurred in the office of a large savings bank in the West: A woman in evident distress was about to withdraw $500 from her savings account. The attention of the president was directed to her, and upon inquiry he learned that her son was in trouble in another city; a lawyer had just wired his demand for a fee of $500 before undertaking to defend the young man, and the mother was about to comply. The president advised the woman to allow her deposit to remain undisturbed, stating that he would take up the matter with the bank's correspondent in this other city. The attorney of the latter bank in a few days reported that the offense was a trivial one and easily handled without expense.

Such disinterested acts of kindness are by no means uncommon, and go to show that the whole world is knit together by common ties of brotherhood.

"The Department of Mercy" should aid old and infirm depositors to end their days in suitable institutions. Savings banks are doing and of their desire to be even more active in good works, may I venture to hope that the public may thus apprehend our lofty aims? Let it be spread abroad that each of us feels in a true sense his responsibility as his brother's keeper.
Committee Report, Savings Bank Section

Annual Report of the Executive Committee.

To the Members of the Savings Bank Section, American Bankers' Association:

Open the adjournment of our Denver meeting, on September 28, 1908, it was reported to the Executive Committee organized at Denver, I. Robinson Chairman and re-electing our worthy Secretary, Mr. William Hanhart, whose allowance was fixed at $1,500 per annum.

A second meeting was held at Hildale Lodge, Hildale, Mass, N. Y., on May 3 last, and it is gratifying to report that practically all of our members were present and remained throughout the entire session, lasting until after 5 o'clock.

The several committees of the Section, viz., the Postal Savings Bank Committee, the Executive Council, and the Auditing Committee, made interesting reports of the progress of their work.

The report of the special committee on our proposed new constitution, made to the Denver meeting, was approved and submitted to the Executive Council for its sanction, which was duly bestowed. You will be called upon at this meeting to vote upon the final adoption or rejection of this report. We might say that all the changes made in the old constitution were technical amendments with the view of harmonizing its provisions with those of the parent body. Thirty days' formal notice that these amendments will be voted on at this meeting has been forwarded to our members through the channels of the Journal of the American Bankers' Association.

The Secretary will file a report of the expenditures of our Section for the past year, which you will observe are heavier than usual, due mainly to more extended and expensive work in connection with the Postal Savings Bank Committee. This committee has prosecuted a vigorous campaign of education on a subject of profound interest to every banker, banker, and every citizen in the land. An appropriation of $4,500 made by the Executive Council at Denver was generously supplemented by a second appropriation of $5,100, made by the Committee at its spring meeting at Briarcliff. We have spent $4,106.48, and the balance of our appropriation—$4,500—has been covered back into the general treasury of the Association.

A third meeting of the Executive Council for its sanction, which was duly bestowed. The day of the annual meeting of our Section has been changed from the third to the second day of our convention week. It is hoped that the change may result in an increased attendance and a deeper interest.

The salaries of the President, who was appointed for that purpose at our Briarcliff meeting, the day of the annual meeting of our Section has been changed from the third to the second day of our convention week. It is hoped that the change may result in an increased attendance and a deeper interest.

The accounts of the Secretary have been audited by Mr. G. Byron Latimer, who was appointed for that purpose at our Briarcliff meeting.

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Report of Secretary.

September 16, 1909.

To the President and Members of the Savings Bank Section of the American Bankers' Association:

I beg to report that the membership of our Section on the first day of September amounted to 1,656; last year at this date the membership was 1,609. For the past year we have enrolled new members and have lost sixty-four through mergers, failure and non-payment of dues, thus giving us a net increase in membership of 113 members. This increase, while fairly satisfactory, is not what it should be, and we hope that it may be due to the fact that the advertisements of our book of printed forms— which, by the way, should have a much wider circulation than it already enjoys— and the work of the Section, American Bankers' Association, has been successful in attracting the attention of the whole country; our other committees have likewise contributed their full share toward widening the sphere of our usefulness.

Respectfully submitted, EDWARD L. ROBINSON, Chairman.

Report of Committee on Savings Bank Laws.

To the President and Chairman Executive Committee, Savings Bank Section, American Bankers' Association:

That a complete review of the work of the Savings Bank Law Committee of the Savings Bank Section may be had for the time intervening between the Denver meeting of 1908 and the present one. It seems fitting to briefly refer to the several reports already made.

The report of the Special Committee submitted at the Briarcliff meeting and again adopted at the Denver meeting, was submitted to the Executive Council and approved, and the work of the Special Committee was placed in the hands of General Counsel Paton, in consultation with the chairman of the Standing Law Committee, with the chairman of the Committee on Protective Laws of the Trust Company Section, and the chairman of the Committee on Savings Bank Laws of the Savings Bank Section— the draft to be submitted at the next meeting.

That not only is the work of the Section, American Bankers' Association, appreciated, but it is the hope and desire of all who have had the privilege of attending the conferences of the past year that the work of the present year may be equally successful.

Respectfully submitted, W. H. HANHART, Secretary.

Expenses, Convention Committee, 1908... 600.00
Expenses, Vice-Presidents... 40.74
Expenses, Committee on Postal Savings Banks. 88.55
Expenses, Committee on Membership... 11.08
Expenses, Executive Committee... 11.08
Expenses, Committee on Savings Bank Laws... 150.30
Expenses, Committee on Membership... 88.55
Expenses, Committee on Postal Savings Banks... 40.74

Total... $8,736.48

This brings an unexpected appropriation of $4,500 into the general association.

All vouchers for expenses were audited and approved by the chairman of the Executive Committee, and, as usual, a special committee has audited the financial accounts of the Secretary.

As regards the book of printed forms, the total sales amount to $7,957.20, the cost for which is $6,022.67, leaving a net balance of $1,336.03. During the year we have sold thirty-five volumes, and we have now on hand forty-four bound and one hundred unbound volumes.

On the first of May last, the offices of the Section were moved to the headquarters of the Association at 11 Pine street, where the library, newspapers, services of stenographer, etc., are always at the disposal of our members, who are invited to call when in New York, and who will always be very welcome.

Very respectfully,

WM. HANHART, Secretary.
a few of the Western and Southern States trustee savings banks (without stock) were provided for.

Not a State has been heard from but which has expressed through its constituted authorities a determination to provide in some degree for the safeguarding of small savings.

The extent of the inquiries of this committee made necessary by a proposition for the safeguarding of savings deposits, wherever held, has led to much discussion in its pages which will without doubt prove of value to the law of the committee's American Bankers' Association in its council.

As so great an interest is centering in the present consideration of the American Bankers' Association, your committee has deemed it advisable to avail itself of the developments of the informal discussion of the various phases of safeguarding savings deposits, which have lately been brought to the attention of State authorities and bankers throughout the Union, feeling assured that the progress already made and that which is in prospect will enable the Law Committee of the Savings Bank Section to report at the spring meeting of the Executive Committee of the Savings Bank Section in 1907 that the draft of a model law for the safeguarding of savings deposits is ready for its consideration.

Respectfully submitted,

E. E. Johnston,
Chairman Committee, Savings Bank Section.

Report of Committee on Auditing.

New York, September 18, 1909.

To the President and Members of the Savings Bank Section of the American Bankers' Association:

Your Committee on Auditing Savings Banks has since its continuance by you at the last convention held in Denver, Colo., given its attention particularly to the subjects hereinafter set forth. In placing the results of the committee's work before you it is our unanimous hope that this report will meet your approval and that the efforts of our Section toward the complete safeguarding of the funds of depositors in savings banks will be advanced by the adoption, where needed, of the lines of action suggested in this committee's past reports and recommendations.

The subjects upon which the committee has been deliberating and to which it calls your attention may be classified as follows:

First—Examination and audit by professional accountants or by auditing companies.

Second—What are the most suitable periods of the year upon which bank and interior interest payments should be due and payable?

Third—Proof of income.

Fourth—Cash ledgers.

Fifth—Postings in depositors' ledgers—"Coupon System."

FIRST—EXAMINATION AND AUDIT BY PROFESSIONAL ACCOUNTANTS OR BY AUDITING COMPANIES.

In our last report this subject was brought to your attention and the recommendation was that all savings banks be able to show their books and accounts audited by an auditor company or by professional outside accountants. "Passbooks are the best of defalcation, and the least item in an audit, especially of practical importance in having all pass books exhibited at bank during the same year, in a reasonable period, or other reasonable period, or other reasonable period, at stated times, all pass books coming to the bank, either for deposit or with drawal or entry of interest, are required to be typed by one of these outside accountants then present in the banking room, and this ac-
SAVINGS BANK SECTION

To audit a bank thoroughly every branch of its work and the work of its agencies must be investigated and proved up. Not only should the records prepared by clerks, bookkeepers, etc., be well scrutinized and checked by competent examiners, but the signatures of all directly responsible officials, the signatures of employes, directors or trustees of directors should be minutely gone over to determine if the law is being strictly complied with by such officials.

As a rule, clerks' peculations are of minor importance, but the possibilities of fraud and of immorality, has been said, and quite truly, although these must be guarded against as well as the more easily detected

After much careful checking up the following or some other similar form of attestation, printed on the statement of the bank issued to its depositors or printed on any other suitable paper, would do much to obviate the possibility of error. The same form should be used in all the savings banks and in all the agencies of the banking system.

To verify that the receipts of income have all been received at the proper periods, etc., it is desirable to have this interest paid to depositors, and the receipts at same periods of the interest on its investments has been really received in cash, and also show proof whatever that their income has all been received at the proper periods and in the manner just referred to. A sheet of such a form as this has been sent out by the committee in its last report, to the adoption of the use of card ledgers in every savings bank and savings trust company.

When this "ledger card" is entirely filled in, then at next ensuing January and July, is that at those periods interest on deposits is being paid in cash, and also show proof that their income has all been received at the proper periods and in the manner just referred to. A sheet of such a form as this has been sent out by the committee in its last report, to the adoption of the use of card ledgers in every savings bank and savings trust company.

One of the objections by many savings banks, and by the minority of this committee in its last report, to the adoption of the use of card ledgers by savings banks has been the danger of cards being abstracted from the ledgers, destroyed and replaced with cards on which have been placed figures showing false balances, etc. This objection may be readily met by the following precaution: that the ledger clerk should sign the ledger card as he signs the ledger, and that the right hand part of each ledger card be abstracted and another substituted it would necessitate a forgery of the ledger clerk's signature, and would be an added precaution to the proper signing of the ledger card by the teller, and its replacement in the ledger. This precaution may be taken by the teller who hands the card to another teller, by the teller who hands the ledger card to a customer, or by the teller who hands the ledger card to a customer, or by the teller who hands it to the teller, etc., or of the debit card may be taken on the top of the ledger card, thus saving some time and cost by dispensing with the other signature and pedigreed cards.

FIFTH—POSTING IN LEDGER, "COUPON SYSTEM."

There have been received many inquiries as to the system of reverse or coupon posting. Such system the committee recommends to savings banks as it produces a great saving to banks in the employment of check lights time and space are economized without question. With the above method of using card ledgers correctness is in some respects guarded more accurately than by the system of reverse posting. The committee also recommends that the "coupon system" be used in connection with the system of posting in ledger and that the committee it appeared that in some instances our inquiries were not received in cash, and also show proof that their income has all been received at the proper periods and in the manner just referred to.

SECOND—LOANS ON BOND AND MORTGAGE.

As a rule, clerks' peculations are of minor importance, but the possibilities of fraud and of immorality, has been said, and quite truly, although these must be guarded against as well as the more easily detected.

In savings banks holding many loans (some Eastern banks have over 3,000 loans) is it desirable to have this interest to large banks carrying many mortgage loans than it may be, and is, made by some banks for the elapsed period of six months or one year. The fact is that every savings bank should keep a careful record of the balances due them on the bonds and mortgages they hold, and by the committee it appeared that in some instances our inquiries were not received in cash, and also show proof that their income has all been received at the proper periods and in the manner just referred to.

We realized, after carefully considering the discussion in reference to the postal savings bank subject at the convention, that there was very definite work for us to do. Therefore, as soon as was practicable there was well attended, not only by the members of the committee, but by the executive officers of the association, and other officials, etc., of the bank, consisting of stocks, bonds, loans on bond and mortgage, and other assets, and have counted the actual cash on hand and have compared the bank balances with certificates of the proper officers in banks and trust companies, and hereby certify that they are correctly shown in the above statement, and that all securities were found intact and in their proper places.

"Right hand parts of ledger cards abstracted and another substituted."

CROSS—LOANS ON BOND AND MORTGAGE.

In the majority replies received last year to the inquiries sent out by the committee it appeared that in some instances our inquiries were not received in cash, and also show proof that their income has all been received at the proper periods and in the manner just referred to.

The committee takes this opportunity to say that it will be much pleased at any time to receive from any savings bank suggestions as to improved methods of bookkeeping or auditing. We might suggest that savings banks officers having such suggestions to make should forward their inquiries to depositors and receive their replies in the usual manner; the following refers only to the proof of such postings.

The following forms are used and filled as marked, by the teller:

We do not attempt to reproduce these forms.

We do not attempt to reproduce these forms.

We do not attempt to reproduce these forms.

We do not attempt to reproduce these forms.

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Bankers' Convention.

Bank Committee at the Denver Convention. These papers were mailed about November 24, 1908, and were received with interest by the bankers throughout the country. There was a demand for these circulars from various quarters, including universities, libraries, etc., that five thousand additional copies of the above documents had to be printed.

There was also a meeting of our committee held in the city of Washington February 25, 1909, the committee having been called there to appear before the sub-committee of Postal Savings Banks of the House of Representatives Committee on Post Office and Post Roads, to which hearing reference will be made later. These papers were mailed.

Interest members of your committee have held frequent informal meetings for consultation and have been in constant touch by correspondence. We have also had conference with the executive officers of the American Bankers' Association and have endeavored to work in harmony with its Committee on Federal Legislation.

On February 11, 1909, we sent out 25,000 follow-up letters to the banks of the United States, again calling attention to our subject and asking them to send for circulars if the first ones sent had not reached them or had been used.

HEARING AT WASHINGTON.

The chairman of your committee received an invitation from the Hon. Jesse Overstreet, chairman of the House Committee on the Post Office and Post Roads, asking the committee to appear before the sub-committee at Washington on February 25, 1909. We accepted the invitation and were received very cordially and given ample opportunity to explain our point of view in reference to the postal savings bank proposition.

We were furnished with several copies of the hearing, but so great was the demand for this paper we arranged with the government printer for 4,000 additional copies. Copies have been sent to all of the members of the Savings Bank Section and to numerous general libraries.

STATISTICAL REPORT.

Very early in the year our secretary, Mr. William Hanhart, began the laborious task of compiling as nearly accurate figures in reference to the savings deposits throughout the United States as would be possible. He undertook this work, realizing that the figures submitted hereafter gave a very misleading impression as to the volume of such work as we do must be closely followed up by the work of the committee.

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Your committee very early in the present year realized that the interest manifested by bankers in the question of postal savings bank legislation made it desirable that the subject be discussed quite generally at State bankers' conventions. With the thought in mind of cooperation with the State associations as much as possible in bringing the subject before their delegates, our committee prepared a list of names of men who would accept invitations to speak at State conventions. We were gratified to learn that the bankers are entirely alive to their responsibilities, and while conscientiously we do not regard a postal savings bank as being used in the country as a whole, in that they do not regard a postal savings bank legislation would result in injury to the American people.

The members of your committee are inclined to think at this date that there has apparently been a great change in sentiment throughout the country in reference to the advisability of passing postal savings bank legislation. In other words, the campaign of education which we started has had a considerable effect in that it has caused multitudes of people to study carefully a question to which they had heretofore given only a superficial attention.

The question of postal savings bank legislation, of course, was not discussed at the recent special session of Congress. We are hoping that the question will be turned over to the Monetary Commission, but fully believe that in the final report of that commission will come promises for a future development of American banking which will assure all the people that legislatures and bankers working together can take care of the banking needs of the American people.

Your committee is of the opinion that so long as this question is in the public mind you should have a committee on the subject. We suggest that you see to it that a committee be kept in charge of this work.

In closing this report our committee wishes especially to thank our secretary, Mr. William Hanhart, for his faithful services during the past year in connection with the enormous volume of correspondence and other exacting duties connected with our committee's work—the volume of correspondence at times reached most unexpected proportions. It is our desire thus to express appreciation for work of the very highest order most nobly done.

Respectfully submitted,

F. R. Morison, Chairman.

Charles E. Sprague.

Myron T. Herrick.

W. E. supplemented.

LUCIUS TITTER, Chairman.

MYRON T. HERRICK.

F. E. MOOREY.

E. L. BOY MENDON.

CARL H. PAYNE.

W. H. HANHART, Secretary.

Report of Committee on Membership.

The Committee on Membership has held two meetings—the first on March 5 and the second on August 11, 1909—and reports a net increase of 126 in the membership of the Section, the deduction of sixty-four banks which have failed, merged or lapsed in their dues. It was not thought desirable this year, mainly on account of the heavy expenditures for the Postal Savings Bank Committee, to circulate as usual. A circular letter, however, was sent to all the non-member banks of the Association, the cost being defrayed out of the profits accruing from the sale of the book of printed forms, and this resulted in securing sixty-one new members.

Secretary Farnsworth informs us that 862 new applications, received since the end of September last, stand in the credit of this Section, being traced directly to their solicitation.

Many of our vice-presidents have been of great service in increasing the membership in their various States, deserving thanks for their cooperation.

We would recommend that this committee, or a similar one, be elected or re-elected every year, to continue the work which we have only begun, and we would also recommend that the distribution by letters be resumed.

Respectfully submitted,

W. R. CHEER, Chairman.

The expenses of your committee since September 1, 1909, have been as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Committee meetings</td>
<td>$907.72</td>
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<tr>
<td>Printing and stationary</td>
<td>1,807.22</td>
</tr>
<tr>
<td>Postage</td>
<td>1,560.60</td>
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<tr>
<td>Express and sundries</td>
<td>33.61</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$3,064.55</strong></td>
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</table>

You will notice that the chief expenses have been in connection with the large amount of literature that has been disseminated. The expenses of speakers at State conventions, etc., have in practically every case been paid by the State associations.

The present situation and the future.

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Respectfully submitted,

W. R. CHEER, Chairman.
Detailed Report of Proceedings


MORNING SESSION.

ACRUEVORE HOTEL, CHICAGO, Sept. 16, 1909.

The annual meeting of the Savings Bank Section of the American Bankers' Association was called to order by President John H. Johnson at 10 o'clock A. M.

The President: The first is a prayer by the Rev. William O. Walters, Rector of Trinity Episcopal Church of this city.

PRAYER.

Rev. William O. Walters.

Almighty God, our Heavenly Father, who dost command the hand to be diligent and honest, and who command that what is wrong should not be done. And we pray thee, that as we do our good will to be done in all their dealings exemplify the consistency of the Christian religion, and always give the first place to Thy law and commandments. Amen.

Address by President.

The President: My first thought, gentlemen, is to come here today and not purely as a presiding officer, to do no talking whatsoever; but the developments of the last few hours have been so startling to me that I cannot refrain from repeating the sentiment which seems to be crystallizing so rapidly, not only in the Association, but in the business, commercial, and social world, that just as much as the so-called guaranty. We must sympathize with the desire of the people to have their deposits made as safe as they can possibly be. And it is incumbent upon us, as experts, to take steps to make impossible, as nearly as we can, the failure of any bank—savings, State or National. We must fall in our opinion unless we are able to present a plan which will practically accomplish the desired end, and, at the same time, be based on sound business principles.

Gentlemen, it is time better to regulate your own affairs than to attempt to control any of the banking facilities now enjoyed in this country. The people should be given every possible agency consistent with our principles. Is it not better to regulate your own affairs than to attempt to control any of the banking facilities now enjoyed in this country. The people should be given every possible agency consistent with our principles.

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Gentlemen, it is time better to regulate your own affairs than to attempt to control any of the banking facilities now enjoyed in this country. The people should be given every possible agency consistent with our principles.
Address of Welcome, by Henry S. Henschen.

There is nothing perfunctory or half-hearted in the welcome which the American Bankers Association of Chicago extended to the members of the Savings Bank Section of the American Bankers' Association. For months we have been looking forward to your coming as the most notable event of the year, and now that you are among us, as our honored guests, our pleasure and gratification are greater than I can express.

This is the ideal convention city and September the ideal month in which to visit Chicago. Many of you are frequently called by business or pleasure to our city; others remember Chicago in connection with the beautiful Columbian Exposition; while others, chary, perhaps, of the Eastern bundles of money have come to enjoy the West. We are glad to extend to you our sincerest welcome and the freedom of the city during your stay here.

Mr. John R. Teter, the indefatigable Chairman of the Postal Savings Bank Committee of the American Bankers' Association, which committee by its report at the convention last year and by its subsequent letters has put upon the country demands that it shall discard the experience, the knowledge and the judgment of the men who have watched and guarded the interests of the country. The country demands that it shall discard the experience, the knowledge, and the judgment of the men who have watched and guarded the interests of the country. The country demands that it shall discard the experience, the knowledge, and the judgment of the men who have watched and guarded the interests of the country.

I am sure you will all enjoy, admire, and, I think, profit by the splendid address of Mr. Teter, the indefatigable Chairman of the Postal Savings Bank Committee of the American Bankers' Association, which committee by its report at the convention last year and by its subsequent letters has put upon the country demands that it shall discard the experience, the knowledge, and the judgment of the men who have watched and guarded the interests of the country. I am sure you will all enjoy, admire, and, I think, profit by the splendid address of Mr. Teter, the indefatigable Chairman of the Postal Savings Bank Committee of the American Bankers' Association, which committee by its report at the convention last year and by its subsequent letters has put upon the country demands that it shall discard the experience, the knowledge, and the judgment of the men who have watched and guarded the interests of the country.

Your welcome, your tokens of greeting, your talks of history, your fees of patriotism, and the many other human necessities.

The President: I might say that the letter has not reached, nor has it reached my attention yet. If it should, we might be able to provide a more complete response, although I do not consider it significant. Despite any potential misunderstanding, I would like to keep a slight substitute in the order of the program, and ask Mr. Embled, of whom I am told to read the Executive Council's resolution to kindly subscribe to the Hon. Henry M. Zimmerman, Commissioner of Banking for the State of Michigan.

Mr. Joseph D. O'Neil: It is a pleasure to step aside in favor of Mr. Zimmerman.

The President: With your permission, then, we will hear from him, whom we call the livewire, and call to mind a conversation which he had with us this morning, when he called us a "live wire," and not at all afraid of the cars or the size of the locomotive. Mr. Zimmerman, we would be glad to hear from you on the subject of the letter, if you please.

"The Segregation and Safe-Guarding of Savings Deposits" by R. M. Zimmerman. [Mr. Zimmerman's address will be found on pages 191 to 197.]

The President: I feel quite sure that the illustration of the practical workings of a subject so important is highly appreciated. On behalf of the Association, we thank you.

While the subject of postal savings banks has been brought up in this law, I noticed that the chief executive of our Association came in, and I think the most noble sentiment and the proper safeguarding and investment, and to turn on these functions for the good of the country and the savings of the people, the country demands that there shall discard the experience, the knowledge, and the judgment of the men who have watched and guarded the interests of the country. The country demands that it shall discard the experience, the knowledge, and the judgment of the men who have watched and guarded the interests of the country. The country demands that it shall discard the experience, the knowledge, and the judgment of the men who have watched and guarded the interests of the country. The country demands that it shall discard the experience, the knowledge, and the judgment of the men who have watched and guarded the interests of the country.

I am heartily in sympathy with the sentiments and the observations of the gentleman who has just read the address of Mr. Zimmerman. I am heartily in sympathy with the sentiments and the observations of the gentleman who has just read the address of Mr. Zimmerman. I am heartily in sympathy with the sentiments and the observations of the gentleman who has just read the address of Mr. Zimmerman. I am heartily in sympathy with the sentiments and the observations of the gentleman who has just read the address of Mr. Zimmerman.

Mr. Zimmern: I am very, very favorably disposed toward this establishment, and I hope that we will continue to register our opposition to it and to be active in that opposition. I have listened with a great deal of interest to the paper just read by Mr. Zum- mermann, and I am heartily in sympathy with the sentiments expressed therein.

I think I am warranted in saying to you that in a few months there will be a bond issued by Congress in the name of the Finance Committee, for the purpose of reviving the experiment of a postal savings bank, or contemplated legislation, which will cover in our national system, so far as legislation is concerned, the same conditions of the investment of the funds, and the priority of lien of the investment of those funds. I am confident that in the year you will no longer see the addresses of the Finance Committee, which will bring about this end, in so far as National banks are concerned.

I feel I must apologize to you for not being able to be with you through all of your session, but I think you will appreciate that we are all more or less busy in entertaining the bankers, and while it has been a great pleasure to do so, it has nevertheless occupied our time, and as we are to have Mr. Taft with us this morning, I must now answer the call of duty elsewhere. I appreciate the opportunity of being with you this morning, and again congratulate you on your meeting and the excellent work which your Section is doing.
The President: We will now have the report of the Executive Committee. Mr. Robinson, gentlemen.

Report of the Executive Committee.

The President: Gentlemen, you have heard the report of the Executive Committee. A Member: I move that the report be received, adopted and filed.

Motion seconded and carried.

The President: The next is the report of the Secretary, Mr. William Hanshaw.

Report of the Secretary.

The President: I will print the Secretary's report on page 205.

The President: Gentlemen, you have heard the report of the Secretary. What is your pleasure?

A Member: I move that the report be received and filed.

A Member: Motion seconded.

The President: It has been moved and seconded that the report be received and filed. Those in favor will signify the same by saying aye; contrary, no.

The President: It is so ordered.

The next is the report of the Committee on Savings Bank Laws, Mr. Allen W. Johnson, Chairman.

Before Mr. Johnson delivers his address, I want to pay special tribute to the time and labor and attention he has given to securing the details that are indispensable to the ultimate solution of the problem that confronts the committee. Mr. Allen W. Johnson, of Schenectady, N. Y., I thank you. I may say in that connection that the credit is rather due to the people who have given me these details.

The President: What is your pleasure?

A Member: Motion seconded.

The President: The report of the Committee on Savings Bank Laws. I think you have been impressed, or should be, with the importance of the task, and that the report be received and filed.

A Member: I move that the report be received and filed.

A Member: Motion seconded.

The President: It has been moved and seconded that the report be received and filed. Those in favor will signify the same by saying aye; contrary, no.

The President: It is so ordered.

Report of Committee on Savings Bank Laws.

The President: The next is the report of the Committee on Auditing, and with your correction, Mr. Grimbold, that the report be referred to the printed report, which will be sent to you later, and which will he cuts and diagrams necessary to explain it going with it, I think we ought to express our thanks to the Law Committee and to the Committee on Postal Savings Banks for the excellent work they have done.

Mr. Keating, of Tacoma, Wash.: I make the same motion. I think it is thoroughly incumbent on the Savings Bank Section to express their thanks to the Committees for the work they have done.

The President: Gentlemen, you have heard the motion. Motion seconded and carried.

The President: The next is the appointment of the Committee on Nominations, which as represented by their respective Chairmen, will please convey to the individuals therein the appreciation of this Section for their splendid work. The next is the report of the Committee on Membership, which the Chairman has requested our Secretary to read.

Report of Committee on Membership.

The President: Gentlemen, you have heard the report of the Committee on Membership. What is your pleasure?

A Member: I move that it be received and filed.

Motion seconded and carried.

The President: For report of Committee on Nominations see page 206.

APPOINTMENT OF COMMITTEE ON NOMINATIONS.

The President: The next is the appointment of the Committee on Nominations. I would like to ask if Mr. Frederick C. Nichols, of Eitchburg, is in the room.

No response.

Gentlemen, I will name as a Committee on Nominations Messrs. Clinton T. Rose, of Syracuse, N. Y.; Mr. C. S. Stephens, of New York City, and Mr. Frank D. Eggers, of Denver, Colo. The committee will meet immediately upon the adjournment of this session—this morning's session—and will be pleased to receive from any member present a nomination for any office.

We would particularly urge that you go out of your way to submit a list of names for your State and, of course, for any office at all vacant about naming yourself, if you happen to be the only man here, and you think you are all right. We want men who will work. The assistance that has been given to us by the Vice-Presidents of the respective States has been very valuable, and we shall be glad if we get as full a list as possible, and that we be not obliged to turn the candidates' directory to fill in with.

As you are probably aware, the coming of the President of the United States here to-day has caused certain engagements to be made, and possibly a lessened attendance here at the moment, and in deference to the wishes in that respect, I move in order that our members may have an opportunity of seeing him, that we should facilitate our programme as much as possible. If, by continuing our morning session up to 12:30, we will be able to get some of our business out of the way, you can see him and meet him at the public reception at 2 o'clock, and we can resume our meeting here at 2:30. I think we ought to continue our morning meeting as long as possible, and then adjourn to meet at 2:30.

Mr. Joseph D. Radford: If we continue our morning session and carry out the programme as laid down, how long will it take us?

The President: I do not think we could possibly finish in less than two or three hours. There are a great many people here who would like to be here on different subjects. We have the privilege of receiving messages to save us a great deal of time. There is one by Mr. Welch and one by Mr. Croce. Then there is an address by Mr. Reiter, as well as one by Mr. Edward B. Carney and Mr. Edward L. Robinson, as well as the open discussion, which may be quite lengthy. I think we ought to give the members an opportunity to meet the President, if possible, to do so without seriously curtailing our programme.

Mr. Radford: I therefore would move you that we do adjourn to meet again at 2 o'clock.

Motion seconded and carried.

Mr. Eden: For the benefit of those members who may wish to attend the ball game this afternoon, the game will not begin until after the arrival of President Taft at the ball park. It is expected he will leave the Art Institute about 3:15 and reach the ball grounds about 3:45; so those who hold tickets to the ball game will know what time the game will begin—between 3:45 and 4 o'clock.

The President: Thank you.

The President: The next in order, then, is to take up the papers that are to be presented to us. The first one is "Real Estate Loans for Savings Banks and their Amortization." Mr. R. M. Welch, Secretary of the California Bankers' Association, and a member of the committee, has asked a good friend, Mr. Joseph D. Radford, to present same for him. I take pleasure in presenting to you Mr. Joseph D. Radford.

Mr. Welch's paper will be found on pages 197 to 199 of this publication.

Real Estate Loans for Savings Banks and Their Amortization.

Mr. Welch's paper will be found on pages 197 to 199 of this publication.

The President: Gentlemen, you have heard this most interesting paper on a peculiar phase of our business, and before putting the motion I would say to Mr. Radford that on behalf
Mortgage Loans for the Home.

[The text of Mr. Crocer's address will be found on page 199.]

The President: I will now entertain a motion to adjourn to meet again at 3 o'clock.

A Member: I so move.

Adjourned until 3 P. M.

AFTERNOON SESSION, 3 P. M.

The President: Gentlemen, you will please come to order. The counter attractions seem to have had its effect upon the attendance, but under the circumstances I think we will have a greater attendance, because we all think a great deal of the Chief Executive.

The first in order now is a paper on Branch Savings Banks, by Mr. Edward F. Alden, Treasurer of the Lowell Institution for Savings, Lowell, Mass.

Branch Savings Banks.

[On pages 202 to 203 will be found the full text of Mr. Carney's address.]

The President: I am quite sure in this case, as in the previous ones, that we have very much interested Mr. Crocer.

The next, gentlemen, is—what should be in every bank—the Department of Money, by Mr. Edward E. Robinson, Vice-pres-
SAVINGS DEPOSITS TO BE SEGREGATED.

Mr. Shen, of Dayton, O. I hesitate to make any remarks to this assembly, because of two reasons: First, because it is the practice of this house that I have little to do here. Secondly, because I am among the younger men who should sit and listen while the older men drop these words of wisdom. I think we all have been impressed with the papers that have been read here to-day. I know that to me it has been a source of much instruction, but if there was one paper more impressive than the others it was the paper which was read by Mr. Zimmermann on the segregation of savings deposits; and I believe we will all agree that the most pertinent question which ... the Commercial Department; and so, I believe it would not be a tendency to tarry a little, let me say that it is customary to limit any remarks to five minutes to one person, and no discussion that may be provoked will result in the benefit of any discussion that may be provoked will result in the benefit of the savings deposits. Mr. Allen W. Johnston: In view of the paper we have just heard, I think it would be an interesting point for the Postal Savings Department to consider, if they have not already done so, as to how many third and fourth class postmasters, in the haste and hurry of the delivery of mail and the receiving of mail, have in the past, and have taryed a little, let me say that it is customary to limit any remarks to five minutes to one person, and no discussion that may be provoked will result in the benefit of any discussion that may be provoked will result in the benefit of the savings deposits. Mr. Allen W. Johnston: In view of the paper we have just heard, I think it would be an interesting point for the Postal Savings Department to consider, if they have not already done so, as to how many third and fourth class postmasters, in the haste and hurry of the delivery of mail and the receiving of mail, have in the past, and have...
Mr. Clinton T. Rose, of Syracuse; Mr. President and Gentlemen: I wish to say that in response to the request of the President a number of names have been handed to us as candidates for the positions of Vice-presidents in the different States. Still there are several States which have not recommended any name, and I will thank the members from those States to make nominations as I read the list.

We recommend as follows:

For President, Mr. W. H. Creer, Cleveland, O. (Applause.)

For First Vice-president, Mr. Edward L. Robinson, of Baltimore, Md. (Applause.)

For Members of the Executive Committee, to serve three years: Messrs. Henry S. Henschel', of Chicago; H. L. Remmel, of Little Rock, Ark., and R. C. Stephenson, of South Bend, Ind.

Mr. Stephens has a member of our committee, and Mr. Briggs and myself have taken the liberty of making this nomination at the earnest request of some of the members of the Association.

(Mr. Rose then read the list of nominations for Vice-presidents, which had not been completed)

Mr. Rose: If we have suggested any names that the delegation on the floor would rather have someone else nominated, this report is not yet completed and we are ready for further suggestion.

Mr. Kaufmann: I move that the Secretary be authorized to cast a unanimous vote of this Section for the gentlemen named in that report, and as for the few States that are entitled to a Vice-president, and for which names have not yet been suggested, that the Secretary take it up while he is here with some of the representatives of those States, so that the list may be complete, and fill in the proper names for those respective places.

A Member: Motion seconded.

The President: Before putting the motion, let me ask if there are any other nominations for any office or for any one, or any suggestions to make, objections or corrections? I hear none.

It seems to me that with your approval the matter is now up for a vote. Those in favor signify by saying aye; contrary.

The motion is carried. Mr. Secretary, you are instructed by the Section to cast a unanimous ballot for the gentlemen named in the report of the Nominating Committee.

The Secretary: I wish to report, Mr. President, that I have cast this ballot, according to the list read by Mr. Rose, the chairman.

The President: It is now in order, gentlemen, to install the officers elected. I take pleasure in retiring and in presenting to you this badge, and in doing so I beg to thank the Association and the Section for the honors that they have conferred on me. I have not cut a very large figure in the work, but I have endeavored, as I said to you a year ago, to put upon that work an impress of earnestness that would convince you I was working from a purely unselfish standpoint, and that whatever we did should and must be done for the common good, and that we must recognize the demands of our clients, the people, and meet them upon fair grounds as citizens and not as we are sometimes called selfish bankers.

Thank you very much. (Applause.)

President-elect Creer: Mr. President and Gentlemen: Words would fail me if I tried to express to you the keen appreciation of the manner in which you have honored the State of Ohio, which I represent, and my humble self; therefore, I will not attempt to do it. I thank you heartily, one and all, for this great honor which I deeply appreciate.

You have proven that the American Bankers' Association through its Saving Bank Section is magnificently great and splendidly broad, for it can take within its folds all the saving institutions that are preaching the gospel of thrift to the people of the nation, no matter what the style of the corporation or what its name.

It is now my pleasure to ask Mr. Edward L. Robinson to come forth and to introduce him to you as your first Vice-president.

(Mr. Robinson mounted the platform.)

Mr. Robinson: It gives me great pleasure, sir, to hand you the badge of office of the first vice-president of the Savings Bank Section of the American Bankers' Association. In honoring you, I feel that this Section has honored itself, because with your rich experience, your high ideals and your splendid purposes, you are doing a great work, not only at home but abroad for all that is best in savings institutions. (Applause.)

First Vice-president-elect Robinson: Thank you, sir. It is only expected of me, I am sure, gentlemen, to say a very small word. I have already been on my feet long enough to have taxed your patience, but I cannot forbear thanking you for this distinction—one which I shall strive to wear as worthily as I may.

President-elect Creer: At the close of this meeting, when we adjourn, there will be held a meeting of the Executive Council. I trust that its members may be present so that we may have the meeting convened at once and without any delay.

Gentlemen, is there any further business to come before this Section at this time?

Mr. Peters: I move that we now adjourn.

Motion seconded and carried.

Adjourned.

Fidelity Trust Company
NEWARK, N. J.

Capital, Surplus and Undivided Profits over $9,000,000

Resources over $27,000,000

ALLOWS INTEREST on daily balances of $1,000 or over, subject to check at sight, and transacts a general banking business.

AUTHORIZED BY LAW to set as Executor, Trustee, Administrator, Guardian, Assignee, Receiver, and in all other capacities, both under court and personal appointment.

TAKES ENTIRE CHARGE of Real and Personal Estates.

HENT'S BAIIFS and stores valuables in well-guarded vaults and Private Vaults.

GUARANTEES TITLES of Real Estate throughout New Jersey.

ACTS AS TRUSTEE under mortgage, Registrar and Transfer Agent of Stocks and Bonds of Corporations.

OFFICERS

ERALD H. MCCARTER, President.

ANTHONY R. KAUFMANN, Vice-President.

FREDERICK W. DENIER, 3d Vice-President.

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OFFICERS

ERALD H. MCCARTER, Trust Officer and Treasurer.

BERNARD S. ADAMS, Assistant Secy. & Assistant Treasurer.

PAUL C. DOWNING, Asst. Secy. and Asst. Trust.

EVD. A. PEURICH, Asst. Secy. and Asst. Trust.