

# BANKERS' CONVENTION SECTION

## OF THE **COMMERCIAL & FINANCIAL CHRONICLE.**

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### THE CHRONICLE.

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### INDEX TO ADVERTISEMENTS

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### THE CONVENTION'S ACTION ON THE BANKING BILL.

The resolutions in regard to the Banking and Currency Bill now pending in Congress, adopted by the Bankers' Convention at Boston on October 8, may be said to have been introduced and approved at the psychological moment. The bill had passed the House in September. It had passed, in a very different form from that which it bore when it was introduced last June. Many of the crudities in the original draft had been removed or modified by the House Banking and Currency Committee. Some admirable provisions, in regard to redemption of the proposed new circulating notes, had been incorporated. More than this, the amendments proposed by the extreme radicals and inflationists, inside and outside the House Committee, had been

rejected by overwhelming majorities, first by the Committee itself and then by the Democratic caucus, which gave the measure its final shape for the vote in the House of Representatives.

But when all this was done, the bill remained in admittedly defective shape. We do not believe we exaggerate in saying that it was not unqualifiedly approved, as it stood after the vote of the House of Representatives, by any competent critic or practical business man, even among those most loyal to the Administration and most anxious to see a Banking Bill, with the general purposes of the pending measure, placed on the statute books. That the bill should be defective in important points was nothing unusual in legislation. A House Bill, after its passage by that body, is ordinarily open to many criticisms, and is usually reviewed with great care before its acceptance by the other House of Congress. This is so, for the same reason as that the House rules are framed to expedite discussion and the vote in that body. In our political traditions, the House is expected to bring up for practical consideration those questions on which the public at large desires legislative action. It formulates bills in line with such policies; it discusses and amends them, with a view to perfecting them as far as may be possible in the limited time allowed for deliberation.

But its important duty is to get the proposed legislation before the public, in such concrete form as will admit of the searching practical criticism which an important public measure needs. This criticism is traditionally attracted to such a measure, during the period between its passage by the House and its consideration in open Senate, and practical discussion then becomes possible, because the bill has now received the finishing touches of one branch of the national legislature. The reason why, in our parliamentary practice, the Senate machinery moves slowly and the Senate debate is subject to no closure rule, is the recognition of precisely this fact that the time for sober critical and discriminatory deliberation has arrived. In the case of the Banking Bill, the danger at one time seemed to be that this highly essential weighing of arguments for and against the specific provisions of the bill would not be assured—either be-

cause expert criticism had not made itself heard with sufficient authority, or because of the Senate's acquiescence in a policy of forcing the Banking Bill through, in the few weeks remaining of the present extra session, and without regard to the numerous controverted points which are not yet settled, but on whose proper settlement the success of the pending effort at Banking and Currency Reform will undoubtedly depend.

The action of the Bankers' Convention has at all events guaranteed that the full and practical consideration of the bill will not go by default. The practically unanimous affirmative vote of the 2,400 delegates at Boston proves that the criticisms contained in the resolutions do not embody exclusively the views of any one group of banks or bankers. The free and open debate which preceded the Convention's vote—in the course of which, opponents of the resolutions had free scope to submit their opinion in the matter—proves that the vote was not a result of restricted opportunity for delegates to express their individual conclusions. The incident as a whole disproves the allegation which has become somewhat familiar during recent months, to the effect that the large body of "country bankers" were entirely content with the bill as it stood, and that only the city institutions opposed it.

It is well to remember that neither the joint report of the Chicago conference of the American Bankers' Association's currency commission with the delegates of State Bankers' Associations and Clearing House Associations, nor the resolutions of the Boston Convention itself, were sweepingly and uncompromisingly hostile to all the work of the House Committee on currency reform. This is proved, not only by the clause in the resolutions commending President Wilson, Secretary McAdoo and Congress, "for their efforts to give this country an elastic as well as a safe currency," but by the form of the report of the Chicago conference, which was ratified by the Bankers' Convention. In that report, as adopted on August 23, there was expressly incorporated, with necessarily implied approval, the greater part of the text of the Banking Bill as then before Congress. In a few particulars—notably the ratio of reserve to be held by individual banks—the Chicago recommendations were accepted by the House Committee.

The objections which remain, and which are embodied in the Boston resolutions, affect essential provisions of the bill; but they do not insist on a radical change in its general principles, or even of its detailed machinery. Perhaps the greater number of them may be said to be of a character where no question of principle is involved in the difference between the House Bill and the Bankers' Convention recommendations.

But four points of high importance are raised by the criticism of the bill in the resolutions, and these are now certain to receive the consideration and discussion to which they are entitled. One of these is the question of representation of practical bankers on the Federal Reserve Board which supervises, and which under certain circumstances can arbi-

trarily control, the operation of the entire banking system. The second is the request that membership of existing national banks in the new system, and their subscription to the capital stock of the Federal reserve banks, be made permissive, not mandatory. The third is embodied in the objection to the bill's provision that the Federal Board may, "in time of emergency, require Federal reserve banks to rediscount the discounted prime paper of other Federal reserve banks. The fourth point is raised in the resolution that the note issues should be prescribed in the law, not, as its language now stands, as "obligations of the United States," on which banks receiving the notes shall "pay such rate of interest \* \* \* as may be established by the Federal Reserve Board," but as "obligations of the Federal reserve banks of issue," taxable at a rising rate when the gold reserve held against them falls below 40 per cent.

These are the questions of principle which, since the action of the Bankers' Convention, are definitely before the Senate and the country for their thoughtful consideration. The Convention's argument regarding all of them is easy to comprehend. At least a minority of delegates elected by the Federal reserve banks, the Convention held, should be permitted on a national board which has so sweeping authority over the use of the capital subscribed by individual banks. It held that to compel a national bank, whose existing charter established no such relations, to invest a portion of its capital in stock of the reserve bank, is beyond the legitimate powers of Government; the Aldrich plan, for instance, merely offered such stock to the subscription of the banks, and made the inducements such as to attract subscription. It maintained that the power to require rediscount of one reserve bank's paper by another reserve bank was a dangerous power for any national board to exercise in its unrestricted discretion. Finally, as regards the note issue, the Convention believed that, quite aside from the question whether or not the machinery of the law would be deranged by the language describing such notes as issues and obligations of the national government, the effect of such declarations necessarily would be to instil false and mischievous economic notions, and to play directly into the hands of the inflationists.

We have surveyed very briefly a few of the essential questions of principle involved in the Boston resolutions. Such a review might be extended very much further—for instance, to the highly important question whether the proposed system of twelve Federal reserve banks in twelve separate districts of the United States, with the relative weakness and dependence on the others which some of those banks might easily incur, ought not to be altered so that the number will not exceed four or five. This, and other equally practical questions, require the most careful study by the legislators before the experiment is tried. The reassuring fact, in regard to all these problems, is that the action of the Bankers' Convention—in its manner, no less than its matter—would seem to have ensured such consideration.

*THE RESURRECTION OF AGRICULTURE.*

Recognizing to the full the unassailable fact that the basis of all true prosperity must rest on the firm foundation of the land, the American Bankers' Association at Boston last week devoted the greater part of a day to the discussion of agriculture and its problems.

It is a mere platitude to say that for many years this country was able to live on its agricultural exports because the rich virgin soils of our Western States practically insured profitable crops with the minimum expenditure of both capital and labor. In those days the land was tilled by hard working men who owned the acres they worked and who therefore had at least the incentive of the proprietor if, too often, not the knowledge to maintain the land in full fertility.

Of recent years the high prices obtained for farm products have worked an amazing change in conditions. Not only have crops fallen off in volume relatively to population, so that our leading agricultural exports, except cotton, are much reduced, but a very large proportion of our farm lands are now tilled not by the owners, but by tenant farmers whose chief incentive must be to get as much out of the land with as little cost as possible. Such a condition, unregulated, inevitably will lead to the increasing impoverishment of our farms, with a consequent actual, and not merely relative, decrease in production.

Probably agriculture is the only industry in America in which any large proportion of the proprietors have retired and left the management of their holdings to absolute outsiders, for it is one of the peculiarities of this country that almost all our successful men of affairs have continued in harness long after the financial returns of their business have ceased to have a paramount interest for them.

Why, then, has this not been the case in agriculture? Perhaps the reason is best contained by inference in the remarks of Dr. George E. Vincent, president of the University of Minnesota, when he told the Bankers' Convention that it was the aim to establish a democracy of culture in Minnesota, a democracy that will recognize culture on the farm and in the workshop, a democracy that will teach the farmers' boys and girls to appreciate that the occupation of farming is held in high esteem.

Is it not a grave question, he asked, if we do not have too many lawyers, too many middlemen, too many engaged in the professions?

He was dealing with the steps his State has taken to offset the dangerous trend of tenant farming and slipshod husbandry. His remarks indicated that in Minnesota at least one of the most active causes of agricultural decay has been noted and the only possible steps taken to eradicate it.

From time immemorial society has combined to look askance at the man who works with his hands, and when manual labor has been coupled with the isolation and restricted life of the agriculturalist the general attitude toward those engaged in it has been pity, not unmingled with contempt. A successful farmer has never received that meed of

popular admiration which is freely given to the successful banker, merchant or manufacturer and consequently in too many instances his first idea is to get away from the farm into the larger world of the cities.

Unfortunately for the country, financial success has come all too easily of recent years to almost anyone who owned a farm. The rapid growth of population has provided a ready market at ever increasing prices and has removed the incentive for thorough-paced efficiency such as has been demanded more and more in other lines of endeavor. In the old world the restricted area available for cultivation, protective laws designed to insure an ample food supply in time of war and other causes not operative in this country have contributed to make farming a scientific business in a way so far not even dreamed of by the rank and file here. It is not at all uncommon for an American farmer to run his business without a book, save his check book, to make butter out of his cream and throw his skim milk away, to leave his orchards a prey to noxious insects and his fields to noxious weeds. In too many instances he knows little or nothing of his soil and has developed no plan whatever for preserving its fertility. Often he has not studied his seed even to the extent of knowing weed seed from clover, let alone the appearance of that seed which may be relied upon to produce abundant crops.

This point was brought out in partial detail by S. M. Jordan, the County Agent of Pettis County, Missouri, in his address before the Bankers' Convention. His task is the difficult one of teaching the farmer how to farm without antagonizing him.

He told one story to illustrate his point. On a visit to a farm whose owner wished to grow alfalfa, he found the fields dotted with clover dodder. The farmer, he said, "did not know what dodder is and his hired man had never heard of it."

This experience led to an investigation of the seed sold by local dealers and Mr. Jordan found that much of it was mixed with noxious weeds. Then he went further and was astounded to learn that not one farmer in three knew the pests by their seeds even when they were growing in profusion on their own land!

The next step was naturally to remove this ignorance and recourse was had to the schools where the teachers started a course of instruction which has already had most beneficial results. "The children," he said, "will ask for a little clover seed, perhaps, and take it to school, and in a few days a little twelve-year-old girl will bring the sample back and show papa the seed of sour-dock, bracted plantain, and buck-horn in his clover, and I believe that before two years more have passed every pupil who is twelve years of age or more in the rural schools of Pettis County will be able to recognize by their seeds every one of the serious weed pests that are found in these field seeds."

Mr. Jordan and his colleagues were also able to teach another valuable lesson to their local farmers. The land of Pettis County is nearly all well drained and the farmers could not conceive of well-drained land being sour. Chemical tests proved them wrong, however, and a few of them have been induced to lime their soil, with excellent results. Their success will doubtless lead others to follow their example. But what a commentary it is on American farmers that this lesson should need to

be learned in the twentieth century! Why, the European farmer has known that much for perhaps a hundred years!

In over twenty years our average yield of wheat per acre has increased only from 13.2 bushels to 14.1. In the same period, Germany has raised her output from 24.5 bushels to 30.1, and Austria from 16.2 to 19.8, while the United Kingdom has remained stationary at something over thirty-one bushels to the acre.

Our corn crop for the ten years ended 1909 was actually one and one-half bushels per acre less than for the ten years ended 1879, and our yields of oats and barley have not only not increased in anything like the same ratio as those of other countries, but are in some instances as much as a full third below European averages.

It is perfectly true that in Europe the farms of most countries are tilled in large measure by tenant farmers and not by their owners, but it is true also that the leases contain provisions which insure careful husbandry and that the incapable farmer finds it exceedingly difficult to get his lease renewed. Furthermore, many of the large landed proprietors conduct model farms on which expensive experiments are conducted for the benefit of the tenants. Thus they have the advantage of free instruction and benevolent supervision; two aids to efficiency which are unhappily either non-existent or restricted in their scope in this country.

While he did not refer to any other country, Mr. James J. Hill must have had these facts in mind when he told the assembled bankers:

"Sound economic policy and business sense advise us to increase the number of those engaged in farming; educate them in better methods; insist upon the care and improvement of the soil; increase production per acre; and, in particular, promote the raising of live stock, by which money can be made, industry diversified, our food product enlarged and the soil raised to a higher degree of fertility."

In these words, as he so often does, Mr. Hill struck a keynote to our agricultural decadence. The haste to get rich, which denuded our forests and at one time seemed likely to shut our manufactures from the markets of the world by reason of indifferent quality, is more largely responsible for the poor yield of our farms than has been realized until lately. The increase in the value of farm products has been out of all proportion to the increased cost of the things the farmer buys.

This rapid increase had two results. It led the farmer to place every available acre under the plough and sow the same crop year after year on land from which the fertility was annually being removed and to divorce himself from the care and responsibility of live stock, by which means alone he could hope to keep his farm in prime condition. It is an absolute fact that one may travel for a day in certain of the Western States without seeing a cow, much less a beef animal, and very many farmers are known to buy their meat, butter, milk and eggs from the nearest village. In 1900 there were 45,500,213 cattle, other than milch cows, on American farms and ranges. On January 1 of this year there were only 36,030,000, but their value was some \$43,000,000 greater.

Last year the United Kingdom, Germany and France combined had ten cattle to every thirteen in this country and this on an area of less than one-seventh that of the United States.

To care for these animals, to properly utilize the manure they produced and to carefully till the fields a vast army of agriculturalists was continually employed. In Germany as far back as 1882 there was one man at work on every 10.7 acres,

whereas in 1900 we expected each man to care for forty.

The facts are there. To their credit be it said they have long been realized by the American bankers. What are we going to do about it? A start has already been made in many States by the sort of work Mr. Jordan is engaged in—by the corn clubs in which farmers' sons are encouraged to cultivate tiny patches by modern methods and so "show the old man," by lectures before farmers' institutes, by experimental stations, by bulletins of information, by the multifarious work of the agricultural colleges and the departments of agriculture. But this start is much the same that was made in England many years ago and the results achieved there still leave much to be accomplished. The drift from the land, if not the drift to slipshod methods, still continues across the sea. How are we to meet the same problem coupled with the other here?

Perhaps the answer is to be found in Dr. Vincent's remarks quoted above. If the American people as a whole can ever be brought to see the innate dignity in labor on the farm the problem will be solved. Unfortunately, our lax methods have tended to produce exactly the opposite impression. It has come to be believed that farming is the one industry in which a man can trust to blind luck to see him through. It is an impression fostered by many farmers themselves. A story was told at last year's Bankers' Convention of a preacher who obeyed his congregation and prayed for rain, but he coupled his petition with a severe reprimand, "Thou knowest, oh, Lord, that what they want is not more rain, but more sense and more manure."

Farming will never become an honorable profession until it is attended with the same study of science and business methods which is instinctively given to other occupations. The schools will accomplish something in this direction, but the schools by themselves can never solve the whole problem. The great body of farmers will only learn to respect themselves, to respect their calling and thus win the respect of their fellow men through the whole hearted, intelligent, sympathetic support of others. The banker particularly is in a position to bring this about.

A merchant whose methods are slovenly is looked at askance by his banker and others. The intelligent farmer must be encouraged. His efforts towards the improvement of his farm must be supported by credit and advice in just the same measure and in exactly the same way as the wide awake merchant and manufacturer is encouraged and supported by the intelligent banker. An unproductive loan, whether made on land or a factory, is never a source of lasting benefit either to the bank or the borrower. If farming, largely through the attitude of the banks, can be put on the same footing as other industries, the problem will be in a fair way to solution. When farming is a business so far as the world is concerned, it will become a business for all who are engaged in it, but never before. When it achieves that status the stigma attached to the name of the farmer will have been removed and that democracy of culture which comes through efficiency to which Dr. Vincent referred will have become an accomplished fact. Then and then only can we expect to see our farms and our farmers take their rightful place in the agricultural world. We shall then have created a race of scientifically trained men, the equal in culture and business training of any class of men in the country; they will be clothed with the dignity and self-respect of the old-time British yeoman and armed with all the weapons modern science has forged for their use.

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# BANKING SECTION

## AMERICAN BANKERS' ASSOCIATION

39th Annual Convention, Held at Boston, October 6, 7, 8 and 9, 1913

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### *Agriculture in the United States.*

BY JAMES J. HILL.

The banker buys and sells credit. Credit is based on wealth and character. Will a man be able to pay, and will he be willing to pay at the maturity of his obligation, are the two questions on whose answer depends the grant or the refusal of credit. It follows that the banker is more closely concerned than the man in almost any other occupation with the processes and prospects of wealth production.

When communication between countries was slow, difficult and beset with chances of loss, credit concerned itself mostly with commerce. Costly cargoes drawn from distant sources required financing, and represented wealth in a tangible form readily convertible into credits. In the Merchant of Venice, credit hangs the issues of life and death on the safe arrival of a merchant ship. The great sea routes of the world sustained the banking institutions that rose and flourished at its principal ports.

In the modern era manufacturing became the main source of fortune; and on its raw material, its finished products and its immense plants a greatly expanded credit system was established. Governments have not yet freed themselves from the delusion that this is the cornerstone of wealth production and the main prop of financial institutions. But those who carefully investigate the question as a whole know better. One true law is now pretty well established in the minds of thinking men—that agriculture, as the ultimate source of all wealth except the relatively smaller portion drawn from the sea, the forest and the mine, should be the especial care of those interested in maintaining a credit system at once ample and sound. Within recent years this has been recognized formally by various State Bankers' Associations and by the American Bankers' Association.

A sharp and continuous campaign should be waged along this line, because the course of national development, as directed by national economic policies, follows a curve that moves toward future disaster. No country ever yet put all its eggs into one basket by fostering permanently one form of industry at the expense of others, and escaped the penalty. Whither we are moving ap-

pears in the statistics of our foreign trade, jubilantly announced by many who cannot read in the imposing figures their real sinister meaning.

The total exports of the United States in the last fiscal year were \$2,466,000,000, having almost doubled in the last ten years. If this increase is well distributed, it becomes matter for congratulation. What is the fact? According to the official report of the Department of Commerce, manufacturers' materials increased from \$409,000,000 to \$731,000,000; manufactured articles from \$468,000,000 to \$1,187,000,000; foodstuffs, which were about \$510,000,000 in 1903, were \$502,000,000 in 1913. But, says a bulletin of the Department, commenting on this showing, "this equality in values indicates a reduction in quantity, in view of the advance in prices meanwhile." Fresh beef exports fell from 255,000,000 to 7,000,000 pounds; and all meat products outside of cattle from \$176,000,000 to about \$150,000,000. Translated into pounds, the deficit would be much greater.

Now it is not difficult to interpret the lessons of these figures. The number of mouths to be fed increases progressively. We occupy our workers more and more in supplying with manufactured goods, under artificial stimulus, the markets of the outside world; markets from which we may at any time be partially excluded by foreign legislation over which we have no control, by competition, by changes in the wage rate, by international disturbances. We have to feed all the workers in these industries. Hence our exports of food products decline. In a few years we may be buying food abroad. The cost of living rises day by day. The very industrial features over which we boast are bound to make it higher. After all that has been spoken and written about conservation, one should not need to point out the economic short-sightedness of exhausting our natural supply of valuable resources whose total is limited by nature and cannot be replaced. That means future scarcity and industrial decline. Of our great export total for 1913, almost exactly one-fourth consisted of manufactures of iron and steel, mineral oil, coal, and copper and its manufactures. All of these

come under the above description. It is the rapid exhaustion of resources, to placate a fixed and false economic idea, that no ingenuity can ever restore.

Our exports of manufactures of iron and steel alone last year amounted to nearly \$305,000,000. For cheap iron ore we depend upon the Lake Superior district, because of high grade, ease of extraction and nearness to cheap transportation. It cannot long stand such a drain. At the rate of 50,000,000 tons a year, it will be necessary in thirty years from now to use more expensive mining processes and to utilize inferior ores. Pig iron will be made from ore containing from 25 to 40 per cent., instead of 55 to 60 per cent., of iron. This will raise the cost of steel fully \$3 to \$4 per ton. Since the deposits of iron ore in the United States are known and their capacity is limited, our cost of production will prevent us from competing with other countries in the world's markets where we are now dumping our treasures. At the same time it will admit the foreign product into our own markets over any tariff that the people could or would stand. We lose at both ends. We may hereafter be buying not only bread but manufactures of iron and steel abroad. What, then, will support a top-heavy industry, and a prosperity founded on conditions obviously temporary? With what can we pay our debts at that future settling time? Would it not be better for us to quit boosting these interests and hurrahing over the rise in exports, while we try to rearrange our industrial system on the basis which the distribution of natural wealth and the demands of civilization impose eventually on all countries and on all people?

Sound economic policy and business sense advise us to increase the number of those engaged in farming; educate them in better methods; insist upon the care and improvement of the soil; increase production per acre; and, in particular, promote the raising of live stock by which money can be made, industry diversified, our food product enlarged and the soil raised to a higher degree of fertility. In so far as the banker can assist this change by granting agricultural credits wherever it is wise to do so, and especially by conditioning loans upon the use of right farming methods, he will strengthen and safeguard his own interests at the same time that he helps to build up the country and to give to its industrial fabric a firm and consistent future.

In our foreign trade which, though secondary, is of much importance to the country, the general public still mostly overlooks or undervalues what has risen to be a prime factor. We exult in the fact that in the value of domestic products exported we are now almost neck and neck with Great Britain. We exult in the showing of a balance of trade exceeding \$650,000,000. But we do not analyze. Our eyes look eastward or southward, and we are eager for new ventures in those directions. We squabble and higgie and refuse to understand the trade advantages already ours and those that we might now enjoy if we had looked toward the north instead during the last ten or fifteen years.

The rise of our trade with Canada to a commanding place is a striking phenomenon. The total of that trade for the last fiscal year was nearly \$536,000,000. In 1903 it was a little over \$178,000,000. In the ten years the increase was over 200 per cent. For the single year 1913, as compared with 1912, it increased 22.3 per cent. Our total exports to Canada last year, amounting to \$415,250,000, were \$83,000,000 more than those to Germany and three times those to France. They were \$67,000,000 greater than our exports to all the other countries of the Western Hemisphere combined. They came within \$131,000,000 of equaling those to England. At this rate it is a question of only a few years when Canada will become our best customer. We have but one better to-day.

Distribute the balance of trade for 1913 in which we so rejoice. It amounts, for the whole world, to \$653,000,000. Of that total Canada contributed \$294,688,000,

or 45 per cent. Almost one-half of the net receipts of the United States from its commerce with other nations comes from this one country. We spare no trouble or expense to drum up trade with the countries to the south of us. We have spent a great many millions of dollars on the Panama Canal. The main argument in its favor was the increased facilities that it would furnish for trade with the west coast of South America. San Francisco is preparing an international exposition to celebrate the opening of this great waterway between the oceans. The mother country of Canada declines to participate; and, under her courteous explanation, few doubt that the deciding reason was what many good lawyers, as well as common sense, declare to be a violation of treaty by remitting canal tolls on our own shipping and so discriminating especially against the shipping trade of Canada. The keynote of the approaching opening of the canal is the importance of our trade with the countries of the south to which it offers us a shorter and quicker route. Well, see what that amounts to. Our balance of trade last year with all North and South America, including Cuba and the West Indies, with this hemisphere from Greenland to Cape Horn put together, was \$183,869,000. If we leave Canada out, our trade with all the remainder shows a balance against us of \$110,000,000, mainly to pay for coffee. It is not difficult to decide what is the most valuable trade to us in the Western World. It is not difficult to discover who, if we consider only the amount and rapidity of growth in commercial relations, is our most desirable customer to-day.

To maintain that trade, to free it from every unnecessary burden, to cultivate the most cordial relations with the people who furnish it, these things are a proper care for all business men. Between the bankers of the United States and those of Canada there now exists an understanding fostered by the conduct of a business whose principles are universal, and whose practise crosses political lines without having to produce a passport or pay a duty. I am sure that you need no urging to do whatever may be within your power to unite more closely the business interests of these countries which nature herself presents as to the two great factors, co-operating, each in its own way and its own independent sphere, for the development of this continent and the progress of the world.

If the importance of agriculture to a nation is a lesson pretty well learned, if our commercial relations with Canada have lately come to be looked upon from a less parochial point of view, it would seem that we still lag behind in all that relates to a national system of currency and banking, in so far as that depends on the law-making power. Our monetary system is the wonder of intelligent men abroad and the despair of intelligent men at home. A definite proposal to change it has been before congress and the country for months past. No other subject can be so germane to this time and this meeting. It has had the benefit of study and criticism. This Association should not hesitate to express its opinion and to offer its advice. This will be given in a spirit of entire helpfulness and good will. The subject of banking in its relation to a national monetary system remains, as it has always been, the most difficult with which the law-making power has to deal. Even those who make finance their daily business are at times at a loss to make the best application to practical affairs of its abstract general principles. Such criticism as may be offered upon the plan presented for banking and currency changes, and such suggestions as may be made for its possible improvement, will be inspired solely by the spirit that has moved, I am sure, this Association and the individual members of it throughout; a spirit of desire to co-operate helpfully in a labor large enough and difficult enough to call for the best efforts of the banker, the business man and the public patriot as distinguished from the mere politician. In the presence of



so many who are rightly regarded as experts, I shall do no more than set out a few respects in which it seems to me that the proposed measure invites and is susceptible to modification and improvement.

One serious defect is that the bill will not and cannot do what on its face it proposes to do. It professes to aim at a comprehensive reform of currency and banking by establishing a logical and permanent system. We have never had that since this government was founded. We will not have it if this bill should become law. It does not simplify the currency. It does nothing with the greenbacks; it leaves the silver certificates where they are; it proposes to retire the outstanding national bank notes only in the course of time. Our currency will be just as confused and unscientific as before. Another failure in frankness at least is the repudiation of the central bank idea in name and the acceptance of it in fact. The proposed national and local reserve associations are merely variations on the principle of a central national bank with local branches. Concealing that identity, they would naturally be considerably less effective than if they could come into the open. I am not contending that the central bank principle is either desirable or undesirable. I do not think that its rejection in form and adoption in substance is as little promising as the proposal to simplify our currency system by adding a new element to its already heterogeneous mass.

There are practical working weaknesses even more serious. First among these is the projected political control of the currency and banking of the country. The establishment of a federal reserve board, vesting control of our banking, credit and note issues in men chosen necessarily with some reference to political considerations, and at least partly subservient to party demands, is a proposition that sets reason and all our experience at defiance. The fundamental objection on this score cannot be more tersely or forcibly expressed than in the words of Mr. F. A. Vanderlip, of the National City Bank: "If such a board as is proposed were formed by appointing the seven leading bankers of the United States—whoever they may be—and these men became dissociated from the daily conduct of actual affairs and sat at Washington, directing at arms' length the operation of the several reserve banks, they would very rapidly lose the power to direct wisely." But they are not to be bankers. Such participation as the bankers, as a body, may have will be in an advisory capacity, and without power to affect decisions reached. What, then, is to be expected? Speaking of the old United States Bank and the Bank War, Professor William G. Sumner, one of the ablest students of finance in this country since Alexander Hamilton, has said: "When, in any arena, a power is present which might be of decisive importance as an ally of one party or the other; it is inevitable that its alliance will be contended for by them. Its efforts to remain neutral will be vain and will expose it to greater danger from both than an alliance with either. . . . The Bank War may be held to demonstrate that a National Bank in this country is impossible, because it would be sure to become an object of conflict between political parties." It is, in effect, a National Bank of issue that is now proposed. The truth concerning it remains exactly what it was eighty years ago.

The details of the plan so far as one can discuss fairly a measure whose final authentic shape cannot be predicted confidently, contain other minor features just as doubtful or objectionable. The managers of a nation's finances are to be paid \$10,000 a year, when bankers in charge of financial interests relatively small command \$50,000 or more. The position is not made attractive by life tenure, like that of a justice of the Supreme Court. What sort of ability can be purchased, for a term limited to eight years, for a salary, at best, not over one-fifth as much per annum as less onerous services would command in private life? Necessarily the political possibilities must become the chief inducement to serve.

Naturally, this board being a political instead of a financial body by the law of its constitution, its seat is placed in Washington. There will be gathered the gold reserve required by the new measure, in addition to the immense stocks of coin and bullion held against the other forms of paper currency which are left outstanding. The objection to the mental atmosphere of the capital is matched by the physical objection of placing the most important collection of gold in the world at the mercy of a foreign navy. Nobody knows to-day exactly what modern warships, where guns have a range of ten miles, can do; but we do know that cities near the seaboard would be at their mercy. The mere presence of such a treasure within striking distance is an incentive to hostilities and would at least create a widespread feeling of distrust and apprehension liable to culminate in panic. A glance over the world to-day does not tend to reassure anybody who wishes to believe in an increasing pacific disposition among men or nations.

So far as one can see, most results of real value to be accomplished by the bill under consideration might equally well be obtained under existing law providing for the issue of emergency circulation. But one of its least excusable defects is its exclusion from the approved securities for discounted notes or investments of these which are actually most desirable and safest of all. Government bonds, State bonds, bonds of cities and counties are, in different capacities, recognized as good, safe investments or collateral. A first-class railroad bond is not. The discrimination, like the proposed system of banking control, is purely political. There can scarcely be a man at Washington ignorant of that fact.

Suppose that American bankers, in some time of financial stress, need to draw upon the foreign store of capital. There is plenty of it. But it asks for recognized security. A man approaches a banker in London, Paris or Berlin, asking a big loan or attempting to realize on securities, with notes of merchants in the United States, which are the foundation of reserve note issues, or with municipal or State bonds, the latter being an authorized investment. The foreign banker knows nothing of our private business interests. He knows little more of our local public credit. "Have not," he would probably say, "some of your States repudiated their bonds? True, it was some time ago; but your people are extravagant, great borrowers and spenders, and I cannot know when it may happen again. Your paper is not satisfactory to me." Grant that he is wrong; that he does not understand our local conditions. He does not have to. He has the money, and he makes the terms.

On the other hand, he knows a first-class American railway bond as well as he does the securities of his own city. The name is familiar to him, the record established. A bond of a road that has regularly paid interest and dividends uninterruptedly for twenty or thirty years looks good to him. If it has a satisfactory surplus and a good margin of receipts over operating expenses, it looks all the better. Where the interest charge is only a small percentage of net earnings, the bond is well known, the facts familiar, and the security gilt-edged. Such a bond can be exchanged for cash or credit in any market.

In assured convertibility, which is the all-important qualification in time of financial stress, first-class railroad bonds are unequalled. Their cash value shrinks less, in time of depression, than that of any other security. This is not a mere opinion, it is proved and supported by the judgment of the men in charge of those institutions that regard their investments as a sacred trust. The great life, fire and other insurance companies, which are liable to be called on unexpectedly at any time for large sums, by experience hold good railroad bonds as a preferred investment. The savings banks of the several states are, as a rule, encouraged and almost directed to prefer real estate mortgages in making investments. They have learned by experience that when public confidence is impaired and there is a sudden and continuous demand for

cash, they cannot realize on these, but can depend on first-class standard railway bonds to bring them the ready money with the last shrinkage.

Not without reason does the credit of the best railway bonds stand high. The resources behind them are not estimates, but values publicly known and vouched for by authority. The revenues are, within narrow limits fixed by varying conditions of the seasons, perfectly sure. Even confiscatory legislation would be halted by public opinion long before it could touch the percentage of the property value represented by the bonds. Hence the confidence of investors in this form of security. United States bonds are a favorite standard for safety. Yet our Government has seen the time when it had to suspend specie payments because it could not meet its obligations. Through all that period, including the Civil War and the financial fluctuations that accompanied and followed it, many of the old and stable railways of the country discharged every obligation in full and paid a good profit to the investor besides. No wonder their bonds are a synonym for high credit.

To exclude from any plan of credit extension this security, while admitting others confessedly inferior, is a discrimination of which Congress cannot afford to be guilty. When we are establishing a permanent credit and investment basis, to shut out railroad bonds, representing an interest which, next to the land on which we live, is the largest in volume in the country, a security proved to be convertible into cash more readily than any other and with less shrinkage, would be a blunder without economic defense. That it has been so much as considered can be explained only as another cowardly political blow at a great interest, which bankers serving the country and business men and honest men in public life should make heard their protest against. The country cannot afford, in order to satisfy an unjust prejudice or cater to a political discrimination, to bar from its place this asset, whose solidity and value are established and admitted in every money center of Europe and America.

Some other details of the bill are open to and have received fair and kindly criticism. But there is one comprehensive objection and one danger of practical failure which have been too little emphasized. The objection is that the bill in its present form is too socialistic to suit the temper of the body of our people. Observe that it is not merely supervision and regulation, even so minute as are exercised in the case of the railroads, that is proposed. The banking business, so organically related to the solvency of every institution and the prosperity of every man, is to be taken over almost in its entirety. National banks must join the new association or be dissolved. They must contribute the entire capital with which the reserve banks are operated. These reserve banks are as completely under governmental and political control as is the Interior Department. The Central Reserve Board is an autocracy. It is responsible to nobody but the President, who can make and remake it at will. It can suspend banks and bank officers, compel one bank to rediscount the paper of another, suspend all reserve requirements at pleasure, and issue and retire, without any check from the outside, credit notes which are declared upon their face to be obligations of the United States Government. Even the profits of the banks so rigidly controlled are not to rise above 5 per cent. The plan differs essentially but little from the direct assumption by the Government of complete ownership and control of the banking business.

Out of these onerous conditions and the choice which they may impose springs the danger to the plan and to

the whole country. There appears an assumption that the banks must accept any terms; that they will pay any sum rather than surrender a charter which entitles them to be called "National." In truth, this is very far from the case. The bankers of the country have met the situation with real patriotism, have shown every willingness to co-operate, have expressed their objections to the scheme as framed with good temper and moderation. They are, as a body, as sincerely desirous as any men in the country to maintain public credit and to serve the public good; and have shown themselves ready to make concessions and to bear their full share of the necessary burdens of currency reform. But no persuasion or compulsion can urge them beyond a reasonable limit. They cannot be obliged to accept any new system. They have always the option of surrendering their charters and operating under State laws.

The popular idea that this would involve a costly sacrifice is mistaken. Indeed, a change is now going forward that shows the natural drift of banking business. State banks everywhere are growing more rapidly than ever before and competing successfully with the national banks for business. The deposits of State banks and trust companies in New York are reported to be \$360,000,000 greater than those of national banks. The State banks of Minnesota have increased their deposits \$15,000,000 in the last year. State banks are growing faster than national banks in Boston and Chicago. It is clear that the advantage of the title "National" is about balanced by the restrictions that accompany it. Tighten those limitations, increase those burdens, and there is great danger or practical certainty that many or even most of the national banks would feel it due to their stockholders and depositors to refuse to enter the new association, surrendering their charters instead, and electing to operate under State laws. If this should happen because conditions are made too onerous for acceptance, not only must a plan based on the assumption of their co-operation fall to the ground, but such a situation could scarcely fail to bring with it distrust, disturbance and more than a probability of a monetary crisis and great business depression.

To avoid these possible perils, to frame a system not for to-day, but for all the future, founded on justice and financial experience, co-operation between the bankers, the executive and the legislative authority is indispensable. I am sure that you are ready to do your part. The prospect before you widens, the difficulties increase. That is one of the penalties of life and growth. As intelligence and the experience necessary to deal wisely with our problems grow, the problems themselves also grow in number and complexity with the advance of civilization. It may be that you, as representatives of a mighty national function, have been too little united in opinion or too modest to express and maintain it. But your influence is powerful, your conclusions will be respected. It may be that the time has come when you should assume a more active position, a more direct and forceful leadership. That is for you to decide. But the country needs the best service that you have to offer. The history of banking, the monuments to credit which this country has to show, the wise employment of our capital, the cordial desire to ascertain and to serve the public good shown by your rank and file, not only in the great centers and in times when panic threatened to shake the solid bedrock of the nation itself, but in every little community large enough to boast its bank, and among the thousands of toilers there who count you as their friends and helpers, advise the country that such policy will not be unjustly assumed or unwisely or unpatriotically administered.

## *Education for National Efficiency.*

By GEORGE E. VINCENT, President of the University of Minnesota.

"When one talks to an American of his national purpose," says Mr. H. G. Wells, "he seems a little at a loss. If one speaks of the national destiny, he responds with alacrity." This brilliant Englishman is right. We have too long deluded ourselves with the idea that we are the children of fortune; we have intoxicated ourselves with rhapsodic rhetoric; we are now facing the cold realities. Public lands have been occupied, natural resources have been appropriated by individuals, corporations, and government. Population is increasing. Exports of food-stuffs are declining. There was something ominous in the recent arrival of that Argentine beef. The truth is being pressed home that the days of traditional agriculture, of easy-going industry, and a wide-margin commerce are numbered. The new tariff will put many of our industries on their mettle. If we are to maintain even our present standard of living we must change our methods.

There is a fashion in phrases. Every period provides its own catchwords and shibboleths. For Emerson, American spelled Opportunity in capital letters. The country was a vast arena for individual struggle and achievement. It would be a disaster to drop this stimulating idea from the national lexicon, but just now it is "efficiency" that is being put in italics, if not in capitals. The call for efficiency is a summons to awake from complacent dreams of national destiny, and to organize work and teaching under the guidance of a national purpose. We must learn to practice economy, to obey the dictates of science, to value expert knowledge and specialized skill. We must exalt moral and spiritual forces. We must train and inspire our children to take their places in a well-organized and loyal national life.

In the earlier years we were isolated, self-contained and protected from rivalry with other nations. Now, we must compete in a world-wide struggle. We must strive for markets, for power, for prestige. We must reckon with peoples who under serious natural disadvantages have attained forms of efficiency that may well give us pause. We have no need to fear, but we may no longer rely upon destiny. We must have purpose and policy. This competition not only forces us to organize our activities, but it tells us what we need to teach our youth. A conscious adjustment to new conditions and a reorganization of education go hand in hand. So it comes about that we are seeking a more scientific exploitation of our natural resources, a more economical organization of our commerce, a better understanding among our citizens, and higher social and political ideals. At the same time we are attempting to adapt our education to these needs of the national life.

National efficiency demands the distribution of ability into many professions and callings rather than concentration upon a few. We probably have too many lawyers, insurance agents, real estate dealers, brokers, shopkeepers—possibly even too many bankers; too few expert general farmers, fruit-growers, dairy men, gardeners, and highly skilled artisans in many industries. Efforts to magnify these industrial pursuits have been so far largely futile. City men's sentimental praise of rural life does not send people to the farm. Unctuous talk about "the dignity of labor" does not cause men to flock into shops and factories. The influences which draw men into callings are social esteem, economic reward, a technique which challenges mental ability, a sense of mastery, and a corporate pride in one's vocation.

Our problem, then, is to widen our ideals of worthy and dignified work, to exalt many kinds of service. This is a slow process. The standards of society change gradually. This has been true, for example, of agriculture. It is trite to say that this industry is fundamental. We know, too, that our agricultural methods and results have until recently been almost a national disgrace. We are trying now to make farming scientific and effective. As one means to this end we seek to increase the attractiveness of rural life. Agricultural education itself has drawn people away from the country-side. We are making a conscious effort to change in the minds of Americans the ideas and feelings they have about farming as a career. It is quite as important to do this for towns people as for farm folk. For city made ideas and standards tend to dominate the country-side.

By way of illustration, let us review briefly what Minnesota is doing to increase the efficiency of farming itself, to change the popular estimate of rural life and to adapt the educational system to these two aims. Every element of Minnesota activity may be found somewhere in the United States. Nowhere, however, have these elements been so completely combined and co-ordinated. The State government and the State institutions, the Federal government, voluntary associations, corporations, private institutions, and individuals are working together to make farming successful and country life worth while.

There is, first of all, a system of distributing information and affording supervision. The agricultural experiment stations of the University are the chief center around which this is organized. Printed bulletins are well, but if they are to be useful the demand for them must come from the farmers. Institutes play a part in the earlier stages of the campaign, but these pioneer revivalistic agencies must gradually merge into more permanent and practical efforts. The next step, therefore, is the establishing of a personal relation between the experienced expert and the farmer on his farm.

The Minnesota plan involves the following features: The division of the State into seven districts, each with its own experiment station; the appointment of district agents (two already in service) in charge of these divisions; the employment in each county of a resident agricultural agent (twenty-five are at work) appointed by the Dean of the Department of Agriculture in the University, and supported jointly by local subscriptions, a county appropriation, a State subsidy, and a Federal grant; the co-operation with these agents of 150 teachers of agriculture in State-subsidized High Schools; the active support and co-operation of farmers' clubs, development associations, commercial clubs, bankers' committees, good-roads associations, stock breeding organizations; daily conferences between county agents and individual farmers concerning crop-rotation, pure seed, drainage, live-stock, diseases of plants and animals, farm accounting, marketing, credits, etc.; assistance by the county agents and station experts to co-operative creameries, selling associations, and other community enterprises; the multiplication of demonstration farms (twenty-five now in operation) owned and operated by regular farmers who, without any subsidy, agree to follow the instructions of the experiment stations and to make daily reports.

Next come the agencies for interesting the public in

rural affairs. The chief of these are: Certain extension activities of the University, the farmers' institutes, farmers' clubs, commercial clubs united in a State Federation, the State Federation of Women's Clubs, Good Roads Associations, Improvement societies. These organizations hold public meetings and conventions at which a wide variety of rural topics are discussed. The farm papers play an important part in supplying their readers with information and reports. The co-operative creameries and similar undertakings exert a marked influence. The railway companies by their demonstration farms, their distribution of literature, and especially by co-operating in the sending out of demonstration trains, are doing much good. The State and county fairs are more and more coming to be educational in character and influence.

To this gathering it is a pleasure to mention the work of the bankers of the State, who have shown a gratifying interest in the farm problem and in the readjustment of the educational system. A central committee is in relation with district committees under which sub-committees on special activities are organized. The county agent plan, subsidies for vocational subjects in the schools, improvement associations, cattle importing projects, etc., have had the hearty and effective support of these committees. A good many bankers are buying dairy-herds, are operating farms and by demonstrations are giving aid to the cause. It is confidently believed that the bankers will improve the conditions of farm credits by relying more and more upon the reports of the county agents as to the efficiency of individual farmers and their economic right to loans on favorable terms. Whatever the outcome of the demand for a new system of farm credits, it is important that nothing should stand in the way of stimulating efficiency by putting a premium on sound methods and good management.

The adjustment of the educational system to the new situation deserves more detailed description than the time permits. Out of the State treasury this year Minnesota will pay \$5,150,000 for the maintenance of common schools, high schools, Normal schools, and the University. Of this \$200,000 is for special subsidies to high schools, which teach agriculture, domestic science, and manual training. These State subsidies involve more than an equal contribution from local boards. Of the 210 high schools, 150 provide the vocational subjects and maintain special teachers. Agriculture is not taught merely as a book and laboratory subject, but in connection with demonstration plots and farms in the vicinity. The school is a center for agricultural extension, and by means of association with surrounding districts becomes an integral part of a system which includes village or town and the country. The teacher of agriculture is the expert advisor of the farmers in his territory. In winter the school holds a one-month "short course" for farm people. The agricultural extension division supplies speakers and lecturers, sends out literature, organizes industrial contests among school pupils, supplies monthly bulletins on agricultural subjects to rural school teachers. The University Department of Agriculture offers four-year courses for the training of teachers of agriculture, and of domestic science. Summer schools for rural teachers are provided. The University also conducts three schools of agricultural technology to train boys and girls for country life. Eighty per cent. of the graduates are now on the farms, or in closely-allied pursuits. The College of Agriculture trains young men and women for expert, managerial, and teaching service. Consolidated rural schools are being increasingly used not only for agricul-

tural education, but as centers of rural neighborhood life.

Certain features of this Minnesota educational plan may be emphasized. It is democratic. Children are not prematurely assigned to special vocational or trade schools. Aristocracy may for a time at least secure efficiency by making its masses obedient servants. But democracy cannot accept what Lincoln called the "mud-sill" theory. It must seek ability wherever it may be born. No stigma is attached to agriculture or domestic science by segregating the pupils who pursue these subjects. Indeed, they are not vocational so much as they are educational. Experience shows that the introduction of them stimulates all the work of the school. The plan recognizes the fact that all children are to be citizens as well as specialized workers. Up to a certain point the education should be common to all with a measure of specialization in accordance with aptitude, but within the social unity of the same school.

So much for the programme and policies of a State which is finding itself. No one center or authority is dominant. All activities are organized into co-operation by a common spirit. The situation is typically American. State institutions, voluntary associations, corporations, individuals, are working together without any sense of governmental paternalism or weakening of personal initiative and responsibility. The movement makes for mutual understanding and good will. Farmers and bankers, school teachers and storekeepers, professors and politicians, club women and farmers' wives are drawn into comradeship. Perhaps, however, we ought to say that the millenium has not dawned in Minnesota. Human nature has undergone no sudden change. There is apathy to be counteracted, prejudice to be overcome. Suspicion concerning disinterested citizens like bankers, for example, has not been entirely dispelled. But a real beginning has been made. The air is full of hope and determination. One is not to be blamed for feeling that it is a good thing to live in a region that is awakening to a purpose and is organizing its efforts.

It is to be feared that this long description has obscured the principle to be illustrated—namely, that national efficiency demands a great diversity of specialized pursuits and an education which must stand the test of national need and welfare. Naturally an agricultural State turns its attention to farming. Predominantly industrial and commercial sections must seek to make their many vocations respected and attractive, and to adapt their education to these pursuits. Here, too, premature decision as to children's future work is to be avoided. The general common education must not too soon give way to trade training. At the same time this preliminary preparation must have some bearing upon future vocations, and, above all, not discriminate against manual employments as in the past.

This then is the national task—to work out a system of education which shall aim at making the United States an effective competitor in the world's arena. Efficiency must be secured, however, through and not at the sacrifice of our fundamental institutions. It must be a progressive efficiency, in that it gives scope to individuality and experiment. It must be an expert efficiency, which recognizes the authority of tested scientific truth and verified experience. It must be a social efficiency, arising not from coercion of the many, but from their loyalty to a common ideal and purpose. It must be a moral efficiency, inspired not by mere hope of material gain, but by a genuine desire to make our country a potent influence for social justice and for world welfare.

## "The County Agent."

By S. M. JORDAN, County Agent United States Department of Agriculture, Sedalia, Mo.

Some time ago, Mr Joseph Chapman invited me to deliver an address before this Convention. A few days later I received notice from Mr. Chapman, saying, "I do not want you to deliver an address, but I want you to make a speech." So I prepared an "address" for the newspapers and a "speech" for the audience.

The County Agent is the subject that I have been assigned. I presume for the reason that I am "it." I am on a two years' "leave of absence" giving the plan a trial. Sometimes we are given a different name, but the meaning is all the same. He is usually employed jointly by the county, by the State and by the United States Department of Agriculture. In Missouri the county pays one-half the salary, the State one-fourth and the United States one-fourth. The man who assumes this position must have a good store of both practical and theoretical knowledge not only of farm matters, but of many others as well. He must be able to tell what he knows in the farmers' language. He must know when and how and where to keep his mouth shut, and above all to be in entire sympathy with the situation and be a man who sees efficient service as the greatest success. In his work he is commonly aided by a Farmers' Organization, with an Advisory Board or Council in addition to being assisted by the College of Agriculture and Experiment Station and the United States Department of Agriculture. The County Agent is commonly known as the manager of the Farm Bureau, as it is called, and the Secretary of the Farm Bureau is frequently the Secretary of a Commercial Club or a County Superintendent of Schools, or some person who can give his attention largely to the work. General plans are provided by the United States Department and the State College of Agriculture, but it must be left largely to the County Agent himself and to the Advisory Council of the Bureau as to the best means and methods of carrying out the plans that are designed.

In Pettis County, Missouri, where first the plan was put in operation in the State, the fact was realized that because it was new we would encounter a great many difficulties and objections. It became evident from the very beginning that the move had to be made popular, or it must fail. To bring about this result an organization was planned, consisting of two leading farmers from each of the seventeen townships and six additional officers, making in all a body of forty men for planning and carrying out the work designed. The manager of the Bureau prepared a bulletin setting forth all our plans of organization, how the plan began and much of its progress, and the same was published by the State Board of Agriculture at Columbia, Mo. Following this, a report was made of the first year's work, giving in detail largely what was accomplished. This bulletin and report will be mailed to any person who may be interested and it is free for the asking. In the length of time that we have for discussion only a few of the more important items can be mentioned.

The Bureau of Agriculture becomes a sort of clearing house for the dissemination of those methods and plans that will best accomplish the results for each particular territory. The County Agent must get a line on the agricultural situation of his county, and he will often find that many things are apparently contrary to what he will find in other parts of the country, as methods suited to one locality will not be suited to another. It often happens that plans in a community may be materially bettered, even those in force may be good, satisfactory results, and in such an event, when new plans are sug-

gested, it has to be done very diplomatically. The County Agent will succeed largely in proportion to the things that he can see to do that will render a service to somebody, even though that service be ever so small.

Among the first things that was called for in Pettis County was some information regarding the growing of alfalfa. Many men had assured me that they thought the soil of Pettis County was not adapted to that plant and it could not be successfully grown. In making a trip to look at a piece of land on which a man wanted to sow alfalfa, he told me he wanted me to see his new clover that he thought to be a very fine crop. In taking a look at it, clover-dodder could be found growing on practically every square rod. This man did not know what dodder is and his hired man had never heard of it. In my articles for the Sunday morning newspapers, the Sunday following this visit, I told about dodder, as to its being a very serious pest and of how difficult it was to get rid of it, but in the article in the newspaper I gave very little information, but invited those who might be interested to call at the office and see the plant and I would be glad to explain, and I think that before noon the next Monday at least fifty men had either stopped me on the street or had been to the office to make inquiry. I found also on examining the clover seed that had been sown that it came from local seed houses. This led to an investigation of the seed situation in Pettis County. I must say that it was very bad indeed. I gave our dealers the information that I would do everything I could to assist them in selling the best seeds that were on the market and would use just as much effort to prevent their selling impure seeds. I did this in order that there be no misunderstanding, and in my seed-testing work when I found samples of bad seed, I invariably let it be known as to where it came from, so that any prospective buyer might govern himself accordingly. I believe that our seed men in Sedalia are men of integrity and who desire to do the fair and honest thing, but that they themselves were not posted on the quality and purity of seeds and, so far as I am aware, had made little effort to determine the locality where the seed that they were offering for sale had been produced. During the first season a few embarrassing situations developed, yet, so far as I know, no hard feelings resulted; but when the new year's work began and the supply of alfalfa and clover seeds were being secured, samples were invariably submitted to the Bureau before they were bought. By this method the dealers can be protected just the same as the farmers who may buy, and if our dealers do not buy impure seeds our trouble along this line will be over. An effort was made at the last Legislature to secure a pure seed law, but we failed in this; but so far as Pettis County is concerned, I really believe that, the way matters have turned out, we are in far better position than any seed law under the sun could possibly make us. I found a number of very noxious weeds growing in many parts of the county, yet not one farmer in three knew these pests by their seeds. Little attention had ever been given to anything of the kind and they, of course, were not familiar with them. This has led to the introduction of seed testing in the rural schools of the county, and many of the teachers have made a great "hit" in this work alone. The children will ask for a little clover seed perhaps and take it to school, and in a few days a little twelve-year-old girl will bring the sample back and show papa the seed of sour-dock, bracted plantain, and buck-horn in his clover, and I believe that before two years more have

passed every pupil who is twelve years of age or more in the rural schools of Pettis County will be able to recognize by their seeds every one of the serious weed pests that are found in these field seeds. Referring again to the alfalfa seeds, I found four or five more who were having splendid results with alfalfa, and on investigation I found that they were doing the things that are necessary to do, and I found also many who had told me of failures, and a few questions invariably brought out the cause. Pettis County farmers, as a rule, had not suspected that their soil was sour, as it was practically all well drained. They had believed that well-drained soil should not be acid, but it is found that the drained soil is the soil that is most commonly acid. I began making tests on various farms, and up to the present time have made, perhaps, 500 tests, and I find the soil all more or less acid; in fact, too much so to make alfalfa-growing as successful as it should be. As a result, persons who were contemplating sowing alfalfa have limed their land, and of about forty fields that have been sown since the Bureau of Agriculture was established in Sedalia, only two have been lost. One was destroyed by army worms, and the cause of the trouble with the other was perhaps due to liming the soil with air-slaked lime too close to the time of seeding. Those who gave the most careful attention and followed the instructions are more than gratified with the results, because the first crop that was cut made an average of from perhaps three-fourths ton to two tons per acre. It should be only a little time until Pettis County should be growing thousands of acres of this great plant, because the only trouble that has been experienced is as indicated above, together with sometimes sowing Southern-grown seed that will not endure our winters. We are making it our business to see that the dealer gets seeds from a section of country that produces seed best adapted to our conditions.

In 1912 Pettis County had one of the greatest apple crops in its history. Early in the fall farmers began coming in and wondering if they were going to have to feed their fruit to the hogs. I told them we would see what we could do, and I managed to get some interviews in some trade journals and these were copied very widely, and within two weeks I had letters from prospective buyers from twelve different States. In Pettis County, of course, we felt like the whole world was overloaded with apples, yet it developed that many sections of the country had no fruit at all. When buying time came a great many buyers were on the ground, and the first ones packed up all the good stuff at a fair price. Those who came later would start through the country, but maybe would scout a little and take the first train out. They said that there was lots of fruit, but nothing the market wanted, except what had already been sold. It developed that men who had sprayed their orchards and had given them the right care had much marketable fruit and they realized a good price, and those who had big apple crops and whose trees had been given no attention had the privilege of feeding the fruit to hogs or making it into cider. The lesson was a wholesome one, though desperately severe, and I believe that it has been the means of a great many men taking measures to take the proper care of their orchards in the future.

Perhaps the most important event that has taken place in Pettis County is the establishment, by the United States Department of Agriculture, in an endeavor to clean up hog cholera from the county, of a station at Sedalia. Some time ago \$75,000 were appropriated to carry out this work, and it was decided to select three States in the corn belt and take one county in each in which to make the demonstrations. Indiana and Iowa had been selected and Missouri was finally decided upon as the third State. The next move was to select the county. One of the very first conditions that they wanted

in a county was to have assurance that the farmers would co-operate with the men who were sent to do the work. When they came to Pettis County they found the very conditions that they were seeking, which was primarily that we have one of the best working farmers' organizations not only in Missouri, but as good as can be found in any State. The membership of our Bureau approximates 700 paid-up members. It was very evident that every one of these members would give the fullest possible co-operation. This benefit would not have been had but for the establishment of the Bureau by the County Agent, and had it not been for this Bureau, Pettis County would not have secured this gift of \$25,000.

On the 26th day of last July the office was established and ready for work in charge of some of the ablest hog-cholera specialists in the United States. Among the first moves made was to visit every township and secure as many signatures for co-operation as possible. In a hurried campaign of only a few days more than one thousand signatures were received from men who by their act agreed to co-operate in every possible way to successfully accomplish the object sought. A staff of veterinarians first made a survey of the county and found more or less trouble in every township. A very complete survey of the loss for the past two years in this county alone approximated \$750,000.

There are a vast number of other things that are called for from day to day in the way of visiting farms, planning crop rotations, selecting breeding animals, securing markets for seed grains and crops, building silos, diagnosing sick soils, identifying insect pests, settling disputes between landlord and tenant, securing places for farm hands and help for farmers, looking after the Boys' County Corn Contest work of the county, visiting the schools in co-operation with the County Superintendent, and aiding teachers in introducing agriculture and domestic science into the schools, assisting in the planning of a system of waterworks or lights or other conveniences in the farm home, and preparing and giving lectures on all sorts of occasions.

One of the very important pieces of work that we have carried on is what we call "Out on the Farm Meetings." Some good farm is selected where the farmer is making a success, especially of some of his work, and in the forenoon the farm is looked over and methods talked about until the noon hour, then a dinner is spread on the lawn or in a grove, and as soon as the dinner is cleared away the lectures and talks begin. These meetings were small in the beginning, but at some of them the attendance has reached from 150 to 600. Where the farmers meet on common ground, talk over their successes and their failures, and at these meetings many town people are invited and are more or less pleased to be in attendance and come in contact with the people of the farm, and as a fact they learn to like them. At these meetings we learn a little bit, and that is very good; we have a day's outing, and that is important; but the most valuable result that is obtained is that we get acquainted with one another. If you do not like your neighbor, the chances are that it is because you do not know him. If you will get well acquainted with him you will find that he is a pretty decent sort of a fellow after all; almost as good as you are. This is one of the methods that we have adopted in Pettis County, and the people in town, believing that they should return the courtesy extended them, arranged on our first anniversary an all-county noon-day banquet and invited each member of the Bureau, together with his wife or sweetheart, or somebody else's wife or sweetheart, to be present, and, even though the weather was disagreeable, 564 were seated at one time around the banquet board. These were composed of folks from town and country, and a more splendid or representative gathering could not be found. We are endeavoring to lose all traces of the boundary lines between the town and the country, be-

cause for all these years the town and the country have not understood one another, and when the time comes that we know each other better we will find that the people in the country and the people in the town are one and the same and pretty decent folk after all.

It is complimentary to the bankers of the nation that they have been in close touch with this movement ever since the beginning; in fact, in many places they are the men who have been in the lead and paying the most money toward the support of the County Agent and his work. I believe that the banker stands in the most important position of any of our citizens, for the simple reason that no class of men stand quite so high in the estimation of the best people as do the bankers of the nation. No up-to-date farmer but what is in close touch with at least one banking institution, and that banking institution knows more of that farmer's business than anybody else except the farmer himself. This advantage has related only too closely to financial matters. It would be tremendously important if the bankers would know enough about the actual work on the farm to enter into hearty sympathy with the situation and to talk entertainingly and intelligently on every proposition of the farm. It has always looked to me like the best sort of a business proposition for the banker to have the fullest understanding of all the farm conditions, because throughout all the land the farmer's credit to a very large degree measures the credit of his bank. It is evident also that the banker fully appreciates the value of the well-to-do farmer and his importance, because he is anxious to get him on his Board of Directors, and it suits a banker very often to give his bank some name associated with the farmer.

It is a fundamental principle that people borrow money to the greatest extent when times are prosperous. Under such conditions also the bank gets its very best security. When times are adverse people borrow just as little as they can get along with, and the security is often unsatisfactory when interest rates must be high.

These things being true, it would become profitable for the banker to so arrange matters that the farmer can secure longer time on his loans, at a lower rate of interest, with an easier method of payment.

Only a few years ago farmers secured the virgin soil at a low price, but to-day they are buying a depleted soil at a high price. It takes practically from four to six times as much to equip a farm for successful operation at the present time as it did forty years ago. There is not one farm in fifty that has sufficient working capital to make it as profitable as it should be and conserve the fertility of the soil at the same time. If the bankers, by bringing about the conditions referred to, could make the farmer more prosperous and his land more productive, the business of the town would prosper in the same ratio, and while the rates on land might be lower, more money would be used in that way as well as a very much greater amount in commercial loans. Certainly this very condition instituted would have one of the greatest possible tendencies to increase all conditions on the farm, because it would result in ownership. The condition in this country at the present time is that mortgage indebtedness on the farms is on the increase; under the plans by which these loans are arranged the payments never will be met by the returns from the land. Production per capita is on the decrease, land tenancy is on the increase. In Denmark 89 farmers out of every 100 own the land they till, but in this country only 60 out of every 100 are owners of their farms, and in this country our land was almost given to us only a few years ago. These are conditions that can be remedied through the training and the educating of the people, and it can be accomplished to a very great degree indeed by the bankers of the nation assisting and cooperating with the County Agent.

Books, bulletins, newspapers, etc., have their mission, but none of them can take the place of the County Agent who goes right onto the farmer's farm and meets his problems face to face and solves them.

## Committee Reports—Banking Section.

### Report of the Currency Commission to the American Bankers Association.

GENTLEMEN: Soon after the present administration came into power, it was semi-officially announced that the subject of currency legislation would be given especial attention and the power and influence of the administration used to accomplish a general change and remodeling of our credit and currency system.

The general subject was for some time past under consideration by the National Monetary Commission, and elaborate data, together with proposed legislation, by them reported to Congress; hearings were had before the currency committee of the last Congress, and the parties having the subject matter in charge in the present Congress decided to proceed with the enactment of a bill without public hearing, and so announced. The matter was taken up as a party measure, that is to say, the members of the minority party were not included in the deliberations of the committee in the preparation of the bill, until the measure was finally agreed upon, not only by the majority members of the Banking and Currency Committee, but also approved by the caucus of the majority party in the Lower House of Congress.

Pending this determination on the part of the Lower House, the Committee on Banking and Currency of the Senate prepared a questionnaire, consisting of thirty-three questions, covering the various phases of the tentative legislation, and which were sent to bankers generally for reply. This was the first opportunity presented for the bankers as a body to place their views upon the question before Congress and before the public.

A meeting of the Currency Commission was therefore called to meet June 18 at Atlantic City. Thirteen of the fifteen members of the commission were present, and for a period of two days and evenings devoted themselves to a study of the questions submitted and proper replies thereto. The replies formulated were sent to the Chairman of the Banking and Currency Committees of the Senate and House of Representatives, and also to the President. The questions and replies, in a printed document, were also sent to the various members of the American Bankers Association and to members of Congress.

We believe that our replies to the questions of the Senate Committee submit a proper foundation for currency legislation, and represent the views and convictions not only of the bankers, but of the commercial and business interests as well. Said document is hereto annexed and made a part of this report. [The replies in full were printed in the CHRONICLE of June 28, 1913, pages 1807-1809.—Ed.]

Following the meeting of your commission at Atlantic City, an all-day conference was had in New York with Senator Owen, Chairman of the Banking and Currency Committee of the Senate. During this conference the various provisions of the bill were discussed seriatim, and specific amendments and additions proposed and subsequently submitted in writing. These amendments were taken to Washington and informally submitted to the respective chairmen of the Banking and Currency Committees of the two houses, Secretary McAdoo, and also to the President, by Messrs. Reynolds, Wade, Wexler, and Perrin. A summarization of the proposed amendments was published in the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION for July, 1913, under the caption, "Work of the Currency Commission of the American Bankers Association." That summarization is hereto annexed and made a part of this report.

When a comprehensive bill had been agreed upon and submitted to the caucus of the majority party of the House of Representatives for approval, a bill making radical changes in existing law, and which, in our judgment, entailed consequences prejudicial to the public interests, and which the sponsors of the bill themselves did not foresee, we deemed it wise that the bankers, in some formal and effective manner, should give public expression to their views on the pending measure as a whole, and as to its various provisions.

A conference was therefore called, to meet August 22, at Chicago. The clearing house organizations of the country and the bankers' associations of the different States were invited to send representatives to confer with the Currency Commission. This meeting was held and largely attended by representative bankers of the various sections of the country. A committee was appointed, one-third by the representatives of the bankers' associations, one-third by the representatives of the clearing house associations, and one-third by the Currency Commission, to formulate an expression of sentiment on the part of the bankers, and to suggest specific amendments to the bill pending in Congress. Two days and the greater part of one

night were spent in earnest and conscientious work upon this subject, which resulted in a preamble and resolutions which were unanimously adopted by the conference. It also resulted in the approval of certain provisions of the bill, together with proposed specific amendments to other provisions, which would, in the opinion of those present, make the measure practicable and workable, and conservative of the commercial and general interests of the whole nation.

In order to be explicit and present their views clearly and intelligently, the conference took as a basis the pending bill as it was reported by the Banking and Currency Committee of the House to the caucus of the Democratic members of the House for approval. Such provisions as commanded approval were left undisturbed; such provisions as, in the judgment of the conference should be omitted, were ruled out, and new matter was inserted in red type. The pending bill was thus amended in a way to be easily and perfectly understood. The amended bill, in such form, was printed and copies sent to all the banks in the United States, asking co-operation in influencing Congress to adopt the proposed changes. Said document is hereto annexed and made a part of this report.

A committee was appointed and instructed to proceed to Washington and lay before the proper authorities having charge of the pending legislation the changes recommended by the conference in the proposed bill and to explain the reasons for such changes.

This committee was composed of the following: James B. Forgan, President First National Bank, Chicago, Ill. (Chairman); George M. Reynolds, President Continental & Commercial National Bank, Chicago, Ill.; Joseph Chapman, Vice-President Northwestern National Bank, Minneapolis, Minn.; Festus J. Wade, President Mercantile Trust Co., St. Louis, Mo.; E. J. Hill, President National Bank of Norwalk, Conn.; R. F. Maddox, Vice-President American National Bank, Atlanta, Ga.; Sol. Wexler, Vice-President Whitney-Central National Bank, New Orleans, La.

A hearing was arranged for the committee before the Banking and Currency Committee of the Senate on Tuesday, September 2, 1913. The duty of explaining the changes suggested in the bill and the reasons for them was divided among the seven members of the Committee, there being assigned to each one or more features of the measure in which important changes were suggested. In this manner the changes suggested in the bill by the Conference were fully explained to the Senate Committee, after which each member of the Bankers' Committee was subjected to a thorough cross-examination by the members of the Senate Committee, the hearing being extended over five consecutive days. The official records of the proceedings of the Senate Committee on Banking and Currency, as published for September 2, 3, 4, 5, and 6, contained a complete report of the hearings of the Bankers' Committee, and a copy of them is hereto annexed and made part of this report.

The proposed legislation is still pending in Congress. The bill in its present form imposes unwise hardships upon the banks, and equally unwise hardships upon the general public. The interests of the bankers and commercial public are coincident; no injury can be inflicted upon the one without the other also suffering. When business is active and prosperous, the banker shares in the benefit; when it is languishing, he feels the ill effects. The chief function of the banker is to loan his capital and other resources to his customers so that they may increase the activity and extent of their business. Any withdrawal of the bank's capital from these legitimate channels of trade not only entails a loss to the banker, but also to the business public.

The banks are required to subscribe to the Federal reserve banks an amount equal to 20 per cent. of their capital, one-half of which must be paid in at once, the other one-half being subject to call. This is to be taken over and placed under the management of a corporation in which the banks have not only a minority representation, but a very limited voice indeed. In return for the capital thus appropriated the banks receive a certificate, which cannot be sold, assigned or hypothecated, over which none of the usual rights of property can be exercised. The banks are obliged to make this subscription, or be dissolved. Charters have ever been regarded in the nature of a contract, and it is doubtful if, under our constitution, Congress can take away the charter of a bank in this summary manner, not because the terms of the charter have been violated by the banks, but because the bank management might refuse to make a coerced investment such as the pending measure provides.

There is no provision whereby a bank which subscribes money to the capital of the Federal reserve bank can recover the same, except by liquidation, either voluntary or enforced. A bank is



given a maximum return of 5 per cent. upon capital subscribed—if earned. If the Government can appropriate one-tenth of a bank's capital in the manner provided by this bill, they may appropriate one-tenth next year, and so on until the capital is all transferred to the Government bank. If they can fix the compensation at 5 per cent. this year, they may make it 4 per cent. next year, and 3 per cent., 2 per cent., 1 per cent. or nothing—a very simple and easy process whereby the entire capital of the banks may be transferred to the Government.

There are a great many different kinds of socialism; but, however the various theories differentiate, they all agree upon the fundamental proposition that the Government, that is, the community as a whole, should own all the real estate, all manufacturing enterprises, all banks, all transportation companies—in short, all money-making utilities. This proposition of the Government to take the bank's capital in the manner provided, carried to the extreme, would easily accomplish, so far as the National banks are concerned, this contention on the part of the socialists. For those who do not believe in socialism it is very hard to accept and ratify this proposed action on the part of the Government.

There are other provisions of the bill equally important and far reaching in their effect.

We have recounted the condition which confronts us as to that provision of the pending measure, in order to impress upon the banks the fact that we have reached a point where we must act in our own interests and for our own protection. Individually we must reach our conclusions in the premises, and if we are not satisfied with the provisions of the bill we ought to acquaint our respective representatives in Congress of the fact, and clearly point out and impress upon them the changes which we think ought to be made.

It has been proclaimed in Congress and in the public prints that many features of the pending measure are exactly like or similar to provisions of the bill reported by the National Monetary Commission, and which the bankers in convention approved. The question is asked, "Why, if the bankers approved such provisions in the so-called Aldrich bill, do they oppose similar provisions in the so-called Glass-Owen bill?" This is the reason:

(a) Investment in the stock of the Central Reserve Association created by the bill of the National Monetary Commission was permissive, not compulsory; banks might invest in the same if they chose, or they might decline the opportunity, in accordance with the dictates of their business judgment.

(b) Under the terms of the bill of the National Monetary Commission, the bankers controlled the management of the Central Reserve Association. It follows that an investment in the stock of the Association was an investment under their own control and management. On the contrary, investment in the stock of the Federal Reserve Banks of the Glass-Owen bill is compulsory. The individual banks have a minority representation in the management of these Federal Reserve Banks and have no voice whatever in the selection of the Federal Reserve Board, which dominates the Federal Reserve Banks, and the proposed measure only provides that one of the seven members must have banking experience.

The fact that the bankers controlled the Central Reserve Association was a guarantee against political control, and it was equally a guarantee against incompetent management—two important respects, wherein the pending measure is lacking.

Respectfully submitted,

A. B. HEPBURN, Chairman of Board, Chase National Bank, New York City, *Chairman*.  
 JAS. B. FORGAN, Pres. First Nat. Bank, Chicago, Ill., *Vice-Chairman*.  
 FESTUS J. WADE, President Mercantile Trust Co., St. Louis, Mo.  
 JOSEPH T. TALBERT, Vice-Pres. National City Bank, New York City.  
 GEORGE M. REYNOLDS, Pres. Continental & Com. National Bank, Chicago, Ill.  
 JOHN PERRIN, of Perrin, Drake & Riley, Inc., Los Angeles, Cal.  
 LUTHER DRAKE, President Merchants' National Bank, Omaha, Neb.  
 SOL. WEXLER, Vice-Pres. Whitney-Central Nat. Bank, New Orleans, La.  
 ROBERT WARDROP, President People's National Bank, Pittsburg, Pa.  
 E. F. SWINNEY, President First National Bank, Kansas City, Mo.  
 JOSEPH A. McCORD, Vice-President Third National Bank, Atlanta, Ga.  
 J. F. SARTORI, President Security Trust and Savings Bank, Los Angeles, Cal.  
 LEVI L. RUE, Pres. Philadelphia National Bank, Philadelphia, Pa.  
 E. L. HOWE, Vice-President Princeton Bank, Princeton, N. J.  
 FREDERICK E. FARNSWORTH, New York, *Secretary*.

*Currency Commission.*

## Annual Report of the General Secretary.

NEW YORK CITY, October 4, 1913.

### *The American Bankers Association:*

GENTLEMEN: I respectfully submit my report as General Secretary of the American Bankers Association for the fiscal year ending August 31, 1913.

Concerning the general affairs of the Association during the past year I refer those interested in detailed information to the formal reports already submitted by other officers of the Association, its sections or committees, or which shall be made during the sessions of the Convention. It is my purpose only to summarize the work in the briefest way.

### EXECUTIVE COUNCIL.

The spring meeting of the Council, held at Briarcliff Lodge, Briarcliff Manor, New York, May 5, 6 and 7, 1913, was largely attended. Business of importance was transacted by the committees at their sessions on May 5, and by the Council, which consumed the remaining two days, and the meeting was eminently successful in every respect.

### SECTIONS.

It is with the greatest pleasure that I am able to record the most excellent and indefatigable efforts on the part of the Sections—Trust Company, Savings Bank, Clearing House, American Institute of Banking, and State Secretaries—in their respective fields. The momentum imparted to their various activities the previous year has carried them along with gratifying success, and their usefulness, as adjuncts of the general organization, has been attested by the genuine appreciation their work has received on all hands.

The annual dinner of the Trust Company Section was given at the Waldorf-Astoria Hotel, in New York City, on May 8, 1913, and held successfully with its predecessors in the way of attendance and enjoyability.

The annual convention of the American Institute of Banking was held in the city of Richmond, Va., on the 17th, 18th, and 19th of September, 1913, and was attended by your General Secretary. This, also, was a delightful and auspicious meeting, and the good work done by the Institute is more widely and with increased ardor recognized with each succeeding year. To Mr. George E. Allen, the Educational Director, whose incessant and conscientious application to the duties of his office is so large a factor in the achievements of the Institute, special acknowledgment is due.

### THE JOURNAL-BULLETIN.

The value of the JOURNAL-BULLETIN as a medium for the monthly transmission of information of particular timeliness and interest to our members and to the members of the American Institute of Banking has never before been so conspicuously demonstrated as during the year. The important meetings of our Currency Commission in connection with pending banking and currency legislation at Washington were given full and prompt publicity in its columns, and by this means the banking fraternity of the country was directly reached and kept intelligently posted on the current questions agitated in Congress with the outcome of which they are so vitally concerned. The circulation of the JOURNAL-BULLETIN is now about thirty thousand copies each month, and the members of the Association are earnestly requested to refer to the issue of the past month (September), consisting of one hundred and twenty-four pages, for a proper realization of the variety and extent of the subject-matter embraced in this feature of organization work.

### CURRENCY COMMISSION.

The activity of the Currency Commission of the Association during the past few months has been indelibly impressed upon the financial and commercial history of the times. The banking and currency measures introduced at the special session of Congress, embodying provisions of alarming significance to the business interests of the country at large, aroused the Currency Commission to energetic consideration of the questions involved and a forceful presentation to the Executive and Legislative authorities at Washington of the momentous issues at stake. In addition to a meeting held at Atlantic City, N. J., on June 18 and 19, at which every member of the Commission (with the exception of two who were unavoidably absent) was in attendance, a meeting was held at the Waldorf-Astoria Hotel, in New York City, June 22 and 23, and the results of these meetings were confided to special committees representing the Commission, who visited Washington and presented the views of the commission to the President, Secretary of the Treasury, and the Chairman of the Senate and House Committees on Banking and Currency. Later on, on the 22d and 23d of August, the Commission met, in Chicago, the representative of State Bankers' Associations and Clearing House Associations from every part of the Union, and the findings and recommendations of that Conference were not only presented to the Senate Committee on Banking and Currency in full session by a special committee appointed by the Conference

for that purpose but were spread broadcast throughout the country, printed pamphlets containing the action taken at Chicago being mailed to every banking institution in the United States, both members and non-members of this Association. The detailed work of the Commission will be set forth in its Report to the Convention at Boston, and the General Secretary can do no more than invite the attention of the Association to that most interesting and illuminating chronicle of its doings during the period named.

STANDING PROTECTIVE COMMITTEE.

The members of the Standing Protective Committee have given the utmost care to the duties assigned to them, and the work of The W. J. Burns National Detective Agency, the Protective Department, and L. W. Gammon, its manager, under their supervision, has vindicated to the fullest the unqualified value to our members of this branch of Association benefits. The formal report covering its record of the year should receive more than usual consideration. Our present Standing Protective Committee has served us faithfully and conscientiously for four years, and are entitled to the fullest appreciation of the Association.

COMMITTEES.

The Administrative Committee has faithfully guarded the interests entrusted to it, and has unfailingly co-operated with the General Secretary in the prosecution of the executive work of the Association.

The standing and special committees have been equally active in protecting the work allotted to them respectively. Their reports speak for themselves.

STATE ASSOCIATIONS.

A year ago, in making my last annual report, I adverted to the fact that at that time there were forty-six State Bankers' Associations, and that there were only three States without organizations—Delaware, New Hampshire, and Rhode Island. Since then, the bankers of New Hampshire have revived their State Association, which had lain dormant for twenty years, and on the 30th of September last the bankers of Delaware took steps to re-establish the Association of that State. This will leave but a single State—Rhode Island—without an organization of this kind, and it is believed that it will be a matter of only a short time before that State will awake to the importance and necessity of perfecting an Association, thus completing the system of State organizations throughout the Union, representing forty-eight States and the District of Columbia.

The General Secretary has followed his policy of attending, so far as practicable, the annual conventions of the State Associations, keeping in touch with their work and aspirations in a common cause and maintaining and advancing the spirit of fellowship which happily exists between the local organizations and their national prototype.

LEGAL DEPARTMENT.

The General Counsel of the Association has been markedly zealous and efficient in the rendition of opinions, attending State Conventions, assisting committees, and in the discharge of the many other duties of his office: The encomiums which have come from all quarters have been sincere and well deserved and testify to the importance of his work and the fidelity with which it has been performed.

LIBRARY.

The success of the Library Department established less than two years ago has, in the practical benefits conferred by its circulation feature alone, surpassed our expectations. During the year, as shown by the report, 2,400 pieces of material were loaned to bankers in thirty-seven States, and every day questions were answered by telephone, by letter, and otherwise. And along with this went the task of building up the permanent literature of the Department, involving painstaking research, coupled with an enthusiastic pride and loyalty on the part of the Librarian in charge.

ROUTINE WORK.

The volume of letters, circulars, documents, and other printed matter sent out from the General Offices will appear by reference to the following statement. This is exclusive of the matter issued by the various committees.

During the fiscal year just ended there has been sent out from the General Offices more than 464,000 letters, circular-letters, documents, Proceedings, JOURNAL-BULLETINS, etc. The following statement shows the volume of mail and express matter in detail:

Article.	Quantity
JOURNAL-BULLETINS, including those of A. I. B.	336,721
Codes	1,308
Signs	1,442
Lists of Members	15,472
Packages	273
	18,495

Letters	12,013
Circular Letters	16,238
First-class mail matter other than letters, such as typewritten list, printed programs, etc.	15,979
<b>Total (mail matter)</b>	<b>399,446</b>
Total of second, third, and fourth-class mail matter	355,216
Total of first-class mail matter	44,230
Express packages	13,727
Letters, printed and multigraphed	11,552
Pamphlets	1,239
<b>Total</b>	<b>425,964</b>

Sections.

Total of First-class Mail Matter	30,330
Total of Second-class Mail Matter	7,750
<b>Grand Total</b>	<b>38,080</b>
	464,044

MEMBERSHIP.

At the close of the last fiscal year, on August 31, 1912, the membership of the Association numbered 13,323. At the close of the current fiscal year, August 31, 1913, it numbered 14,100, a net gain of 777. The following tables will show these facts in detail, and also the excellent financial condition of the Association at the present time, all bills being paid to the end of the fiscal year, August 31st, and a handsome balance in the Treasury, as shown by the Treasurer's Statement.

MEMBERSHIP.

August 31, 1912	13,323
*Erased from the rolls through failure, liquidation, consolidation and withdrawal	744
September 1, 1912, Membership	12,579
August 30, 1913, New members joined during the year	1,136
*Regained members (secured from the above)	385
August 30, 1913, Total membership	14,100
A net increase for the fiscal year of	777
A net loss for the year in failures, consolidations, etc.	182
A net loss for the year in delinquents	177
<b>Making the actual gain in new members</b>	<b>1,136</b>

\* It will be observed that the loss from delinquents is exceedingly small. From a percentage standpoint it is the lowest in the history of the Association—being 177 out of a membership of 13,323 at the beginning of the year.

The aggregate capital, surplus and deposits of our membership amount in round numbers to about \$15,000,000,000.

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

	Paid Membership,	Annual Dues
September 1, 1875	1,600	\$11,606.00
September 1, 1885	1,395	10,940.00
September 1, 1895	1,570	12,975.00
August 31, 1905	7,677	127,750.00
August 31, 1906	8,383	137,600.00
August 31, 1907	9,251	150,795.00
August 31, 1908	9,803	162,507.00
August 31, 1909	10,682	175,352.00
August 31, 1910	11,405	188,934.00
August 31, 1911	12,072	198,530.00
August 31, 1912	13,323	213,752.50
August 31, 1913	14,100 (estimated)	226,164.00
Interest on Bonds and Corporate Stock		\$4,730.00
Interest on Bank Balances (estimated)		1,900.00
Estimated annual dues, August 31, 1913		226,164.00
<b>Making total income, year ending August 31, 1914</b>		<b>\$232,794.00</b>

MEMBERSHIP BY YEARS.

Year	Membership	Gross Loss by Failures, Merger, Delinquents, &c.	Net Loss by Failures, Merger, Delinquents, &c.	Gross Gain	Net Gain
1897	2,813	371	...	982	611
1898	3,424	248	...	783	535
1899	3,915	211	...	741	530
1900	4,500	234	...	819	585
1901	5,504	200	...	1,313	1,113
1902	6,354	186	...	1,159	973
1903	7,065	313	...	1,139	826
1904	7,563	500	...	1,120	620
1905	7,677	1,038	...	1,152	114
1906	8,383	337	...	1,043	706
1907	9,251	434	...	1,302	868
1908	9,803	691	...	1,243	552
1909	10,682	760	374	1,639	879
1910	11,405	781	298	1,504	723
1911	12,072	1,304	405	1,971	667
1912	13,323	790	330	2,041	1,251
1913	14,100	744	359	1,521	777

MEMBERSHIP OF STATES AND TERRITORIES HAVING LESS THAN 100 MEMBERS.

(As of August 30, 1913.)

Alaska.....	11	Canada.....	44
Arizona.....	64	Cuba.....	24
Delaware.....	35	Hawaii.....	15
Nevada.....	28	Isle of Pines.....	2
New Hampshire.....	57	Porto Rico.....	4
New Mexico.....	65	Mexico.....	20
Rhode Island.....	46	Philippine Islands.....	3
Utah.....	71		
Vermont.....	72		
Wyoming.....	79	Total.....	640

MEMBERSHIP.

DIVISION OF BANKS IN ASSOCIATION, AUGUST 30, 1913.

State or Territory	Nat'l	State	Private	Trust	Co.'s	Sav. Bks.	Total
Alabama.....	56	78	2	23	7		166
Alaska.....	2	8	1	0	0		11
Arizona.....	12	33	0	18	1		64
Arkansas.....	38	156	2	28	3		227
California.....	192	272	9	33	76		582
Colorado.....	106	79	9	17	8		219
Connecticut.....	71	11	8	33	48		171
Delaware.....	20		1	11	2		35
District of Columbia.....	12	2	5	7	15		41
Florida.....	49	109	6	9	3		176
Georgia.....	82	291	7	18	14		412
Idaho.....	45	73	1	9	1		129
Illinois.....	311	250	222	65	33		881
Indiana.....	147	148	40	48	2		385
Iowa.....	176	130	52	14	174		546
Kansas.....	167	379	1	4	3		554
Kentucky.....	69	74	1	22	4		170
Louisiana.....	32	130	1	24	5		192
Maine.....	50	0	1	30	21		102
Maryland.....	79	31	25	19	28		182
Massachusetts.....	150	2	28	46	91		317
Michigan.....	83	150	48	8	146		435
Minnesota.....	170	230	9	4	6		419
Mississippi.....	32	123	0	15	3		173
Missouri.....	90	342	23	36	32		523
Montana.....	49	106	18	8	2		183
Nebraska.....	143	204	4	6	2		359
Nevada.....	11	16	0	1	0		28
New Hampshire.....	40	1	0	4	12		57
New Jersey.....	177	25	3	91	17		313
New Mexico.....	33	20	1	9	2		65
New York.....	378	248	173	91	90		980
North Carolina.....	54	72	1	24	5		156
North Dakota.....	90	172	0	3	3		268
Ohio.....	220	117	65	51	102		555
Oklahoma.....	174	192	0	11	1		378
Oregon.....	64	72	13	13	5		167
Pennsylvania.....	523	81	58	178	35		875
Rhode Island.....	17	2	2	19	6		46
South Carolina.....	26	109	1	9	14		159
South Dakota.....	73	164	3	6	6		252
Tennessee.....	70	159	3	66	9		307
Texas.....	250	130	26	43	0		449
Utah.....	22	35	4	4	6		71
Vermont.....	38	0	0	20	14		72
Virginia.....	93	92	11	12	7		215
Washington.....	73	186	24	25	7		315
West Virginia.....	76	85	2	16	5		184
Wisconsin.....	112	202	2	10	17		343
Wyoming.....	30	43	1	5	0		79
Canada.....	0	42	2	0	0		44
Cuba.....	1	19	3	1	0		24
Hawaii.....	4	6	2	3	0		15
Isle of Pines.....	1	1	0	0	0		2
Porto Rico.....	0	3	1	0	0		4
Mexico.....	0	19	1	0	0		20
Philippine Islands.....	0	3	0	0	0		3
	5,083	5,728	926	1,270	1,093		14,100

IN MEMORIAM.

The Association, during the past year, met with a severe loss in the death of its President, Charles H. Huttig, and the Administrative Committee has arranged that a fitting tribute be paid to his memory on the opening day of the Convention at Boston.

In the city of Philadelphia, on September 18, 1912, there passed to the Great Beyond the Father of the American Bankers Association, Mr. James T. Howenstein. Doubtless no other achievement of his seventy-one years of activity will so well serve to perpetuate his memory as his calling together what became the first national convention of bankers in the world. Mr. Howenstein received his inspiration in 1875 from a Woman's Suffrage meeting, which was being held in St. Louis at that time. He was impressed with the idea that if women could get together to discuss their tribulations and devise means for their betterment, why would not this apply to bankers as well? With this in mind, he called a meeting of bankers to be held in May, 1875, at Barnum's Hotel in New York City. Seventeen bankers attended this conference. The first convention was arranged for the July following, and was attended by 332 bankers. Mr. Howenstein acted as one of the Secretaries during the period of temporary organization. Every member

of this Association will feel that to him we owe a debt scarcely to be discharged by a formal expression of their gratitude.

William B. Green died at his home at Avon Lake Village, near Lorain, Ohio, in the early part of August, 1913. He was sixty-seven years of age. He was Secretary of the American Bankers Association 1887-92, and before accepting the position of Secretary he was Chief of Division, Office of the Comptroller of the Currency, Washington, D. C. At the time of his death, and for several years previous thereto, he was engaged in farming.

APPRECIATION.

The General Secretary again takes the heartiest pleasure in recording the assistance and courtesies received by him from the various officers, committees, sections and others connected with the Association in its various lines of activity. The death of President Charles H. Huttig deprived the Association of the services and advice of a most trusted and valued friend, whose loss is deplored by all. Upon the First Vice-President, Mr. Arthur Reynolds, and the Chairman of the Executive Council, Mr. Thomas J. Davis, during the later months of the year devolved the entire work of the Administrative Committee, and to them I desire to pay the tribute of my esteem for the kind and prompt support given to me in the administration of the general affairs of the Association. And to Treasurer Farrell, Assistant Secretary Fitzwilson, to everyone, without enumerating each by name, embraced within the wide range of Association work, I wish to express similar assurances of regard.

BOSTON.

The coming Convention of the Association, the thirty-ninth in its history, will be the second held in Boston, the previous one having been held there in the year 1886. At this Convention, in 1886, Hon. Lyman J. Gage, President of the Association, presided. The meetings were held in Horticultural Hall, and the great and much beloved apostle of the Gospel, Rev. Dr. Phillips Brooks, opened the Convention with prayer. The attendance was reported as one hundred and fifty. At that time the total membership was 1,466 banks, and the income for the previous year \$11,337.50. The time of the Convention was largely given up to the discussion of banking and currency legislation, the gold standard and the value of silver as a currency. Several ringing resolutions, on these questions were passed by the Convention. Will history repeat itself this year? Mr. Logan C. Murray, of Louisville, who is with us still, and a regular attendant at our conventions, and who was one of the original seventeen bankers at the first meeting, succeeded Mr. Gage as President. At the first Convention, which assembled at Saratoga Springs, in 1875, a Boston banker, Hon. Charles B. Hall, then Cashier of the Boston National Bank, was chosen President, and a truly formidable array of financiers from that city and from other parts of the Commonwealth of Massachusetts participated in its deliberations and contributed largely in devising the plans upon which has been reared the imposing organization in which we all take pride, now at the very zenith of its power and greatness. To the obligations we owe to the Boston bankers who unselfishly gave their best thought and effort in the establishment of the Association, we must now add our gratitude to the Boston people of to-day for the assiduous and generous manner in which they have worked to render this year's Convention forever memorable. Without in any way minimizing the superb hospitality of other cities by whom we have heretofore been entertained, it is but the truth to say that the preparations made for the impending meeting will insure to every guest the fullest measure of happiness during Convention week, and to the Association, as a whole, the most enjoyable and profitable meeting in its long career. To the Clearing House Association of Boston and its Associated Banks—to those who, individually, as committeemen and in other capacities, have unremittingly labored for months in our behalf—we express our sincere appreciation and thanks.

Respectfully submitted,

FRED. E. FARNSWORTH,  
General Secretary.

Report of the Treasurer, J. Fletcher Farrell.

September 3, 1913.

TO THE MEMBERS OF THE EXECUTIVE COUNCIL, AND THE AMERICAN BANKERS' ASSOCIATION:

MR. PRESIDENT: In submitting this, my second and last, Report as your Treasurer, I wish to express my sincere thanks to the members of the American Bankers' Association, individually and collectively, for the honor conferred upon me; and particularly do I desire to acknowledge the many courtesies extended me by your very able and most efficient General Secretary, Mr. Fred E. Farnsworth, and the assistants in his office, who have cheerfully and ably co-operated with your Treasurer in connection with the duties of this office. It has been a real pleasure to be associated with such competent men.

It is assumed that each and every member of the Association is more or less interested in its affairs, and particularly the financial statement, showing the appropriations and expenditures of the various sections and Committees.

I, therefore, desire very briefly to bring to your attention a few of the most important items, and would be pleased if each member of the Association would give the Report careful perusal.

Cash Balance, on hand September 1, 1912.....	\$3,992.88
Total Receipts, for current year.....	234,848.52
Total Expenses, for the year.....	233,362.11
Leaving Credit Balance, September 1, 1913.....	5,479.29

In August, 1913, your Treasurer received from the General Secretary thirteen thousand, six hundred and eighty-one (13,681) drafts on account of the current membership dues, aggregating \$221,645.00—all of which have been forwarded for collection. These drafts are dated September 1, 1913, which is in accordance with our constitution, and at this writing all but a very small percentage have been collected.

The surplus funds of the Association are invested in stocks and bonds, which are deposited with the Bankers' Trust Company of New York City, under control of the Executive Committee.

The Trust Company collects the interest on these securities and remits to your Treasurer for the credit of the Association's account. The securities are as follows:

\$12,000 Chicago, Burlington & Quincy, Joint 4's of 1921.
\$30,000 Atchison, Topeka & Santa Fe 4 per cent. Bonds of 1995.
\$50,000 Chicago, Burlington & Quincy Illinois Division, 4 per cent. Bonds of 1949.
\$30,000 New York City Registered Corporation Stock, 3½ per cent. due 1940.

You will observe from the report herein submitted that the financial condition of the Association at the present time is much better than it has been in four years. As you no doubt know, it has been the policy of the Association to carry over unpaid bills each year; in accordance with the desire of the Finance Committee, the General Secretary was requested to secure all August bills against the Association. This has been done, and after September 1, 1912, the Association paid amounts which belonged to the fiscal years of 1911 and 1912, aggregating \$17,088.10. Cleaning up this amount and paying our regular expenses, with all August bills against the Association paid the fiscal year ending August 31, 1913, leaving us with all bills paid and a good cash balance on hand.

The American Bankers' Association is a great and growing organization, accomplishing much good for all. This has been brought about by the hearty co-operation and active support of its members, and I bespeak for the incoming officers greater success.

Respectfully submitted,

J. FLETCHER FARRELL,  
Treasurer.

#### Report of Executive Council, T. J. Davis, Chairman.

To the American Bankers' Association:

GENTLEMEN: The principal proceedings of the meetings of the Executive Council, since the last General Convention, have appeared in the succeeding issues of the JOURNAL, and therefore much of the report submitted herewith is matter with which you are already familiar. However, custom makes it obligatory for the Chairman to make a formal report, I apprehend, for the reason that the completed proceedings may appear in connected form for consideration by the members of the Convention.

Immediately after the adjournment of the General Convention at Detroit, the Executive Council met and completed its organization by the election of officers as follows:

Chairman .....	T. J. DAVIS
General Secretary .....	FRED E. FARNSWORTH
Treasurer .....	J. FLETCHER FARRELL
Assistant Secretary .....	WILLIAM G. FITZWILSON
General Counsel .....	THOMAS B. PATON

Seventy members of the Council remained over from the Convention, which gave evidence of unusual interest in the business affairs of the Association.

The Finance Committee submitted its report, recommending appropriations for the fiscal year, commencing September 1, 1912, aggregating \$181,410.00. The Committee also recommended that the proceedings of the meetings of the State Secretaries be printed in the Annual Year Book of the Association.

Mr. O. J. Sands, of Richmond, Va., presented a petition signed by one hundred National Banks, memorializing the Executive Council to establish a National Bank Section, and a resolution was duly offered by him that the Constitution be amended by regular process, so as to provide for a National Bank Section in the Association. The resolution was referred to the Committee on Revision of the Constitution, which committee had been appointed by the General Convention at its session immediately preceding.

A resolution was offered by Mr. J. K. Lynch, of San Francisco, providing for a Committee on Programme for the next Convention of the Association, and the following committee was appointed by the Council:

James K. Lynch, Vice-President First National Bank, San Francisco, Cal.

R. C. Stephenson, Vice-President St. Joseph Savings Bank, South Bend, Ind.

Joseph Wayne, Jr., Cashier Girard National Bank, Philadelphia, Pa.  
Ralph W. Cutler, President Hartford Trust Company, Hartford, Conn.  
Downie W. Muir, Vice-President First National Bank, Boston, Mass.  
John K. Ottley, Vice-President Fourth National Bank, Atlanta, Ga.  
W. C. Macfadden, Vice-President Commercial Bank, Fargo, N. D.

Mr. R. E. James, Chairman of the Insurance Committee, presented his resignation from that committee, with the explanation that the duties devolving upon him in connection with his work as Chairman of the Constitutional Revision Committee would preclude his giving the requisite time to the work of the Insurance Committee. The resignation was accepted, and the Chairman appointed the following Insurance Committee, there being one other vacancy on said committee by virtue of Mr. Sherman's term expiring as member of the Council:

#### Insurance Committee.

Oliver J. Sands, President American National Bank, Richmond, Va., Chairman.

H. P. Beckwith, Vice-President Northern Trust Company, Fargo, N. D.  
O. E. Dunlap, President Citizens' National Bank, Waxahachie, Texas.

The Council, acting under the provisions of the Constitution relating to States having less than one hundred members, formed the following groups of States:

New Hampshire and Vermont.  
Wyoming, Utah and Nevada.  
Arizona and New Mexico.

Mr. Frank Knox, of Utah, having been nominated for the position of member of the Council from Nevada, Utah, and Wyoming, was duly elected.

A vacancy on the Council having occurred in Iowa, through the election of Mr. Arthur Reynolds to the Vice-Presidency of the Association, the members of the American Bankers' Association of that State nominated Mr. D. H. McKee to be Mr. Reynolds' successor, and Mr. McKee was duly elected by the Council.

The Administrative Committee was empowered to make preliminary arrangements for the General Convention of the Association in Boston, and to secure accommodations for the officials.

Mr. George Woodruff, of Joliet, Ill., was added to the Committee on Agricultural and Financial Development and Education.

The Council, by vote, expressed a preference for Hot Springs, Va., for a place of meeting, provided satisfactory arrangements and terms could be made with the hotels. In January succeeding this date, at a meeting of the Administrative Committee, the Secretary of the Association reported that Atlantic City and Briarcliff had offered much the same terms as Hot Springs, with some conditions from Briar Cliff particularly advantageous to the comfort of the guests, consisting, among other things, of practically the exclusive use of the hotel for the members of the Council. The Secretary was directed to take a referendum vote as to the preference of the members, resulting in the selection of Briar Cliff as the place of meeting.

The spring meeting of the Council was held at Briar Cliff Lodge, Briar Cliff Manor, as indicated, the sessions lasting Tuesday and Wednesday, May 6 and 7, respectively. On May 5, preceding, the Section and Committee meetings were held, at which the various committees prepared their respective reports for submission to the general session of the Convention. Their various reports appeared in detail in the May number of the JOURNAL, so that it is only necessary to refer to them by captions.

Report of the Administrative Committee, relative to proceedings of that body, held January 7, 1913, in the office of the late Chas. H. Huttig, of St. Louis.

Report of the General Secretary, Fred E. Farnsworth, Chairman.  
Report of the Treasurer, J. Fletcher Farrell, Chairman.  
Report of the General Counsel, Thomas B. Paton, President.  
Report of the Standing Protective Committee, L. W. Gammon, Manager.  
Report of the Trust Company Section, Ralph W. Cutler, Chairman.  
Report of the Savings Bank Section, A. O. Wilson, Chairman.  
Report of the American Institution of Banking, F. A. Crandall, Chairman.  
Report of the State Secretaries, W. C. Macfadden, President.  
Report of the Committee on Bills of Lading, Clay H. Hollister, Chairman.  
Report of the Committee on Cipher Code, James M. Donald, Chairman.  
all of which, by resolution, were received and filed.

The Chairman of the Committee on Constitutional Revision read a tentative draft of the proposed changes and amendments of the Constitution. There was much discussion of this report, which was ordered printed in the May Journal bulletin, and galley proofs of the report were ordered to be struck off and mailed to the members of the Executive Council. At the conclusion of the discussion of the subject, the Council adopted the following resolution:

"Resolved, That pursuant to the provisions of the Constitution and the request of the Committee on Revision of the Constitution, the General Secretary be directed to arrange for a proper place on the program for the amendments proposed by the Committee appointed by the last annual convention for that purpose, and that all measures

required be compiled with, that the proposed amendments be placed in proper place on the program of the next annual convention."

The other committees reported were as follows:

Currency Commission, A. B. Hepburn, Chairman.  
Federal Legislative Committee, E. F. Swinney, Chairman.  
Finance Committee, Arthur Reynolds, Chairman.  
Committee on Forms for National and State Banks, John M. Miller, Jr., Chairman.  
Insurance Committee, Oliver J. Sands, Chairman.  
Law Committee, Pierre Jay, Chairman.  
Membership Committee,  
National Counsellor Chamber of Commerce of the United States of America, Albert D. Graham.  
Committee on Program for Boston Convention, James K. Lynch, Chairman.

Deep interest was manifested by the members in attendance upon the Briar Cliff meeting, and the discussion throughout gave evidence of a sincere desire on the part of the participants to develop what is best for the interests of the American Bankers' Association and the banking fraternity at large.

Respectfully submitted,

T. J. DAVIS,  
Chairman.

#### Report of Law Committee, Pierre Jay, Chairman.

Pursuant to authority given in Section three of Article IV of the Constitution, the Law Committee has during the past year urged through State Bankers' organizations, the enactment of approved drafts of State legislation upon the following subjects:

1. Uniform Negotiable Instruments Act.
2. Uniform Warehouse Receipts Act.
3. Uniform Bills of Lading Act.
4. False Statements to Obtain Credit.
5. Derogatory Statements Affecting Banks.
6. Checks or Drafts without Funds.
7. Burglary with Explosives.
8. Liability for Payment of Forged or Raised Checks.
9. Payment of Deposits in Two Names.
10. Payment of Deposits in Trust.
11. Competency of Notaries of Banks and Other Corporations.

Early in December a series of pamphlets containing drafts of proposed laws on these subjects, with annotations of previous enactments and reasons for their enactments, were prepared by and issued from the Office of the General Counsel, in behalf of the Law Committee, to Secretaries and Legislative Committees of State Bankers' Associations in 41 States whose legislatures convened in regular session during 1913, and they have been supplemented by printed literature, general correspondence and in certain cases personal attendance of counsel before committees of State legislatures in aid of these proposed laws.

Your Committee is gratified to report the following enactments during the present year:

#### The NEGOTIABLE INSTRUMENTS ACT passed in:

Arkansas.	South Dakota.
Indiana.	Vermont.
Minnesota.	

#### The UNIFORM WAREHOUSE RECEIPTS ACT passed in:

Minnesota.	South Dakota.
Nevada.	Vermont.
Oregon.	Washington.

#### The UNIFORM BILLS OF LADING ACT passed in:

New Jersey.

#### The Act to punish FALSE STATEMENTS FOR CREDIT

passed in:	
Delaware.	Massachusetts (changed from Association draft).
Indiana.	Utah.
Maine.	Vermont.

#### The ACT to punish DEROGATORY STATEMENTS AFFECTING BANKS passed in:

Connecticut.

Ohio (Act of 1910 amended).

Oregon.

Washington.

#### The Act to punish the giving of CHECKS OR DRAFTS WITHOUT FUNDS passed in:

Arkansas (changed from Association draft).	Oklahoma (different from Association draft).
Indiana (supplementary law).	Texas (different from Association draft).
Maine (changed from Association draft).	Utah.
Missouri (changed from Association draft).	

#### The Act punishing BURGLARY WITH EXPLOSIVES passed in:

South Dakota.

#### The Act fixing the liability of banks for payment of FORGED OR RAISED CHECKS passed in:

Vermont.

The Act authorizing PAYMENT OF DEPOSITS IN TWO NAMES passed in:

Kansas.

Washington.

Utah.

The Act providing COMPETENCY OF BANK NOTARIES passed in:

New York

Washington.

Appended to this report is a summary (Appendix I) prepared by the General Counsel showing the laws passed in the different States during 1913 relating to banks upon subjects other than those recommended by this Association.

By Section 3 of Article IV it is made the duty of the Law Committee as occasion may arise to "recommend to the Executive Council and general Association drafts of proposed statutes for their approval and upon such dual approval" to "urge the enactment of such approved drafts through State organizations as to State legislation and through the Federal Legislative Committee as to national legislation." In pursuance of this duty your Committee would recommend that the Association approve a draft of act to make uniform the law of transfer of shares of stock in corporations, technically known as the Uniform Stock Transfer Act. This Act, after careful consideration, was indorsed in August, 1909, by the Commissioners of Uniform State Laws and recommended to the legislatures of the various States for passage. It has been enacted to date in Louisiana, Maryland, Massachusetts, Ohio, Pennsylvania, Rhode Island, and Michigan. The Act gives full negotiability to certificates of stock; and will make the law governing stock transfers uniform in the various States. A copy of the Act is appended to this report (Appendix II). Your Committee, therefore, respectfully suggests that a motion be made to approve this measure as desirable for enactment.

#### Annual Report of General Counsel Thomas B. Pator.

Your General Counsel is pleased to report as follows:

##### THE YEAR'S LEGISLATIVE WORK.

In view of the fact that forty-one State legislatures were to hold sessions during 1913, opening a large field for the promotion of the legislative measures recommended by this Association, your Counsel early in December, 1912, acting in behalf of the Law Committee, and also of the Bills of Lading Committee as to the subject of bills of lading, prepared special pamphlets containing drafts of laws upon eleven subjects, with explanatory matter, designed for use by the Legislative Committees of State Bankers' Associations in the respective States. These were given effective distribution and have been supplemented during the pendency of such legislation by special correspondence, printed argumentative literature and other co-operative effort. As shown by the Report of the Law Committee, an aggregate of thirty-six laws on ten subjects of legislation recommended by this Association have been placed on the statute books of twenty States during the present year.

##### THE NEGOTIABLE INSTRUMENTS ACT.

At the beginning of the present year forty States and jurisdictions had theretofore passed the Negotiable Instruments Act which, in less than two hundred sections, codifies the main rules of the law merchant governing bills, notes and checks, and before complete uniformity was secured, the act was yet to be passed in eleven States, one territory, one Insular and one Isthmian possession. As a result of combined effort, five additional States have passed the act during the present year, namely, Arkansas, Maryland, Minnesota, South Dakota and Vermont, and it has now become the law of every State in the Union with the exception of the six States of California, Georgia, Maine, Mississippi, South Carolina and Texas, the territory of Alaska, the Insular possession of Porto Rico and the Isthmian possession of the Panama Canal Zone. Your Counsel has co-operated in the passage of the law during the present year by preparing and distributing a special pamphlet giving the history of the act, its advantages and detailed reasons why it should be enacted; personal attendance before a Committee of the Senate in Vermont and by an extensive general correspondence.

From time to time suggestions have been made as to the desirability of amending particular sections of the Negotiable Instruments Act to clear up some ambiguity, correct some apparent inconsistency, or cover some omission, and at the last annual conference of the Commissioners on Uniform State Laws held in Montreal in August, a number of amendments were proposed by the Committee on Commercial Law of that Body. But after full discussion it was the sentiment of the conference that none of the suggested amendments were of sufficient importance to call for recommendation to the States at the present time; it was thought that any advantage which might be derived would be outweighed by the detraction from uniformity which would result by some States passing the amendments and others not, and accordingly the proposed amendments were voted down.

##### BILLS OF LADING.

The enormous values which are annually advanced by banks on the security of Order Bills of Lading call for constant and persistent effort in the promotion of laws, national and state, to the end that the holder for value may be adequately protected. The securing in 1908 of the recommendation by the Interstate Commerce Commission of a satisfactory Uniform Order bill with the words "Order of" printed thereon; in 1909 the enactment in four States of the special Bill of Lading statute drafted by General Counsel and the passage in 1910-11-12 of the Uniform Bills of Lading Act in ten States, indicate the great measure of successful progress heretofore made by the Committee on Bills of Lading of this Association; and although national legislation on the subject has not yet resulted, the passage by the House of Representatives of the Sixty-first Congress of the Stevens bill and by the Senate of the Sixty-second Congress of the Pomerene bill is, it is to be hoped, a forerunner of the passage by both Houses of the Sixty-third Congress of remedial legislation on bills of lading. During the

year since the Detroit Convention your Counsel has actively co-operated with the Bills of Lading Committee in the prosecution of its work. Prior to the close of the Sixty-second Congress, during last Fall and Winter the active interest of a large number of bankers was enlisted and persistent effort made to procure a hearing by the House Committee on Interstate and Foreign Commerce of the Pomerene bill which had then passed the Senate, but without avail. At the opening special session of the Sixty-third Congress Senator Pomerene reintroduced the bill and on April 16 and 17 your Counsel, associated with Professor Williston of Harvard, attended a conference in Washington with representatives of a number of shippers' organizations, and the bill was carefully gone over with Senator Pomerene with a view to the elimination of certain provisions as to the form of the bill of lading which might conflict with the jurisdiction of the Interstate Commerce Commission. Afterwards Chairman Clarke and Commissioner Clements were interviewed, and the bill, amended in a few particulars, was reintroduced by Senator Pomerene on April 28, but it will not be taken up at the special session.

In aid of the promotion of the State bills of lading legislation during the present year, your Counsel prepared a pamphlet giving the history and indicating the benefits of the Uniform Bills of Lading Act. This has been widely distributed among bankers' and shippers' organizations of different States, and many letters have been written to legislators in States where the bill was pending, in response to inquiries or in answer to criticisms or objections. But one State, New Jersey, has passed the act this year, although in several States it passed one House of the Legislature.

On September 15 and 16 of this year, the Interstate Commerce Commission gave a largely attended hearing in Washington to receive suggestions from railroad men, shippers and others, as to the necessity or desirability of making any changes in the Uniform Bill of Lading which was recommended by the Commission in 1908. Your Counsel attended this hearing as representative of the Committee on Bills of Lading of this Association. The bulk of the discussion related to changes in the conditions on the back of the bill of lading of primary interest to shippers and carriers. One feature only affected the banking interests—a proposition in behalf of certain Southern railroad interests to insert on the face of the bill a clause governing its assignability and negotiability. There is in use by some of the railroads in Southern Classification Territory a bill of lading, designated as the Revised Standard Order Bill of Lading, which contains on its face the following clause not in the Uniform bill heretofore recommended by the Commission: "This bill of lading is assignable; it is negotiable only in so far as may be required to carry out the promise of the carrier made in the following surrender clause and is enforceable as provided in Section 10 of this bill of lading, according to its original tenor and effect." The insertion of this provision in the Uniform bill was urged upon the Commission by the representatives of certain railroad interests in Southern territory, and it was opposed by your Counsel on the ground that the regulation of the negotiability of the bill of lading should be left to the law and not provided by the contract; that the provision would in effect make the Order bill non-negotiable except in the particular specified; that is to say, the banker or other transferee for value would take no greater rights than the shipper and would be deprived of the superior rights which he now has as against a creditor of the shipper attaching the goods, and furthermore would be deprived of the valuable right, now secured by him by legislation in many States, to enforce the bill against the carrier, although it has been signed by the agent without receipt of the goods. There was a spirited argument upon the proposition and a special brief has been prepared and submitted. It is the belief of your General Counsel that the Commission will not change the bill in the manner proposed, as to do so would deprive it of its present large utility as an instrument upon which the shipper obtains credit.

#### WAREHOUSE RECEIPTS.

Much work has been done this year in co-operation with the American Warehousemen's Association towards procuring the enactment of the Uniform Warehouse Receipts Act, and six additional States have passed the act this year making twenty-nine in all. The great advantage to the commercial and banking interests of the country to be derived from the passage of this act in all the States, is the giving to the warehouse receipt a definite and uniform legal status and value which will enable the owner of stored goods represented by the receipt to more readily obtain needed loans and advances upon the security thereof, to tide him over a period when such goods are not readily salable. Its passage is of especial benefit to the man of small capital, who, possessing a negotiable warehouse receipt for his goods in store, will be able to obtain needed accommodations without being forced by urgent necessity to sacrifice his goods at far below their value at time of slack demand. Special printed literature has been prepared in advocacy of this act and a special technical correspondence has been conducted, much of it explanatory of the effect of the passage of the act in States where statutes relating to warehouse receipts were already in force.

#### OTHER ASSOCIATION MEASURES.

Time will not be taken to state in detail the efforts in behalf of other legislation recommended by this Association. In urging the act to punish the making of false statements to obtain credit, there has been full co-operation and interchange of information with the National Association of Credit Men, and this is also true with reference to the act to punish the giving of checks or drafts without funds. A very large correspondence has been conducted as to all the measures advocated in behalf of the Association, and the report of the Law Committee shows the results obtained this year. Since the creation of the Office of General Counsel six years ago, in addition to urging the Uniform Commercial Acts drafted by the Commissioners on Uniform State Laws, a number of special laws have been drafted, and there has been a persistent and organized campaign conducted under the auspices of the Law Committee in behalf of the beneficial and protective measures upon eleven subjects approved and recommended by this Association. All told, a total of two hundred and thirty-three measures relating to these subjects have been enacted in the different States and jurisdictions down to the present time, and with the exception of cer-

tain prior enactments of the Negotiable Instruments Act and of the acts relating to payment of deposits in trust and of forged or raised checks, this result has largely been accomplished during the last six years, and affords a striking illustration of the effectiveness of organized banking effort. The following tables showing Association measures already enacted either in the exact form recommended or in changed form, but satisfactory in substance, and measures yet to be enacted in each of the States and jurisdictions of the country, will indicate the progress already made in each State and jurisdiction, and be useful as matter of reference.

#### ALABAMA.

<i>Already Enacted.</i>	<i>To be Enacted.</i>
1. Checks or drafts without funds.	1. False statements to obtain credit.
2. Uniform Negotiable Instruments Act.	2. Derogatory statements affecting banks.
	3. Burglary with explosives.
	4. Liability for payment of forged or raised checks.
	5. Payment of deposits in two names.
	6. Payment of deposits in trust.
	7. Competency of notaries of banks.
	8. Uniform Warehouse Receipts Act.
	9. Uniform Bills of Lading Act.

#### ARIZONA.

<i>Already Enacted.</i>	<i>To be Enacted.</i>
1. Uniform Negotiable Instruments Act.	1. False statements to obtain credit.
	2. Derogatory statements affecting banks.
	3. Checks or drafts without funds.
	4. Burglary with explosive.
	5. Liability for payment of forged or raised checks.
	6. Payment of deposits in two names.
	7. Payment of deposits in trust.
	8. Competency of notaries of banks.
	9. Uniform Warehouse Receipts Act.
	10. Uniform Bills of Lading Act.

#### ARKANSAS.

<i>Already Enacted.</i>	<i>To be Enacted.</i>
1. Uniform Negotiable Instruments Act.	1. False statements to obtain credit.
2. Checks or drafts without funds (changed from Association draft).	2. Derogatory statements affecting banks.
	3. Burglary with explosives.
	4. Liability for payment of forged or raised checks.
	5. Payment of deposits in two names.
	6. Payment of deposits in trust.
	7. Competency of notaries of banks.
	8. Uniform Warehouse Receipts Act.
	9. Uniform Bills of Lading Act.

#### CALIFORNIA.

<i>Already Enacted.</i>	<i>To be Enacted.</i>
1. Checks or drafts without funds.	1. False statements to obtain credit.
2. Liability for payment of forged or raised checks.	2. Derogatory statements affecting banks.
3. Payment of deposits in two names.	3. Burglary with explosives.
4. Payment of deposits in trust.	4. Competency of notaries of banks.
5. Uniform Warehouse Receipts Act.	5. Uniform Negotiable Instruments Act.
	6. Uniform Bills of Lading Act.

#### COLORADO.

<i>Already Enacted.</i>	<i>To be Enacted.</i>
1. Burglary with explosives.	1. False statements to obtain credit.
2. Uniform Negotiable Instruments Act.	2. Derogatory statements affecting banks.
3. Uniform Warehouse Receipts Act.	3. Liability for payment of forged or raised checks.
4. Checks or drafts without funds.	4. Payment of deposits in two names.
	5. Payment of deposits in trust.
	6. Competency of notaries of banks.
	7. Uniform Bills of Lading Act.

\* Colorado has a statute on this subject, but not the recommended act.

#### CONNECTICUT.

<i>Already Enacted.</i>	<i>To be Enacted.</i>
1. False statements to obtain credit.	1. Checks or drafts without funds.
2. Burglary with explosives.	2. Liability for payment of forged or raised checks.
3. Payment of deposits in two names.	3. Competency of notaries of banks.
4. Payment of deposits in trust.	
5. Uniform Negotiable Instruments Act.	
6. Uniform Warehouse Receipts Act.	
7. Uniform Bills of Lading Act.	
8. Derogatory statements affecting banks.	

#### DELAWARE.

<i>Already Enacted.</i>	<i>To be Enacted.</i>
1. Burglary with explosives.	1. Derogatory statements affecting banks.
2. Uniform Negotiable Instruments Act.	2. Checks or drafts without funds.
3. False statements to obtain credit.	3. Liability for payment of forged or raised checks.
	4. Payment of deposits in two names.
	5. Payment of deposits in trust.
	6. Competency of notaries of banks.
	7. Uniform Warehouse Receipts Act.
	8. Uniform Bills of Lading Act.

DISTRICT OF COLUMBIA.

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|---|---|
| <p><i>Already Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Uniform Negotiable Instruments Act.</li> <li>2. Uniform Warehouse Receipts Act.</li> </ol> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. False statements to obtain credit.</li> <li>2. Derogatory statements affecting banks.</li> <li>3. Checks or drafts without funds.</li> <li>4. Burglary with explosives.</li> <li>5. Liability for payment of forged or raised checks.</li> <li>6. Payment of deposits in two names.</li> <li>7. Payments of deposits in trust.</li> <li>8. Competency of notaries of banks and other corporations.</li> <li>9. Uniform Bills of Lading Act.</li> </ol> |
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FLORIDA.

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|---|---|
| <p><i>Already Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Checks or drafts without funds.</li> <li>2. Uniform Negotiable Instruments Act.</li> </ol> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. False statements to obtain credit.</li> <li>2. Derogatory statements affecting banks.</li> <li>3. Burglary with explosives.</li> <li>4. Liability for payment of forged or raised checks.</li> <li>5. Payment of deposits in two names.</li> <li>6. Payment of deposits in trust.</li> <li>7. Competency of notaries of banks.</li> <li>8. Uniform Warehouse Receipts Act.</li> <li>9. Uniform Bills of Lading Act.</li> </ol> |
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GEORGIA.

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| <p><i>Already Enacted.</i></p> <p>None.</p> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. False statements to obtain credit.</li> <li>2. Derogatory statements affecting banks.</li> <li>3. Checks or drafts without funds.</li> <li>4. Burglary with explosives.</li> <li>5. Liability for payment of forged or raised checks.</li> <li>6. Payment of deposits in two names.</li> <li>7. Payment of deposits in trust.</li> <li>8. Competency of notaries of banks.</li> <li>9. Uniform Negotiable Instruments Act.</li> <li>10. Uniform Warehouse Receipts Act.</li> <li>11. Uniform Bills of Lading Act.</li> </ol> |
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IDAHO.

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|---|---|
| <p><i>Already Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Checks or drafts without funds.</li> <li>2. Burglary with explosives.</li> <li>3. Liability for payment of forged or raised checks.</li> <li>4. Uniform Negotiable Instruments Act.</li> </ol> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. False statements to obtain credit.</li> <li>2. Derogatory statements affecting banks.</li> <li>3. Payment of deposits in two names.</li> <li>4. Payment of deposits in trust.</li> <li>5. Competency of notaries of banks.</li> <li>6. Uniform Warehouse Receipts Act.</li> <li>7. Uniform Bills of Lading Act.</li> </ol> |
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ILLINOIS.

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|---|---|
| <p><i>Already Enacted.</i></p> <ol style="list-style-type: none"> <li>1. False statements to obtain credit.</li> <li>2. Uniform Negotiable Instruments Act.</li> <li>3. Uniform Warehouse Receipts Act.</li> <li>4. Uniform Bills of Lading Act.</li> </ol> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Derogatory statements affecting banks.</li> <li>2. Checks or drafts without funds.</li> <li>3. Burglary with explosives.</li> <li>4. Liability for payment of forged or raised checks.</li> <li>5. Payment of deposits in two names.</li> <li>6. Payment of deposits in trust.</li> <li>7. Competency of notaries of banks.</li> </ol> |
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INDIANA.

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| <p><i>Already Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Checks or drafts without funds.</li> <li>2. Uniform Negotiable Instruments Act.</li> <li>3. False statements to obtain credit.</li> </ol> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Derogatory statements affecting banks.</li> <li>2. Burglary with explosives.</li> <li>3. Liability for payment of forged or raised checks.</li> <li>4. Payment of deposits in two names.</li> <li>5. Payment of deposits in trust.</li> <li>6. Competency of notaries of banks.</li> <li>7. Uniform Warehouse Receipts Act.</li> <li>8. Uniform Bills of Lading Act.</li> </ol> |
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IOWA.

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| <p><i>Already Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Burglary with explosives.</li> <li>2. Liability for payment of forged or raised checks.</li> <li>3. Payment of deposits in two names.</li> <li>4. Uniform Negotiable Instruments Act.</li> <li>5. Uniform Warehouse Receipts Act.</li> <li>6. Uniform Bills of Lading Act.</li> </ol> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. False statements to obtain credit.</li> <li>2. Derogatory statements affecting banks.</li> <li>3. Checks or drafts without funds.</li> <li>4. Payment of deposits in trust.</li> <li>5. Competency of notaries of banks.</li> </ol> |
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KANSAS.

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| <p><i>Already Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Burglary with explosives.</li> <li>2. Liability for payment of forged or raised checks.</li> <li>3. Uniform Negotiable Instruments Act.</li> <li>4. Uniform Warehouse Receipts Act.</li> <li>5. Payment of deposits in two names.</li> </ol> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. False statements to obtain credit.</li> <li>2. Derogatory statements affecting banks.</li> <li>3. Checks or drafts without funds.</li> <li>4. Payment of deposits in trust.</li> <li>5. Competency of notaries of banks.</li> <li>6. Uniform Bills of Lading Act.</li> </ol> |
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KENTUCKY.

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| <p><i>Already Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Burglary with explosives.</li> <li>2. Uniform Negotiable Instruments Act.</li> </ol> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. False statements to obtain credit.</li> <li>2. Derogatory statements affecting banks.</li> </ol> |
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3. Checks or drafts without funds.
4. Liability for payment of forged or raised checks.
5. Payments of deposits in two names.
6. Payment of deposits in trust.
7. Competency of notaries of banks and other corporations.
8. Uniform Warehouse Receipts Act.
9. Uniform Bills of Lading Act.

LOUISIANA.

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| <p><i>Already Enacted.</i></p> <ol style="list-style-type: none"> <li>1. False statements to obtain credit.</li> <li>2. Derogatory statements affecting banks.</li> <li>3. Liability for payment of forged or raised checks.</li> <li>4. Payment of deposits in two names.</li> <li>5. Uniform Negotiable Instruments Act.</li> <li>6. Uniform Warehouse Receipts Act.</li> <li>7. Uniform Bills of Lading Act.</li> </ol> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Checks or drafts without funds.</li> <li>2. Burglary with explosives.</li> <li>3. Payment of deposits in trust.</li> <li>4. Competency of notaries of banks and other corporations.</li> </ol> |
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MAINE.

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| <p><i>Already Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Liability for payment of forged or raised checks.</li> <li>2. Payment of deposits in two names.</li> <li>3. Payment of deposits in trust.</li> <li>4. Competency of notaries of banks.</li> <li>5. False statements to obtain credit.</li> <li>6. Checks or drafts without funds (changed from Association draft).</li> </ol> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Derogatory statements affecting banks.</li> <li>2. Burglary with explosives.</li> <li>3. Uniform Negotiable Instruments Act.</li> <li>4. Uniform Warehouse Receipts Act.</li> <li>5. Uniform Bills of Lading Act.</li> </ol> |
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MARYLAND.

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|---|--|
| <p><i>Already Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Derogatory statements affecting banks.</li> <li>2. Burglary with explosives.</li> <li>3. Payment of deposits in two names.</li> <li>4. Payment of deposits in trust.</li> <li>5. Uniform Negotiable Instruments Act.</li> <li>6. Uniform Warehouse Receipts Act.</li> <li>7. Uniform Bills of Lading Act.</li> </ol> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. False statements to obtain credit.</li> <li>2. Checks or drafts without funds.</li> <li>3. Liability for payment of forged or raised checks.</li> <li>4. Competency of notaries of banks and other corporations.</li> </ol> |
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MASSACHUSETTS.

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| <p><i>Already Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Liability for payment of forged or raised checks.</li> <li>2. Payment of deposits in two names.</li> <li>3. Payment of deposits in trust.</li> <li>4. Uniform Negotiable Instruments Act.</li> <li>5. Uniform Warehouse Receipts Act.</li> <li>6. Uniform Bills of Lading Act.</li> <li>7. False statements to obtain credit (changed from Association draft).</li> </ol> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Derogatory statements affecting banks.</li> <li>2. Checks or drafts without funds.</li> <li>3. Burglary with explosives.</li> <li>4. Competency of notaries of banks.</li> </ol> |
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MICHIGAN.

- |  |   |
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| <p><i>Already Enacted.</i></p> <ol style="list-style-type: none"> <li>1. False statements to obtain credit.</li> <li>2. Derogatory statements affecting banks.</li> <li>3. Burglary with explosives.</li> <li>4. Liability for payment of forged or raised checks.</li> <li>5. Payment of deposits in two names.</li> <li>6. Payment of deposits in trust.</li> <li>7. Competency of notaries of banks.</li> <li>8. Uniform Negotiable Instruments Act.</li> <li>9. Uniform Warehouse Receipts Act.</li> <li>10. Uniform Bills of Lading Act.</li> </ol> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Checks or drafts without funds.</li> </ol> |
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MINNESOTA.

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| <p><i>Already Enacted.</i></p> <ol style="list-style-type: none"> <li>1. False statements to obtain credit.</li> <li>2. Checks or drafts without funds.</li> <li>3. Burglary with explosives.</li> <li>4. Liability for payment of forged or raised checks.</li> <li>5. Payment of deposits in two names.</li> <li>6. Payment of deposits in trust.</li> <li>7. Uniform Negotiable Instruments Act.</li> <li>8. Uniform Warehouse Receipts Act.</li> </ol> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. Derogatory statements affecting banks.</li> <li>2. Competency of notaries of banks.</li> <li>3. Uniform Bills of Lading Act.</li> </ol> |
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MISSISSIPPI.

- |   |  |
|---|--|
| <p><i>Already Enacted.</i></p> <p>None.</p> | <p><i>To be Enacted.</i></p> <ol style="list-style-type: none"> <li>1. False statements to obtain credit.</li> <li>2. Derogatory statements affecting banks.</li> <li>3. Checks or drafts without funds.</li> <li>4. Burglary with explosives.</li> <li>5. Liability for payment of forged or raised checks.</li> <li>6. Payment of deposits in two names.</li> <li>7. Payment of deposits in trust.</li> <li>8. Competency of notaries of banks and other corporations.</li> <li>9. Uniform Negotiable Instruments Act.</li> <li>10. Uniform Warehouse Receipts Act.</li> <li>11. Uniform Bills of Lading Act.</li> </ol> |
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## MISSOURI.

*Already Enacted.*

1. False statements to obtain credit.
2. Derogatory statements affecting banks.
3. Payment of deposits in trust.
4. Uniform Negotiable Instruments Act.
5. Uniform Warehouse Receipts Act.
6. Checks or drafts without funds (changed from Association draft).

*To be Enacted.*

1. Burglary with explosives.
2. Liability for payment of forged or raised checks.
3. Payment of deposits in two names.
4. Competency of notaries of banks.
5. Uniform Bills of Lading Act.

## MONTANA.

*Already Enacted.*

1. False statements to obtain credit.
2. Burglary with explosives.
3. Liability for payment of forged or raised checks.
4. Payment of deposits in two names.
5. Payment of deposits in trust.
6. Competency of notaries of banks.
7. Uniform Negotiable Instruments Act.

*To be Enacted.*

1. Derogatory statements affecting banks.
2. Checks or drafts without funds.
3. Uniform Warehouse Receipts Act.
4. Uniform Bills of Lading Act.

## NEBRASKA.

*Already Enacted.*

1. Burglary with explosives.
2. Payment of deposits in two names.
3. Uniform Negotiable Instruments Act.
4. Uniform Warehouse Receipts Act.

*To be Enacted.*

1. False statements to obtain credit.
2. Derogatory statements affecting banks.
3. Checks or drafts without funds.
4. Liability for payment of forged or raised checks.
5. Payment of deposits in trust.
6. Competency of notaries of banks.
7. Uniform Bills of Lading Act.

## NEVADA.

*Already Enacted.*

1. Derogatory statements affecting banks.
2. Uniform Negotiable Instruments Act.
3. Uniform Warehouse Receipts Act.

*To be Enacted.*

1. False statements to obtain credit.
2. Checks or drafts without funds.
3. Burglary with explosives.
4. Liability for payment of forged or raised checks.
5. Payment of deposits in two names.
6. Payment of deposits in trust.
7. Competency of notaries of banks.
8. Uniform Bills of Lading Act.

## NEW HAMPSHIRE.

*Already Enacted.*

1. Burglary with explosives.
2. Payment of deposits in two names.
3. Uniform Negotiable Instruments Act.

*To be Enacted.*

1. False statements to obtain credit.
2. Derogatory statements affecting banks.
3. Checks or drafts without funds.
4. Liability for payment of forged or raised checks.
5. Payment of deposits in trust.
6. Competency of notaries of banks.
7. Uniform Warehouse Receipts Act.
8. Uniform Bills of Lading Act.

## NEW JERSEY.

*Already Enacted.*

1. False statements to obtain credit.
2. Derogatory statements affecting banks.
3. Burglary with explosives.
4. Liability for payment of forged or raised checks.
5. Payment of deposits in two names.
6. Payment of deposits in trust.
7. Competency of notaries of banks.
8. Uniform Negotiable Instruments Act.
9. Uniform Warehouse Receipts Act.
10. Uniform Bills of Lading Act.

*To be Enacted.*

1. Checks or drafts without funds.

## NEW MEXICO.

*Already Enacted.*

1. False statements to obtain credit.
2. Uniform Negotiable Instruments Act.
3. Uniform Warehouse Receipts Act.

*To be Enacted.*

1. Derogatory statements affecting banks.
2. Checks or drafts without funds.
3. Burglary with explosives.
4. Liability for payment of forged or raised checks.
5. Payment of deposits in two names.
6. Payment of deposits in trust.
7. Competency of notaries of banks.
8. Uniform Bills of Lading Act.

## NEW YORK.

*Already Enacted.*

1. False statements to obtain credit.
2. Derogatory statements affecting banks.
3. Liability for payment of forged or raised checks.
4. Payment of deposits in two names.
5. Payment of deposits in trust.
6. Uniform Negotiable Instruments Act.
7. Uniform Warehouse Receipts Act.
8. Uniform Bills of Lading Act.
9. Competency of notaries of banks.

*To be Enacted.*

1. Checks or drafts without funds.
2. Burglary with explosives.

## NORTH CAROLINA.

*Already Enacted.*

1. Checks or drafts without funds.
2. Liability for payment of forged or raised checks.
3. Payment of deposits in trust.
4. Uniform Negotiable Instruments Act.

*To be Enacted.*

1. False statements to obtain credit.
2. Derogatory statements affecting banks.
3. Burglary with explosives.
4. Payment of deposits in two names.
5. Competency of notaries of banks.
6. Uniform Warehouse Receipts Act.
7. Uniform Bills of Lading Act.

## NORTH DAKOTA.

*Already Enacted.*

1. Burglary with explosives.
2. Liability for payment of forged or raised checks.
3. Uniform Negotiable Instruments Act.

*To be Enacted.*

1. False statements to obtain credit.
2. Derogatory statements affecting banks.
3. Checks or drafts without funds.
4. Payment of deposits in two names.
5. Payment of deposits in trust.
6. Competency of notaries of banks.
7. Uniform Warehouse Receipts Act.
8. Uniform Bills of Lading Act.

## OHIO.

*Already Enacted.*

1. False statements to obtain credit.
2. Derogatory statements affecting banks.
3. Liability for payment of forged or raised checks.
4. Payment of deposits in two names.
5. Uniform Negotiable Instruments Act.
6. Uniform Warehouse Receipts Act.
7. Uniform Bills of Lading Act.

*To be Enacted.*

1. Checks or drafts without funds.
2. Burglary with explosives.\*
3. Payment of deposits in trust.
4. Competency of notaries of banks.

\* Ohio has a sufficient statute on this subject, though different from recommended measure, except that penalty insufficient.

## OKLAHOMA.

*Already Enacted.*

1. Uniform Negotiable Instruments Act.
2. Checks or drafts without funds (different from Association draft).

*To be Enacted.*

1. False statements to obtain credit.
2. Derogatory statements affecting banks.
3. Burglary with explosives.
4. Liability for payment of forged or raised checks.
5. Payment of deposits in two names.
6. Payment of deposits in trust.
7. Competency of notaries of banks.
8. Uniform Warehouse Receipts Act.
9. Uniform Bills of Lading Act.

## OREGON.

*Already Enacted.*

1. Burglary with explosives.
2. Liability for payment of forged or raised checks.
3. Payment of deposits in two names.
4. Payment of deposits in trust.
5. Uniform Negotiable Instruments Act.
6. Uniform Warehouse Receipts Act.
7. Derogatory statements affecting banks.

*To be Enacted.*

1. False statements to obtain credit.
2. Checks or drafts without funds.
3. Competency of notaries of banks.
4. Uniform Bills of Lading Act.

## PENNSYLVANIA.

*Already Enacted.*

1. Derogatory statements affecting banks.
2. Payment of deposits in trust.
3. Uniform Negotiable Instruments Act.
4. Uniform Warehouse Receipts Act.
5. Uniform Bills of Lading Act.

*To be Enacted.*

1. False statements to obtain credit.
2. Checks or drafts without funds.
3. Burglary with explosives.
4. Liability for payment of forged or raised checks.
5. Payment of deposits in two names.
6. Competency of notaries of banks.

## RHODE ISLAND.

*Already Enacted.*

1. False statements to obtain credit.
2. Derogatory statements affecting banks.
3. Checks or drafts without funds.
4. Liability for payment of forged or raised checks.
5. Payment of deposits in two names.
6. Payment of deposits in trust.
7. Uniform Negotiable Instruments Act.
8. Uniform Warehouse Receipts Act.

*To be Enacted.*

1. Burglary with explosives.
2. Competency of notaries of banks.
3. Uniform Bills of Lading Act.

## SOUTH CAROLINA.

*Already Enacted.*

1. Checks or drafts without funds.

*To be Enacted.*

1. False statements to obtain credit.
2. Derogatory statements affecting banks.
3. Burglary with explosives.
4. Liability for payment of forged or raised checks.
5. Payment of deposits in two names.
6. Payment of deposits in trust.
7. Competency of notaries of banks.
8. Uniform Negotiable Instruments Act.
9. Uniform Warehouse Receipts Act.
10. Uniform Bills of Lading Act.



SOUTH DAKOTA.

*Already Enacted.*

1. Burglary with explosives.
2. Liability for payment of forged or raised checks.
3. Payment of deposits in two names.
4. Payment of deposits in trust.
5. Competency of notaries of banks.
6. Uniform Negotiable Instruments Act.
7. Uniform Warehouse Receipts Act.

*To be Enacted.*

1. False statements to obtain credit.
2. Derogatory statements affecting banks.
3. Checks or drafts without funds.
4. Uniform Bills of Lading Act.

TENNESSEE.

*Already Enacted.*

1. False statements to obtain credit.
2. Checks or drafts without funds.
3. Uniform Negotiable Instruments Act.
4. Uniform Warehouse Receipts Act.

*To be Enacted.*

1. Derogatory statements affecting banks.
2. Burglary with explosives.
3. Liability for payment of forged or raised checks.
4. Payment of deposits in two names.
5. Payment of deposits in trust.
6. Competency of notaries of banks.
7. Uniform Bills of Lading Act.

TEXAS.

*Already Enacted.*

1. Payment of deposits in trust.
2. Checks or drafts without funds (different from Association measure).

*To be Enacted.*

1. False statements to obtain credit.
2. Derogatory statements affecting banks.
3. Burglary with explosives.
4. Liability for payment of forged or raised checks.
5. Payment of deposits in two names.
6. Competency of notaries of banks.
7. Uniform Negotiable Instruments Act.
8. Uniform Warehouse Receipts Act.
9. Uniform Bills of Lading Act.

UTAH.

*Already Enacted.*

1. Uniform Negotiable Instruments Act.
2. Uniform Warehouse Receipts Act.
3. False statements to obtain credit.
4. Checks or drafts without funds.
5. Payment of deposits in two names.

*To be Enacted.*

1. Derogatory statements affecting banks.
2. Burglary with explosives.
3. Liability for payment of forged or raised checks.
4. Payment of deposits in trust.
5. Competency of notaries of banks.
6. Uniform Bills of Lading Act.

VERMONT.

*Already Enacted.*

1. False statements to obtain credit.
2. Liability for payment of forged or raised checks.
3. Payment of deposits in two names.
4. Payment of deposits in trust.
5. Uniform Negotiable Instruments Act.
6. Uniform Warehouse Receipts Act.

*To be Enacted.*

1. Derogatory statements affecting banks.
2. Checks or drafts without funds.
3. Burglary with explosives.
4. Competency of notaries of banks and other corporations.
5. Uniform Bills of Lading Act.

VIRGINIA.

*Already Enacted.*

1. Checks or drafts without funds.
2. Payment of deposits in two names.
3. Uniform Negotiable Instruments Act.
4. Uniform Warehouse Receipts Act.

*To be Enacted.*

1. False statements to obtain credit.
2. Derogatory statements affecting banks.
3. Burglary with explosives.
4. Liability for payment of forged or raised checks.
5. Payment of deposits in trust.
6. Competency of notaries of banks and other corporations.
7. Uniform Bills of Lading Act.

WASHINGTON.

*Already Enacted.*

1. Checks or drafts without funds.
2. Liability for payment of forged or raised checks.
3. Payment of deposits in two names.
4. Uniform Negotiable Instruments Act.
5. Uniform Warehouse Receipts Act.
6. Derogatory statements affecting banks.
7. Competency of notaries of banks.

*To be Enacted.*

1. False statements to obtain credit.
2. Burglary with explosives.
3. Payment of deposits in trust.
4. Uniform Bills of Lading Act.

WEST VIRGINIA.

*Already Enacted.*

1. Checks or drafts without funds.
2. Payment of deposits in trust.
3. Uniform Negotiable Instruments Act.

*To be Enacted.*

1. False statements to obtain credit.
2. Derogatory statements affecting banks.
3. Burglary with explosives.
4. Liability for payment of forged or raised checks.
5. Payment of deposits in two names.
6. Competency of notaries of banks.
7. Uniform Warehouse Receipts Act.
8. Uniform Bills of Lading Act.

WISCONSIN.

*Already Enacted.*

1. Burglary with explosives.
2. Liability for payment of forged or raised checks.
3. Payment of deposits in two names.
4. Payment of deposits in trust.

*To be Enacted.*

1. False statements to obtain credit.\*
2. Derogatory statements affecting banks.
3. Checks or drafts without funds.

5. Uniform Negotiable Instruments Act.
6. Uniform Warehouse Receipts Act.
- \* Wisconsin has a statute on this subject, but not the recommended act.
4. Competency of notaries of banks.
5. Uniform Bills of Lading Act.

WYOMING.

*Already Enacted.*

1. Derogatory statements affecting banks.
2. Checks or drafts without funds.
3. Burglary with explosives.
4. Liability for payment of forged or raised checks.
5. Payment of deposits in two names.
6. Payment of deposits in trust.
7. Competency of notaries of banks.
8. Uniform Negotiable Instruments Act.

*To be Enacted.*

1. False statements to obtain credit.
2. Uniform Warehouse Receipts Act.
3. Uniform Bills of Lading Act.

HAWAII.

*Enacted.*

Uniform Negotiable Instruments Act.

PHILIPPINES.

*Enacted.*

Uniform Negotiable Instruments Act.

ALASKA, PORTO RICO, PANAMA CANAL ZONE.

No enactments.

THE FEDERAL INCOME TAX.

The new Tariff bill which was introduced in the House on April 7, 1913, contained as Section 2 an income tax bill which provided a 1 per cent. tax on the net incomes of individuals over \$4,000 (this amount being later modified) and an additional or supertax of 1 per cent. upon net incomes exceeding \$20,000 and not exceeding \$50,000 with additional graduated taxes upon incomes of higher amounts. The bill incorporated most of the provisions of the existing Corporation Tax Law, and provided for a repeal of that law. There were many provisions of the bill which, from the banking standpoint, it seemed desirable should be modified or changed and your Counsel, acting upon authority and in behalf of the Federal Legislative Committee of this Association, has done everything within his power to this end. The present Corporation Tax Law exempts mutual savings banks from its provision, but the Income Tax Bill, as introduced, contained no such exemption. This point was presented to the Honorable Cordell Hull, draftsman of the bill, in an interview in Washington on April 17 and on April 21, when the bill was reported to the House from the Democratic caucus, it contained an exemption of "mutual savings banks not having a capital stock represented by shares." At this interview your Counsel also discussed certain objectionable features which apparently imposed impracticable duties upon banks as collecting agents of the tax for the government at the source of income, and also presented a brief of reasons why the bill should be changed so as to permit banks to deduct from gross income taxes paid on shares, as the bill contained the same provisions on this subject as the present Corporation Tax Law under which the Treasury Department has ruled no such deduction is permitted where the tax is assessed against the shareholder as his property; but no changes were made in this respect. On May 2 and 3 members of the Federal Legislative Committee of the Association with your Counsel had interviews with Congressman Hull and other members of the Ways and Means Committee in Washington, in which the points on which the bill was objectionable to bankers were discussed and amendments were suggested to remove the worst features. The bill passed the House of Representatives on May 8 without any of the suggested changes being made, and on May 27 your Counsel attended a hearing before the Senate Committee on Finance and presented the bankers' objections to the bill and later filed with the committee an exhaustive printed brief, in which the provisions of the bill were analyzed and the burdensome and impracticable duties placed upon persons and corporations having control, receipt, disposal or payment of the fixed annual income of others in specific instances were pointed out. The most objectionable feature from the bankers' standpoint was the provision of the bill requiring all persons and corporations having control, receipt, disposal or payment of fixed or determined annual income of individuals to deduct and withhold the tax from fixed annual "income derived from interest upon bonds, mortgages or other indebtedness of corporations . . . whether payable annually or at longer or shorter periods, although such interest does not amount to \$4,000." This was deemed impracticable and as imposing a hardship upon banks in their relation as agents for collection and payment of the hundreds of millions of dollars of interest coupons every year, and also as susceptible of a construction which would require banks to deduct and withhold the tax from interest paid on deposits, as a bank deposit is an indebtedness of a corporation. In the bill as it passed the Senate on September 9, the above objectionable provision has been modified to read as follows: "Provided further that the amount of the normal tax hereinabove imposed shall be deducted and withheld from fixed and determinable annual gains, profits and income derived from interest upon bonds, and mortgages or deeds of trust or other obligations of corporations . . . whether payable annually or at longer or shorter periods, although such interest does not amount to \$3,000." The change of the word "indebtedness" to "obligation" removes the objection that the banks which pay interest on deposits are burdened with any duty of deducting, withholding and paying the depositor's tax therefrom; but the bill still provides seemingly impracticable duties upon banks and others who collect and pay interest coupons, unless the matter can be straightened out and simplified by regulations of the Internal Revenue Office after the bill is passed.

TRUST COMPANY LAWS.

Your Counsel has had a number of conferences with the officers of the Trust Company Section relative to the drafting of certain standard provisions which should be included in the trust company laws of all States, and has embodied the suggestions made by these officers in a draft of provisions to be presented for discussion at the Boston meeting of the Section. The draft is merely tentative, to provide a basis for discussion, and is in no sense a completed document. The subjects

covered are: capital, reserve, supervision, qualification of directors, examination by directors, deposits, restrictions on loans, unlawful use of words "trust" or "trust company," non-mingling of trust funds, semi-annual statements to beneficiaries, unlawful sales by trust companies, investment of trust funds, non-disclosure of business affairs of clients except under legal compulsion.

**BANK INSURANCE.**

During the year your Counsel has made a study of a number of short improved forms of fidelity bond which have been offered to banks by different companies and claimed to be superior to the standard form of bond of the American Bankers' Association, which was copyrighted in 1899. With the co-operation of Mr. B. A. Ruffin of Richmond, Va., an insurance expert and Secretary of the Insurance Committee of the Association, a new form has been prepared designated as "The American Bankers' Association Standard Form Fidelity Schedule Bond." At a meeting of the Insurance Committee held in New York on August 29 and 30, this form was carefully gone over, and after full consideration of all its provisions, was approved, and it has been copyrighted in the name of the Association pursuant to the instructions of the Committee. New forms of license and agreement of licensee have been prepared for the writing of this bond and also for the Association's copyrighted standard form of bank burglary policy, and there has been full co-operation with the Insurance Committee in other branches of their work. In connection with various phases of burglary and fidelity insurance, your Counsel has been called upon by members many times during the year for information and advice relative to the interpretation of the various forms of insurance contracts, the advantages and disadvantages provided by different forms and the rights of the insured in case of contested claims for loss; and has upon request of certain members prepared an exhaustive opinion which has never been published, dealing with the question of the power of banks to form or become members of a mutual insurance company.

**THE ANAMOOSE CASE.**

During the past year a large number of members have been concerned and a considerable amount of correspondence has resulted, growing out of a decision by the United States District Court for the District of North Dakota in *United States v. First National Bank of Anamoose*, 190 Fed. 336, to the effect that a bank which collects a sight draft for the purchase price of intoxicating liquor shipped from another State, surrendering the attached bill of lading to enable the consignee to obtain delivery of the liquor, violates Section 239 of the United States Criminal Code. So long as this decision remained unreversed, your Counsel advised members that it was unsafe for banks to undertake such collections, inasmuch as from correspondence had with the Department of Justice, he was informed that they would not guarantee immunity from prosecution in the event the decision was sustained. On June 13 of the present year, the United States Circuit Court of Appeals for the Eighth Circuit reversed the decision of the District Court, and although the opinion of the court was not unanimous, it has seemed to your Counsel, and he has so advised, that the collecting of such drafts may be undertaken with fair safety. Before the decision of the District Court in the Anamoose case, the Attorney-General of the United States had given an opinion that the transaction was not a violation of the statute and the United States Circuit Court for the Eastern district of Oklahoma had also so decided in *Danziger v. Stone*, 188 Fed. 510. As the decision of the United States Circuit Court of Appeals reversing the decision in the Anamoose case is final and stands as law unless an application is made to the Supreme Court of the United States and that court is of opinion that the matter should be brought to it for decision, and this being done, the Supreme Court of the United States should ultimately reverse the decision—and your Counsel has no knowledge that such an application has been made—it does not seem that the extensive business of collecting these drafts should be longer held up upon such a possibility, but that collecting banks would be justified and fairly safe in assuming that the law is as stated by the United States Circuit Court of Appeals and in acting accordingly.

**GENERAL SERVICES.**

This report will not be extended further by detailed statement. In a general way it may be said that the Office of the General Counsel is open to, and his services have been constantly availed of, by officers of the Association, officers of Sections and members of committees by way of consultation and advice, and in the rendition of numerous specific services, and that it is also freely resorted to by the general membership, both in respect of personal interview and in calling for written opinions upon questions of law arising in their business. In fact, this latter branch of the work has grown to great proportion, three hundred and ninety written opinions having been delivered during the year, of which one hundred and eighty-seven were published in the *Journal of the Association*. The work involves a large amount of time and research, but it is unnecessary to make any more detailed reference to it, as the members of the Association are familiar with its nature and extent, and its value to them is indicated by numerous letters of appreciation.

**Report of Standing Protective Committee.**

NEW YORK, Sept. 1, 1913.

To the Executive Council and Members of the American Bankers Association:

The Standing Protective Committee submits herewith its annual report for the period covered from September 1, 1912, up to and including August 31, 1913.

**FINANCIAL STATEMENT.**

The financial statement is published in the pamphlet containing financial statements.

Your committee, however, takes pleasure in reporting that when they were appointed in September, 1909, and the Protective Department was established, and its manager, Mr. L. W. Gammon, appointed, there was a deficit of over \$19,000. Since that time they have been able to clear up this deficit

and have paid all bills up to date, and still have a credit balance. The Protective Features have cost less each year since the present committee was appointed and the Department established, although a great many more cases have been investigated than formerly, as all classes of cases are taken up for investigation other than crimes committed by officers and employees of members. More money has been spent for actual investigation of cases than was formerly expended, but a large amount of money has been saved in the retainer fee for detective service, which we have been able to spend on cases reported. That, together with the management of the Protective Department, has resulted in the saving for the past four years.

**ARRESTS, ETC.**

For the period covered from September 1, 1912, up to and including August 31, 1913, the committee begs to report as to its operations against criminals, as follows:

Total cases not disposed of, arrested prior to Sept. 1, 1912.....	125
Total arrests since Sept. 1, 1912.....	318
	443
Convicted.....	199
Released, escaped, killed and died.....	100
	299
Awaiting trial.....	144

Since the beginning of the fiscal year, September 1, 1912, up to and including August 31, 1913, there have been thirty-nine burglaries, attempted burglaries, hold-ups and sneak thefts reported on members, and one hundred similar crimes on non-members, as follows:

	Mem- bers.	Non- Members.		Mem- bers.	Non- Members.
Alabama.....	1	3	Missouri.....	4	6
Arkansas.....	1	3	Nebraska.....	1	2
California.....	1	2	New Hampshire.....	1	..
Colorado.....	..	1	New Jersey.....	1	..
Connecticut.....	..	1	New York.....	2	6
Georgia.....	4	4	North Dakota.....	..	3
Idaho.....	1	1	Ohio.....	1	..
Illinois.....	..	11	Oklahoma.....	5	20
Indiana.....	..	1	Oregon.....	3	1
Iowa.....	..	10	South Dakota.....	2	..
Kansas.....	..	2	Tennessee.....	3	2
Louisiana.....	1	1	Texas.....	..	11
Massachusetts.....	..	1	Utah.....	1	1
Michigan.....	3	1	Washington.....	1	3
Minnesota.....	..	2	West Virginia.....	1	..
Mississippi.....	1	1	Wisconsin.....	1	1

Of the thirty-nine attacks on members thirteen were successful burglaries, sixteen unsuccessful burglaries, four hold-ups and six sneak thefts. In some of these attempted burglaries entrance was not even gained to the bank, as most of them were by amateurs or prowlers.

Of the ninety-nine attacks on non-members, sixty were successful burglaries, twenty-nine unsuccessful burglaries and ten hold-ups. Most of these attacks on non-members were by professionals, amateur attacks as a rule not being reported to this department.

It can be seen from the above table that this class of operators have been most active in the States of Illinois, Iowa, Oklahoma and Texas, there being five attacks on members in Oklahoma, and none in the other States mentioned, while there have been fifty-two attacks on non-members in those States.

The loss to members was \$30,823.27, while the loss sustained by non-members amounted to \$140,595.05.

Our members, as a rule, report all attacks on them, also the exact loss sustained; while on the other hand non-members rarely report attacks on them or the loss sustained, with the result that we do not obtain a record of some of these attacks or losses sustained.

The following figures are given for your information of reported and attempted burglaries on banks since the inauguration of the Protective Feature, such as are known:

Non-Members.....	1,520	Loss.....	\$2,057,895.52
Members.....	395	Loss.....	231,613.17
Difference.....	1,125		\$1,826,282.35

**FORGERS AND BOGUS CHECK OPERATORS.**

Relative to forgers and bogus check operators, but very few of our members have been defrauded during the past fiscal year by professionals, and practically two-thirds of the cases reported were the operations of amateurs.

**MEMBERSHIP.**

On September 1, 1909, when the Protective Department was established, the records of the General Secretary's Office showed a membership of 10,682. On August 31, 1913, the records showed a membership of 14,100, a net gain of 3,418. The gain in membership as reported by the General Secretary's Office, clearly demonstrates that the banks realize the benefits derived from the Protective Features of the Association.

**CORRESPONDENCE.**

During the past fiscal year ending August 31, 1913, the Protective Department has received 19,695 reports and other

communications from our detective agents. They have also received 1,237 letters and telegrams, and written 4,709 letters and telegrams. These figures do not include circular letters and similar communications.

#### PHOTOGRAPHS.

The Department now has 2,898 photographs of criminals, comprising "Yegg" burglars, hold-up men, sneak thieves, forgers and bogus check operators, with a complete record of each.

#### OFFICES OF OUR DETECTIVE AGENTS.

The William J. Burns International Detective Agency, Inc., now have twenty-two offices of their own, twenty-one being in this country, and one in London, England. Owing to opening the latter office the word International had to be used in the title of the Agency in place of National. They also employ The Gust J. Patek Detective Agency, Des Moines, Iowa, and Calchas & Debisschop, Paris, France, as correspondents.

#### CONTRACT FOR DETECTIVE SERVICE.

The contract with our Detective Agents expired on November 22, 1912, they having held same for three years. They have more than lived up to their agreement in the way of opening up additional offices, and the results obtained by them in their investigations have been very satisfactory, clearly demonstrating their ability to cope with any situation that may arise where our members are interested.

By virtue of the authority vested in this committee by the Constitution of the Association, the committee has entered into a new contract with the Burns Agency for a period of three years from November 22, 1912, on the same terms as the original contract, which expired.

The action on our part was referred to the Executive Council at their Spring meeting at Briarcliff, N. Y., May, 1913, and was unanimously approved by them.

#### ENDORSEMENT.

This committee very much appreciate the hearty endorsement of your body as embodied in the resolution passed at the convention held in Detroit, Mich., in September last, endorsing the work and expressing their implicit confidence in the Standing Protective Committee, Mr. L. W. Gammon, Manager of the Protective Department, and the William J. Burns International Detective Agency, Inc.

#### DETAILED REPORT.

The manager of the Protective Department will read his report to the Executive Council, which covers matters pertaining to the Department other than those contained in this committee's report.

The William J. Burns International Detective Agency, Inc., will make a detailed report of the work accomplished by them during the past fiscal year. This report will be published in the Annual Proceedings and also printed in pamphlet form for distribution at this convention.

For more detailed information as to particular cases referred to, we respectfully refer you to the monthly JOURNAL-BULLETIN.

All of which is respectfully submitted,

THE STANDING PROTECTIVE COMMITTEE,  
FRED. E. FARNSWORTH,  
Secretary.

#### Report of Committee on Bills of Lading, Clay H. Hollister, Chairman.

Following the last Annual Convention, held at Detroit, when our Committee reported the unanimous passage by the United States Senate on August 21 preceding of the Pomerene bill relating to bills of lading, every possible effort was made to have this bill taken up by the House Committee on Interstate and Foreign Commerce, to which it was referred, with the hope that it would be favorably reported and passed by the House of Representatives at the closing session of the last Congress. To this end the assistance of bankers in nearly every State was enlisted in urging upon the members of the House Committee the desirability of taking up and disposing of this measure, and every resource, both by letter-writing and personal interviews, was resorted to to convince members of the House Committee and of the House that it was the unanimous commercial voice that legislation of this character was needed and should be enacted without further delay. This work was conducted to a considerable extent through the office of the General Counsel of this Association, and in co-operation with a large number of shippers' organizations. But despite all efforts, the House Committee upon Interstate and Foreign Commerce could not be induced to set a date for hearing to take up the Pomerene bill for consideration, among other reasons because the Chairman of that committee was openly opposed to the measure, and when the Sixty-second Congress came to an end, the record of our attempts to secure national legislation upon bills of lading indicated success in the Senate but failure in the House, being the direct opposite of our experience with the Sixty-first Congress, wherein the bill

of lading measure advocated by this Association passed the House almost unanimously, but failed in the Senate.

At the opening of the special session of the Sixty-third Congress in April last, Senator Pomerene first reintroduced the measure in the exact form in which it had passed the Senate at the previous Congress, but at conferences held in Washington on April 16 and 17, at which were present representatives of the shipping interests and Counsel Paton and Professor Williston representing our Committee, the bill was gone over with Senator Pomerene and with Chairman Clark and Commissioner Clements, of the Interstate Commerce Commission, and a few technical changes agreed upon for the purpose of obviating any valid objections to its passage. It had been repeatedly asserted by Chairman Adamson of the House Committee on Interstate and Foreign Commerce, that the Interstate Commerce Commission had full jurisdiction of the subject and had stated there was no necessity for any such legislation. What the Interstate Commerce Commission had in fact said was that they had jurisdiction over the form of the bill and the transportation end of the problem, but that they had no jurisdiction whatever over the negotiable side of the subject nor the question of liability of the carrier upon bills signed by his agent; that these were matters resting with Congress to determine, and Committees of Congress having considered the question for several years were in a much better position than the Commerce Commission could possibly be to determine as to the necessity for such legislation. In view of the fact that the Commission has jurisdiction over the form of the bill of lading, it was deemed wise to amend the bill by eliminating those provisions as to what the bill must contain, and this was done, except that the provision requiring the printing of the words "order of" on Order bills was retained. With these changes relating to the form of the bill, it is in perfect harmony with the present jurisdiction of the Interstate Commerce Commission, and they in no way object to it and there will no longer be even the shadow of a ground for Chairman Adamson to assert that the bill conflicts with the jurisdiction of the Interstate Commerce Commission, is objectionable to them, that they do not want such legislation, and say it is unnecessary. Certain other minor changes were made in the bill, and the bill was then reintroduced by Senator Pomerene on April 28, 1913, becoming Senate No. 1654. The following remarks by Senator Pomerene in introducing the bill, were reported in the Congressional Record of April 28, 1913, Vol. 50, No. 15, at page 504:

#### UNIFORM BILLS OF LADING.

"MR. POMERENE: Mr. President, I introduce a bill relating to bills of lading in Interstate and Foreign Commerce. I will state that this is substantially the same as Senate bill 387, introduced by me several weeks ago, and as the bill which passed the Senate at the last session. There were several modifications which have been made by friends of the measure, and it is to satisfy their desires that the amended bill is presented.

"The principal change is in sections 2 and 3 of the original bill, which provided for the form of the bill of lading. It is claimed that the Interstate Commerce Commission has the power to provide the form of a bill of lading. With the amendments contained in the modified form, that entire part of the subject would be left to the jurisdiction of the Interstate Commerce Commission.

"There are several other changes, but they simply tend to perfect the bill and in no way change the plan or purpose of the measure as it was passed at the last session of Congress. I ask that the bill be referred to the Committee on Interstate Commerce.

"The bill (S. 1654), relating to bills of lading in Interstate and Foreign Commerce, was read twice by its title and referred to the Committee on Interstate Commerce."

Owing to the fact that the Tariff bill and the Currency bill have almost entirely absorbed the attention of members of Congress throughout the special session, the Pomerene bill has not yet been taken up for consideration by the Senate Committee on Interstate Commerce, but the facts outlined in the foregoing report will indicate that your committee has not been idle, but has done everything possible to promote the enactment of national legislation upon this important subject.

"So far as State legislation is concerned, your committee co-operating with special Committees of State Bankers' Associations, has urged the enactment of the Uniform Bills of Lading Act in a number of States during the present year. In several of these States the bill has passed one House of the legislature but failed or was not taken up in the other. The State of New Jersey is the only one in which complete success was attained during the present year, making the eleventh State to pass this measure. The other States in which the Uniform Bills of Lading Act has been passed are Maryland, Massachusetts, Connecticut, Illinois, Iowa, Michigan, New York, Ohio, Pennsylvania and Louisiana.

On September 15 and 16 the Interstate Commerce Commission gave a hearing which was presided over by Commissioner Clements, to investigate whether changes were necessary in the Uniform Bill of Lading recommended by the Commission in June, 1908. This recommended form has been generally accepted by carriers in Official and Western Classification Territory, but has not been adopted to any great extent by the carriers in Southern Classification Territory. Representatives of the carriers and shippers from all sections were present at the hearing and your committee was represented by Mr. Paton as

Counsel. One chief object of the investigation was to ascertain whether the provisions of the so-called Revised Standard Order Bill of Lading, used by the Southern carriers, could be harmonized with the uniform bill; another to consider suggestions made by the shippers as to changes desired in the conditions on the back of the bill. There were a number of changes suggested in such conditions and in these changes the bankers were not primarily concerned; but it was also urged by the Southern carriers that a clause on the face of the Revised Standard Order bill making the bill assignable, but limiting its negotiability to the extent solely of carrying into effect the surrender clause, be incorporated in the uniform bill. This was opposed by the Counsel for our committee, who contended that negotiability should be regulated by the law and not by contract, and further that the clause would take away many of the attributes of negotiability which the Order bill now possesses under existing law, and thus destroy its negotiability as an instrument of credit. It is very unlikely that the Commission will make any such change.

#### Report of the Committee on Revision of the Constitution.

*To the President and Members of the American Bankers' Association, in Convention assembled:*

GENTLEMEN: The undersigned, a committee appointed by resolution of the General Convention of the American Bankers' Association at its last annual meeting at Detroit for the purpose of making a general revision of the Constitution of the Association, begs leave to present herewith a proposed revision of the Constitution by amendments, made in manner set forth in a draft of amendments to the Constitution and By-Laws, all of which has been duly published according to the provisions of the Constitution, and notice given as therein required, and which is herewith submitted.

The Committee has given careful attention to the features of the existing organic law and have endeavored to study thoroughly the general condition of the Association in all its phases, in order to correct, in so far as possible, those features of the present Constitution and By-Laws, which, either by reason of the growth of the Association, the uncertainty of expression or inefficient methods, seem to work adversely to the best interests of the Association.

It should be remembered that the present Constitution is a growth covering the entire period of the existence of the organization. Seldom has a year passed that did not bring with it numerous efforts at amendment, many of which, instead of simplifying, increased the confusion. The original draft was hurriedly prepared, and with little knowledge of the requirements it would be called upon to meet, and all subsequent amendments became necessarily attempts to correct some particular evil either of construction, failure to provide or of developed weakness, and were attached to the original draft, wherever it was thought best. The natural consequence was that the document became more and more vague and uncertain, and because of lack of provision, and apparently antagonistic features, became almost impossible of lucid interpretation. The design of this Committee has been to endeavor to preserve the good of the present law, to improve by conservative additions or changes in important features and above all to make the document as nearly as possible a logical instrument, readily intelligible, and one wherein any subject could be easily found in its logical place.

In the revision submitted, the "Declaration" and Article 1 remain unchanged, but thereafter the entire instrument will be subject to changes. Many clauses and sections of the present instrument are retained virtually in their entirety, but in order to have them appear in their logical order in the instrument are placed in new position.

In the revision proposed the committee endeavor to cover the following subjects:

First—Membership and all the incidents thereto.

Second—The General Convention as the supreme authority of the Association, its organization, qualifications of its delegates, and election of its officers.

Third—The officers of the Association, their terms, powers, and duties.

Fourth—The Executive Council, its organization, qualifications, and elections of its members, its authority, and duties; its officers and their duties, and the organization, membership, and duties of its committee.

Fifth—General Convention committees and their creation, terms of office, powers, and duties.

Sixth—Sections and their authorization and a provision by By-Law for the extension of their number and their control.

Seventh—The method of amendment of the Constitution, practically remaining as heretofore.

Eighth—Such By-Laws as are necessary to carry into effect the provisions of the Constitution as amended.

This outlines the plan of the proposed revision. The committee desires to indicate to the convention the prominent features of change in the proposed revision as compared with the present instrument.

First—Membership. Membership qualifications remain practically the same as heretofore with the exception that members outside of the jurisdiction of the United States are made asso-

ciate members with all privileges except that of protection and voting, and that Branch Banks now holding partial membership are made full members, thereby giving definite status to over three hundred institutions now classed as members.

Second—The General Convention. The supreme authority is vested in the General Convention. Provision is made for annual sessions and special sessions of the General Convention. Provision is made for the election of a President and Vice-President of the Association and State Vice-President.

Third—The duties of the President and Vice-President and State Vice-Presidents are set forth. State Vice-Presidents are elected by members of this Association in the different States; are not merely nominated by such Associations as heretofore.

Fourth—The Executive Council. (a) The members of the Executive Council are elected by members of this Association in the different States and not as heretofore merely nominated by those organizations. The Council is composed of members elected by the members of the Association in the various States, Groups, and the District of Columbia, and of the President of the Association, Vice-President of the Association, ex-presidents of the Association for a period of three years immediately after the expiration of their terms of office as President, and the Presidents of the Sections ex officio.

Your Committee has been strongly of the opinion that the Executive Council should be as nearly as possible an absolutely representative body, each member representing an actual constituency and thereby becoming responsible to an integral portion of the membership of the Association for his action as a member of the Council. For several years the different Sections have been given a large representation in the Council. The Committee has as far as possible modified this official membership of the Council, and while granting recognition to the Sections, have endeavored to keep the Council as nearly as possible a body of representatives of the general membership of the Association.

(b) The revision provides that the President of the Association shall be chairman of the Executive Council and that in his absence the Executive Council shall elect one of its members as chairman pro tem.

(c) The revision proposes two classes of Council Committees, Permanent Council Committees and Special Council Committees. It further proposes the organization of Permanent Council Committees as follows:

The Committee on Law.

The Committee on Federal Legislation.

The Committee on Membership.

The Administrative Committee.

The Finance Committee.

The Protective Committee.

It provides further that all permanent Council Committees shall be elected by the Executive Council from their own membership in classes in each committee of one, two, and three year terms. The Council at its first meeting after the adoption of the Constitution to organize these committees by such elections for such terms, and yearly thereafter to elect to each of such committees one-third of its membership for a three-year term. Such committees to elect their own chairman. The Special Council committees to be either elected or appointed as the Council may direct. Wide authority is given to the Council in the matter of the supervision of expenditures, extending to the control of all officers and of all subordinates as to expenditures, or salaries, or compensations, and extends to the control of the finances of the Sections.

(d) The Finance Committee is changed in its composition in this respect. The revision provides that it shall consist of three members of the Council of the one-year class, three members of the two-year class, and three members of the three-year class, together with the Vice-President and Treasurer of the Association, the Vice-President to be Chairman of the Finance Committee. The restriction upon appropriations and expenditures remain approximately the same, but possibly more stringent. The result of the revision may require the adoption by the Council of standing rules for the direction and control of the Finance Committee.

(e) The Protective Committee is appointed by the President of the Association as Chairman of the Executive Council from the three classes of the Council, and as now their names remain unknown.

Fifth—(a) General Convention Committees are of three kinds, Standing Committees, Session Committees, and Special Committees. Standing Committees are appointed either by the Convention or by the President as may be ordered in classes of one, two, and three years' service, and at each Convention the vacancies from the expiration of term are filled by appointments for a term of three years, and other vacancies from the class in which the vacancy occurs. It also provides that no member of the Association shall be a member of more than one standing committee at the same time. It also provides that no member whose term has expired shall immediately be reappointed upon such committee except by the unanimous vote of the Convention. Session and Special Committees, whether appointed for the pending work of the Convention or for work during the interim between Conventions, shall be appointed by the President unless otherwise ordered, and the first class shall expire with the Con-

vention and the second class shall expire at the succeeding Convention, unless especially continued by the act of the General Convention.

(b) In order that the organization of committees and the continuance or discharge may not be overlooked, and in order that the records may be certain, the revision provides that a special order of business entitled Committees and Committee Membership shall be placed on the programme at the annual session of the General Convention, under which order all committees shall be listed, and being taken up in their order, shall be discharged, continued, vacancies filled, or changes made as to the Convention may seem proper.

(c) The Currency Commission is treated as a special creation of the Association and is created with provisions for the continuance of its membership, and it is especially provided that it shall not be subject to the rules enacted for the control and membership of the General Convention Committee, the purpose of this being to recreate the present commission as to the general membership thereof, and to provide that that portion which has been heretofore selected from the membership of the Executive Council may be selected from the general membership, and further, to cure the indefiniteness and uncertainty which for some time has surrounded the appointments to membership of this Commission. It would be a grave error at this juncture to change the general membership portion of this Commission, and this is not contemplated in this revision, and as to such general membership, the adoption of this revision imposes upon the Executive Council the obligation for their continuance.

(d) The Nominating Committee is to be elected by members of this Association in the different States and receive their authority from their Association.

Sixth—Sections are authorized to be established and regulated by By-Law, and in this connection a By-Law is proposed which authorizes the establishment by the Council of two additional Sections, viz.: A National Bank Section and a State Bank Section. In this connection it is provided that any member may become a member of any one of the established Sections. It is also provided that Sections shall be under the control of the Executive Council, that the Executive Council as heretofore may make reasonable financial provision for the needs of the Sections, and shall also control the disbursement of any funds so provided.

Seventh—The revision also makes provision for the introduction of original resolutions under the proper order in the proceedings of the Convention, without reference for the approval or disapproval of the Executive Council. This is supplemental to the ordinary rules of submitting such resolutions to the Executive Council for approval or disapproval. This provision is introduced under the restrictions of "the question of consideration," and it is provided that when a resolution is offered under the appropriate order the presiding officer shall without debate submit the following question to the Convention: "Shall the resolution be considered by the Convention?" A vote is immediately taken, and if the question is determined in the affirmative, the resolution will be in regular order, otherwise the Convention will pass to the next matter of business. The further provision as now contained that the proceedings under this Section shall not apply to amendments to the Constitution, still remains.

The By-Laws as proposed fix dues for all classes of members.

The Fourth and all subsequent Articles of the present By-Laws are stricken out and new By-Laws are inserted.

The Fourth By-Law as now proposed provides for the election of members of the Executive Council.

In States having less than one hundred members, a Group system is provided and Groups constructed for the purpose of the election of members of the Executive Council.

The new Fifth By-Law provides for the election of State Vice-Presidents and members of the Nominating Committee.

The proposed Sixth By-Law confirms Sections now existing and authorizes the creation under the Constitutional provision of a National Bank Section and a State Bank Section, and provides that they may be established by the Executive Council.

There are many omissions in the present Constitution, some important and others of no great moment, which still, however, need attention to avoid conflicts in emergency. A few may be cited to illustrate.

There is no adequate provision for the organization of the Annual Convention. There is no provision made for the establishment of the office of President, and there is nowhere a statement of the duties of the President. There is no provision fixing his term of office or providing for the time of his assuming his official duties. The same things are true in all respects as to the office of Vice-President, in consequence of which there is no provision for his becoming President in the event of the death, resignation, or disability of the President. All these things may be supplied by inference, and in the history of the Association the ordinary and usual powers and duties have been imputed to these officers, but if at any time a conflict arose, the present conditions would be found exceedingly embarrassing. All other officers actively engaged in the administration of the affairs of the Association are officers of the Executive Council, with duties specified, covering the ordinary and usual duties of officers of the General Convention. This condition, while un-

usual and even extraordinary, perhaps has much of merit and it was not deemed wise to make any change in this respect.

In the performance of its duties the committee has given careful consideration to the widest views that may be entertained by any portion of the membership. The committee is thoroughly impressed with the impossibility that an annual meeting of membership should be a deliberative body. The great numbers assembled, the lack of information as to any subject that may be presented, the lack of time to properly elucidate any subject under discussion, the inclination to hurriedly dispose of business, the continuing distractions of entertainment and sight-seeing, and the prejudices, ambitions, and disappointments incident to the conduct of a great body, all unite to minimize the value of such an assembly for deliberative work; and again, under the most favorable circumstances there are never assembled in Convention more than one-third of the membership, and consequently any legislation is the legislation of a small minority of the general body.

The Committee begs to say that it has been mindful of the volume of discontent that has been voiced in speech, and reiterated in letter, and in many instances with great reason, and further presents that a close examination of the proposed amendments will demonstrate that a consistent and dignified effort has been made to abate many real ills and uncover some that were imaginary. It is hoped that a fair trial of the new methods will banish all cause for complaint and relieve this Association from some standing causes of complaint. But the true source of reform lies in the dignity of the membership. Reforms enacted merely sharpen the wits of the schemer to find the way to evade. No written rule will withstand the devious arts of the "seeker." The remedy may be pointed out, but it is only the vigilance of the membership that will maintain the dignity of this great body. To those, therefore, who are conscious of the existence of a wrong, there is also present the knowledge that the power lies in them to remedy the wrong.

No reforms can be made or adopted without temporarily at least causing a spirit of antagonism. Individual interests and imaginary interests of larger bodies practically lead to unmerited antagonism, so at this late hour we observe an attempt at an organized opposition to one of the leading features of reform in the proposed draft. A full understanding will make it manifest that the committee has yielded much, indeed has departed far from their original plan of absolute representation in endeavoring to placate one single branch of the Association, and having tendered a compromise, some members of a Section have now determined that the tender is insufficient, and it is publicly proclaimed that war is to be made upon the proposed reform by gentlemen who believe the draft injures the usefulness of their Section. This Committee believes that a very short and fair examination of all the circumstances will demonstrate that the tender of representation is eminently fair to those who seek it, and perhaps unjust only to the general body of the Association.

With the hope that the draft may be adopted in its entirety and thus have an effort of demonstrating its efficiency or inefficiency, on the one hand, and with the preference to have the entire draft shelved rather than have the whole principle mutilated by misfit amendments, the Committee respectfully herewith submits for your action the above amendments for the revision of the Constitution.

W. J. BAILEY,  
O. E. DUNLAP,  
C. H. MCNIDER,  
GORDON JONES,  
SOL. WEXLER,  
R. E. JAMES, *Chairman.*

#### Report of Committee on Fidelity Bonds and Burglary Insurance, by Oliver J. Sands, Chairman.

To the American Bankers' Association, Boston, Mass.:

GENTLEMEN: Your Committee on Fidelity Bonds and Burglary Insurance, appointed early in this year, held its first meeting in May, at which meeting it was realized that the assistance of a trained surety and insurance man was needed. The committee was fortunate in securing as secretary the services of an expert in this line of work, and whatever has been accomplished by this committee is largely due to the services rendered by him.

On account of the small amount of money at the disposal of the committee, and the limited time in which to work before this Convention, it was recognized that it would be impossible to cover the entire field of activity. Therefore, the committee decided that the best result would be obtained by a diligent application to one subject at this time, and not by an attempt to cover superficially all matters pertaining to burglary insurance and surety bonds as relating to members of this Association.

A burglary policy had been adopted and copyrighted in December, 1911, by the Association. This policy had received the attention of previous insurance committees, and its adoption was of recent date. While your committee feels that this policy could and should be improved and revised, it was thought of more pressing moment to devote first attention to the question of fidelity bonds.

#### FIDELITY BONDS.

The copyrighted form of fidelity bond adopted by the Association is fourteen years old and decidedly antiquated. Your committee has obtained reports from the secretaries of most of the State Associations showing that the old copyrighted form of bond is widely used by the members of the Association. Contested claims have grown out of faulty conditions in this bond.

An examination into the details of as many contested cases under this form of bond and other forms provided by the surety companies as your committee has been able to collect up to this time, has indicated almost without exception faulty or dangerous conditions in the several bond contracts now in use. After considering the various forms of bonds offered by the surety companies, together with the Association's copyrighted form, and studying the effect of the conditions contained therein upon contested cases, your committee has adopted and copyrighted a new form of bond, a copy of which is attached to this report, the same having been compiled by the committee with the able assistance of the Association's General Counsel. Every member of this Association is urged to consider carefully the conditions of this bond, to the end that it may be not only adopted by the Association, but used by the banks constituting its membership.

The first change in this bond to which your committee calls your attention is a description of the insuring company as INSURER, instead of surety, and a description of the protection as INSURANCE, instead of suretyship. Surety bonds and burglary insurance are new, compared to other forms of insurance. The various States have enacted laws from time to time governing the conduct of the insurance business, limiting the opportunity of insurance companies to escape paying claims and safeguarding the rights of the insured. Because of the comparatively recent growth of the burglary and surety business, State laws in respect thereto have not kept the pace, as in other insurance matters. Therefore, in many contested cases the holder of the surety bond has found himself at a disadvantage by reason of his inability to obtain an application of all the insurance laws of his State to the surety bond. The form offered by your committee is a contract of insurance, and immediately brings the insuring company within the limitations of the insurance laws of the respective States.

Your committee finds a large percentage of the contested cases under surety bonds has grown out of the inadvertent misrepresentation of the applying banks as to the status of the accounts of its employees and officers, and as to the completeness of audits. The record of case after case has been obtained, showing that litigation under bond protection has grown out of this one condition, and in one case at least, the failure of the surety to pay caused the appointment of receivers for the bank. Prompt settlement of large losses, particularly in the case of the smaller banks, is oftentimes absolutely necessary, and your committee cannot too strongly emphasize the need of safeguards not provided in the Association's bond copyrighted in 1899. The bond copyrighted by your committee provides that no preliminary application is necessary, and specifically states that no statement of facts in any application or other outside writing which might be claimed to be an inducement for making this bond shall be allowed in any way to affect its validity.

There are other advantages in this bond which might be discussed, but in order that this report may not be made too lengthy, we desire to say briefly that the bond is a very clear, safe contract compiled from the experience and study of both surety and legal experts, and has the fullest indorsement of this committee. Your committee recommends that a short description of this bond be prepared, pointing out its advantages, and applying the defects in various contested cases to the several conditions of this bond, and the same, together with a copy of the bond, be forwarded to every bank member of this Association.

#### RATES.

This is a question that has received the careful consideration of your committee. It is not proposed to ask the surety companies to handle any class of risks except at a fair profit to the surety companies, but your committee is convinced that the rates on fidelity bonds and burglary insurance may be materially reduced and leave a fair margin of profit to the surety companies writing the policies. For instance, the Bankers' Deposit Guaranty & Surety Company, of Topeka, Kan., owned exclusively by Kansas bankers, and restricting its territory to Kansas and its hazards to banking hazards, is writing fidelity bonds covering the honesty of officers and employees of the banks for \$1.80 per \$1,000, against \$2.50 per \$1,000 generally charged by surety companies, and depository bonds at \$2.50 per \$1,000, against \$5 per \$1,000 charged by the surety companies. The net income of the Kansas company for the first six months in 1913 is more than 15 per cent. per annum on its entire capital stock. Again, the State Bankers' Associations in a number of States, among them being Georgia, Iowa, Indiana, Illinois, and North Dakota, have established Insurance Departments through which a large volume of business of the banks in their respective States is being handled, and almost without exception their experience, shows a sufficiently wide margin of profit to the surety companies to warrant a material reduction in rates. Reports filed by the surety companies with the Insurance Commissioners of the various States do not separate bank business from other business of the same class, but these reports indicate that the general class in which bank business is included is more profitable to the surety companies than other classes, such as contractors' bonds, bail bonds, bonds of attachment, appeal, replevin, etc. The surety companies are organized into an Association principally for the purpose of maintenance of rates. Through this Association reinsurance agreements are perfected, a general policy for the conduct of business outlined and other co-operative results obtained. Obviously, it is wise that the American Bankers' Association meet this organization of the surety companies in a systematic and intelligent fashion. The Association of Surety Companies for the maintenance of rates does not preclude a proper reduction where the facts warrant. For instance, the United States Government, by reason of the large volume of bond insurance on its employees, is able not only to obtain a much lower rate than the banks on classes of business of the same hazard, but also to require the surety companies to attach a rider to their bonds certifying that the rate charged is not more than a given per cent. greater than that charged at a given date previous. Also, the Government provides its own form of bond in every case, and requires the surety companies to use the same if they write the business. The same general comments are not applicable to burglary insurance, for the reason that the rates are determined by the make, age, and condition of the safe or vault; the surrounding conditions; the population of the town; the police protection, etc. Your committee submits that this whole question of rate is susceptible of improvement if approached by some properly authorized body, such as the Insurance Committee of this Association.

#### BURGLARY INSURANCE.

As previously stated in this report, your committee finds a form of burglary policy copyrighted by the Association December 26, 1911, and by reason of its recent adoption, has given its first attention to the subject of fidelity bonds. There are a number of changes which your committee thinks should be made in the Association's copyrighted policy, and we recommend that a study of the subject be continued, looking toward an improvement of the policy. We further recommend a continued investigation into the present schedule of rates applying to the various makes of safes and additional charges due to surrounding conditions, looking toward a reduction in the cost to the banks.

#### ADJUSTMENT OF LOSSES.

Your committee has asked for a statement of particulars wherever a cast of contested claim, either under surety bond or burglary insurance, has come to its notice, and we are of the opinion that a series of reports from this committee to the banks of this Association should be inaugurated for the purpose of assisting the banks to avoid applications, or insurance contracts, or other conditions that endanger the collection of their claims. It is a fact that a majority of suits would have been avoided if proper precaution had been observed in the selection of the insurance contract and the method of obtaining same. Again, while your committee does not believe that the surety companies, as a rule, are disposed to attempt improper settlements, there

are many cases of settlement that are apparently unfair, and which your committee wishes to investigate and report upon. We recommend that all of the members of this Association be requested to file with your committee the particulars as to any contested case that may have come within their experience, so that through the reports of this committee the various banks may have the benefit of the experience, together with the comments of the committee thereon.

#### LICENSE TO USE ASSOCIATION'S COPYRIGHTED FORMS.

This is a question which has been held for some time, and comes to your committee as a heritage from previous committees. The question to be determined was whether the use of the Association's copyrighted forms should be permitted for others than members of the Association, and whether the surety companies should be permitted to attach any indorsements or riders changing any part of the copyrighted forms. Your General Counsel furnishes a report from the Insurance Commissioners of seventeen States declaring a restriction of the use of the copyrighted forms to Association members only, to be an unlawful discrimination. The Insurance Commissioners of twenty-two other States either admit no discrimination or are in doubt. Your committee has, therefore, directed its secretary to issue license to the surety companies permitting the use of copyrighted forms for all banks, but recommends that the surety companies be requested to furnish the Association with the names of non-members using the copyrighted forms, so that some steps may be taken looking toward securing their membership in the Association.

With reference to permitting the surety companies to attach riders or indorsements changing any part of the copyrighted forms, your committee does not consider this permission a wise one. On the other hand, it is desired to give the banks the benefit of using any part of the copyrighted forms as the banks may demand, but in the event that change of any nature is made, the name of the Association shall be eliminated from the policy. This question has arisen principally out of the present restrictions in the Association's copyrighted burglary policy, which restrictions your committee believes can be eliminated in a new and improved form, after which the use of the copyrighted forms should be permitted only in their entirety.

#### MISCELLANEOUS.

Your committee recognizes a wide field for continuing work under the lines above recited, and along such new lines as conditions may from time to time warrant. A column in the Monthly Bulletin could be used by this committee to great advantage. Inquiries directed to this committee by any bank upon any insurance matter could be promptly and intelligently discussed. Some attention to reform through legislative action could be considered. The establishment of closer relations with the Insurance Departments of various State Bankers' Associations would be productive of good results.

Your committee gratefully acknowledges the most efficient co-operation and assistance furnished by Mr. Thomas B. Paton, the Association's General Counsel, and the great services rendered by Mr. B. A. Ruffin, the secretary of the committee.

In conclusion, your committee wishes to emphasize the need of continuing this work, and it is believed that its field of usefulness is second only, and perhaps equal to that of the Protective Department of the Association, and the committee recommends that a sufficient sum be appropriated to provide for the continuance of the work, including the employment of an able man to act as secretary of the committee, and to pay the expenses of his office.

Very respectfully yours,

Signed

H. P. BECKWITH,  
O. E. DUNLAP,  
OLIVER J. SANDS,

Chairman.

#### Report of the Library and Reference Department.

It is the function of the Library and Reference Department to secure and supply information on banking subjects wanted by members of the Association.

The requests received cover every phase of practical banking from Acceptances to Zone Systems, and they come from country bankers, city bankers, from bank clerks and bank directors, Association secretaries and business men. A morning's mail may bring requests from bankers in as many different States for information on subjects as widely different as branch banking, days of grace, employees' pension funds, overdrafts, reserves, credit statements, and real estate loans. The letters may come from a banker who is to make an address before his State convention, from another who wants pictures from which to select a design for a new bank building, or from an enterprising country bank cashier who wants specimens of bank advertising which will suggest ways of increasing the deposits of his bank.

While this material is being looked up and prepared for mailing, perhaps a reporter comes from one of the financial papers for the picture and biography of some well-known banker, to find out what States have blue-sky laws, or what bankers are doing in agricultural extension. The answering of this question may be interrupted by a telephone call from a New York City banker asking for the total amount of deposits in national banks, or by a messenger from a banker in a near-by New Jersey town who has sent over for something on commercial paper. A young bank clerk may take advantage of the noon hour to come in and consult the Library's reference books, or to secure material for a debate on some banking subject.

Special collections on Trust Company, Savings Bank and Clearing House subjects are made for the use of Section secretaries, and whether a question be as general as "the value of co-operation," or as specific as "a good system for handling passbooks," the Library must be prepared either to furnish the desired information or to suggest where it may be found.

Four thousand eight hundred additions were made during the year to the Traveling Loan Collection of pamphlets, mounted clippings, addresses, etc., on subjects related to banking. Much of this material was secured as a result of letters requesting banks to send to the Library the financial publications which they have formerly destroyed when discarded. Specimen bank advertisements and 2,200 pictures of banks and bankers have also been added to the files.

To the Reference collection of books on banking, association proceedings, government documents, statistical manuals, and bound financial periodicals, 300 volumes were added during the year. Of the 1,800 volumes now in the Library, 1,435 have been added since its organization, and but 48 of these have been purchased. All other additions have been gifts, exchanges, or permanent loans. It is hoped, therefore, that a separate book fund or a larger annual appropriation may be made to provide for the purchase of certain standard reference works and books on banking which the Library still lacks. The books in the Reference collection have been indexed on cards by the subjects of the addresses, articles, and statistics which they contain. Four thousand new entries have been added to the card catalogue this year.

A special feature of the year's work has been the collection of practically all available pamphlets and addresses, with thousands of press clipping comments, on the currency question.

To the Library's very complete record of Currency Reform, dating from the nineties, was recently added the gift of a set of the Sound Currency publications of the New York Reform Club. Material on the proposed Federal Reserve bill is being consulted daily at the Library by bankers and others. Many loans of material on the Aldrich plan were also made during the period of its discussion. Efforts will be continued to make the Association's currency collection as complete as possible.

As a result of the growing use of the Library by Association members, more than 2,400 pieces of reference material have been loaned during the year to bankers in thirty-seven different States, in Canada and Hawaii, in addition to the inquiries answered by telephone, by mail, and at the Library.

MARIAN R. GLENN,  
Librarian.

# Detailed Report of Proceedings.

THIRTY-NINTH ANNUAL CONVENTION, HELD AT BOSTON, OCT. 7, TO OCT. 9, 1913.

## FIRST DAY'S PROCEEDINGS.

### MORNING SESSION.

Wednesday, October 8, 1913.

ARTHUR REYNOLDS, Acting President, presiding.

ARTHUR REYNOLDS: Gentlemen, we are considerably past the time when we had hoped to open this Convention, and I take the liberty of calling you to order.

The first item on the program this morning is an invocation by Rev. Dr. Gordon, pastor of the Old South Church, of this city.

### INVOCATION.

REV. DR. GEORGE A. GORDON, pastor of the Old South Church, Boston:

Almighty God, ruler of the universe, maker of the world, father of mankind, the earth is Thine and the fullness thereof, the world and they that dwell therein.

Thou hast founded upon the seas and established it upon the floods. We thank Thee, our Father, for the bounty of the world, for those who till and mature it, for the needy and worthy multitudes who live upon its harvests.

We thank Thee for the great profession here represented, mediators of the wealth of the Republic. Give them a new sense of the dignity and the indispensableness of their calling. Give them that self-respect without which no man can be great or honest, and, as in the years that are gone they have stood for as much of the credit and character and strength of the Republic, make them more and more stand for these imperishable things. Bless them in their deliberations. May they wisely conclude and influentially express their thoughts. May all their doings be begun and continued and ended in an august sense of responsibility to Thee.

We offer our prayer in the great and sacred name of Jesus Christ, our Lord. Amen.

CHAIRMAN REYNOLDS: I take pleasure in introducing to the Convention Thomas P. Beal, President of the Boston Clearing-House, who will welcome us to this city.

### Address of Welcome, by Thomas P. Beal of Boston.

(President of the Second National Bank, President of the Boston Clearing House, and Chairman of the Executive Committee for the Convention.)

Members of the American Bankers' Association, Delegates and Guests:

LADIES AND GENTLEMEN: In behalf of the banking interests of Boston it is my privilege to welcome you to this city on the occasion of the Thirty-ninth Meeting of the American Bankers' Association. Almost all of us have enjoyed your generous hospitality in many of the cities of the Union, and it is a great pleasure to us to try to show our appreciation of the courtesies so often extended to us.

We welcome you to the consideration of the business to be brought before us, so important at this time and calling for our most sober and mature judgment, yet equally calling upon us to speak up in no uncertain tone for what we honestly and firmly believe to be not only for our own best interests but for the interests of all the country and all its people. We welcome you also to the various entertainments provided for you, trusting to maintain even in them Boston's reputation for common sense and yet showing that we know how to play as well as work.

We welcome you to all the varied program of the week and only trust that you may leave us feeling that we have done our best to prove to you that we are all bankers of a COMMON COUNTRY which we all love.

### Response to Address of Welcome, by Arthur Reynolds, Acting President.

Mr. President of the Boston Clearing House Association, Mr. Mayor, Ladies and Gentlemen:

I am sure that I voice the sentiments of every one present when on behalf of the members of this Association I express to you their deep appreciation, not only for the invitation which was so generously extended by the Boston Clearing House Association for this meeting in its home city, but also for this splendid reception and hearty welcome.

We acknowledge with equal pleasure the hospitality and welcome extended us by the citizens through Mayor Fitzgerald.

We look forward in pleasant anticipation to your entertainment in this renowned city whose history abounds with so many traditions that appeal to the pride of all.

We feel it an honor, indeed, to have Boston so graciously extend the cordial hand of welcome, and shall long remember this occasion as one that unites us all more closely in the bond of American citizenship.

CHAIRMAN REYNOLDS: I take pleasure in next introducing to the convention the Mayor of Boston, John F. Fitzgerald, who will welcome us on behalf of the municipality.

### Address of Welcome, by John F. Fitzgerald, Mayor of the City of Boston.

Mr. Chairman and Gentleman of the Convention:

I join very heartily with the representatives of the Boston banking interests in welcoming you to this splendid city of ours and to express the hope that your deliberations here will be most successful, not only to the interests that you represent, but as widely beneficial to the hundred millions of people of the United States who are looking with interest to everything that will be done by this body at this particular historic time in the banking life of the city.

Mr. Beal said to me last night that I should be on hand here at half past nine this morning, and though I left here at half past two this morning and there were some hundreds of bankers here at that hour in the embrace of the waltz and the two step and the one step, I came here this morning with the expectancy that you would all be present and would be able to stand up against the hospitality of our city the first day or two; but Mr. Beal said: Oh, we'll just have to let the boys sleep it out a little longer; and so Dr. Gordon kept his prayer and I held on to this speech of mine until we got rather a respectable audience, because while it would have been perfectly proper for the bankers to have listened to the address of the Mayor it would have been quite improper to have asked Dr. Gordon to deliver his invocation before empty benches.

I am glad that you have survived the second night of Boston's hospitality, and that you are able to be here at the opening of the convention, and to say that I think that the next few Gays and the next few nights will be just as strenuous, and I trust that when you go back to your busy hives of industry in the West and in the South and in the North you will think that we here are rather a busy burg. The ball last night, I am told, was the biggest and the best and the busiest ball—that is, four Bs, you see—ever given by the banker, and I saw in this morning's paper that the Boston ball game was won by Barry and Bender and Baker—three more Bs—and this convention is being largely run by members of the Beal family [laughter and applause]; Beal the father, and Beal the son. Then from what I have heard discussed here, you gentlemen are very much interested in the economic thoughts and the banking ability of Bill Bryan [laughter].

So this is a great day for the B's in this bigger and better and busier Boston. [Applause.]

The President of the United States has been rather mean in some ways in regard to the weather here. We don't control the elements. We did suppose that you gentlemen would pray hard enough before you left your homes so that we might have the benefit of good weather when you got here, and then we did think that there were a sufficient number of Democrats in banking lines to have some influence with the press so that we would be sure to get good weather. However, that seems now rather doubtful. I called up the President yesterday morning and told him about conditions here, and he said: "Mr. Mayor, I am very sorry that this has occurred, and I will do the best I can to show my appreciation of the banking fraternity of the country, and of the Boston bankers particularly." So he proceeded to send in the name of another man whose last name begins with B as the nominee for an important office—he sent in Edmund Billings to be Collector of the Port of Boston. Next year, if you honor this city with your presence, Mr. Billings, the bankers will be on the job to see that these Northeast storms and fogs, which have come from somewhere—and let me tell you that it is the first time in twenty-five years that we have not had perfect weather at this season in Boston—Mr. Beal knows that, because he spent many sleepless nights going over the weather bureau reports. And there is another B, Brockton. Brockton is famous as the seat of a county fair. Some of you know that they have good fairs out in the West. I was in the West a few days ago, and at Springfield, Ill., I saw it advertised, that they were going to have a big fair there and they expected to have 3,000,000 people in attendance. Now, at Brockton they have a good fair, and the records show that we have pretty generally had perfect weather for the first week in October.

So, in addition to the immense amount of money that you

have brought with you to Boston on this occasion, you have brought something with you that we didn't expect and we are going to try and dispel it, and, I think, after to-day, there will be sunshine in the town. If there isn't I will call up the President again and perhaps he will send in another nomination like that of Billings. [Applause.]

In welcoming the American Bankers' Association to Boston I find an official duty of particular pleasure. As a meeting place for this Convention the selection of Boston was most appropriate. Boston has long enjoyed distinction as a banking center of first importance, and has been the pioneer in the development of the great natural wealth and resources of our country. The history of Boston banking is a tale of the generous and courageous placing of capital, of inventive genius fostered and aided, of bold adventure in new fields of investment. Boston might, with justice, claim to have been the nurse of American industries when these present day giants were yet in their infancy.

Yet bold and venturesome as have been her essays into far fields of commerce and industry, there was always present those saving qualities of conservatism and Yankee shrewdness. The men whose foresight and courage made Boston capital so potent a factor in the building of the West and the development of the Southwest are they whose names are linked with the story of American commerce; with the history of the great railroad systems of the country; with the development of the copper mines and industries of the Northwest; with the story of the telephone and with the beginning and growth of our great textile industries.

Nor is the story of the achievements of Boston's bankers and financial leaders a story of the past alone. Those same qualities which made Boston famous as a banking center were in evidence during the serious business depression of 1907 and 1908. During that critical period the soundness of Boston's banking policy and the sagacity and forethought of her bankers were unmistakably demonstrated. At a time when hardly another city in the country had banking resources or stability to meet at all times the demands against its banking institutions, not one Boston bank called for assistance. Nor was there ever a moment during that time when the financial soundness of Boston's banking institutions was even remotely touched by the shadow of suspicion.

In bidding you welcome to this city of ours, I extend her greetings to you, not as the citizens of other communities, but as Americans. I offer to you the hospitality of a Boston, which, in everything that has made our country great, is as much your pride as mine. No city in the country, perhaps, occupies a higher place in our history. None is richer in tradition; none more hopeful, more keenly alive to the possibilities of the future; and none more fully exemplifying the thought of James Russell Lowell which he expressed in the line:

"With room around her hearths for all mankind."

Speaking from this standpoint, as Mayor of this city, I hope that your deliberations may be fraught with wisdom and honor to yourself and benefit to the hundred millions of people who are looking to you for suggestion and action upon this important reform.

#### Annual Address of the Acting President, by Arthur Reynolds, Des Moines, Ia.

MR. PRESIDENT OF THE BOSTON CLEARING HOUSE ASSOCIATION:

MR. MAYOR, LADIES AND GENTLEMAN: I am sure that I voice the sentiments of every one present when, on behalf of the members of this Association, I express to you their deep appreciation, not only for the invitation which was so generously extended by the Boston Clearing House Association for this meeting in its home city, but also for this splendid reception and hearty welcome.

We acknowledge with equal pleasure the hospitality and welcome extended us by the citizens of Boston through Mayor Fitzgerald.

We look forward in pleasant anticipation to your entertainment in this renowned city whose history abounds with so many traditions that appeal to the pride of all.

We feel it an honor, indeed, to have Boston so graciously extend the cordial hand of welcome, and shall long remember this occasion as one that unites us all more closely in the bond of American citizenship.

I stand to-day in a position that no officer in this great organization of ours has ever been called upon to fill. For the first time in the history of the American Bankers' Association its chosen leader and President has during his term of office been called upon to take his place in the ranks of those who have gone to their reward. It seems to me that the passing of Charles H. Huttig was untimely for one so energetic, courageous and successful, but we bow to the wisdom of that great Ruler of the Universe—the leader of all men—"But, oh! for the touch of a vanished hand and the sound of a voice that is still." Long will we hold in reverence the memory of our dear friend and wise counsellor. Long will his name stand conspicuous among us as a man who was beloved by all who knew him, and the attainment of whose highest ambition was desired only for the good of his fellowmen.

So I am called upon to-day to represent as best I can "Your President," and in so doing I feel not a little trepidation, and I ask your indulgence and co-operation. I feel also that as no man can voice the sentiments and suggestions that would have been offered by "Your President" for the welfare and development of our Association, I should confine myself largely to a resume of the work done by the Association during the past year.

This has been a year of apprehension on the part of financial institutions. A change in the government administration has introduced

new policies and new legislation, which in themselves have been disturbing factors, and coupled with an unsatisfactory foreign situation, created unrest and uncertainty in the earlier part of the year, but the conservative management of our financial institutions and the wise co-operation of the Secretary of the Treasury, together with reasonably favorable crop conditions in most parts of the country, and such liquidations as must come from time to time to prevent undue inflation, has restored confidence, which has produced a more stable condition in business.

Assembled as we are in the extreme eastern part of our great country, we are, indeed, to be congratulated upon the large attendance of bankers from all sections of the country, again demonstrating that our gatherings year after year more closely bind us together by ties of friendship and co-operation for the common good of all. This has been a vital force in the development of banking in the United States. Bankers generally recognize the importance of lending their influence in our organization and their presence at our annual conventions. I sincerely hope this, our Thirty-ninth Annual Meeting, will prove to be one of the most successful in our history.

#### MEMBERSHIP.

One of the elements of success in any large association is the growth of its membership. In this the American Bankers' Association has been particularly favored, even beyond the expectations of those most closely identified with its affairs. Its growth has been particularly rapid in recent years. September 1, 1912, our membership was 13,323, and on September 1, 1913, we had enrolled 14,100 members, making a net gain for the year of 777. In view of our very large membership heretofore, and the possible number who are eligible, this showing is indeed most gratifying.

The cash income of the Association has been increased over \$11,000 during the past year, and while for the past four years we have been compelled to show a deficit on account of the large expenditures for our Protective Department in 1909 before our contract was made with the W. J. Burns National Detective Agency, and notwithstanding that the greatly increased activities of the Association in all other lines have increased our expenses, the books of the Association on September 1, 1913, showed a cash balance of \$5,479.29 and all bills paid, which places the Association in a strong financial position.

#### PROTECTIVE DEPARTMENT.

The protective feature of the Association was unquestionably one of the things that called it into existence, and for many years exerted a wide influence upon its membership, as it does to-day; hence, it has been one of the chief objects of those in the management of the affairs of the Association to build up and perfect a protective department that would make the work of criminals so certain of punishment as to deter them in their operations against our members.

At no time in our history have we been in such a strong position. The results accomplished have demonstrated the wisdom of the establishment of our own Protective Department. Each case reported by a bank member receives prompt and personal attention. Here information against criminals is daily being collected for future reference by competent employees of the Association. This Department eliminates the necessity of the employment of any particular detective agency, and is in itself a potential factor. In addition, the W. J. Burns National Detective Agency, employed by the Association, has rendered valued and satisfactory service.

The activity of the Association in this Department in connection with its established policy of affording its members exceptional protection has proven wise and beneficial, as demonstrated by the large number of congratulatory letters that have been received from our members during the past year, and no complaints.

The efforts of our Secret Standing Protective Committee, who for the past four years have so ably assisted in this work at the cost of both labor and time without compensation or publicity, are fully appreciated, and they are entitled to the thanks of the Association.

#### OUR GENERAL SECRETARY.

I have been identified somewhat closely with the work of our General Secretary from the time he first assumed his duties in this Association, and especially since I have been a member of the Administrative Committee, and without any desire to be fulsome in praise, I do not feel that his work in organizing, developing and handling the affairs of the Association has been of a high order, and he is entitled to his just share of credit. I have found him at all times energetic, painstaking and accommodating. The service to so large a membership carries with it great responsibilities, as well as possibilities for differences of opinion; hence, the occupant of such a position is entitled to the widest measure of consideration by the membership.

#### TRUST COMPANY SECTION, SAVINGS BANK SECTION, CLEARING HOUSE SECTION AND STATE SECRETARIES' SECTION.

I have followed with much interest the wonderful progress made by these large co-ordinate bodies of our Association, and much could be said of the undertakings in which they are engaged, but in view of the complete synopsis of the past year's work, which will be given you in their reports to this Convention, I do not deem it necessary to discuss them here.

These great Sections are a recognized force in all our undertakings, and operating as they do along lines in which their membership are particularly interested, with special time set apart for their meetings at our annual conventions, their work is well and favorably known to you all, and their continued success demonstrates the energy and ability with which their affairs are handled.

#### EXECUTIVE COUNCIL.

A large amount of detail work must necessarily be done by our Executive Council. Having served upon the Council in 1902 and again in 1911, and also in connection with the duties of the Administrative Committee, I want to compliment the Association upon a progress and development which I regard as highly satisfactory.

The present method of selecting members of the Council by State Associations has, in my opinion, elevated the character of membership in it, and instead of a hurried meeting of a few hours, in which little



or no business was transacted, we have to-day a strong body of men devoting at least two full days to an earnest discussion of the many vital questions before it. To-day a membership on the Council is one of the most distinguishing honors in the Association.

#### THE COMMITTEES OF THE ASSOCIATION.

It is recognized that in a large organization such as the Association is to-day it is impossible to accomplish much in the way of constructive work without delegating to smaller bodies than our annual convention many of the important undertakings of the Association. It has been recognized that the five great sections and the Executive Council have accomplished much in promoting the welfare of the Association, but it must not be forgotten that in addition to these there are a number of committees appointed for the more practical handling of the special subjects assigned to them.

The committee work in this great Association has been marked at all times by a sacrifice of individual time and effort by many of the ablest men in the country in their desire to promote the various lines of work in which the Association has been engaged. Such unselfish and loyal co-operation by the membership is not excelled in any organization, and it exerts a wide influence on the prosperity of our Association. Being familiar with the splendid work done by our committees, I feel the thanks of the Association is due them.

#### AMERICAN INSTITUTE OF BANKING SECTION.

The American Institute of Banking Section has long since come to be recognized as an important educational factor of the Association. The affairs of this Section have at all times been conscientiously and capably handled, and while the Association has been liberal in its aid, I feel that the results accomplished have been most gratifying and that the work of this Section is entitled to the sympathy and co-operation of our membership.

This Section has adhered strictly to its constitutional purpose of "instructing bankers in banking and maintaining a recognized standard of education by means of official examinations and the issuance of certificates of graduation." Social features seem to have been generally subordinated to systematic study and the Institute has grown to mean something more than personal association—however pleasant and profitable—in chapters and conventions. This policy insures quality rather than quantity of membership, in which there has, nevertheless, been a substantial increase, especially among country bank officers and employees. The Correspondence Chapter now has over eight hundred members and is doing superior educational work.

This method of instruction is, in the judgment of practical educators, as efficient as the work of resident schools. The standard study course in which Institute activity is centered consists of a series of lesson pamphlets and collateral examinations covering the theory and practice of banking, and such principles of law and economics as pertain to the banking business, and requires about two years of class or correspondence work. Institute graduates are becoming recognized as possessing not only superior knowledge of banking methods, but likewise the qualities of persistence and thoroughness that come only from systematic training.

#### GENERAL COUNSEL.

The work of the General Counsel has been much the same as in previous years, and is a department that is brought into constant use by the membership; to such an extent, in fact, that it is almost impossible to furnish the information desired upon a wide range of financial topics, and particularly as to legal decisions.

The General Counsel acts in an advisory capacity to all of the Committees and Sections of the Association, and has in the past rendered much valuable service in unifying the banking laws of the country in the various States. This department has at all times done splendid work, and is year by year growing in importance and influence in the affairs of the Association.

#### LIBRARY.

The American Bankers' Association library and reference department was organized in November, 1911, and now contains a collection of 1,800 volumes, comprised of standard books on banking, government documents, Association proceedings, statistical manuals, and financial periodicals.

This library is open to the full and free use of every member of this Association, and it is hoped that they will avail themselves of its advantages. Information on financial topics can be secured through the library.

#### JOURNAL-BULLETIN.

I do not believe there is any feature of the Association more appreciated than our publication. Thirty thousand copies are issued monthly, which demonstrates its great usefulness in disseminating proper information among our members.

#### CIPHER CODE.

There is no feature of this Association that has created greater satisfaction or been put into more general use than the Cipher Code. It is a practical method of communication between banks in all sections of the country, and has so rapidly come into general use that the former supply of codes was practically exhausted, and it was deemed wise to appoint a new Cipher Code Committee to carefully revise the old Code. This committee have held two meetings during the past year, and have completed their work and have authorized the General Secretary to publish and distribute the new Code, which will be done at a very early date.

#### REVISION OF THE CONSTITUTION.

The Constitution under which the Association has been working was first written in 1875 and has never since been fully revised, though it has been amended many times. In the wisdom of the membership, a Committee on Constitutional Revision was appointed in Detroit, whose report will come up in the regular way.

A casual reading of the old Constitution will convince any one of the fact that it is disconnected and incomplete; there are vital omissions which make it necessary for a careful and complete revision. I regard this as very important, and feel that every member should be

present and assist in the work. The copy of the proposed revision furnished me demonstrates that a large amount of time has been given to the subject, and without any desire to approve or reject its recommendations, I feel the committee and its chairman are to be congratulated and are entitled to the thanks of the Association.

#### THE ADMINISTRATIVE COMMITTEE.

Under the present Constitution a general sphere of activity is delegated to the Administrative Committee, which places it in close touch with all of the operations of the Association, and the duties reasonably performed require painstaking judgment and a great deal of time.

In speaking for the present Administrative Committee, I can only say they have endeavored to perform the services required and are indebted to many members and committees for their kindly co-operation and support.

In addition to the ordinary duties, members of the committee met with the Federal Legislative Committee in Washington to take up the proposed Income Tax Law with committees in Congress.

They also took part in two important meetings of the Currency Commission: one in Atlantic City, the other the Chicago Conference.

In the preparation of the program for this Convention, it was the endeavor to provide, in so far as possible, for real business sessions which would encourage a larger attendance of the members. Your committee believes this to be one of the vital questions of the Association, and sincerely hopes the program this year will be a step in the right direction.

#### AGRICULTURAL AND FINANCIAL DEVELOPMENT AND EDUCATION.

When it was proposed in New Orleans in 1911 that this Association of bankers should appoint a committee to promote improved methods in agriculture and aid in financial and educational development of the farmer, it was another indication of the unselfish desire of the bankers to assist their fellowmen, and demonstrated to the public, probably more forcibly than in any work ever undertaken before, that this great Association stands for the highest ideals in American civilization, and much of its work is performed without expectation of financial return.

Some of us who had not given the closest study to the subject did not realize the great importance of this work, and in the hands of a less able committee it would not be as it is, in my opinion, to-day—one of the most important works ever undertaken by the Association.

In the last analysis, the tiller of the soil is the heart and foundation of the nation, from which there must flow through the arteries of trade and commerce the successful results of the toil of his hands and the sweat of his brow if we are to be blessed with continued success and prosperity. What work could we engage in more worthy our efforts?

The majority of the members of our committee have devoted their time to the more essential question of developing educational features, both in schools and on the farms, to enable the farmer and his family to live a broader and happier life and develop the business in which they are engaged to the highest state of efficiency, thereby making them more successful producers, a better credit risk, and a more contented and prosperous people.

In this work the committee has been most successful, and while they will undoubtedly present a full and complete report of their work, it may not be amiss to say that thirty-one standing committees on agricultural development and education are now in existence in thirty-one of our State Bankers' Associations. These committees are not only studying the subject, but are actively co-operating with the agricultural colleges and school authorities in their various States to bring about better educational facilities in the rural districts and better knowledge of agriculture.

As an example of the effective and timely results accomplished by the various State bankers' committees, I have only to refer to the fact that a vocational school bill has been passed in Indiana whereby the teaching of agriculture in the rural schools of that State is made compulsory.

In Minnesota the school system of the State has been revolutionized and agriculture is taught in 125 high schools and 80 consolidated rural schools. The efforts of the committees in a number of States have met with pronounced success, including the movement for better marketing facilities, and especially good roads.

The members of your committee participated in the Third Annual Conference held in Kansas City on August 26 and 27, where a most successful meeting was held.

The question of European land credits was very carefully considered by three members of your committee, Hon. Myron T. Herrick, Ambassador to France; Edwin T. Chamberlain, of Texas, and George Woodruff, of Joliet, Ill., and much valuable information on this subject was turned over to the Bankers' Committee. Ambassador Herrick was instrumental in first calling President Taft's attention to this subject, with the result that while President, Mr. Taft sent a message to Congress calling their attention to it, and a commission was appointed by Congress which spent considerable time in Europe the past summer studying the question at first hand.

A bill has been introduced in Congress by Senator Fletcher, Chairman of the American Commission, providing for the organization of rural agricultural banks, though many believe such a plan cannot be worked out successfully here. This question has not as yet been fully developed.

Taken in all of its phases, I regard the agricultural movement promoted by the American Bankers' Association as one of the most important undertakings of this decade. It has been demonstrated that no work heretofore undertaken by the Association has so easily or more effectually produced satisfactory results.

#### CURRENCY COMMISSION.

No deputized body of this Association has taken a more prominent part or exerted a wider influence for the good of the banking business than the Currency Commission. Their efforts, through a period of years looking toward proper financial legislation have involved an immense amount of labor, which will be demonstrated by the report which they will present.

Their devotion to the work entrusted to them should be regarded as a patriotic service, as they have for several years served this Association and through it the best interests of the people, giving their

valuable time without compensation, for which the Association is deeply indebted.

#### THE IMPORTANCE OF PENDING FINANCIAL LEGISLATION.

It will not be necessary for me to go into the details of the financial legislation now pending in Congress, as that subject will be fully covered by the report of your Currency Commission. I desire, however, to call your attention in a general way to some of the features of the measure as they occur to me.

The admitted inadequacy of the present National Banking Act to meet the emergencies of business has been the subject of much labor on the part of this Association, through its various committees, to secure from the Congress of the United States a change in the law along lines of sound principles of finance as exemplified by the experience of the world.

It would seem that there ought not to be great difficulty in applying these principles which other commercial nations have found elementary and necessary to permanent success to our present banking system and to adapting them to our geographical and commercial conditions.

To-day we are facing proposed legislation which I can hardly regard as less than an invasion of the liberty of the citizen in the control of his own property, by putting under government management enormous individual investments and a branch of the country's business which should be left to individual effort.

Neither the banks nor their great army of stockholders, nor the business men who are their clients, have ever urged the least objection to close and thorough supervision of the banks by the Government; indeed, bankers have welcomed such supervision to the fullest extent. But to go further and take administrative control and deny us any share or voice in the management of our own business seems both unnecessary and unjust.

No nation in the world has ever found it necessary to assume such broad powers as are contemplated under the new bill. It will readily be recognized that men trained in the banking business and conversant with the necessities of the borrowing public, as well as its ability to liquidate its obligations, could act with better information and clearer judgment than political appointees selected along partisan lines, and with only casual regard for their experience in the business.

I believe, therefore, that while both the bankers and the people advocate careful and thorough government supervision of any system which may be adopted, a business of such great magnitude and importance to the country's prosperity should be in the control of men educated and trained in such business in the highest degree, rather than in State control. This is not in any sense a political question. It must be solved upon the higher plane of statesmanship and not subjected to the strife and selfishness of political parties.

Those in control of the proposed legislation have believed that the present method of handling the reserve of the banks of the country, whereby large sums are finally lodged in central reserve cities, has led to the promotion of speculation, to the exclusion of proper credit accommodations to legitimate business enterprises. They claim it is their purpose to "free" the credits of the country to such proper uses.

I do not believe that banking credits in this country are restricted, or that banks are at the present time denying credit to those who are legitimately entitled to it. I believe that such credits are now being extended more freely to all classes of people and business, and in a more liberal way than anywhere else in the world. One of the admitted causes of our financial disturbances in the past has been the over-extension of credit to the people. If any evils exist in our present system through the accumulation of reserves in large cities, it does not seem just or fair to destroy the good features of the present system in an experiment to find a remedy.

It is my belief that this proposed method of redistributing reserves will work a large and unnecessary contraction of credits and a consequent hardship upon many banks and individuals. This would be especially true with the so-called country bank in the agricultural districts, and with many individual interests in reserve cities where deposits would be greatly restricted.

The bills receivable of the country bank are not and cannot from the nature of its business be of the character required for rediscount by the Regional Bank. Under the present system the reserve city correspondent keeps in as close personal touch with the requirements of the country bank as with the individual customer and accepts the paper of the country bank liberally for rediscount.

It would seem, therefore, that in this redistribution of reserves the present reserve cities should not be entirely ignored. To do so largely deprives the country bank of borrowing accommodations, eliminates that personal relationship of its reserve agent with its borrowing needs, and restricts proper credits unnecessarily in all present reserve cities.

There is no reason why the Government credit should be involved in the circulating notes which are to be issued as substitutes for money. They are to be absolutely secured beyond any reasonable probability of loss by the deposit of collateral.

None of the principal nations of the world that have in various ways adopted centralized banking and authorized the issue of credit instruments to circulate as substitutes for money have allied the Government credit with the credit of banks in such circulating medium. Such guaranty is unnecessary and might become embarrassing in the event of large unusual Government credits becoming necessary.

The notes should be issued by the reserve banks for value received as credit instruments solely, in the same manner as a bank would give credit in a similar transaction upon a deposit account against which checks could be drawn. In the latter case the checks would perform the same functions as the note.

The proposed bill provides for subjecting 20 per cent. of the assets of national banks to government control. I believe this amount should be limited to 10 per cent., and that membership should be optional.

It is unjust and un-American that 7,400 leading business institutions in their respective communities, representing an aggregate of two billions of capital employed, accumulated and managed with unquestioned ability and integrity, should be forced against their will into a system that is under objectionable control. This great country was born in a spirit of liberty and freedom from oppression, and that great principle

has come down through the centuries with added strength in every generation. Our institutions are not run under the lash of the government, but prosper because they are founded upon principles of liberty and equity and justice to all the people. That a financial system, which is the very foundation of the country's prosperity, must in order to succeed be founded upon those principles goes without saying.

It must not be forgotten that more than 70 per cent. in number of the banking institutions of the country are now doing business under State charters. They have prospered and are largely satisfied with their present conditions.

If, therefore, any measure is to meet with the success which should attend the reorganization of the banking system of the country, it must be based upon sound principles and justice and fairness to all. It must inspire confidence and enlist a desire upon the part of all banks to become members.

It must be borne in mind that any system which curtails the activities of the banks or impairs their ability to serve the business interests is no less an injury to those business interests than the banks. The bankers rely on the prosperity of the people for their own success and seek only a measure which will establish a system upon a sound basis.

The bill now before Congress recognizes some of the principles for which the bankers have long contended, particularly the use of commercial paper as a basis of note issues. It is, however, believed that it contains a number of objectionable features which would be so burdensome to banks that some modifications are necessary to secure that co-operation which is required to make such a law a success.

We are loath to believe that the integrity and the patriotism of bankers are regarded with suspicion by our lawmakers; or that it is believed that bankers are not to be trusted in the management of their own business through which the needs of the commerce of the country have been so ably served in the past; or that it is believed that banking should be more restricted than other classes of business, except as to supervision; or that the experience of bankers in their chosen profession should not be of value in the preparation of a new law; or that in the pursuit of politics the best thought of the country on so important a problem will not be given fair consideration.

It is hoped, then, that the final results obtained will be such as will permit bankers to retain their self-respect in the control of their own property and to transact business under conditions at least as favorable as is provided for State institutions, through which so large a percentage of the business of the country is now satisfactorily handled.

#### THE FUTURE OF THE ASSOCIATION.

I look with entire confidence upon the future of the Association. With a large increase in membership each year and a more economical handling of our affairs, as indicated by our strong financial position; with one of the most intelligent bodies of men in the world willing at all times to give their time and labor for the upbuilding of the Association; with a cause reflecting the highest ideals and noblest sentiments worthy the co-operation of every member, the future of our Association should be all we desire.

In my opinion, the smaller working bodies of our Association are in splendid condition and doing good work.

If there is a question of our future or a just criticism, it lies in the fact that while our members attend the annual conventions in increasing numbers each year, yet they are inclined to leave the business of the Association to the more enthusiastic who attend the meetings and carry on the work. While we realize that they are heartily in accord with what is done, yet the results would have greater weight and wield a wider influence if a larger majority of the members of the Association would attend the business meetings and would take a more active part in the deliberations.

I believe, then, the most important work of the Association is to provide a programme for our annual meetings which will encourage attendance and co-operation and discourage all conflicting entertainment.

With every good wish for the future of this Association, I thank you.

#### Memorial to Charles Henry Huttig.

CHAIRMAN REYNOLDS: The hour has arrived for the memorial to our late President Charles Henry Huttig.

I thought you would be interested in having a correct biographical sketch of his life.

1864. February 14 born at Muscatine, Iowa; son of Fred and Sophia Snell Huttig.

1879. Finished common school course at Muscatine and entered private banking house of Messrs. Cook, Musser and Company.

1882. Employed by Huttig Bros. Manufacturing Company, the establishment owned by his father and uncle.

1885. Removed to the City of St. Louis and founded the Huttig Sash and Door Company.

1890. Elected a director of the Third National Bank of St. Louis.

1891. Elected a School Commissioner to the city of St. Louis by the largest vote ever given a candidate for that office.

1892. April 13 married to Miss Annie Musser at Muscatine, Iowa.

1897. Elected Vice-President of the Third National Bank of St. Louis, and in May of the same year elected to the Presidency of that bank.

1904. Served as a director, Executive Committee and Vice-President of the Louisiana Purchase Exposition.

1906. Appointed a member of the Currency Commission of the American Bankers' Association.

1910. Elected President of the St. Louis Clearing House Association, and during the same year elected Chairman of the Executive Council of the American Bankers' Association at Los Angeles.

1911. Elected Vice-President of the American Bankers' Association at the Convention held at New Orleans.

1912. Elected President of the American Bankers' Association at Convention held in Detroit.

1913. Died July 12 at his mountain home in the Adirondacks, Herkimer County, New York.

Mr. F. O. WATTS, of St. Louis, Mo.:

Mr. Chairman, Ladies, and Gentlemen: For the first time in the his-

tory of the American Bankers' Association, the Annual Assembly mourns the loss of its presiding officer. On such an occasion it is both a privilege and an honor to be called to respond in memory of Charles H. Huttig, friend, associate, president and philosopher.

To temper my words to his avowed feeling for simple forms and expressions, and yet to voice our grateful appreciation and to speak what surely chimes with a tone in the bosom of every member in this assembly, is a task beyond my tongue or my brain.

I make grateful acknowledgement to you and to your servants, the officers of the Association, for this memorial hour and for granting me such a part in it.

The life of Charlie Huttig was "full of outward honors and inward worth—he was great as the world counts greatness, but greater as God counts it."

As the world counts greatness, he began making the record from his arrival in St. Louis to establish a new business without friends or influence—he was not only without those aids, but he encountered the disastrous strikes of 1886, causing his first year to show a material loss of his small capital. With the spirit so characteristic, he redoubled his efforts and soon overcame the serious loss from the influences beyond his control. To smile through loss or misfortune was one of his very striking habits.

It was about the time of such early trials that he placed in his scrap-book a poem, and marked this verse:

The thing that goes the farthest  
Toward making life worth while,  
That costs the least and does the most,  
Is just a pleasant smile;  
The smile that bubbles from the heart  
That loves its fellow-men  
Will drive away the clouds of gloom  
And coax the sun again;  
It's full of worth and goodness, too,  
With manly kindness bent;  
It's worth a million dollars,  
And it doesn't cost a cent.

After less than five years he had so impressed the commercial interests that he was elected a director of the Third National Bank. The manufacturing business prospered beyond expectation, and grew to be the largest in that line in St. Louis and the second in the United States. When speaking to his employees on the twenty-fifth anniversary of the business, he said: "Success in life means more than the acquisition of money. It means friends and the honest co-operation and goodwill of those with whom I have to deal." A great general once said that he had confidence because of his belief that he held the confidence and friendship of every man in his regiment. It was this feeling toward and from the army of employees that inspired Mr. Huttig to rebuild from the ashes the plant after the fire of 1910. The brick and mortar and machinery to him were the least considerable of the elements to his success; the real power was in the organization of men. To more than touch upon his success as a banker would be to tell bankers that with which they are as familiar as with household tales. The recounting of the details could not add one jot or tittle to his reputation as a banker or to the endearment in which he was held by other bankers everywhere.

It may not be amiss to make some observations for our own benefit and for that of the younger generation of bankers who may hear or read the recital, for to them his life and accomplishment should be an example and an inspiration. What were the secrets of his great success? He has said that his first trial was to know and withstand himself—and not until the seed had been sown and had taken deep root in good soil was he content. He learned that "a man must take good and ill with a steadfast soul, holding fast to the things that make life worth living."

It has been said that at the corner of Olive and Broadway, in St. Louis, there are more passers-by than at any other spot in that city. One of his friends said that in a building on that corner Charlie Huttig greeted more people every day than any business man in St. Louis. This was more than policy—it was the sentiment of his heart, as you may see from another bit of philosophy from his scrap-book.

I see from my house by the side of the road,  
By the side of the highway of life,  
The men that press on with the ardor of hope  
And the men that are faint with the strife;  
And I turn not away from their smiles and their tears,  
Both parts of an infinite plan—  
Let me live in a house by the side of the road  
And be a friend to man.

It can truly be said that whether in his office or in his home or in the highways of life, he was every ready "to be a friend to man."

He enjoyed the constant contact with others, of whatever degree; and it was to this rare quality his attractiveness was attributed—but those who knew him knew that the real power was in the sterner stuff. "Some fortunate circumstance and some happy opportunity may form two sides of the ladder on which men mount to success; but the rounds of that ladder must be of sterner stuff to stand the wear and tear of time." He was possessed of a high order of honor, pity, truth and justice. A learned judge once said that he, as a judge, tried first to find the right, and then found the law for it. Charlie Huttig uniformly asked "What's right?" and then he found the way to do it. When standing for right he was a tower of strength and an inspiration to those around him. "Against this citadel the tempest beats, and around it the storm rages and spends its force in vain"—and the passing of the storm found him smiling with a complacency that comes of having maintained the right.

One of his friends said that he humanized banking, and invariably caused his listener to feel that the most trivial things were of interest. He wore his honors so gracefully that "none could see he stood in aught above the rest."

Though he reached the pinnacle of banking, he was probably a greater success as a citizen of his beloved city.

One only had to mingle there to be impressed with the hold he had upon the hearts of all the people. He never sought to use such an influence for selfish ends. He therefore never sought public honors, and persistently refused to allow his friends to use his name or influ-

ence for public office. However, he was by no means without public record. In 1891 he was elected School Commissioner, an honorary position, though of great influence. To that time his vote was the largest ever received in an election to that office. When the fate of the Louisiana Purchase Exposition was in the balance, and it became necessary to raise the last half of a five-million-dollar public contribution, he promptly put his shoulder to the wheel, and, raising the subscription, made the Exposition possible.

As a Director, Executive Committeeman and Vice-President, he contributed his time and special talent to its success. He believed in unselfish service to his city, his country and his fellowmen. He had an abiding faith in the future of his country—one of his favorite expressions being "political or social changes may occasionally retard, but only for a brief period; and the young man who is not an optimist on the future of our great country is out of harmony with things, and will be passed in our progress."

He supplemented a splendid gift of one of St. Louis' philanthropists by his own untiring work and liberal contributions, and made possible the Barnard Free Skin and Cancer Hospital, one of the few institutions in the world set over exclusively to scientific research and treatment of cancerous diseases. While his early struggles with fortune developed in him a saving habit, when he later acquired plenty he gave bountifully, even credulously.

Successful in business, honored as a citizen, he was beloved as a friend. His friendship was only limited by worth—it had no class limitation. He was the friend of all classes, and he was with a host of friends wherever he had an opportunity to extend the charm of his presence.

The earning of success and friends left him as in the beginning, genial, natural, manly, kind. One of his school boy friends visited him in his office after a lapse of twenty-five years, and he approached with misgiving lest time and circumstances would cause a less cordial welcome. As he entered, he heard the same voice in the same way say, "Hello, Fred! Come right in! How are you?" That friend, returning to Muscatine, wrote of the incident, saying: "I saw Charlie Huttig after twenty-five years. He's true blue and genuine through and through."

Such sentiment from and toward the boyhood friends and the love and respect of those under him in the daily affairs of life are the greatest tributes to any man, and no man ever possessed both more completely than Charlie Huttig.

What I have spoken has been of his activities among men. The time came, many months before the final summons, when he found it necessary to withdraw from such activities and face and fight the encroachment of disease. Many men have in time faced the ordeals of life with heroic will, only to succumb when facing the sure approach of the grim reaper. Not for a moment did he show any less courage under the great and final ordeal. There were two compensations in those months of courageous struggle—first, the exemplification of the rare love and unselfish devotion of his life partner, who never tired of constant attention and anticipation of his slightest wish. Surely those who were in a position to observe share in an expression which must have been oft upon his lips, "A ministering angel thou." Second, the splendid lesson to those watching and remaining of patience and gentleness in the face of suffering and death. Such patience and such gentleness made a picture that will fade only when the memory of the observers fade. The anguish of disease did not impair the vigor of his mind; but as the body weakened he sought the solace of the open air in his mountain home. I fancy his thought at going was:

"While I clasp a well-beloved hand,  
Let me once more have sight  
Of the deep sky and the far-smiling land,  
Then gently fall on sleep  
And breathe my body back  
To nature's care,  
My spirit out to thee,  
God of the open air."

There, upon the mountain-top, surrounded by his beloved family and by the beauties and wonders of nature, passed out the spirit of our friend, associate and president—great spirit, wonderful nature.

"Thou'rt gone, the abyss of heaven  
Hath swallowed up thy form,  
Yet on our very hearts  
Deeply hath sunk the lesson  
Thou hast given,  
And shall not soon depart."

Mr. Chairman, the first evidence of our love and esteem was when he was elected chairman of the Executive Council at Los Angeles; the second when, in his absence, he was unanimously elected Vice-President at New Orleans; the third when he was elected President, at Detroit, without a dissenting voice, and the last in this memorial service.

Every member of this great Association must feel that we are immeasurably poorer that his presence will never more adorn our meetings.

After the lapse of time and with the opportunity for a full retrospection, we say of him, "time, but the impression deeper, makes as streams their channels deeper wear."

There can be no compensation for the loss of such a friend.

MR. LEWIS E. PIERSON, of New York:

In 1906 this Association first recognized Charles H. Huttig as one of its ablest bankers by appointing him a member of its most important committee, the Currency Commission.

Almost entirely by his own efforts, after election, in 1897, to the presidency of the Third National Bank of St. Louis, then a small bank, Mr. Huttig, without consolidations with any other institutions, built that bank into national prominence as one of the largest institutions of the country; and he became known as one of the country's foremost bankers.

As President of the Third National Bank, Mr. Huttig had occasionally attended our Conventions, where his intelligent and forceful sympathy with the objects of the Association was speedily shown; and, after his appointment to the Currency Commission, his activity in Bankers' Association work increased so that he became a frequent

and interested attendant at meetings, where his counsel was often sought by leaders in both National and State Associations.

His own State having selected Mr. Huttig as a member of the Executive Council of the American Bankers' Association, he was elected Chairman of the Council in 1910, Vice-President of the Association in 1911, and President in 1912.

In all its history, the Association has never honored a man better equipped or more willing and anxious to advance its best interests. His quick and clear understanding, his absolute honesty and straightforwardness, his earnestness for the highest ideals and his simple Christian manhood commanded the respect of all, and brought to his work the full confidence of the members of the Association.

In spite of the lingering and incurable disease he so long fought with such stubborn and splendid courage, he was attentive and faithful to his official duties in the Association to the last, giving freely and fully of his strength to its important matters in his usual calm and fair-minded manner.

Mr. Huttig's genial personality and genuine friendship was a source of pleasure and inspiration to the members of the Association, many thousands of whom knew personally, and even intimately, his sterling integrity of character and true manly nature, so that the news of his death came as a distinct shock to all who realized that not only did the American Bankers' Association lose its loved and honored President, but that in his decease his community and the nation had lost one of its valued public-spirited citizens.

Gentlemen, from a very full personal knowledge of his many superb qualities we can only say that God in his own wise Providence has taken from our midst one of His gifted and loving natures, whose presence we can ill spare and whose memory we shall always revere and cherish.

**CHAIRMAN REYNOLDS:** Mr. Edward F. Swinney, a former President of the Association and President of the First National Bank of Kansas City, Mo., and one of the closest and warmest personal friends of Mr. Huttig, was a member of this committee. Mr. Swinney has been unavoidably detained, but he has sent in his tribute to the memory of Mr. Huttig, which the General Secretary will now read.

#### IN MEMORY OF CHARLES HENRY HUTTIG

By EDWARD F. SWINNEY, Committee of the American Bankers' Association.

Charles Henry Huttig was born at Muscatine, Iowa, on the 14th day of February, 1864, and died July 12, 1913, in the fiftieth year of his life, when manhood's day had scarcely passed the noon. His business career, begun at the early age of sixteen years and characterized throughout by unflinching zeal, untiring industry, uncompromising integrity and remarkable ability, was pursued by him from its beginning to its pathetic close with a serene and steadfast persistence and courage, which crowned all his efforts with an ever-expanding success and furnished an example of broad usefulness highly typical of the best that is in American life.

Upon his graduation from the High School of his native city, he entered the service of a large concern at that place in the capacity of accountant, and three years later became a shareholder and assistant manager of the firm of Huttig Brothers Manufacturing Company. In 1887 he went to St. Louis, Mo., where he organized the Huttig Sash & Door Company, a corporation which, guided by his able and efficient hands, soon gained high place in the commerce of the country and is, at present, one of the largest establishments of its kind in the United States.

Ten years of activity and prominence in the city of his adoption resulted in his being called, in 1897, to the Presidency of the Third National Bank of St. Louis; and the trust and confidence inspired in that institution throughout the territory of its operations is well indicated by the fact that its deposits amounted to about \$4,000,000 when he became its head, and grew to more than \$35,000,000 during his incumbency.

He became a member of the Executive Council of this Association in the winter of 1910, and in the following fall at the Convention in Los Angeles he was unanimously chosen Chairman of that Council. The Association elected him First Vice-President in 1911, and in 1912, at its Annual Convention, honored him and itself by electing him to the Presidency. His is the sad distinction of having been the only President to die while holding that office.

Mr. Huttig was active and eminent in many ways and admirable and lovable in all. As a citizen he was public spirited. No enterprise looking to the advancement of St. Louis was without his sympathy and powerful support. He served as President of the St. Louis Clearing House Association; as one of the Vice-Presidents of the World's Fair, and Treasurer of the Centennial organization of that city, and as a member of its School Board. He mingled with men, belonged to all of the leading social clubs, being active in their affairs as member or officer; and, maybe better than all, his arduous business duties never prevented him from lending ready aid to public charities, and doing privately and without display many kindnesses that can never be catalogued. His character was above reproach, his bearing quiet and dignified, his ideals lofty, his nature generous and cordial. He carried his high standards of action into all the relations of life and they became a constant inspiration to all with whom he came in contact. Looked at humanly, his death seems so untimely that the legions of those strongly attached to him cannot but feel unusual sorrow for his loss to his family, to which he was devoted, to his friends who had his warm affection, to the State and country of which he was a model citizen, and to this Association of which he was such an honored member. May we not believe that

"The Soul of a dead friend, like a star,  
Beacons from the abode where the eternal are."

EDWARD F. SWINNEY, Committee.

MR. FESTUS J. WADE, of St. Louis, Mo.:

Seldom does it fall to the lot of man to pronounce a eulogy upon a departed friend, whose memory is entitled to more tender reverence and veneration than our late lamented and beloved President.

As St. Louisians, we are proud of the memory of Charles Henry

Huttig. Step by step he climbed the ladder of financial fame; and a year ago, when you elevated him to the presidency of this great Association—the very highest honor in the gift of the Banks and Trust Companies of the American Continent—a thrill of joy ran through the heart and mind of every employee of the counting houses in St. Louis, from porter to president, because we, his co-laborers, knew how richly such honor was merited and deserved, as he endeared himself not alone to those at his fireside, but to all who came in contact with his sweet nature, dominating personality, his unswerving purity, his greatness of heart and mind.

His character embraced all the elements of a manly man; his nature revolted at deception; his manhood stood as a beacon light on the ocean and a compass to the average man to steer nearer and safer to the ultimate destiny of all who love their Creator, and who desire to follow the precept, "Do unto others as you would have them do unto you." He was temperate in all actions, thoughts and words to a degree that was indescribable.

His charity was as broad as the universe; knew no creed or nationality; ever looking toward the uplifting of mankind; always alleviating suffering; ever ready not only to carry his own cross, but to help others do likewise.

Meek and humble in all spheres; exceedingly active in religious, commercial and social life; most charming and lovable to all; the personification of patience, whether dealing with those in high or low station.

Unswerving in duty; uncompromising in principle; opposed to everything impure and dishonest.

His long, patient struggle against an insidious disease brought into prominence every trait of his beautiful character; demonstrated his indomitable spirit; illustrated his super-patience; illuminated his meekness into bold relief; and, when hope could no longer be expected, he met the inevitably approaching end heroically and with Christian fortitude. Nor did he falter, nor forget those he loved as the end came. One by one he sent for his associates, and in a calm way bade each a long and last farewell, expressing to each his gratitude for their assistance and acts of kindness during his illness as well as during the vigor of his manhood. To those who conversed with him during his last hours, his words were a benediction.

Testimony of his life and character is fitly described in the language of the poet:

"A man with a temperance no pleasure could seduce,  
A meekness no provocation ruffle,  
A patience neither insult nor loss could overwhelm,  
An integrity no money could buy, nor interest shake."

And now let us resolve to perpetuate the memory of our departed executive by spreading upon the record of this Convention the testimonies delivered here, and instruct our officers to transmit copies of same, in proper form, to the family of our deceased President.

Let no applause follow these words of respect to his memory so hallowed. Let us all arise and adopt these resolutions, and with bowed head pay in silence and in reverence a long and last farewell to our departed President.

**CHAIRMAN REYNOLDS:** Gentlemen, the hour is late, and with your permission we will let the reports of the officers go over until the afternoon session. There being no objection, it is so ordered. Therefore we will take up the next order on the program, which is the report of the Currency Commission, which will be presented by Mr. A. B. Hepburn, of New York, its Chairman.

#### Report of the Currency Commission, by A. B. Hepburn.

[The report of the Currency Commission appears on page 126 of this publication.]

A. B. HEPBURN, of New York: Gentlemen, we submit this report of our action, which is explicit and plain, and the details of which have all been furnished to you in print, and ask your approval of it.

MR. E. J. HILL, of Norwalk, Conn.: I offer the following resolution, and upon its being read by the Secretary I will ask the Chair to recognize me for a few minutes:

*Resolved,* That the report of the Currency Commission be received and placed on file.

*Resolved,* That we approve the work of the Currency Commission, and that we ratify and endorse the action of the Chicago Conference, the conclusions they reached and the recommendations they made.

*Resolved,* That we urge upon Congress the wisdom and necessity of incorporating into the proposed law, the amendments recommended by the Chicago conference, all of which have been elaborately presented to the Committee on Banking and Currency of the United States Senate, in which body the proposed law is now pending.

Any law passed by Congress, in order to be effective and realize, in full measure, the hopes of those who are seeking currency reform, must command the approval and enlist the co-operation of the banks of the country, both State and National.

When Mayor Fitzgerald was speaking of the difficulties of banking legislation in Congress it reminded me of an incident which may be interesting to you. Many years ago, when Joseph Walker, of Massachusetts, was Chairman of the Banking and Currency Commission of Congress, and Mr. Reed was Speaker, a dinner was given at the Shoreham Hotel, in Washington, by Mr. Walker, at which Mr. Reed was present. After the dinner Mr. Walker asked Mr. Reed to recognize him on the floor of the House to bring forward a banking and currency bill. Mr. Reed replied, with that inimitable drawl which characterized everything he said: "If the Chairman of the Banking and Currency Committee will give me the names of six reputable householders who will agree on a banking and currency bill I will give it the right of way in the House of Representatives."

As a member of the Chicago Conference, I think it is not out of the way that I should very briefly touch upon the meaning of the resolution. The fundamental features of the changes in the House bill recommended by the Chicago Conference were as follows:

First: Representation on the Federal Reserve Board and limitation of its powers.

Second: Optional contributions to the capital of the Federal Reserve Banks, instead of forced subscriptions under penalty of death. [Laughter.]

Third: Making the new currency notes to be the obligation of the banks instead of the Government, and their current and final redemption in gold instead of "gold or lawful money."

Fourth: And, incidentally to the first two: The right of the owner of the property to have some voice in the placing of a part of its reserve funds, with approved reserve agents as now, instead of all being impounded by law, and from the earnings of which the Government is to abstract a part.

These propositions are the bedrock upon which, in my judgment, any financial system to be successful must be built up in this country.

The others, however important they may be, are rather details of management which actual experience will modify or change. As the bill now stands, coming from the House of Representatives, it provides for a legalized Government combination and monopoly as a substitute for the individual competitive enterprise of 25,000 independent banks organized under by existing laws of the States and nation, and in which billions of dollars of the people's money have been invested in good faith. In its practical results the tremendous power possessed by the Federal Reserve Board, under the bill as drawn, will give to the Government in the future the control of the individual credit of all of our people, and is intended so to do. Of it Chairman Glass said when the bill was published: "Thus it will be noted the Government will have absolute control of the system." And the Congressional Record shows that he admitted that the power centered in the board could determine the welfare, the happiness—and I am quoting him—"the welfare and happiness and the prosperity of every man, woman and child in the United States." And Mr. Underwood acknowledged that the whole matter resolved itself into faith in the President's board, the whole question being whether that board was angel or devil. I cite Mr. Underwood's exact language.

Five days ago the President of the United States truly said: "The power to control and guide and direct the credits of the country is the power to say who shall and who shall not build up the industries of the country, in which direction they shall be built, and in which direction they shall not be built." I quote his language as taken from the newspapers of last Saturday morning.

Now, to put such power into the hands of any body of men is not consistent with the genius of this Republic. Supervision and regulation of corporations are proper functions of the State and Nation. Management, ownership, control and profit sharing are the characteristics of the Government monarchies of Europe, but they are not in accord with our free institutions.

The second proposition of the Chicago Conference was that a limitation placed upon the despotic power of the Federal board, the men who provided the funds to make the new system possible should have had at least a minority representation in its management. Day before yesterday I went out to Concord Bridge, and I saw there a monument on the base of which was written: "Here the embattled farmers stood and fired the shot heard around the world." That shot simply typed the declaration that taxation without representation is tyranny and is not legal. [Applause.]

As the bill is now drawn, it not only takes the capital from the company originally invested by its owners, but it shares in the profits from its diverted use and controls and directs the uses of it to which it shall be put, and the owners have no voice in the ultimate decision.

If such a forced contribution of the savings of our people, invested in the business of banking, can be useful, how long before every other form of corporate investment will be subjected to like disposal? And if part of it can be forcibly taken on the plea that it is for the general good, why not take the whole?

The third fundamental recommendation of the Chicago Conference looked to the maintenance beyond any variability or shadow of turning of the declaration made of March 14, 1900, by which this nation put itself in line with the other progressive nations of the world, adopting gold as its standard of value. As the bill was originally drawn, redemption in gold was prescribed, but reserves were to be in lawful money. As amended and republished on July 25, reserves in gold to meet redemption were provided. As again amended and published on August 11, both gold redemption and gold reserves were stricken out, and it now stands with the option resting with the Government to redeem in gold or silver or greenbacks.

Who did it? No nation can afford to trifle with its own integrity and honor. If this bill means gold redemption the bill should say so. [Applause.] If it means to give the option of demanding either gold or silver or greenbacks to the holders of its obligations, it should plainly say that. It says in effect now

that it reserves to itself the right to pay either; simply declaring its good intentions, but making itself the judge of the conditions under which parity will be maintained.

With gold as the redeemer the burden should be put upon the banks, for the experience of all the world has shown beyond dispute that irredeemable Government obligations are robbery and redeemable ones are dangerous. Our own experience has also taught us this, and this nation should take no backward step now.

Coming as I do from a State which does not have a reserve city in it, and representing a State of country banks; speaking, as I believe I do, the sentiment of the overwhelming majority of the stockholders of National and State banks and trust companies in our State, I ask this great Association of 14,000 financial institutions scattered all over this land to say Amen to the prayers of the Chicago Conference and its own Currency Commission in the sincere and honest efforts which they are striving to make to reform and improve the currency and banking system in this nation. [Applause.]

I know the hour is late, gentlemen, and that you want to get to your luncheon; but there is a very vital and important question affecting far more the country banks than it does the banks of the reserve cities, and I would like to trespass upon your time just a moment in order to refer to it. I have reference to the disposition of the two per cent. bonds. Prior to the passage of the Gold Standard Act on March 14, 1900, circulating notes of National Banks were secured by three, four and five per cent. bonds. Desiring to call in these bonds and to issue in place thereof bonds bearing interest at two per cent., the then present rate of the high rate bonds was figured on a 2½ per cent. basis, the difference in the transaction being paid by the Government and the bonds exchanged for two per cent., dollar for dollar, at par. The net profit to the Treasury on this transaction was over \$16,000,000. Nearly \$650,000,000 of high rate bonds were thus exchanged for twos. The advantages to the banks were, first, a practical guarantee of the circulation privilege for thirty years or more, two per cent. bonds being made payable at the pleasure of the Government after the expiration of thirty years. Second, a reduction of the tax on circulation from one per cent to one-half of one per cent. annually. Thirdly, an increase of circulation from 90 per cent. to the par of the new bonds. The Government netted more than \$16,000,000 on that transaction. The whole transaction was as near a contract as can be made between the Government and the banks, as near a contract as can be made between the sovereigns and a citizen; while the citizen cannot enforce it, the sovereign cannot honorably evade it, except by subjecting itself to the charge of repudiation or robbery. [Applause.]

When the pending currency bill was introduced, to the astonishment of everybody, the circulation privilege was cut squarely off and the 2 per cent. bonds left standing on their feet at the top of the toboggan slide with the dead certainty that they would quickly reach their intrinsic value upon an investment basis only. What that would be is shown by the fact that the British Consols, paying 2½ per cent. interest, are selling to-day at about 72. The expected happened in this case, and the 2 per cent. bonds quickly began to drop off in value, and in a few days were quoted at 95.

There is not in the financial history of the United States a single incident since the Revolutionary War which has ever placed our Government in so a pitiable a plight, and recognizing inevitably the result. Secretary McAdoo at once brought about an amendment of the pending bill, which was presumably to take care of the 2 per cent. bonds and to restore them to their par value. By reason of Secretary McAdoo's requirement that a part of the security for the Government deposits should be in Government bonds, and that the necessary bank circulation might be continued for the period of twenty years by such banks as accepted the terms of the proposed legislation, the bonds reacted to a market value of 99 per cent. pending a thorough examination of this bill. The apparent and probable unwillingness of the banks of the country to accept such compulsory and restrictive provisions have once more made it possible that a large proportion of the 2 per cent. bonds will again be thrown on the market. To-day these bonds have dropped to 95, and what the end will be, no man can tell. The question is vital, especially to all of the banks outside of the central reserve cities, for they hold nearly \$500,000,000 of these bonds and issue circulation upon them.

There are two ways by which these bonds can be brought back to par. First, by the payment on demand and purchase for the sinking fund. Second, by the assumption of the circulation and the bonds at par by the Government, or by the proposed reserve banks taking over from such National Banks as desire to have them do so in their respective districts the obligations which they have assumed.

The shrinkage of these bonds to an investment basis means a loss to the people of the United States of more than \$200,000,000, but that is trivial compared to the position in which the Government will be placed and the honor of the United States sullied by its failure to maintain its previous high standing with reference to all of its obligations.

I move you, sir, the adoption of the resolution. [Applause.] (At this point Acting President Reynolds requested ex-Presi-

dent William Livingstone, of Detroit, Mich., to take the Chair, and Mr. Livingstone assumed the temporary Chairmanship.)

Mr. THOMAS C. McRAE, of Prescott, Ariz.:

Mr. Chairman, I should like to be heard for a few moments in opposition to this resolution.

Mr. J. J. SULLIVAN, of Cleveland, Ohio:

Mr. Chairman, I know it would be impossible for me to say anything in addition to what has been so aptly stated by the gentleman from Connecticut, but I would like—

THE CHAIRMAN [Interposing]: The gentleman from Arkansas has been recognized, and he has the floor.

Mr. SULLIVAN: I simply arose to second the adoption of the resolution; that is all.

THE CHAIRMAN: The gentleman from Arkansas has the floor.

Mr. McRAE: It is with very great diffidence, sir, that I presume to speak to you upon this occasion. I know that the time is limited and I shall not undertake to detain you, except for a moment. I am unwilling, however, as a member of this Convention, to subscribe to all of the recommendations of this Commission or to indorse in toto the resolution by my friend from Connecticut. I think it is unfortunate that this great Commission, that has done so nobly, should insert into its report at this juncture reflections upon the Administration and upon the pending bill by characterizing it as socialistic.

My friends, as bankers we must reckon with existing conditions. The people of this country believe, and they correctly believe, that the banks exist for the accommodation of the public and not to control business or the issue of currency. You have in the past indorsed the fundamental principles of this bill when you thought you could get the power to issue currency and control it.

Now, the issue here is this: Shall you control it, or shall the Government control it? If the Government issues it, the Government ought to control it. I stand here to advocate the best and the soundest currency that we can possibly have. I want a currency that is convertible on demand into gold. You have that provided for in this bill. This talk about repudiation because the bill pending in Congress provides for the redemption in gold of lawful money is nonsense. Is not lawful money redeemable in gold? If you get that with which you can get gold, why stand here as a body of bankers and charge the Administration with favoring repudiation?

The present Administration was elected upon a platform which declared against the central bank idea that you wanted. The people said that you could not have it. Now you want to select this Board. You want to issue the money; you say that the present Administration, or any subsequent Administration, may put a politician in control. But it is all right if you select him.

Now, my friends, let us be honest with ourselves. We are as good, but we are not any better than anybody else. Our business is as great as is the business of anybody else, but it is entitled to no more consideration than is the business of other people. The fundamental principle which underlies the pending bill in Congress is that the Government shall issue the money, back its security and superintend the control of it.

[Cries of No! No! No!]

The legitimate banking business being left to receive deposits, make discounts and look after the exchanges that are left with the banks. Now, the sooner that we recognize the fact that we are not going to get from the American Congress the right to issue money the better it will be for us.

Gentlemen, you must deal with these facts, and you must reckon with the people. Now, I am not going to take up your time in discussing the details of the bill—[cries of Good, and applause].

THE CHAIRMAN: The Convention will be in order.

Mr. McRAE: You complain that you were not invited to consider the bill before the legislative committees of Congress. Gentlemen, this bill has been under consideration for more than a month. Committees after committees have drawn gentlemen from every section of the country before them, and they have been courteously listened to. In return for that is the denunciation that these men elected to Congress by the people are Socialists and are likely to become repudiators. Gentlemen, I speak warmly because I want the bankers of this country to succeed, and I suggest that the best thing you can do is to get in love with your country, and with the people of the country, and not undertake to control the issue of the money of the country.

[Cries of "Time is up."]

Gentlemen, I do not expect to defeat this resolution, but, as I said in the beginning, I am unwilling to sit here as a member of this Convention and let it be put forth that these resolutions are unanimously adopted by this Convention of the American Bankers' Association, because they do not reflect the sentiment of the great majority of the country bankers—

[The speaker was here interrupted with the cry of "You are wrong."] They do not represent the sentiment of the country bankers, I say, and they do not represent the great body of the American people, and if you will be more considerate in the use of your language and simply ask Congress for measures that do not conflict with their promises to the people, you will

be likely to get more consideration than you will by such resolution as is here proposed.

[Cries of Question! Question! Question!]

Gentlemen, I thank you for the attention you have given me. [Laughter.] I only wanted to put myself on record as I feel about this matter.

Mr. GEORGE M. REYNOLDS, of Chicago, Ill.: I hope this Convention will accord the gentleman an opportunity to fully express his opinion.

Mr. McRAE: I have about concluded all that I wish to say. I know something of public gatherings like this, I know something of the men that you are dealing with in Congress, and I know, as was suggested by the able gentleman who read this report—he wondered why Congress had a distrust of bankers, and I can tell him that it is because you have a distrust of Congress—and I would, if I could, create a feeling of trust between the bankers and the legislators of this country; but above all things I love my country and I love my Government, and I want to see the bankers of America as patriotic as any other class of people in this country, and I do not believe that down in the bottom of your hearts, when you come to reflect upon it, you can seriously insist that it is either right, politically or otherwise, that the bankers of this country should issue and control the currency and credit of this country.

My friend, Mr. Hill, speaks of the enormous power in the credit of the country. I grant it, but shall we control it, or shall the representatives of the people control it? What is the issue?

[A Voice: We should control it.]

Yes, "we," of course. If every man who had to be put upon trial was his own judge he would say, "Not guilty!" [Laughter.] The question is whether you should control it or whether the United States, through its representatives in Congress, should control it. That question was submitted by the people at the last election, and by the most overwhelming victory that ever came to a President—

[Cries of Oh, no.]

President Wilson stands to-day the equal of any President we have ever had in the history of this Government. You distrust the President who will make the appointments to this Board. Has any President in the United States in the past abused any such trust that was reposed in him? Who appoints the Interstate Commerce Commissioners? The railroads? No. The railroads represent a great aggregation of wealth. Yet they would not dare to say that they should be permitted to name even one of the Interstate Commerce Commissioners. Who appoints the Commissioner of Navigation? It has been my pleasure to serve under four Presidents—Cleveland, Harrison, McKinley and Roosevelt, in Congress, and I would be willing to trust either of them with the appointment of these men as is provided for in this bill. These appointments, gentlemen, are to be made non-political.

[A VOICE: How?]

BY THE PRESIDENT: The bill provides that not more than two of them shall belong to the same political party. So, my friends, the question—and let us not fool ourselves about it—is that you are to make these appointments and yet you distrust Congress and Congress distrusts you. Congress has the power.

Now, we are up to the proposition of getting a currency based upon credit, and I hope that this bill with reasonable amendments will pass. You could not in an hour or in two hours take it up in detail here and consider even the amendments that have been suggested to it by the committee, and there are very many more that might be suggested.

The gentleman from Connecticut undertakes to make a point against the bill because of its provision for the redemption of the 2 per cent. bonds. We have now a 2 per cent. bond without any matured debt. You bought it in the open market. You paid for it. The Government provides a way for its liquidation, or for the exchange of a bond, which gives you 1 per cent. more than you get now.

I hope, gentlemen—no, I do not hope either—but I suggest that our good friend who presented this report will consent to at least strike out the language in the report which characterizes this bill as Socialistic. It is not Socialistic. It is unpatriotic on the part of the bankers to say so; and it puts the bankers of this country in a false light before this country, to stand up here and denounce the Representatives of our Government and the President of the United States and his Cabinet, in any such language as is here employed.

Mr. GEORGE M. REYNOLDS, of Chicago, Ill.:

It is in self-defence that we have used this language.

Mr. McRAE: Well, sir, I say it is an unprovoked and malicious assault upon an honest man.

THE CHAIRMAN: The Chair will venture to suggest, as there are many gentlemen who may wish to be heard upon this important question, that the time of each speaker be limited to three minutes.

[Cries of "Question! Question! Question!" and "Let us vote."]

Mr. FESTUS J. WADE, of St. Louis, Mo.:

Gentlemen, I am reminded of the Irishman who went before the court to be naturalized, and he was asked the usual ques-

tions if he had read the Declaration of Independence, and he said no. Have you read the Constitution of the United States? He said no. Then he was asked what he had read, and he replied, "I have read half." [Laughter and Applause.] Now I want to say here now, as a member of this Currency Commission, that the gentleman who has last spoken evidently has not read the report of the Commission, and he has not read the criticisms of the Chicago Conference, and he has not read the report that we presented to the Senate Committee, or if he had he did not state the facts. The bankers of the United States never have asked, nor are they now asking, to control the issue of the bills that are to be issued by the Government. We have asked, as patriotic citizens who have studied this subject from every angle, who have approached it with as open minds as any man is capable of doing in any vocation, we have advised against the Government putting its obligation upon bank notes, because we know from history and from practice that it is unsound economically to do that. [Applause.] We advised against the absolute control of \$100,000,000 capitalization banks and a bank with a deposit of more than a thousand million dollars which we are forced to put into the coffers of that institution unless we have representation. We never have asked for control. The greatest number we have ever asked for was to be permitted to put four practical bankers on a board consisting of eleven members. The Democratic party, which the gentleman no doubt is a member of, and of which I also happen to be a member, in its last party platform has laid no such statement as he stated it had. We have not advocated that platform, nor have we opposed it, in the discussion of that subject. He says that we charged the powers that be with not being invited to appear before them in their convention assembled in the formation of this bill. I told the gentleman that we were not invited, and I tell him further that, while we asked an invitation to appear before the Banking and Currency Committee of the House of Representatives, the request was politely but positively refused. Then we were not asked by the Senate to appear before them until we had made the request, and when we received such invitation we spent five days with them, with their committee, going over every item of this whole bill and giving them the best thought that we had upon the subject after seven years of study upon it.

I want to say to you, gentlemen, that those of you who believe that the Currency Commission having done its duty should stand up here as men and be counted, and those of you who believe that we have worked not as bankers, but as citizens of this great country, should also stand up and give us your approval. [Applause.]

[Many delegates in the hall rose at this point and cried: Vote! Vote! Vote!]

Mr. A. J. FRAME, of Waukesha, Wis.:

Mr. Chairman, I desire to say a few words on the subject.

THE CHAIRMAN [interposing]: As this is a very important question, and as there are several members who would doubtless like to be heard upon it, and as we want the fullest possible argument on the subject and all the information that we can get upon it, the Chair would suggest whether it would not be well to thoroughly thresh the matter out now before a vote is taken. It is very apparent that a majority of the Convention is overwhelmingly in favor of this measure, but if there are any gentlemen who desire to be heard, I think it would be better for us to give them an opportunity now so as to avoid any possible friction hereafter.

[Cries of "Yes, Yes."]

Mr. FRAME: You may have the floor.

Mr. A. J. FRAME, of Waukesha, Wisconsin:

I will agree to talk but a very few moments, because I just wish to make a few comments upon one feature of this bill. You can lead a horse to water, but you cannot make him drink. I wish to second the resolutions and the report of this Commission, excepting one feature of it, and that is the point that I have just made. It should be modified. I am in favor of a measure of release for us in the troublous periods, but as I come from the country and as I have made a canvass on the question of the country banks whether they would join this Association or not, I made a canvass of 450 banks in the State of Wisconsin, and asked them whether they would join the Association under the bill as passed by the House, and 320 of them answered; two of them alone said that they would join, nine said yes, but that they expected the bill would be materially modified, and 309 said no, that they would not join. If that is not an answer to the question of the gentleman who preceded me as to whether the country bankers are in favor of this proposition or not, I don't know where you can get a practical illustration of it.

Now, the only point that I wish to make is this: In the proposition of the Conference at Chicago, it requires for reserves four per cent. of the deposits of the bank of the country for the Federal Reserve Bank. The bill itself requires five per cent. Now, I appeared before the Committee at Washington, and I would just like to read you for your elucidation of the subject a few of the expressions that I made there. I said:

"I am with you, except only I think that your demands are excessive. It takes \$500,000,000 to \$600,000,000 out of the National Banks alone, and that is excessive. I believe

in the underlying principles of the bill. We all desire a reasonable mobilization of the cash—"

THE CHAIRMAN (Interposing): I see that some gentlemen are leaving the hall, and I desire to say that the Horticultural Building across the street, in which the luncheon is to be served, will not be open for us to go in to luncheon until recess is taken by this Convention. So I hope that no more gentlemen will leave the hall, and that you will all remain here until the close of this discussion.

Mr. FRAME (Reading): "Reason must reign or a continued warfare for the repeal of the bill will bring a second Andrew Jackson to destroy these banks. What we want to do is to work in harmony together. I believe you should do what seems fair and not oppress it. From my canvass of the 450 banks of Wisconsin I am confident that if the country National Banks contribute ten per cent. of the capital and one per cent. of the deposit, approximating \$100,000,000, it is all that should be required of them. To demand more will seriously injure if not wreck the system, and the State banks will not join."

I submitted a tentative plan also to the Committee, but I will not take up your time to detail that.

I will simply say that this nation is the greatest and most prosperous nation on the face of the earth. I heard William Jennings Bryan [laughter], after he had traveled around the world, make the statement that labor and capital were more prosperous in the United States of America than anywhere on God's footstool; and, gentlemen, our labor is better paid, better housed, and better fed than it is in any other country in the world, and we ought to thank God that we live under the Stars and Stripes.

If that is the case, so far as the National banking system is concerned, it has been villified. It is the best in the world, and to-day I think that you ought to stand, with some amendments which will relieve us in times of stringency, and I earnestly pray that it shall not be shot to death with a political bullet.

[Cries of Question! Question! Question!]

Mr. J. H. O'NEIL, of Boston, Mass.:

Mr. Chairman, I want to occupy about five minutes of the time of this Convention to voice my mild opposition—

THE CHAIRMAN [interposing]: Will the gentleman take the platform? I think he can be heard better up here.

Will the gentleman kindly state what institution he represents?

Mr. O'NEIL: The Federal Trust Company, sir. When my friend Hill was talking about Reed he reminded me of another saying of Reed's: "Have you ever noticed how the Sidewalk Committee across the street can find fault with the laying of every brick on the structure, though unable to lay a single brick themselves?" For twenty years we have been trying to amend the National Bank Act, and in all that time, during the eight years that the distinguished gentleman from Connecticut was on the Committee of Banking and Currency in the House of Representatives, you could not get anything out of the committee. [Laughter.] This is the first time in the financial history of the country for twenty years that they have gotten out of the committee at least a constructive piece of legislation.

Now, if I know anything about this question at all, and Mr. Hill, I sat at the feet of Jo Walker for ten years, and you know what that meant, for Jo Walker was not only a successful business man, but a banker and an authority on finance, and he always insisted that the most important thing in currency legislation was to give some elasticity to it. You have not that to-day; you have not even rigidity to it, for whenever trouble comes it shrinks.

Is there a man here who does not admit, at least, that this bill gives elasticity to the currency? I sat here and I looked around and wondered what kind of a country I was in. A representative convention of the people of the United States and not a single reference to the great President at the head of our Government. Now, I have here a resolution—

[Cries of No! No! No!] [We want to vote.]

I want to read this, it is very short, and I even want Mr. Hill to vote for it, because if you want currency legislation there is no harm in this, I can assure you:

*Resolved*, That we applaud the action of the President, the Secretary of the Treasury, and Congress, in their efforts to give this country an elastic as well as a safe currency, and pledge them our hearty support towards the enactment of proper legislation to that end.

[Here the speaker was again interrupted with cries of "Let us vote."]

Gentlemen, I have got my protest in, and if you want me to shut up, I will shut up.

THE CHAIRMAN: Give the speaker a chance to conclude.

Mr. O'NEIL: The gentleman from Wisconsin said that we have the best currency in the world. Why? Because the very objection made to it by some people is that the Government is back of it. I am a banker as well as you; I have been fourteen years in the banking business, and I know its trials and its tribulations; but, gentlemen, you know, especially you men from the country districts, that the people of this country want the Government behind it; they want the currency to stand as

good as it is, where it will be accepted in London and in Berlin and in Paris.

MR. SOL WEXLER, of New Orleans, La.: A Greenback isn't.

MR. O'NEIL: Oh, yes, it is, the gentleman behind me to the contrary notwithstanding.

MR. GEORGE M. REYNOLDS, of Chicago, Ill.: Will you go into the system if this measure is adopted?

MR. O'NEIL: Yes, sir; my bank will. I want this bill amended, however. Don't think that I do not. But I do not think the way to get it amended is to abuse the people who are trying to amend it in Congress and who are just as patriotic as you are.

More than that, gentlemen, I challenge contradiction when I say that the average member of Congress has read more on the question of finance than any man in this convention—

[Here the speaker was interrupted with laughter and cries of Oh, no.]

Oh, I know that sounds funny to you; but he has read it in order to know, and he asks the advice—

[Here the speaker was again interrupted with cries of Time is up.]

Well, gentlemen, I am done. I move the adoption of my resolution.

MR. McRAE: I second it.

MR. J. E. FISHBURN, of Los Angeles, Cal.: Mr. Chairman, I make the point of order that there is already one resolution before the house.

THE CHAIRMAN: The Chair rules that the point of order is well taken. Gentlemen, the question is on the adoption of the resolution proposed by the gentleman from Connecticut, Mr. Hill. All in favor of the adoption of that resolution will say Aye—

MR. O'NEIL: I offered my resolution as an amendment to that of Mr. Hill.

THE CHAIRMAN (interposing): All opposed to the resolution—

MR. H. A. MOEHLEPAH, of Clinton, Wis. (interrupting): Mr. Chairman, I want to say a word before the vote is taken. I want to speak on behalf of the country bankers. I want you to hear me a moment. I was a member of that Chicago Conference.

[Cries of No, no; we want to vote.]

MR. FESTUS J. WADE, of St. Louis, Mo.: I move that the gentleman be accorded the floor for five minutes.

[The motion was seconded.]

THE CHAIRMAN: All in favor of hearing the gentleman from Wisconsin will say Aye; opposed, No. The motion is carried and the gentleman from Wisconsin has the floor.

MR. MOEHLEPAH: I represent an agricultural community, and I have the honor of belonging to the Chicago Conference. I have the further honor of being a member of the Conference Committee, and I want to tell you, gentlemen, and especially you country bankers here, that I recognize to-day, as I did in that Conference—and I arose to take just a few moments to try to second the motion of the last gentleman—that we are facing a condition and not a theory. When the gentleman from St. Louis spoke about his reception at the hands of the members of the lower House in Congress, he showed clearly and distinctly the position that the bankers of this country are in with the representatives of the people. Can you not see it? A political expediency has been reached, and here in this great body of men you are hurled off your feet when you must within a few days face the proposition of securing needed amendments to this bill. I say to your country bankers: We must soon go to Washington. We must present our views and our requests for amendments to this bill, and if you go there with this prejudice, it will hurt you, it will be discourteous to the representatives of the people. I want to tell you here, after some experience in Washington last week with the committee and with the Secretary of the Treasury, that you will not receive any better hearing than you received before. You country bankers—and I stand for the resolution adopted by that meeting—want to secure amendments to that bill, and I beg of you not to go to Washington in a spirit of hostility, but to go there in a conciliatory spirit. From top to bottom the leaders of this Convention have come again with another and a decided stand against our representatives in Congress, and I say to you country bankers: Be careful how you vote. Let us stand with the Administration; let us try to get these amendments that we want—

[Cries of "We will never get them."]

Yes, we will get many of them. I tell you the spirit of democracy is the salt of the land, but the bankers are out of touch with it. Let us try to get in touch with it.

MR. R. H. TREMAN, of Ithaca, N. Y.: Mr. Chairman—

THE CHAIRMAN: Will the gentleman state, for the benefit of the stenographer, his name?

MR. TREMAN: I am the President of the New York State Bankers' Association. I am probably unknown to many people in this audience, for I am a simple country banker in a small town in the State of New York; but I rise to suggest to this august body that we take a recess for luncheon. My reasons for that are these: That the people of the United States are looking to this organization to take a conservative, but force-

ful position on this question, which is the most important piece of legislation that ever has come before the people in this generation, and it seems to me that our position will be much stronger if we give to everybody an opportunity, who desires to do so, to oppose the motion before us, if we give them a chance to be heard; and I believe that if we adjourn for an hour for luncheon and then come back here after we have eaten and, if necessary, give the entire afternoon up to the discussion of this subject, or at least so much time as any one needs to present the other side of the subject, we will stand in a much better position before the country.

Truth ought to stand on its merits, and any debate on so important a question as this should be free and open to the members of the Convention, and we should not be choked off even if a large majority will vote to sustain this report.

I am not discussing the merits of the particular resolution, but merely offering the suggestion that I have made as the part of wisdom. I think we will stand before the country in a great deal better attitude if it is known that we have had a free and open discussion here. [Applause.]

[At this point Mr. F. O. Watts, a former President of the Association, took the Chair.]

THE CHAIRMAN: This body has been liberal and patient, notwithstanding the fact that it is in the midst of a taking of a vote upon the resolution that has been offered. The house has unanimously offered the floor to several speakers as a matter of harmony. Now, what is the pleasure of the Convention? Shall we continue such policy, or shall we continue in a parliamentary way to take a vote on this resolution?

[Cries of "Recess, Recess," mingled with calls that the Convention continue until the question is disposed of.]

MR. GEORGE M. REYNOLDS, of Chicago, Ill.:

Mr. Chairman, I move that we take a recess for luncheon, because I want every man, woman and child in this house that desires to express an opinion upon this subject to have an opportunity to do so.

[The motion to adjourn for luncheon was seconded by various delegates.]

THE CHAIRMAN: the parliamentary proceeding is that we suspend the taking of the vote and take a recess for one hour, or for such time as the Convention may see fit.

MR. J. J. SULLIVAN, of Cleveland, Ohio:

Mr. Chairman, I move that we suspend the taking of the vote on this resolution and that a recess meanwhile be taken, say until half past two o'clock.

[The motion was seconded.]

THE CHAIRMAN: All in favor of the motion made by the gentleman from Ohio will signify the same by saying aye; those who are opposed will say no. The motion seems to be carried; it is carried, and the Convention stands adjourned until half past two o'clock.

Recess.

#### AFTERNOON SESSION.

CHAIRMAN REYNOLDS: The Convention will be in order.

MR. C. A. HINSCH, of Cincinnati, Ohio.

MR. CHAIRMAN: In view of the fact that we have not the important machinery here necessary for taking the vote by States upon this important resolution, I move that the action taken this morning that we vote by States be reconsidered.

[The motion was seconded by various delegates.]

CHAIRMAN REYNOLDS: All in favor of reconsidering the action that was taken this morning to vote upon this resolution by the call of States will manifest it by saying aye; opposed, no.

The motion is carried, and that action is reconsidered. What is the pleasure of the Convention now?

#### VOTE AT MORNING SESSION EXPUNGED.

MR. SOL WEXLER, of New Orleans, La.

In order to get our proceedings back into parliamentary form, Mr. Chairman, I would like to offer a motion to the effect that we expunge from the record the vote taken before luncheon and proceed with the debate on the question.

[The motion was seconded.]

CHAIRMAN REYNOLDS: Gentlemen, you have heard the motion made by the gentleman from Louisiana, that we expunge from the record so much of the vote as was taken at the morning session, and proceed with the debate on the original question. All in favor of that motion will say aye; opposed, no. The motion is carried, and it is so ordered.

#### FURTHER DISCUSSION OF BANKING AND CURRENCY BILL.

MR. JOHN L. HAMILTON, of Hoopston, Ill.

Can we have the resolution read again, Mr. Chairman?

CHAIRMAN REYNOLDS: I will ask the General Secretary to kindly read it.

GENERAL SECRETARY FARNSWORTH [Reading]:

"Resolved, That the report of the Currency Commission be received and placed on file.

"Resolved, That we approve the work of the Currency Commission, and that we ratify and endorse the action of the Chicago confer-



ence; the conclusions they reached, and the recommendations they made.

"Resolved, That we urge upon Congress the wisdom and necessity of incorporating into the proposed law the amendments recommended by the Chicago conference, all of which have been elaborately presented to the Committee on Banking and Currency of the State Senate, in which body the proposed law is now pending.

"Any law passed by Congress in order to be effective and to realize in full measure the hopes of those who are seeking currency reform must command the approval and enlist the co-operation of the banks of country, both State and National."

MR. O'NEIL: How about the amendment that was offered to that?

CHAIRMAN REYNOLDS: Gentleman, the question is upon the adoption of that resolution, and Mr. Hepburn, the Chairman of the Currency Commission, is accorded the floor.

MR. A. B. HEPBURN, of New York: One gentleman in the Convention this morning, Mr. O'Neil, of Boston, offered an amendment for the consideration of the members to which there seems to be no objection. In fact, it is along the lines of the suggestions and the action taken by the Chicago Conference, which, by the terms of the resolutions to which you have just listened, you are asked to approve. There we refer to the pending banking law in Congress as evidence of the earnest wish of the administration to give to the country a wise banking law, and the efforts of the President along that line have been universally commended, I think, by members of the Currency Commission and bankers generally, wherever they have had a chance to meet.

Now, the resolution, with some changes to which the gentlemen assent, reads as follows:

Resolved, That we commend the President, the Secretary of the Treasury, and Congress for their efforts to give this country an elastic as well as a safe currency, and pledge them our hearty support toward the enactment of proper legislation to that end.

Gentlemen, I am heartily in favor of that resolution, and I can see not the slightest possible objection to its adoption. The action of the Chicago conference which you are asked to ratify is an expression of our judgment, if we adopt it, of the proper legislation or the best legislation that we can suggest towards the accomplishment of that end.

With Mr. O'Neil's consent I will second this resolution. [Applause.]

CHAIRMAN REYNOLDS: Gentlemen, are you ready for the question on the resolution offered by Mr. O'Neil?

It has been suggested that the resolution which has just been read ought to be added to the resolution already offered.

MR. E. J. HILL, of Norwalk, Conn.: The resolution was offered originally as an amendment to the resolution offered by myself. As it is now changed I heartily accept the amendment, and ask that the resolution may be put as a whole. [Applause.]

CHAIRMAN REYNOLDS: Unless there is an objection, the question will be put in that way. Gentlemen, the question is now on the resolution presented by the Currency Commission. Are you ready for the question?

MR. GORDON JONES, of Denver, Colo.

Mr. Chairman, I want to say just one word in reply to the gentleman from Arkansas who made a statement on the floor of the Convention that has not yet been challenged. In referring to the disposition to be made of Government bonds held by National banks, he stated, if not in words, in effect, that the Government had provided a proper method for their liquidation, and he said—raising his finger: Do they not give you 3 per cent. bonds in exchange for 2 per cent. bonds? There he stopped. He is not first in national banking, for the reason that he owns a State bank. If the gentleman understood the National banking situation he would have gone into the effect of the exchange of those bonds. The Government did receive par for those bonds when it sold them, and received it in many cases direct from the banks that paid them not only par, but a premium. And now, in asking us National banks to accept 3 per cent. bonds, with no circulation privilege, in exchange for 2 per cent. bonds that carry with them circulation privilege, the serious question arises as to the good faith of the transaction. Three per cent. English consols to-day are selling around 75 cents on the dollar, as I understand—

MR. PIERRE JAY, of New York:

Two and one-half per cent. bonds, you mean.

MR. GORDON JONES: Yes, 2½ per cent. bonds; but they have no maturity, and in order to retire our circulation the Government says to us, or the bill says to us, "We will give you 3 per cent. bonds with which you may retire your circulation in cash. Are the bonds worth par? If so, why can they not be marketed without the banks accepting them, and then we receive par for our Government 2 per cent. bonds?"

I do not believe the gentleman took the next step. If the National Banks join or are forced into the Reserve Association they accept of the proposition as submitted by the gentleman; but if they do not, it becomes necessary to liquidate. We are then obliged to work our 2 per cent. bonds off for whatever we may get for them on a 2 per cent. basis. I merely state this because the question of the gentleman from Arkansas had not been challenged, and for the reason that there are many country bankers here who tell me that they had not gone into that situation or had even heard of it until our meeting last

Monday afternoon, and I believe the point should be made clear and I think I have done so.

[Question! Question! Question!]

CHAIRMAN REYNOLDS: The question is called for, but if there is any one else who desires to speak I will give them an opportunity to do so.

MR. JOHN T. M. JOHNSTONE, Kansas City, Mo.: We did not hear the resolutions read this morning, and for one I should like to hear them and know what we are voting on, together with the amendments that have been offered. I want to know just what we are to vote upon.

CHAIRMAN REYNOLDS: I beg to state to the gentleman from Kansas City that the resolutions have been read since we convened this afternoon—probably before he came into the hall. However, if there are any gentlemen who would like to hear them read again, we will be glad to have them read.

[The resolutions were again read by General Secretary Farnsworth.]

MR. JOHN L. HAMILTON, of Hoopeston, Ill.: As I understand it, the adoption of this resolution carries with it the endorsement of the action of the conference held in Chicago. Now, I believe that many of the country bankers here are not aware of the fact that the recommendations made at that meeting in Chicago were that real estate loans made by the National Bank should be for a period of only twelve months. Now, I would move as an amendment that the Committee be instructed to recommend an amendment to this measure making the term of those loans at least five years.

[Cries of No! No! No!]

CHAIRMAN REYNOLDS: Is there a second to the motion made by Mr. Hamilton?

MR. N. F. BANFIELD, of Austin, Minn.: I second it.

MR. J. S. HILL, of Charleston, W. Va.: Mr. Chairman, it has been suggested to me that the country bankers vote on this resolution separately, and I would make that suggestion to the Convention.

CHAIRMAN REYNOLDS: Gentlemen, you have heard the amendment offered by Mr. Hamilton, which has been seconded, and the question will first be put upon that amendment. Are you ready for the question?

MR. JOHN PERRIN: I would like to make one word of explanation about that matter. At the Chicago Conference, in the consideration of the form for real estate loans, the measure as there considered specified nine months. In recommending the change to twelve months it was only to cover an entire crop year. The thought was not to extend the right of National Banks to make so-called mortgage loans, but was for the purpose of securing temporary loans by mortgage security. It was thought that it was wiser that the matter of so-called mortgage loans, long time loans, should go into an extension of rural credit, which is to be taken up by Congress later.

I trust that the amendment will be voted down.

MR. N. F. BANFIELD, of Minnesota: I live in an agricultural section. I have been in the banking business for thirty-four years, and we have found from experience that a first-class farm mortgage loan is a liquid asset. It is classed in the same category as bonds, which are carried by nearly every bank in the country, running for a period of years. The great majority of those loans are nothing but mortgage loans running from ten to twenty-five and fifty years, and are secured by mortgages, but they are called bonds. Yet they are no different in point of security from our mortgage loans.

Going back to the panic of 1893, our experience proved that our farm mortgage loans that we had were the only assets upon which we could get money. As a matter of fact, I would rather face a panic with a good stock of farm mortgage loans on hand than any other asset.

MR. B. F. HARRIS, of Champaign, Ill.:

As a country banker I endorse everything that has been said with reference to real estate mortgages, but mortgages have no part in a currency bill. As I understand the proposition in Congress, it is to take up the matter of the National Banking Bill, which will give National Banks the privilege of handling farm mortgages the same as the State banks do. Therefore, I am opposed to this amendment.

MR. MYRON CAMPBELL, of South Bend, Ind.:

I think I can throw a little light on this mortgage loan business that may be beneficial without having any change made in the national banking law.

We all recognize that the Comptroller of the Currency permits us to use bonds just the same as real estate bonds. If a man comes to me and says that he wants a mortgage loan, and I consider that he is worthy of being given the accommodation, why, I can say if he can give me the right kind of security, and he wants a \$5,000 loan, I will take five \$1,000 bonds with the coupons attached, and take a mortgage to secure the loan equitably and ratably. I probably have \$100,000 of bonds of that kind in my safe, and when the bank examiner comes in to examine us, why, they are charged in my bond account.

I would rather have the national banking act as it now stands, which permits us to use bonds—in fact, the clause which says we may negotiate and discount promissory notes, bills of exchange and other evidences of debt, which gives us unqualified permission to buy any and every class of securities, no matter

how they are secured, or whether they are secured at all [laughter], if we can buy them second-handed. But if we undertake to negotiate with the maker then it says "personal security," although so long as there is no difference in the classes of security I have decided to take directly from the promissor, and call it a real estate bond mortgage.

Now then, while I am on the floor, I wish to say that I consider the only amendment in the National Banking Act along the line of mortgage paper is where it says, "May loan on personal security," I would say, "May loan on approved security." Then in Section 5137 erase the word "previous," and I think you have all that we want.

MR. JOHN L. HAMILTON: Inasmuch as the country bankers have already appointed a committee and they are to have a conference in Washington, I will withdraw the resolution that I offered, with the consent of my second, and leave the matter to them for adjustment. [Applause.]

MR. REYNOLDS: Does the gentleman who seconds Mr. Reynolds' amendment agree to that?

MR. N. F. BANFIELD: Yes, sir.

CHAIRMAN REYNOLDS: Now we are upon the original resolution read by Colonel Farnsworth twice, which was introduced by Mr. Hill upon the report of the Currency Commission, with the amendment made to it.

MR. A. J. FRAME: To carry out the resolution that I made this morning, so as to make it operative and not imperative, I want to amend by saying this: That banks outside of reserve cities shall not be compelled to deposit to exceed two per cent. of their deposits with the Federal Reserve Bank.

THE CHAIRMAN: Is there any second to Mr. Frame's motion? The Chair hears none.

MR. JOHN R. MITCHELL, of St. Paul, Minn.:

I would like to ask for the construction of Section 15 of this bill, which refers to open market operations. I would like to know from the Chairman of the Committee if that gives the Federal Reserve Bank the right to go into the open market and purchase paper in competition with the member banks?

CHAIRMAN REYNOLDS: I will ask Mr. Hepburn to reply to that inquiry.

MR. A. B. HEPBURN, of New York:

I did not understand the gentleman's question.

CHAIRMAN REYNOLDS: Mr. Mitchell, Mr. Hepburn states that he does not hear your question.

MR. MITCHELL: My question was, referring to Section 15, which governs open market operations, whether that section permits the reserve bank to go into the open market and buy commercial paper in competition with member banks?

MR. HEPBURN: That question is one that has been frequently raised, and in regard to it there is a difference of opinion. Some competent judges hold that they could not and other men express the positive opinion that they would be permitted to go into the open market and buy such paper as has been approved by the Federal Reserve Board.

The purpose of the act, as I understand it, was not to allow them to go into the open market and buy commercial paper, for instance, in competition with member banks, and not to enter into competition with the banks in the general business of loaning money and of discounting. That is my construction of the act, although there are other people who hold to the contrary. I think a strict construction of the language would not permit them to go into the market and buy paper from commercial note brokers, for example.

MR. MITCHELL: I had an opportunity of asking the question of Mr. Glass, the Chairman of the Committee on Banking and Currency of the House, as to what that meant, and I was informed by him that it meant that the Reserve Bank had the privilege of going into the market and buying commercial paper in competition with member banks. I do not believe that many of us here understand that privilege; I do not believe that we are of the opinion that that is intended in the bill, and I suggest that an amendment be made to a certain section in this bill which will restrict the operation of the Reserve Bank to discount and to rediscount commercial paper, only to admit member banks, and not to allow them to go into the open market in competition with member banks in the purchase of commercial paper.

MR. F. J. WADE: May I be permitted to give my explanation about that? I think it will throw a little light upon the subject.

I will assume that a Reserve Bank has a right to purchase foreign and domestic bills if it sees fit to do so under the rules and regulations prescribed by the Federal Reserve Board. Simply for the sake of the argument I will assume that they have that right. Now, let us see who is the Federal Reserve Bank that will buy those. The Federal Reserve Bank of New York or of Missouri or of Arizona is absolutely controlled by a majority of the banks in that particular locality, because they elect six out of the nine members. The purpose of that provision is to enable the Federal Reserve Banks of the nation to protect the gold reserve of the nation. That is its real purpose. It is never intended that you or I should vote into office a director in our respective localities who would go into competition with our individual banks. That is my understanding of that provision.

MR. MITCHELL: Mr. Wade's understanding of the situation. I think, is the understanding that probably 90 per cent. of the bankers of this country have who have read the bill, but I make the assertion that that is not the intention of this provision. The intention is not for the purpose of maintaining the gold reserve, but is for the purpose of giving the Reserve Banks the opportunity of competing with the Member Banks. You cannot protect the gold reserve in the domestic exchange relations.

[Cries of Question! Question! Question!]

CHAIRMAN REYNOLDS: Are you ready to vote upon the resolutions?

MR. MCRAE: I ask for a separate vote on the resolutions which endorses unqualifiedly a part of the scheme.

CHAIRMAN REYNOLDS: It has already been made a part of the other resolutions.

MR. MCRAE: No. I mean the resolution which endorses the Chicago conference. I ask that the question be divided upon that. The question is divisible.

CHAIRMAN REYNOLDS: The gentleman from Arkansas asks that the last resolution, which was attached to the original resolution, be voted upon separately.

MR. MCRAE: No, that is not it. I mean the resolution which endorsed the Chicago conference.

GENERAL SECRETARY FARNSWORTH: The gentleman from Arkansas asks that these resolutions be acted upon separately. They are very short, and they can be acted upon in that way, if it is the desire of the convention.

CHAIRMAN REYNOLDS: I will ask the gentlemen to vote upon that question, whether it is desired to have the resolutions divided, and the question put upon each of them separately.

MR. MCRAE: I submit, sir, that it is a matter of right that they be voted upon in that way upon the request of any delegate to the convention.

MR. HEPBURN: The first resolution is that the report of the Currency Commission be received and placed on file.

MR. W. R. CREER, of Cleveland, Ohio:

I rise to a point of order. There has been no motion made and carried yet that these resolutions be considered seriatim.

CHAIRMAN REYNOLDS: That is so, but still the Chairman thinks that the gentleman from Arkansas is within his rights in asking that the question be divided.

MR. CREER: But, sir, you have allowed the first resolution to be put before the house, and before that can be presented it must be the sense of this body that it is going to vote upon these resolutions singly and not as a whole.

MR. CHARLES C. BURRILL, of Ellsworth, Maine: I move the adoption of the resolutions as a whole.

MR. MCRAE: Any resolution which involves more than one question is subject to revision, I submit, and I have asked for a division.

CHAIRMAN REYNOLDS: Provided the members desire to have the question divided.

MR. WADE: Missouri and Arkansas now agree. I think the gentleman from Arkansas is absolutely right; and, whether he is or not, do not let us vote down a minority or majority, let us take these resolutions up separately and vote upon them. While we may not agree on the general principles, we want a majority stand here.

MR. F. C. DANFORTH, of Brunswick, S. Dak.: I move that we take up these resolutions separately.

[The motion was seconded.]

CHAIRMAN REYNOLDS: It is moved and seconded that we vote upon these resolutions separately. All in favor of the motion will say aye; opposed, no. The motion is carried and therefore the Secretary will read the first resolution.

MR. O'NEIL: I move that we vote upon the last resolution first.

CHAIRMAN REYNOLDS: No, we will take them up in their regular order. The Secretary will read the first resolution.

GENERAL SECRETARY FARNSWORTH (reading): "Resolved, That the report of the Currency Commission be received and placed on file."

CHAIRMAN REYNOLDS: All in favor of the adoption of that resolution will say aye; opposed, no. The ayes seem to have it. The ayes have it and the resolution is adopted.

GENERAL SECRETARY FARNSWORTH (reading): "Resolved, That we approve the work of the Currency Commission, and that we ratify and endorse the action of the Chicago Conference and the conclusions they reached and the recommendations they made."

CHAIRMAN REYNOLDS: All in favor of the adoption of that resolution will say aye; opposed, no.

[There were two votes in the negative.]

The ayes have it and the resolution is adopted.

GENERAL SECRETARY FARNSWORTH (reading): "Resolved, That we urge upon Congress the wisdom and necessity of incorporating into the proposed law the amendment recommended by the Chicago Conference, all of which has been elaborately presented to the Committee on Banking and Currency of the United States Senate, in which body the proposed law is now pending."

CHAIRMAN REYNOLDS: All in favor of the adoption of that resolution will signify by saying aye; those opposed, no.

[Mr. McRae, of Arkansas, voted no.]

The resolution is adopted.

GENERAL SECRETARY FARNSWORTH (reading): "Resolved, That we commend the President, the Secretary of the Treasury, and Congress for their efforts to give this country an elastic as well as a safe currency, and pledge them our hearty support towards the enactment of proper legislation to that end."

CHAIRMAN REYNOLDS: Gentlemen, you have heard the resolution read. All in favor of its adoption will say aye; opposed, no. It is carried unanimously. [Applause.]

MR. FESTUS J. WADE: I now move that we adopt the resolutions as a whole by a rising vote.

[The motion was seconded by various delegates.]

CHAIRMAN REYNOLDS: All in favor of ratifying and adopting these resolutions will manifest it by rising.

[One delegate, S. D. Scudder, Richmond, Va., remained seated. Mr. Scudder later explained his vote, and his remarks will be found on page 157.]

The motion is carried, and the resolutions as a whole are adopted.

MR. B. F. HARRIS, of Champaign, Ill.:

The impression comes out from Washington that the Currency measure as passed by the House is only opposed by the large city banks and that the country bankers are in favor of it. Now, we have the opportunity here this afternoon to inform ourselves and to inform Congress on that point; and, as a country banker, I move you, sir, that the country banks vote upon the motion that last prevailed—and by country banks I mean banks having a capital of \$250,000 or less; that they vote on the last resolution aye or no.

[The motion was seconded.]

MR. GEORGE W. ROGERS, of Little Rock, Ark.:

I move to amend that motion, that the country banks approve of the bill with the suggestions made at the meeting of the country bankers on Monday last.

MR. J. E. BASSETT, of Lexington, Ky.:

When you say country banks do you include the Trust Companies? I am the representative both of a bank and of a trust company, and I would like to know.

CHAIRMAN REYNOLDS: Yes, sir: the Chair rules that you are included.

MR. W. J. BAILEY, of Atchison, Kan.:

Gentlemen, the country bankers did a good job the other day, and they did it of their own volition, and they will go before Congress in very good shape.

MR. GORDON JONES, of Denver, Colo.:

I trust the gentleman will withdraw the motion. In the resolutions that were passed last Monday afternoon by the country bankers they plainly stated that there were features in the act with which we are dealing of which they did not approve. Has not the country banker here been already informed of this measure? There is but one country banker here that has stated that he distrusts the action of the Chicago Conference. What more do the country bankers want? I agree with Governor Bailey that they have done very well.

MR. MCRAE, of Arkansas: I join in the request that this motion be withdrawn. While I do not endorse all of the recommendations of the Chicago Conference, I do endorse the recommendations that the country bankers made on Monday, and I may say some other of the recommendations of the Chicago Conference; but I hope that you will not embarrass the Committee that goes to Washington representing the country bankers, and I believe that if they go there in the proper spirit that they will get everything that they asked for on Monday. Do not let us complicate the situation with other questions. In other words, do not criss-cross yourselves. If you do not believe what you said on Monday, why, withdraw it; but if you do believe it, stand by it and go and tell Congress what you want, and I think you will get it.

MR. HARRIS: I like to be amenable, but I do not care to withdraw my motion. The action of the country bankers was all right, so far as it went, but if Congress wants information, we might just as well give it to them all along the line, and not pick out just a few points.

MR. JOHN L. HAMILTON:

Having an abiding faith in the country banker, I move to lay Mr. Harris' motion on the table.

The motion was seconded.

CHAIRMAN REYNOLDS: It has been moved and seconded to lay the motion on the table. All in favor of that motion will say Aye; opposed, No. The motion is carried, and the motion made by the gentleman from Kansas, Mr. Harris, is laid on the table.

Colonel Farnsworth informs me that in reading the resolutions he omitted to read one part of one of the resolutions which was somewhat explanatory, and I will ask him to read that part now.

GENERAL SECRETARY FARNSWORTH: Gentlemen, this is really a comment on the resolution which precedes it, and it reads as follows—perhaps I had better read the resolution which precedes it. The resolution which precedes this comment is as follows:

Resolved, That we urge upon Congress the wisdom and necessity of incorporating into the proposed law the amendments recommended

by the Chicago conference, all of which has been elaborately presented to the Committee on Banking and Currency of the United Senate, in which body the proposed law is now pending.

Now, this comment reads as follows:

"Any law passed by Congress in order to be effective and to realize in full measure the hopes of those who are seeking currency reform must command the approval and enlist the co-operation of the banks of the country, both State and National."

MR. JAMES H. TRIPP, of Marathon, N. Y.:

I move that that be incorporated in the resolution and passed.

[The motion was seconded.]

MR. R. H. TREMAN, of New York:

I would like to suggest the use of the word "should" rather than "must," in the language there.

CHAIRMAN REYNOLDS: All in favor of including this comment in the resolution which precedes this will say aye; opposed, no. The motion is carried, and it is a vote.

[At this point Mr. Reynolds surrendered the Chair to Mr. F. O. Watts.]

#### CALL FOR MEETING OF NOMINATING COMMITTEE.

GENERAL SECRETARY FARNSWORTH: I have been requested by members of the Nominating Committee to make this announcement:

"The General Nominating Committee of the Convention which nominates the President and the Vice-President and the members of the Executive Council and the Vice-Presidents of the various States is called to meet at 4.30 o'clock this afternoon.

"Preceding that meeting there is a call for a meeting of Vice-Presidents of States having one hundred members or more. States and Territories having one hundred members or more have been asked to meet in the room immediately over the press room on the west side of the stage at 2 o'clock.

"I would suggest that the Vice-Presidents of the States and Territories meet at a quarter-past four o'clock.

"The General Nominating Committee, selected by the various States will meet on the second floor of this hall at half-past four o'clock."

A DELEGATE: Mr. Secretary, have you a roll-call for the Nominating Committee?

GENERAL SECRETARY FARNSWORTH: The roll-call of the Nominating Committee is always handled by the Assistant Secretary and they will be found in the room.

THE CHAIRMAN: Gentlemen, the next order of business will be the reports of officers. I may say that these are the annual reports, and they have all been printed in pamphlet form, and it seems unnecessary that they be read from the platform.

#### Reports of Officers Received.

MR. J. W. BAILEY, of Kansas:

Mr. Chairman, I move that the report of the officers be received without reading, and made a part of the records of this Convention.

[The motion was seconded.]

THE CHAIRMAN: All in favor of that motion will say aye; opposed, no. It is carried, and it will be so ordered.

[The reports of the various officers will be found in the Committee Reports on pages 126 to 140.]

Next in order, gentlemen, is the Reports of the Sections. The first report under this head is that of the Trust Company Section.

MR. RALPH W. CUTLER, of Hartford, Conn.:

Mr. Chairman and Gentlemen, this report has been approved by the Executive Council of the Association, and—

MR. J. T. DISMUKES, of Jacksonville, Fla. (Interrupting): I move that these various reports lay over until to-morrow—or, rather, that they be printed and turned in.

THE CHAIRMAN: Such a disposition would be very agreeable to the Chair, but the Chair must rule that after a report has been begun it cannot be stopped, except by the unanimous action of the Convention. You may make such action if you choose, but the Chair would suggest that Mr. Cutler finish the reading of the report.

[The report of the Trust Company Section was then read.]

MR. T. J. DAVIS, of Cincinnati, O.:

I move that the report be received and filed.

[The motion was seconded.]

THE CHAIRMAN: All in favor of the motion will signify by saying aye; opposed, no.

[The motion was carried.]

MR. DISMUKES: Now, I move that the rest of the reports be printed and turned in and passed over.

THE CHAIRMAN: Gentleman, as a native Southerner, I am quite familiar with the term "turned over," but not exactly with the term "passed over." However, the Chair understands the gentleman from Florida to mean that the Section reports be received and that their introducers be given leave to print the same and have them made a part of the records of this Convention.

MR. DISMUKES: Yes, sir, that is my motion.

[The motion was seconded.]

THE CHAIRMAN: All in favor of the motion will say aye; opposed, no. The motion is carried.

The next order of business is the Report of the Committee on Constitutional Revision.

#### REPORT OF THE COMMITTEE ON CONSTITUTIONAL REVISION.

[MR. SOL WEXLER, of New Orleans, La., presented the report, in the absence of the Chairman of the Committee.]

MR. WEXLER: I am sorry that Mr. James is unable to be here to-day because of his illness. I want to say that to him is due the greater part of the credit for the work of drafting this Constitution.

This was presented to the Executive Council at its meeting on Monday afternoon, and the Committee was directed to present it to the Convention. A discussion was had on several clauses at that meeting, and a complaint was made on the part of both the Trust Company Section and the Savings Bank Section that their representation was reduced to one each under this Constitution as it was prepared, and that that was inadequate to properly represent the important interests of those Sections. Quite a heated debate took place, and it appeared at one time as if it might reach an acrimonious stage, either there or here on the floor of this Convention; and at that juncture one of the ex-presidents of the Association suggested in the interest of harmony a compromise to the effect that the Section having a membership exceeding 1,000 be permitted to have the name of the Chairman of the Executive Committee of such Section added to its representation in the Executive Council of the Association. Also that the word "shall," wherever it appears, stating that the Executive Council shall be empowered to make financial provision for the Sections, be changed to "may."

At that meeting of the Council on Monday there were present three members of that Committee, and each of them signified their willingness to acquiesce in these changes in order that this draft of the Constitution might be unanimously accepted. We, of course, in acquiescing spoke for ourselves as individuals and not for the Committee as a whole, the other members of the Committee not being present. We felt that these changes would not be material. They could mean at most the addition of three members, and it is hardly likely that the Clearing House Section will for many years reach a membership of 1,000.

The matter is now before the Convention for such action as you desire to make. If you wish to amend the draft to the extent of the changes which I have referred to, it will require a two-thirds vote, just as it will require a two-thirds vote to carry the new draft in its entirety or as amended.

MR. JOHN PERRIN, of Los Angeles, Cal.: I would suggest to the Acting Chairman of the committee that it would be well to have a motion made that the revision be considered as read as part of his report.

MR. JOSEPH A. MCCORD, of Atlanta, Ga.:

I will make such a motion, viz., that the revision be considered as having been read in full and made a part of the report of the committee.

[Seconded.]

THE CHAIRMAN: As many as favor that motion will say aye; opposed, no. It is unanimously carried.

The Chair will rule now that members of the committee are first entitled to the privileges of the floor.

MR. J. W. BAILEY, of Atchison, Kan.:

As a member of the Committee on the Revision of the Constitution, I wish to move the adoption of the Constitution and the By-Laws as they have been printed in the *General Bulletin* of the American Bankers' Association without the amendments that have been suggested or that have been referred to by Mr. Wexler just now.

I want to say to you gentlemen that the committee has given this matter a great deal of thought and study. We met in Chicago, and spent several days in going over the matter of the revision very thoroughly, and I want to emphasize what Mr. Wexler said, that Mr. James did most of the work, and to him more than all of the rest of us is due the splendidly constructed Constitution that is now offered to you. In the years that have passed, those of us who have been attending the convention of the American Bankers' Association have been conscious of the fact that we had outgrown our Constitution: it had got to be in a way—without any reflection on anybody—a kind of a good fellows' club, this Association had, because there were a lot of members that were on a half a dozen committees and it was run along in that smooth kind of way.

It began to seem to many of us that, in order that the American Bankers' Association should maintain its potentiality and be the great power that it should be, it ought to be a representative Association, and that every man who held a position on the Council should have a constituency back of him at home. Upon that theory we started out to revise the Constitution. Under the old system you elected a Nominating Committee, and a man was elected after he got here to the Convention. Now, this Constitution provides that you will be elected by the folks at home and be responsible to them.

We have tried to make this a representative body of people, for we believe that the future welfare of the American Bankers'

Association depends upon the fact that it must be a representative body.

The first draft of the Constitution provided that there should be no members of the Executive Council who were not elected at home. After that was noised abroad and generally understood, there was such a protest from the Sections that we finally agreed that there should be one member of the Council ex-officio from the different Sections.

Now, I am here asking, not only for myself but in the name of the Chairman of the Committee, who unfortunately cannot be here on account of his illness, that this Convention adopt this well matured, well considered, consistent instrument.

MR. JOHN T. DISMUKES, of Jacksonville, Fla.: I second the motion.

MR. OLIVER C. FULLER, of Milwaukee, Wis.: Mr. Chairman, if this is the proper time, I desire to move that the revision of the Constitution as submitted by the Committee be amended in the manner that was suggested by Mr. Wexler.

I think that the explanation made by Mr. Wexler is sufficient with my going through the revision and pointing out the details of it; but I will do so if the Chair feels that it is best to do it in that way.

MR. SOL WEXLER: I want to say that the amendments referred to by Mr. Fuller were not made at my suggestion. I am a member of the Committee, and when I appear here as one of the authors of this draft I came here with the full conviction that the draft as drawn was an ideal instrument. When the matter came up for discussion in the Council meeting on Monday afternoon, and it appeared as if there might be a very heated argument over it on some of the points, and when a compromise was suggested by an ex-President of the Association, after fully considering the changes that were suggested, I agreed to them, in the interest of harmony and good fellowship.

MR. FULLER: The objection that Mr. Wexler makes to my remark that they were at his suggestion is well taken. I am aware that Mr. Wexler did not suggest these amendments. The amendments were suggested by a former President of the Association, and they were acquiesced in not only by the three members of the Committee on Revision that were present in the Council meeting at the time, but by the Council itself. I now offer those amendments.

MR. BAILEY: I think it would be better form to offer the amendments separately, and have the gentleman designate the sections of the Constitution that he desires to have amended.

MR. FULLER: I was on the point of asking the Chair for advice on the point, whether the Convention desires that I shall read the amendments as proposed.

THE CHAIRMAN: The Chair would rule that Governor Bailey's suggestion is well taken, but, on the other hand, if by unanimous consent the gentleman on the floor can make the words of the gentlemen offering the report his own, he can get the matter before the House in that way.

MR. FULLER: Then I move that the report be amended as follows: That Article 5, Section 2, be amended by the addition of the following words:

"Any Section having more than 1,000 members may elect one additional official as a member of the Executive Council ex-officio"

Also that Article 10, Section 2, be amended by changing the word "shall" in next to the last line of that Section and substituting therefor the word "may." Also that in the by-laws, Article 6, in the last line, the word "shall" following the word "sections" be changed to "may," and that the word "shall" following the word "employees" shall also be changed to "may."

F. H. FRIES, of North Carolina:

I second that motion.

THE CHAIRMAN: Gentlemen, the amendments proposed are now before you.

MR. L. T. PECK, of Honolulu, Hawaii:

If it be in order, Mr. Chairman, I would like to inquire what is the status of Hawaii? Hawaii is not a Dependency of the United States; it is not a part of the mainland, but it is a fully organized territory of the United States just as much as is Alaska, or as Oklahoma was before it was admitted into the Union. Now, under Section 1 it is provided (reading Section referred to): In Section 2, on page 8, the right to vote is limited to those members who are elected by the States and by the District of Columbia. I think there should also be placed in there—unless it means otherwise of itself—the territory of Hawaii, if it is intended to include us in the membership of the American Bankers' Association. We have five National banks, and a large number of other banks, and we are as loyal to the aims and purposes of the American Bankers' Association as is any State in the Union.

THE CHAIRMAN: The Chair has been giving quite full latitude to gentlemen, but must now rule that further discussion of this particular matter is not germane to the question before the House; it may be taken up subsequently.

MR. E. C. EMERICK, of Williamsport, Pa.

As a member of the Trust Company Section, I am opposed to the amendment offered by my friend, Mr. Fuller. The members of the Trust Company Section are also members of this

Association, and they have the same privileges for the election in their State organizations that the members of the National banks have. Our State of Pennsylvania has two representatives from the Trust Companies to-day in their Executive Council—two out of four. They go on the basis that you want to try and elect the best men, and I think that should be the case all over the United States. If they have better men in the Trust Company Section than they have in the National Banking Section, why I believe they will elect them in their State organizations. It is not necessary to fill up the Executive Council from these separate Sections. I believe they will get their representations from the State organizations themselves.

Mr. U. H. McCARTER, of Newark, N. J.:

Theoretically, what the gentleman has stated is entirely true, that we have the same rights as National Banks have, but practically that does not work out. The fact is that the State Associations throughout the country are more largely National bankers than they are Trust Company men, and the further fact is, if the past history of the membership of the Council is any criterion for the future, that National bankers are elected by the State Associations, and particularly in the Eastern States Trust Company men are not elected.

Theoretically, this constitution as proposed by the committee is beautiful, and in most respects it is admirable; but you must remember that bankers have troubles of their own at the present time, and we have to try and appear before the people of this country in a united frame of mind. It will not do to antagonize a Section composed of 1,300 members. The Trust Company Section has 1,363 members to-day, and all it is asking for is that they shall have one additional member of their executive officers as a member of the Executive Council of the Bankers' Association. They did ask more, but in the same spirit of compromise to which Mr. Wexler has referred, they have assented to the compromise suggested, and they now come before you and ask you not to disappoint them in this regard.

At the meeting of the Trust Company Section yesterday, misunderstanding that this matter had been finally settled, it was reported to our membership that the matter had been adjusted.

Mr. E. R. GURNEY, of Fremont, Neb.:

I want to say to those who are so unfortunate as not to have made my acquaintance that I am a National banker and for the better part of my business life so far as the insidious and seductive influences of Savings Banks and Trust Companies and Trusts are concerned, that I am comparatively virtuous. [Laughter.]

For fifteen years without a break I have attended the meetings of this Bankers' Association. Five years ago by some happy chance I attended the meetings of the Savings Bank Section. A little later I found an interest in the meetings of the Trust Company Section, and, Mr. Chairman and gentlemen, I have been most agreeably surprised at the splendid character of the programs which have been presented at those meetings in those Sections. Why, yesterday, in the little Opera House over here there was a meeting of the Savings Bank Section that was very largely attended, there were nearly twice as many people there as are in this hall now. So it has been in all these years; these Sections have been the means of bringing a large part of the attendance at these conventions. I have been most agreeably surprised to find that the Trust Company Section by its activities is most loyal to this Association, and it has brought in nearly 1,400 members into the Association. The Savings Bank Section by the display of the same energy has brought in 2,400 members.

I understand that in the point of the reserve and the responsibility and the dollars these Sections represent more than all the rest of the American Bankers' Association membership combined. Certainly in character they cannot be surpassed, these men to whom are entrusted the savings of the widows and orphans, who administer the trusts of their fellow men.

Now, then, to the dismay and consternation of these Sections, they find that when this self-appointed Committee—for I remember that our honored President was deprived of the right to name the members of that Committee in the Convention a year ago—first, they found that this Committee had absolutely cut them off without a single representative, and it was only tardily and grudgingly granted to them Monday at the meeting of the Council. Why, gentlemen, think of these two Sections, with a total membership of 3,800 members, hardly given the right to have two members on the Executive Council out of ninety! They found more than this, that they had been submitted to the indignity—or the indignity had been thrust upon them—of being placed in that immortal document, as it has been called [laughter], and which is a good one, by the way—these Sections find themselves placed—talk about getting in at the back door. Why, even the committees of this Association have the honor of being placed above these Sections by the Constitution, for the Sections have been relegated by their standing upon the By-Laws. And what is the difference between the Constitution and the By-Laws? The Constitution can only be amended by a two-thirds vote, and only then after notice has been given by the proposed amendment for thirty days; while a by-law can be amended at any meeting without any notice being first given. So that is the way these Sections find themselves placed.

And further, Mr. Chairman—and I beg you to believe that this is not an incendiary speech that I am making here—these two great Sections find that they have not even the authority to hire a stenographer, and they cannot even buy a batch of postage stamps. Yet these Sections bring into the Association from twenty to forty thousand dollars a year, and they have been so emasculated in their powers that they haven't the authority to even manage the little insignificant things in their own groups. I submit, sir, that it is an indignity to put upon the membership of these Sections. We have only asked that the word "shall," in the sentence where it is said they shall be supervised, shall be changed to "may," which is a much more amiable word, and that the Section shall have two representatives instead of one. Some gentleman down here on the floor raised the point that the members of the Trust Company Sections and the Savings Banks Sections needed no representation except as they got it at large. I submit that the average Savings Bank man and the average Trust Company man does a local business. The National Bank man, on the other hand, has commercial accounts all over the State, and his acquaintance is widespread, and when it comes to the convention of his State Association he has a long arm and he gets the nomination. A single glance at our Executive Council will convince any one of this. My good friend, Governor Bailey, who, by the way, has gotten off on the wrong foot on this matter, while loyal to the Chairman of his Committee—and that loyalty on his part is certainly admirable—made a most unfortunate simile when he referred to a "tempest in a teapot." There is too much of suggestion in that of the incident that occurred down here in Boston harbor, where there was instituted a real tempest in the teapot, and the broilings of that tea aroused the feeling of the colonists that they were being deprived of representation and finally brought to the King of England grief that he long deplored. [Applause.]

Gentlemen, let us not deprive these Sections of the representation to which they are richly and rightly entitled. I wish my friend, Governor Bailey, whom I admire intensely, and who is a neighbor of mine, would withdraw his opposition and let this thing go through unanimously by every vote in this Convention because it is most righteous. [Applause.]

Mr. GORDON JONES: I have been a member of this Association for twenty-five years, and I think this is about the first Convention in which I have ever raised my voice from the floor during its deliberations. Mr. Gurney has made a statement that I would like to refute in so far as I am personally concerned. I am a member of this committee. Mr. Gurney said that this committee was virtually self-appointed. I have no interest in a trust company as a stockholder or as a depositor, nor have I any interest in a savings bank in either capacity. I was not present at the Detroit meeting, and I was greatly surprised when I learned that my name had been mentioned and that I was elected as one of the committee on the revision of the constitution. So much to clear my skirts of the charge of being a part of any cut and dried programme.

I am a country banker; I have interests in a country bank. I say that to assist you in identifying me, as Mr. Gurney identified himself; and, further, to show you that I have no interest in either supporting or opposing the amendments. Now for the first time I find myself in opposition to Governor Bailey. We have not been in political gatherings together, or perhaps I might have found myself in opposition to him on occasions. I realize my incapacity to cope with him as an orator in presenting my views before you, but I declare that the arguments are against him. It has been said that there are nearly 1,400 members in the Trust Company Section, but that includes those who are also in the Savings Bank Section as well. Now, the draft of this constitution provides that no member may belong to two Sections—which means that a member must choose either the Savings Bank Section or the Trust Company Section, and I heard it stated that with this change there wouldn't be 800 members of the Trust Company Section left. Keep in mind the proposed amendment that these Sections are permitted to have a second member of the Council when their membership equals one thousand. Governor Bailey's own State has furnished a precedent of which I think we may well take cognizance at this time. A year ago two admirable men were proposed for members of the Executive Council, and they could not make a choice as between those men. What was the result? The committee got busy and increased the membership in this Association from Kansas, so that both of those gentlemen are now sitting in the Council; and, let me say, sir, that no more able men than Mr. Goebel and Mr. Berryman are on that Council.

Now, gentlemen, I verily believe that this will mean, upon a proper analysis, that in order to get another member of the Council it will be necessary to bring into the fold quite a number of more members of Trust Companies—or, to bring in Trust Companies as members. It has been said by some one that no greater honor can be accorded any man than to be made a member of the Executive Council of the American Bankers' Association.

[Cries of Question! Question! Question!]

One more point, gentlemen, and then I will finish. The Savings Banks as a rule do not have a very strong base at home;

they are small institutions. The large National Banks and the large Trust Companies are always elected directly upon the Council. I am speaking of Savings Banks now out of New England. In the Far West the Savings Banks, as I understand, are not strongly represented, when it comes to direct election; they have no correspondents from out of the territory in which their business is confined to vote for them when it comes to electing a member of the Executive Council of this Association. Therefore, this gives the Sections an opportunity, in electing their own President and their own Chairman from their own Boards to come into the Council and sit for one year only upon the Council—it gives them the distinguished honor which was referred to in the President's annual address.

MR. GURNEY: I desire permission to retract the statement that I made about this being a self-appointed committee. I do not mean it in the sense in which the gentleman evidently takes it, and my remark had a more ominous sound than I intended. I certainly approve of the personnel of the committee; I couldn't have picked out a better one myself. I desire permission to have that part of my remarks withdrawn.

THE CHAIRMAN: By unanimous consent that part of the gentlemen's remarks may be expunged from the record.

MR. WILLIAM G. EDENS, of Chicago, Ill.:

Representing a Trust Company, and being also a member of the Executive Council, remembering the spirit that prevailed at Detroit when this committee was hand-picked, so to speak, which has been referred to here, I want to side with Governor Bailey, for a moment at least, because of the belief in my mind that the gentleman who made that appointment was authorized to do so by the convention, for he was asked by the convention to appoint his own committee.

Now, I have listened to all this debate that took place in the Council, and I heard a former President of this Association—a gentleman who by courtesy is entitled to sit in the Council for three years after his term as President expired and furnish wisdom for the Council—say that he had not read the revised constitution reported by the committee. Mr. Chairman, I had read it, and I had also read a letter from the chairman of the committee, Mr. James, written from his sick bed, stating that he had been operated on, but that he hoped that returning health would permit him to be present at this convention. I listened patiently to the argument of the gentlemen representing the Trust Company Section asking for greater representation on the Council, and I think I said then that it would probably be the last time that I would speak there, but that I wanted to register my protest as a Trust Company man against giving the Sections any larger representation on the Council. Then after gentlemen had indulged in the usual parliamentary pleasantries the Council, thinking it was acting within its rights, accepted the very plausible lawyer-like suggestion of compromise which was made, by means of which the Trust Company Section and any other Section that had a thousand or more members might increase its representation on the Council. If there was any question about anybody's right to comply with that provision it would be found only after very careful analysis, for it will be found after a study of their membership that they must have the fluttering membership of the Savings Banks, which goes back and forth wherever profit shows, before they could qualify under that provision; but with the dove of peace hovering over the assemblage I consented to it. But now before we vote I want to call attention to the fact that the report of that committee is the property of that convention, and it is not proper for the Executive Council to introduce any amendments into this draft.

THE CHAIRMAN: The Chair would call the gentleman's attention to the fact that the state of this amendment, parliamentarily, is not that it was introduced by the Executive Council, but was introduced by a delegate on the floor of this Convention.

MR. EDENS: Thank you, Mr. Chairman. I am always glad to be led right, but I don't want to have blinders put on me even when I get in the habit of jumping too far. [Laughter.]

I still feel that if Mr. James were here and in his matchless way were to present this matter there could be no argument made against it. I still feel that the proposition was not sought by the Savings Bank Section or the other Sections, and as a Trust Company man I went on record in the Council, and I want to go on record here and now, as believing that we as delegates to this Convention should in every particular sustain the action of the Committee on Revision of the Constitution.

THE CHAIRMAN: I regret that it is necessary for me to make a personal statement after the remarks to which we have just listened. I was the ex-President of the Association who was present at the meeting of the Council and stated that I had not read a complete draft of this proposed revision. My reason for not having read it at that time was that I left my office before it was sent out to the members of the Association, and I was on an extended motoring tour in England and it was impossible for me to see the draft until I reached here. Now, since the meeting of the Council on Monday afternoon I have read it. The work of the Committee needs no commendation; it speaks for itself. But if it did need commendation, I would be among the first to say the Committee has done

excellent work; and, in my opinion, a slight concession towards conciliation will cause this whole Association to be satisfied with what it has so ably accomplished. [Applause.]

[Cries of Question! Question! Question!]

MR. F. H. GORF, of Cleveland, Ohio:

Gentlemen, these Sections feel that they have done splendid work for this Association. The Trust Company Section was organized in 1897 with a membership of 114, representing only a few millions of reserve. To-day it has a membership of nearly 1,400, and represents one-third of the resources of this entire Association. The Savings Bank Section has a very large membership. The proposed revision of the constitution places the supervision of the work of these Sections under the Executive Council, which body has more to look after now than it can well attend to; and I ask you, gentlemen, to give fair consideration to the request that has been made on behalf of these important and progressive Sections by granting the amendments that have been suggested by Mr. Fuller.

[Cries of Question! Question! Question!]

#### NEW CONSTITUTION ADOPTED.

THE CHAIRMAN: Gentlemen, the question is upon the adoption of the amendment offered to the committee's report. As many as favor it will let it be known by saying aye; opposed, no. The ayes seem to have it—

MR. W. J. BAILEY, of Kansas [interposing]: Mr. Chairman, I call for a division.

THE CHAIRMAN: A division is called for. Those favoring the adoption of the amendment will rise. Those opposed to the adoption of the amendment will now rise. The amendment is carried and the Chair again announces the adoption of the amendment. [Applause.]

MR. W. R. CREER, of Cleveland, Ohio:

I move you now the adoption of the report as amended.

THE CHAIRMAN: The Chair understands that motion to be out of order, for the reason that Mr. Wexler proposed the adoption of the report, and that motion was amended by Mr. Fuller, and the report now stands before the Convention as amended.

MR. SOL WEXLER, of Louisiana:

Before voting upon that there is another small amendment that is necessary to make the matter workable:

I move that in line 11, section 15, after the word time there be added the words "except members of the Protective Committee."

[The motion made by Mr. Wexler was seconded.]

THE CHAIRMAN: All in favor of that will say aye; opposed, no. It is carried.

The question now is upon the adoption of the report as amended.

MR. ABRAHAM LEWIS, JR., of Honolulu, Hawaii:

With regard to the point that was raised by Mr. Peck some time ago, I wish to call attention to Article II, Section 1. As that stands, it is very doubtful whether the territory of Hawaii is included. If so, we could only become an associate member of this body.

Therefore, I would offer an amendment, to be known as Section 7 of Article II, to read as follows:

That the word "State" as in this Constitution contained shall be held and construed to include the territory of Hawaii.

MR. PECK: I second that.

THE CHAIRMAN: Is there any discussion of this proposition? If not, as many as favor the adoption of the amendment will say aye; opposed, no. It is carried.

The question is now upon the adoption of the report as amended. As many as favor that will say aye; opposed, no. It is carried and unanimously adopted. [Applause.]

[At this point First Vice-President Reynolds resumed the Chair.]

MR. SOL WEXLER: In order to avoid any confusion in passing from one organic system to another, which is necessitated by the adoption of the new constitution, it is necessary to adopt the following resolution:

That all elections made under existing rules by members of nominating committees and other agencies of the work of the Association shall for the purposes of this convention be and remain in effect until the purposes for which they were created shall have been duly executed, not extending, however, beyond the period of this convention; and members of the Council elected under the hitherto existing regulations shall become and be members of the Executive Council for the periods for which they were elected, in all respects as fully as though they had been elected under the provisions of the amendments and the constitution and the by-laws; and in all other respects these amendments and by-laws shall be effective immediately upon their adoption.

[The motion made by Mr. Wexler was seconded by various delegates and carried unanimously.]

MR. F. W. HYDE, of Jamestown, N. Y.: Mr. Chairman, I desire to offer the following resolution and move its adoption:

Resolved, That the Committee on the Revision of the Constitution and By-Laws be discharged;

Resolved, That this Association recognizes the invaluable work which has been brought to a successful conclusion by the Committee on Revision, and herewith makes most grateful acknowledgment to the

members of said committee for their intelligent, conscientious and comprehensive treatment of the task entrusted to them; and that the General Secretary convey to Mr. Robert E. James, the chairman of the committee, by telegram, to-night, intelligence of the confirmation by this body of the work of the committee, coupled with congratulations and sincere thanks for the eminent services he has rendered in this important undertaking, and best wishes for his complete restoration to health.

[The resolution was seconded from various parts of the Convention.]

**CHAIRMAN REYNOLDS:** Gentlemen, you have heard the resolution, which has been duly seconded. All in favor of its adoption will signify it by saying aye; those opposed, no. It is unanimously adopted.

[General Secretary Farnsworth then made several announcements on behalf of the Entertainment Committee.]

**MR. S. D. SCUDDER,** of Richmond, Va.: Mr. Chairman, as I was the only one to vote in the negative on the resolution ratifying the work of the Currency Commission, I ask the privilege of stating why I did so.

**CHAIRMAN REYNOLDS:** If there is no objection, the gentleman may state his reason.

**MR. SCUDDER:** I felt that I could not do anything else than follow my conviction, even though I should be counted as the only man in this hall to take the position which I did. I did it because I believe that the Commission knew that the temper of the people was against the idea of a Central Bank. Nevertheless, the Commission insisted on a Central Bank. Now you are putting another proposition up which we are sure to be called down on. I am in favor of amending the bill that is before Congress, but I don't want to ask Congress to do an impossibility; it is undiplomatic. You have asked Congress for a thing that will not be granted, and I think it was an unwise action on the part of this Convention and so I want to be recorded.

Mr. Scudder has also sent to the Editor of this publication a letter explaining his vote, which we annex herewith:

#### A PLEA FOR HARMONY.

*Editor The Financial Chronicle, New York City:*

**DEAR SIR:** In explanation of my vote, at the recent Boston Bankers' Convention, through which I sought to reconcile the one great underlying principle of the present "Currency Bill" to the conditions now prevailing throughout our country, may I ask that you publish what I could not say at Boston (not only because of the "time limit" established there, but also because of the temper of the meeting which impatiently cried down any one who dared to oppose the Committee's recommendations in their entirety).

This is what I would have said if it had been possible to get a long enough hearing:

*Mr. Chairman and Fellow Members of this Association:*

It would take considerably more than the five minutes allowed by the rules of this Convention to discuss in detail the various recommendations of the Bankers' Currency Committee asking for certain changes in the Currency Bill now before Congress which has practically passed the House. I am in sympathy with some of the suggestions made, and believe they would be adopted by the Administration if presented in the spirit of fairness and real helpfulness. But I am not willing to lend myself to any action that will cut the very heart out of the bill now before Congress and thus destroy the honest efforts which are being made in Washington to reform our financial system. I refer particularly to the entire change asked for by the Bankers' Committee as to the proposed Note Issue. When all is said and done, the whole question now really resolves itself into whether the government shall issue and control the currency, or whether the banks shall do it. Please forget for a moment the question as to whether it shall be a Federal Reserve Bank, with a main institution located at Washington (on the idea that this "headquarters institution" shall serve only the five, seven or twelve "artery Federal banks" throughout the country, and not have any direct dealings whatever with the local banks or the general public), or whether it will be the establishment of five, seven or twelve Federal banks without any "headquarters bank," but with simply a controlling "Federal Board" in Washington.

There really is very little difference between these two plans, although I am inclined to believe the former would prove the more practical. But, as I said before, let us forget for a moment these details and let us focus our thoughts on the main issue. Although an American by ancestry that runs nearly three hundred years, I had the good fortune to receive my first banking education in a foreign institution, the Bank of Montreal; and it is quite natural that my inclinations have decidedly been toward a currency system similar to that in use throughout the Dominion of Canada. But after careful thought and study during the past ten years (in the very shadow of Wall Street, where I was employed in both branches of our system, national as well as State), I am convinced that, while it is the best system for Canada, it will no more fit the United States of America than would "branch banking" fit here. We do business in the United States on an entirely different fundamental basis, which has to do not only with our very form of government, but also with the character and temperament of our people. Our government was founded on individual effort, and the personal equation runs through the entire woof and warp of our national and business life. It will always be so as long as this republic lasts; and, while in these latter days the corporation has sprung into our midst, it will have to be a real individuality, "a corporation with a soul," or else give up the charter which it got from the people. I say this after a close psychological analysis of recent events. During the past twenty-four months from time to time in unusually strong terms, has again gone abroad into this land, and recent events clearly demonstrate what I have said about corporations in the United States. In Canada—and, in fact, everywhere else in the world—the individual partakes of the character of its officers and board of directors. Isn't that clear to you, and isn't it also evident to you that the various communities of this great nation are more individual in character, running down even to the little villages and hamlets, than anywhere else in the world, excepting, perhaps, Switzerland? This is the first great—I mean vast—republic which God has permitted in modern times to rear itself on earth; and I, for one, believe thoroughly in its successful destiny. In words similar to those used by George William Curtis, when he spoke of Staten Island's beauty, I will say: "God might have created a better nation, but he didn't."

The point I am getting at is that "a condition and not a theory confronts us;" and we, as bankers, are blind if we do not reckon with it. The same condition, which makes branch banking impossible here as it is carried on in Canada and European countries, makes it also impossible to seriously consider any permanent currency issue by our banks, unless such issue is practically guaranteed and entirely con-

trolled by our government, as is the case at present. In Canada seven or eight large banks do all the business, each having its branches scattered all over that country. Is there any community, large or small, in the United States which would support such a system? You know very well that any "branch" of the largest bank in New York City would find itself outwitted by competition at every turn by an independent local banker or bank in any given spot in the United States. If you will omit that part of the committee's report referring to the note issue, which the committee desires the banks to undertake instead of the government, you will stand a good chance to be heard at Washington regarding the other recommendations submitted by the committee; but if you leave it in, the Administration (and, remember, the people are back of this Administration) will understand that the gauge of battle has been cast, and your action may result in producing a more drastic measure than should be passed. "Come, let us reason together" should be the slogan of this Convention, and not "come on and fight." We are partners in the great business of this country, and the only way any partnership can ever permanently succeed is when both sides are conciliatory and willing to give and take. In adopting the entire report of the Bankers' Currency Committee, we will place ourselves in the same category of the man who wanted to argue religion, but who started out with the hypothesis that there was no God. There can be no arguing with such a man, and there will be no arguing with us if you demand what the people have said they will not have.

The people of this country have, through their representatives, settled the two fundamental principles of currency reform. In no uncertain voice have they stated, first, that there shall be no central bank in the United States governed by the bankers themselves; and, second, that the government shall make the note issue. Even if you do not agree with my argument that we cannot do as Canada and other foreign countries do in respect to our note issues, wouldn't it be wise to take our cue from what we know to be the sentiment of the people of the United States and act diplomatically at this time? Why should we commit an unfriendly act against the people? To do so just at this psychological moment will put us out of the line of consideration. We bankers represent the investors of bank stocks; but the government at Washington represents the people of this country, who have created the investor. And if the people want their government to issue the currency, the investor should bow to this decision and cooperate to the end that the past friendly relations may continue and redound to mutual advantage. Leading bankers with whom I have spoken, while decidedly preferring an issue by the banks as described in the Bankers' Currency Committee report, have said to me that they would accept the other plan if they had to, "and probably all would come out right." Why not leave our minds entirely open on this one point as we go to Washington, and refrain from all accusations against the government and the people of the United States, which accusations cannot do any one good, but will surely result in harm to the great cause which at this time is so close to the heart of every citizen of the United States?

S. D. SCUDDER,

Vice-President Richmond Trust & Savings Company, Richmond, Va.

**CHAIRMAN REYNOLDS:** Gentlemen, the Convention stands adjourned until 9.30 o'clock to-morrow morning.

#### SECOND DAY'S PROCEEDINGS.

Thursday, October 9, 1913.

#### MORNING SESSION.

**CHAIRMAN REYNOLDS:** Gentlemen of the Convention: The hour has arrived for the opening of this session, and we will now have an invocation by the Rev. George A. Gordon, Pastor of the Old South Church, Copley Square, Boston.

#### INVOCATION.

**REV. DR. GORDON:**

Infinite Father, Lord God of our fathers, from the morning of time until now, in whose strength the successive generations of men have risen up and done the work of the day and gone home in the evening in peace, we thank Thee for the great faith that we have inherited and declared to us. My father worked hitherto, and I work. We thank Thee for our faith in a working deity, in a working law and leader, in a working and tolling humanity.

We thank Thee for the intelligence and character which our fellow citizens pluck from the heart of the earth in which they toil, and from the winds and from the storms with which they contend. We compassionate the idle, and we pray that Thou wilt open the eyes of all such to the truth that work and life are inseparable. Grant Thy blessing upon these Thy servants in their vocation; help them to see not only the indispensableness of their calling to the country but to themselves, and help them to win intelligence and integrity while they stand and serve.

Bless, we beseech Thee, the President of the United States, the Governor of this Commonwealth, the Chief Magistrate of this city, and all who rule over us, and make us a God-fearing, upright, humane people. We offer our prayer through Christ, Our Lord. Amen.

#### AGRICULTURAL SYMPOSIUM.

**CHAIRMAN REYNOLDS:** Gentlemen of the Convention: The hour has arrived for the agricultural symposium, as shown upon the program, and I take great pleasure in turning over the gavel this morning to a gentleman who was the prime mover of this movement in the American Bankers' Association, a near neighbor and friend of mine, a gentleman whom those of us know best, love and admire—a gentleman who has taken an important part in many of the greatest works undertaken by this Association, and chairman of this Committee. I introduce to you, gentlemen, Mr. Joseph Chapman, of Minneapolis.

**MR. JOSEPH CHAPMAN,** of Minneapolis, Chairman of the Committee on Agricultural and Financial Development and Education, then assumed the chair.

**THE CHAIRMAN:** Mr. President, Ladies and Gentlemen: It is indeed a great honor to have the privilege of presiding over one session of this great Convention, which I am sure will go down in history as one of the most memorable conventions the American Bankers' Association has ever held, and in behalf of my colleagues who have been working with me for the past four years along these agricultural lines I thank your Chairman for the honor so conferred.

I will read the report of the Agricultural Committee—it is

short—and then we will listen to the addresses as outlined on the program.

### Report of the Committee on Agricultural and Financial Development and Education.

Your committee is more than delighted with the results obtained during the past year. The bankers of this country have taken a much more intelligent and effective interest in agricultural development and education than they have ever taken in the matter of currency reform. There seems to be no division of opinion among the bankers as to agricultural development and education being one of the most important economic questions before the American people, and no work they have ever undertaken has been done with such enthusiasm. The results obtained have been the most remarkable ever achieved by any set of business men.

For years, the Honorable James J. Hill was the apostle crying in the wilderness. Twenty years ago and over he called the attention of the American people to the results of our indifferent farming; and his predictions have been more than verified. But as far as we can ascertain, he was the only business man clear-headed and long-headed enough to take an interest in this most important question.

The first Bankers' Committee on this subject was appointed in Minnesota in June of 1909. The North Dakota bankers appointed a committee in August of 1909, the Illinois bankers appointed a committee in October of 1910; and the interest has grown so that now we have standing committees on Agricultural Development and Education from thirty-four State Bankers' Associations, representing the States of Alabama, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Michigan, Minnesota, Missouri, Mississippi, Montana, Nebraska, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Virginia, Washington, West Virginia and Wisconsin. These committees have all been doing more or less effective work this year. Most interesting reports were made at this Convention last year of the work being done by several of the committees, and we expect, if time permits, to hear from a number of gentlemen to-day, who are at this meeting, of the work in their respective States. The most noticeable feature of the work has been the concentration of the efforts of these committees along three definite lines, namely—good roads, schools and the county agent, or county demonstrator. The States most active in the matter of consolidated rural schools are also the States most active in the question of good roads, as good roads are essential to the cheap and ready transportation of the children from their homes to the school buildings.

The Illinois committee appears to have been the most successful in accomplishing the largest amount of work on the subject of good roads, for they were instrumental in drafting the Good Roads Bill passed by the recent Legislature in Illinois, and were largely responsible for the passage of the bill by the Legislature.

The Indiana committee did remarkable work in securing the passage of the Vocational School Bill, whereby agriculture will be introduced into all the rural schools of Indiana. Texas, Michigan, Missouri, North Dakota, South Dakota, Oregon and Minnesota did their most effective work in securing appropriations for the employment of county agents or demonstrators in their various States. Texas has more of this demonstration work than any other State in the Union, largely because the government has been aiding in that work for the past ten years.

These three subjects of good roads, education and county agents have had a most prominent part on the program of the State Bankers' Conventions held during the past year, and the interest taken by the bankers and the work done by them has not only accomplished results, but is paving the way, by the creation of healthy public sentiment, for a continued expansion along the lines indicated.

The time of the members of Congress has been so taken up with the Tariff Bill and the Currency matter that the Smith-Lever Bill, appropriating money for county demonstrators in the various States, has had to lie in committee, and nothing will be done on this subject by the present Congress. It is fully expected, however, that Senator Hoke Smith, of Georgia, and Mr. Lever, a member of the House from South Carolina, will secure the passage of this bill at the December session of Congress, and it deserves the intelligent and hearty support of every banker and every citizen of this nation. It will tend to crystallize into action the sentiment already created in many States, and make possible the introduction of these men who, if given the proper support, will revolutionize the agricultural industry of this country.

We will have the pleasure of hearing to-day one of the best-known men in this work in the country, namely, Mr. S. M. Jordan of Pettis County, Missouri. He is a fair example of the type of men who have been selected for what we consider to be a work of the utmost necessity. The country is to be congratulated that many men like him are devoting their lives to this work. The object of the county agent, together with the Agricultural School, is not only to make farming more profitable, but to make life on the farm more comfortable and more enjoyable.

More and more the American people are beginning to realize that the child must be trained; not only that he may get all out of life that is possible, intellectually, but that he must be provided with the practical knowledge to enable him to earn his bread and butter. The Honorable George E. Vincent, President of the University of Minnesota, is probably better fitted to speak on this subject than any other man in America to-day, for he has been largely instrumental in helping to revolutionize the school system of the State which he now calls his home, and we will have the pleasure this morning of hearing from him on this subject.

While there may be some doubt in the minds of the people of the United States regarding the present status of the railroad question, there can be no doubt whatever in the mind of any thinking man that, without the railroad, it would have been impossible to raise nine billions of dollars of agricultural products during the year just closed. The railroad man and the banker come closer in touch with the farmer than any other class of business men, and the observations and conclusions of a man like the Honorable James J. Hill are of inestimable value to the hundred million people now living in America. We are very fortunate to have Mr. Hill with us to-day, and I can testify,

from personal knowledge, to the wonderful influence he has had in bringing about better agricultural conditions in the territory which his great railway system has built up.

The fact that the President of the American Packers' Association has said, within the past two weeks, that, in his opinion, within two years the people of America will be paying a dollar a pound for porterhouse steak, and that the price of meat will be prohibitive to the laboring man is certainly reason enough for bankers, who should be economists, to give most serious study and thought to this question. In Wisconsin, North Dakota and Minnesota, the bankers are co-operating with the county agents and with the Agricultural Colleges in bringing this matter to the attention of the farmers, and making it possible for them to raise more cattle; and the excellent results obtained in these three States, through the co-operation of the bankers with these other agencies, have been remarkable.

From some figures published recently in a New York paper, we learn that the farms are not producing beef, and the following figures show how the supply has declined in recent years:

Jan. 1	All Cattle.	Exclusive of Dairy Cows.	Population.
1913	56,527,000	36,030,000	96,496,000
1912	57,899,000	37,200,000	95,410,000
1911	60,502,000	39,679,000	93,793,000
1907	72,534,000	51,566,000	87,321,000

In Minnesota for the past year the county agents have been purchasing cattle by the carload and selling it to the farmers at cost prices, thereby demonstrating the usefulness and the necessity of some such man, in whom the farmers have confidence and in whom the bankers have confidence, so that the purchase of the cattle can be arranged for and financed.

A conference was held of the State Bankers' Association Committees in Kansas City on August 26 and 29 of this year. The meeting developed that no lack of enthusiasm and no lack of interest had occurred during the past year. In fact, the bankers are more interested in this subject now than at any time, and are more determined to be of service along these lines.

Members of our committee have given considerable thought and have accumulated a vast fund of information on the subject of agricultural credits. A practical demonstration of these European ideas is being made by Mr. Woodruff in his Trust Company at Joliet, Illinois; and his work there is attracting the interest and attention of bankers throughout the country.

The fact that President Taft took up the subject of Agricultural Credits, and addressed a message on this subject to Congress immediately after the New Orleans Convention, has had the effect of taking this matter largely out of the hands of the bankers and putting it into the hands of the politicians. Our present Chief Executive has said that he will address a message to Congress in December on the establishment of national mortgage banks, so that from now on this will probably be a very live subject.

The majority of the committee have devoted their time to working out a solution of making the farmer a better credit risk, knowing that the better he understands his business, the better he can apply the principles established and worked out successfully in Germany, France, Denmark, and Belgium during the last forty years; when this is accomplished there will be no need for a new system of banking in this country. The lowest rate of interest in this or any country is given to the man of unquestioned ability to repay, and this ability is as essential to the farmer as it is to the successful business man.

In retiring from the chairmanship of this committee at this time, I want to thank the bankers of America for the co-operation they have given this committee, and to bespeak for our successors the same intelligent support and enthusiasm you have given the present committee.

JOSEPH CHAPMAN,  
Chairman.

THE CHAIRMAN [continuing]: Ladies and gentlemen, I am going to introduce a man to you who will talk to you on the County Agent. Mr. Sam Jordan, of Pettis County, Missouri, is an asset to the State of Missouri, and my reason for making that statement will be developed as you hear him explain the work that he has been doing among the farmers in Missouri, and I take great pleasure in presenting Mr. Jordan. [Great applause.]

### The County Agent, by S. M. Jordan.

MR. JORDAN: Ladies and Gentlemen: Some time ago, when Chairman Chapman asked me if I would deliver an address before the American Bankers' Association I informed him that I would feel it a great deal of an honor in anticipating such an invitation. A short time after that I received a letter from Mr. Chapman stating that he did not want me to deliver an address, but wanted me to make a speech. I have an address for the printer and a little speech for the convention. The diction and the logic of my speeches, however, are even worse than in my addresses. But the speeches are perhaps a little less distressing. I have been called upon to discuss the matter of the County Agent, because I have been working in that capacity for more than a year and a half, on a two years' leave of absence. The farmer as well as the banker is interested in the products of the soil, because while fish and the oyster and some of the lobsters come from the sea, the most that sustains our bodies comes from the fertile soil. You would be interested to the greatest extent no doubt in learning about some of the things that we are doing and how we are operating in the county work.

[The address on The County Agent in full will be found on page 123 of this publication.]

THE CHAIRMAN: If the banners interfere with seeing the speaker on the platform or hearing him, I would suggest that you take the banners down, fold them up and put them on the seats in front of you.



Ladies and Gentlemen: The next gentleman who will speak to you this morning comes to you not only from a long distance to address you, but he is missing the annual meeting of the Board of Directors of his great railroad system which is being held to-day in order to be here and deliver this address. I have the pleasure at this time in presenting to this audience one of the greatest living American citizens, the Honorable James J. Hill. [Great applause.]

JAMES J. HILL, of St. Paul, Mo.: Mr. Chairman and Ladies and Gentlemen: Before commencing my remarks I want to thank the gentleman—the County Agent from Missouri who tells us that he is carrying the information to the farmer. If the farm work is to be improved through education, that education must be carried to the man and show him what he can do, on his own lands with his own hands. If we wait until the rising generation is educated—and we do not know how we are going to do that—and in the meantime the fertility of the land is being carted to the market and sowed with every bushel of grain that is raised and sold from the farm, and when we think of the great importance, not only to this country but to the whole world, of the successful cultivation and the successful preservation of the fertility of the land, we must stand amazed. A single crop from the agricultural field of the United States amounts to about \$10,000,000,000. That gives more money—more actual money—than all the gold mines of the world produce in twenty-five years. It is worth our while to pay close attention to, and I am glad that the County Agent in Pettis County, Missouri, has taken the stand that he has. There are several kinds of farmers or farm work. Some men farm with their hands and some men farm with their heads and with their hands and with their feet, and there is another class who farm with their mouths. [Laughter.] I will not digress any more, that I promise you, but I want to thank the gentleman from Missouri who comes here to show us. [Laughter and applause.]

#### Agriculture in the United States, by James J. Hill.

[We print the full text of Mr. Hill's address on page 117.]

During the reading of his address Mr. Hill departed from his manuscript to interpolate, preceding the sentence beginning "In our foreign trade, which though secondary is of much importance to the country," etc., etc., the following:

We hear a great deal nowadays about the high rates on farm loans, and our statesmen and many others are giving the matter attention. Gentlemen, there is one simple remedy that they seem to overlook. The careful man who is investing money wants to avoid speculative security. He wants to know that his loan will be paid at its maturity. If the farmer will make his security and his payments more regular and accurate, depend upon it the rate of interest will be low enough. [Applause.]

CHAIRMAN CHAPMAN: I am sure that I am speaking the sentiment of the members of this convention when I express to Mr. Hill our deep appreciation for the magnificent address which he has given us this morning. [Applause.]

Now, ladies and gentlemen, I will introduce to you another of the great men of the West, a man who in the West needs no introduction to any audience, and I take it that he is known to many of you here in the East. I present President George E. Vincent, of the University of Minnesota. [Applause.]

#### Education for National Efficiency, by George E. Vincent.

[The full text of this address appears on page 121 of this publication.]

Mr. F. W. HYDE, of Jamestown, N. Y.:

Mr. Chairman, as a testimonial of our expression of appreciation to Dr. Vincent, who is a Chautauquan, as well as President of the University of Minnesota, I suggest that we give him a Chautauqua salute.

CHAIRMAN CHAPMAN: Let us adopt the suggestion, gentleman.

[The Convention then rose to its feet and saluted the speaker with a waving of handkerchiefs.]

Now we are going to have a couple of very short speeches, and first I will call upon Mr. Harris, of Illinois, to say a few words to you upon the subject of State Bankers' Associations' Committees. Mr. Harris succeeded me as President of that Association at the conference held in Kansas City.

#### State Bankers' Association Committees on Agricultural Development, by B. F. Harris.

Members of the American Bankers' Association:

The effort of the banker and his State Association to aid the farmer in his endeavor to build up a permanent agriculture in this country, is an old story to us and to many of you—but the old stories are best, after all.

It is the work of reclaiming the lands we have made poor—of making rich the lives and labor of those upon whom we are all dependent—of building up the life of the farm upon its social as well as its productive side.

It is a work the effects of which may not be appreciable to-morrow or next year or in several years—in my locality, or your State or in our nation—but the results in the years and generations that are to

come will be the most conspicuous and dependable of any of the many for which we are all working.

While it is a movement for the earth—it is not earthy; it is not simply the matter of more bushels or dollars for which these men or committees are working, but to add to the opportunities for better business and better living on the farm.

While it is a matter of conservation, and therefore is good business, yet, above all, it is a matter of good citizenship—though some, lacking inspiration and patriotism, may call it selfishness.

In this spirit of good citizenship—of helping to bring out the best there is from the soil and the man, the banker is bringing out the best there is in himself, and the more points at which he touches human life and interest, the more alive and helpful he will be and the longer he will remain so.

The business of farming is no more the farmer's exclusive business than is banking the exclusive business of the banker.

Both are morally trustees of the assets of the nation; the one with the heritage of all the people—the soil's fertility in his keeping; the other custodian of their money and credit.

The banker has been legally established as a trustee and the farmer ought to be, for the duty to properly control and develop lies equally on both.

The banker and the farmer of the past were the subjects of attack and cheap jest, by the demagogue and humorist and some there be who yet attempt the specious political appeal for the one and against the other.

Latterly every phase of American life has seen a new light, lives with an increasing purpose, and the most significant sign of the times has been the call and the response to the call for service and citizenship.

The banker, worthy his calling, has been prompt to respond and to realize that he must be progressive in order to be conservative, and that this world is not altogether a material world—for its best rewards are not material rewards.

While from the material side the banker is not more concerned with the well being of the farmer, than hundreds of other men should be—nevertheless it remained for the banker and his State and National organization to give the impetus, to make the first and only organized effort on the part of any class of business men, to help in the work that belongs to all—the reconstruction of American agriculture.

This movement, starting in a few localities, spread to State Associations, until some thirty State Bankers' Associations and the great American Bankers' Association stand committed to and enlisted in this work for agriculture and education—the greatest service that one body of men can render another, or to civilization.

The committees on agriculture of the various State Associations as organized in a general conference, have, in their annual, two-day sessions, compared notes, listened to splendid addresses and gained new ideas and enthusiasm for their work.

The gathering of such an organization of prominent, high-minded, unselfish citizens, coming from every section of the nation, largely at their own expense, and enthusiastically holding a Convention whose direct benefit is for "the other fellow," certainly augurs well for the doctrine of brotherhood.

To be called upon to head such a body is neither an empty honor, nor an easy task, nor one lightly to be considered.

Measured by the opportunity for service, none greater is to be found within our ranks.

You ask, "What is a safe and sane policy, the field of work, to be laid down for these committees and their conference?"

Ours should be a policy with long perspective, for the opportunities and needs angle in many directions.

Chiefly, and as comprehending most of the collateral ideas involved in building up a permanent agriculture and rural civilization, I would refer only to time-tried and proven practices, which may be briefly summarized as follows:

#### FIRST—SOIL SURVEY.

It is of paramount importance that every State prepare a soil survey, or classification of its lands, determining and widely publishing for the benefit of its own citizens—as well as those desiring to purchase land or mortgages, exactly what each section of its domain is fitted for agriculturally.

What is good or bad must be honestly pointed out, and all the deficiencies as well as possibilities stated with equal frankness.

The State and agriculture will not then be a byword or party to its citizens' or immigrants' exploitation, or loss of fortune and future, through failure of fair warning.

#### SECOND—THE TRUTH IN FERTILIZERS.

Many of the older States are spending and partially wasting vast sums in so-called "fertilizers," and the newer States are beginning to see the need—that all must finally feel—for plant and soil food.

There is, therefore, the duty to make plain to all, the certain, definite, unharmed, and necessary plant foods that must be grown or purchased, and thus stop the tremendous waste and injury through use of the "patent medicine" method of so-called "complete fertilizers."

Our farmers can easily be told how not to buy what they don't need, what is better in other forms and not to pay a big price for something they can grow at a profit.

Chemistry controls soils and their action, and billions of dollars are lost to the nation through failure to promulgate such a soil survey and plant food programme.

#### THIRD—FARM DEMONSTRATION.

Farm demonstration work: The plan of having a competent and practical "county agent," "soil doctor," or "farm demonstrator" in every agricultural county in the nation (as we now have in most counties in the South and in perhaps 100 elsewhere), is one of the most important plans to be followed.

These men take the gospel of better farming to the farmer and "show him" right on his own farm.

It is the doctrine of saving and feeding the soil, rotation and diversification of crops, raising them on fewer acres and devoting the rest to live stock, dairying, etc.

## FOURTH—EDUCATION.

While I have placed education fourth, yet, of all the things mentioned, and to be mentioned, the greatest of these is education.

The facade of this city's Public Library bears the inscription, "The Commonwealth requires the education of the people as the safeguard of order and liberty."

As "order and liberty" grow out of service and efficiency, we would have our educational system put the emphasis here.

The great constructive work we all urge is based on education fitted to the needs of citizenship.

As a whole, the poorest schools—many of which could be consolidated—and the poorest teachers (largely because underpaid), are in the country and villages.

The Country Life Commission reported these schools "largely responsible for ineffective farming, lack of ideals, and the drift to town."

From principles of citizenship and equality, as well because we want to build up rural life, we must place the country boy and girl on the same footing in the grades, with those in town, and bring all our schools to the highest point of efficiency.

It means in effect that a larger measure of aid must be given, to the largest number of children who are in school for the shortest period, irrespective of location, with more facilities for the elementary education of the many, yet not withholding any portion for the higher education of the few who furnish trained leadership, stimulus, and idealism.

Vocational courses facing the farm and expressing themselves in terms of agriculture in the country, and tending toward trades and industries in the cities—with the cultural as well as practical values prominent—must be encouraged by State and Federal aid, and as part and parcel of our present public school system.

## FIFTH—GOOD ROADS.

The two greatest necessities of modern life are education and transportation—for civilization travels in the wake of good schools and good roads.

Good roads lead in more good directions than the most farseeing can contemplate.

Commerce begins on the country roads and by-ways—they affect school attendance and literacy—they control markets and prices, values of land, the development and contentment of the people, the cost and pleasure of living, and are scarcely secondary to rail transportation in their far-reaching effect.

They determine the character and growth of the community; the necessity for them cannot be overestimated—for a country that isn't worth a good road isn't worth living in.

## SIXTH—MARKETING AND DISTRIBUTION.

Marketing and distribution are much affected by roads.

Better and widely published governmental statistics, with reference to production—the sections of plenty and scarcity are fundamental.

Co-operative methods as employed in several States have brought remarkable results, both to producer and consumer, and much study must be devoted to the subject.

## SEVENTH—FARM FINANCING.

Much of the success of all this work, as of all the commercial and industrial activities of the nation, is dependent upon proper credit facilities, with the perfection of which we are in especial sympathy.

The short time credit of the farmer, like that of all men, can and should be provided in a broad general currency scheme for the whole nation.

In many or certain States, and probably best through State legislation, charters might be granted organizations limited strictly to real estate mortgage transactions, whereby long time amortizing farm mortgages could be provided on favorable terms.

Such machinery would help furnish the enormous sums which will be required for heavy investment in permanent farming.

Not the least important feature of such a system would be the opportunity thus given to the tenant to buy a farm on long time, for "absentee landlordism," tenant farming, and short time leases are a menace to agriculture.

Beyond all this the National Banking Act must be modernized and liberalized to do its proper service in all locations, and particularly in the country, if these banks are to live and grow, and 45 day farm paper and 9 months farm mortgages won't go far.

I feel sure that our present system of National and State banks can be utilized to do much that may be done in farm financing.

It would seem that the nation's growing average of a bank to each 250 farms—7½ banks per agricultural county—a ratio equaling that of any nation—with a large percentage of farmer stockholders, could be reorganized for larger service, without duplication.

## EIGHTH—COUNTRY TOWNS.

The falling off in farm population is hardly more noticeable than that of the country town.

Three out of every four in new population go to the larger cities.

As a fair illustration, half the counties, one-third of the county seats, and some 3,700 country towns in some seven of the chief States of the Union in the Mississippi Valley, lost population in the last ten years.

The small country town is a big factor in our rural and commercial life and some 12,000 incorporated towns alone, with a population under 2,500, aggregate over 8,000,000 inhabitants.

The whole nation, as well as the farmer, should be concerned with the welfare of the country town, and our efforts to aid must include them with the rest of the rural section.

We will always remember that farming is a life, as well as an industry and business, and ever have in mind the mother's welfare.

## DISSEMINATION.

How can we aid in the dissemination of these ideas and the results to be attained?

The Bankers' Agricultural Committees may work through the county, group, and State organizations, with the programmes of these various

meetings covering these subjects and open to the public; by literature and through co-operation with the agricultural colleges, departments, and other established agencies.

In several States, notably Minnesota, North Dakota, and Nebraska, the bankers have called the various commercial, manufacturing, railroad, and other organizations to their support, and raised large funds to further the propaganda.

In many States where Chautauqua platforms are numerous, the gospel of better farming and farm life, and the work outlined, can be preached.

Moving and stereopticon pictures can be carried into many cross country cross-roads, the county farm demonstrator doing much of this work in the winter seasons.

In many sections the banks are realizing that their newspaper advertising space takes on great additional value and renders splendid service by being used to draw attention to these things and the bank's interest therein.

The farmers' institutes and county fairs rejuvenated, and Boys' Corn and Girls' Tomato clubs can be made effective agencies which we should aid and encourage.

The big, State-wide, one-day effort for all to work the roads, the building of sample hard roads, focuses attention on and adds support to progressive legislation for permanent roads.

These hurried suggestions must include the incalculable help of the news and farm papers—ever ready to serve so good a cause.

We must aid, or if necessary initiate local, State, or National legislation to further this programme.

As further evidence of your devotion to and as dignifying the work you have undertaken in agricultural development education, I suggest it be elevated from a committee to a section or commission of the American Bankers' Association.

## TO SUM UP.

All this may strike you as an ambitious programme, but not half so ambitious as urgent.

You know how overdue it is—how long delayed we and all have been in its adoption.

While I may not have made all my points clear to you, I can hope that at least you have my point of view.

We are working to help solve some of our greatest State and National problems—to check some of our greatest sources of waste.

The average banker, better than the average citizen, realizes that the general interest is the banker's interest—that they are identical, inseparable.

The throbbing heart of American prosperity lies in the growing crops in the keeping of our farmers, and the basis of a better rural civilization is a better earning capacity.

We must make plain that the young man who leaves the farm today, is leaving one of the greatest businesses in the world, and that the opportunities are for the prepared man.

We should spread the fact that the science of agriculture must be added to a better art, resulting in larger crops and a richer soil.

We will help to demonstrate that a real farm is the best place in which the farmer can invest, and that improved methods and plant will bring larger returns and make assurance doubly sure.

We can teach that the real farmer is a combination of grain and live stock farmer, saving his fertility and getting two prices for his crops by feeding them to live stock.

Work in this cause spells good citizenship, and this enthusiastic entrance of the banker into the field of public welfare will soon make it impossible to say of him that he has not the sympathetic friendship of the people.

Such work will put him in his proper light before the people and help to make clearer how unfair it is and beyond reason for an American Congress and President to say in effect, for instance—and with no justification other than political expediency—that the average American banker isn't morally fit, or as fit as the inexperienced political appointee, to have a minority voice in the conduct of a vast banking system—even though the President himself makes all the appointments—and the banker is compelled to furnish the capital and reserve, with little or no compensation, though he acquiesces in many sacrifices.

Don't misunderstand me as commenting on the merits of pending currency legislation, but only upon this totally unjustified personal and moral reflection on the American banker—even after every other thinkable and unthinkable precaution has been taken.

The American banker assumes the greatest responsibility to the public, renders it the largest service for the least remuneration and has its confidence in like measure.

The very lack of general interest in banking legislation is only explained by the general confidence in the banker.

Each man holds the local banker in high esteem—with interest not to be separated from his own and those of his community.

As is the individual banker, so are the bankers of the country in the aggregate.

The American banker is easily the peer of his fellows in ability, integrity, and high moral purpose, and it is high time he stood up for himself, as he now stands and has always stood for his country and its welfare.

## COMMITTEE ON AGRICULTURAL DEVELOPMENT AND EDUCATION—CONTINUED.

Mr. GEORGE M. REYNOLDS, of Chicago, Ill.:

The revision of the constitution, which was effected yesterday, put this Committee on Revision out of business, and believing that the work which it has done, which has progressed so satisfactorily up to this point, should be continued, I offer the following resolution:

*Resolved*, That the Committee on Agricultural Financial Development and Education be made a commission, to consist of seven members to be appointed by the President of the Association, and which shall be known as the Agricultural Commission.

[The resolution was seconded by various delegates.]

CHAIRMAN CHAPMAN: Is there any debate over this resolu-

tion? If not, all in favor of the adoption of the resolution will say aye; opposed, no. It is unanimously adopted.

I now call upon Mr. F. D. Coburn, Secretary of the Kansas State Board of Agriculture, to address us.

Mr. F. D. COBURN, Secretary Kansas State Board of Agriculture:

Mr. Chairman and Gentlemen: Kansas has been the subject of more than her share of publicity during the past summer, and not of a kind that creates confidence, builds up business, or helps anybody. Why she should be singled out as the horrible example from among numerous States that have experienced similar unusual conditions is strange, except it is from force of habit formed in the days when Kansas was the struggling, undeveloped frontier, in process of settlement, the victim of bloody forays and border ruffians on the east, and on the west of coyotes and Comanches. Conceptions acquired long ago have been proven false by the State's decades of marvelous progress and prosperity, but evidently many who pretend to speak with a show of authority have not kept pace with her advancement.

Kansas asks only for justice, the square deal, and does not fear the truth, this year or any other. There is no disposition on the part of anyone that I know of to deny that for several weeks during the past summer the weather was unusually hot and dry, in fact distressingly so; indeed it was one of the most protracted dry periods the State has ever known. All regions are subject to vagaries of climate, and there is no pretense that Kansas, however generally and generously favored by Providence, is an exception.

The deferred precipitation and altitudinous temperatures that ceased a month ago played havoc with much corn and pasturage and greatly lessened the usual water supply—incidents that have been cried from one end of the country to the other, and back, and the impressions outsiders seem to have acquired is that Kansas is nearing bankruptcy, or is about to need a receiver. They do not realize that with the wide range of productions on her 80,000 square miles, no season is uniformly unfavorable for all the different crops which flourish there. They do not comprehend that Kansas is not dependent on any one or two products, or that the failure of all her crops in a single year might spell inconvenience, but by no means calamity. She is rich enough to lose out on one or two crops in any year and scarcely feel the shortage.

Suggestive of the present general situation in Kansas, one of our writers given to statistics says: "Not a farmer in the State has raised more than sixty bushels of wheat to the acre, and farm after farm yielded only twenty-eight to thirty-five bushels per acre. Many families are unable to go to town at all except in motor cars, and hundreds have nothing to eat except chicken and beefsteak and pie and cake. It is doubtful if more than nine-tenths of the homes will have their young people in college this winter." Millions, such as in other States, are annually given over to the maintenance of their innumerable saloons, doggeries, joints and other like gateways to perdition, are conserved by Kansans in schools, churches, young men's and young women's Christian associations, hospitals and good road building.

The public, and especially the pessimists, would do well to pause and ruminate on a few facts relating to Kansas the present year. For example, if Uncle Sam's figures are correct, she harvested a winter wheat crop that millers say, for quality, is the best they ever ground; eighty-six and a half million bushels, worth at current Kansas City prices about \$72,000,000. From her more than a million acres of alfalfa was harvested, an extra heavy first cutting, a fair second, and in many instances a third cutting of the richest hay known, worth \$15 to \$16 a ton in the nearest markets, and her alfalfa seed crop at \$6 to \$10 per bushel will greatly swell the returns from this wonderful product, in which Kansas so pre-eminently excels all competitors. The oats are in the stack or bin and represent millions of good value.

Kansas' winter wheat crop this year, according to the Government's figures already referred to, is about 50 per cent. greater than that of any other State. Besides, she has a greater area of the sorghums than is grown elsewhere; these never-failing grain and forage crops, which practically mark time in dry weather, continue their growth when the rains come almost as though there had been no interruption, and afford a vast volume of feed for live-stock. Moreover, much of the corn that has not made grain has been converted into silage, and is no unimportant item. The truth is, Kansas could have failed to raise so much as an ear of corn this year, and still show a larger average of productions in the decade ending with the present year than that of any other State, with half a dozen exceptions.

Others seem to worry far more about Kansas than Kansans themselves, and just as a little reassurance to solicitous friends it may be noted that according to the Bank Commissioner the State and National banks of Kansas show deposits of \$213,000,000, a rather good-sized nest-egg stored away against the "hard times" many so much fear, but with which the average Kansan has scarcely a speaking acquaintance. The State's per capita wealth of \$1,700 is \$500 in excess of the average for the whole country. Even though the year may fall far below the normal in corn yield, Kansas is still headquarters for

General Prosperity. If any are feeling sorry for her I beg them to cheer up, and borrow trouble nearer home. They will do well to watch Kansans come up smiling for the next round.

The heart is not easily taken out of a State that has an average of \$600 in the banks and \$750 worth of live stock on the farms for every family; that has property with an assessed valuation surpassed only by that of New York, Pennsylvania and Massachusetts; that in twenty years has harvested wheat worth \$832,000,000, and grown corn having a value of \$1,082,000,000; that has eighty-seven counties out of a total of 105 without any insane, fifty-four without any feeble-minded, ninety-six without any inebriates, thirty-eight without any poorhouses, fifty-three without any prisoners in jail, sixty-five without any convicts in the State's prison, and dozens in which no jury has been called to try a criminal case in ten years.

There is no lifetime and no State to which seasons of disappointment do not come. If, as of others, this is true of Kansas, there still gleams back of it all the exalted optimism of sturdy, self-reliant, hopeful, earnest men and women, who have wrought from the wilderness a commonwealth along cleanly, helpful, worthy ways; a commonwealth in which the unhappily situated wheresoever may have homes; where right thinking is the habit, right believing is the fashion and right doing is the commonplace. [Applause.]

CHAIRMAN CHAPMAN: The next speaker will be the Chairman of the Texas Bankers' Association, Mr. Joe Hirsch.

Mr. JOE HIRSCH, of Corpus Christi, Texas:

Mr. Chairman, Members of the Convention: I regret that time will not permit me to tell you of the good work that we are doing along this line in Texas. I have only the opportunity to say now that I regard it as one of the most important lines of work that bankers can lend their aid and encouragement to. If time permitted I would like to tell you all about what we are doing, but it would require the eloquence of a Vincent to hold a hungry audience at this time of the day. Ah! That was a splendid speech of Dr. Vincent's. I would have been married five years before I did if I could talk like him, and my children, instead of being in the kindergarten, would be going to the high school now. [Laughter.] I also want to express my appreciation of the speech of that grand old man from St. Paul. Mr. James J. Hill gave a remarkable address before the Minneapolis Conference last year when he brought out in a masterly way the conditions existing in this country as compared with those existing in Europe. I wish every man here to read it, for in respect of our agricultural development we are woefully behind the times. We have 240 counties in Texas, and in every one of them there is a banker who is the chairman of his local Committee on Agriculture. We have a law in Texas which permits of the appropriation by each county of at least \$1,000 for the employment of a demonstration expert, and 92 of our counties have made appropriations for this work.

Now, I want to leave this thought with you: If you can assist in bringing about this work in your various States, in your particular localities, you will be performing a great service to your community and to the nation at large. [Applause.]

CHAIRMAN CHAPMAN: Gentlemen, I am informed that luncheon is now ready in Horticultural Hall across the street, and the Convention will take a recess until 2:30 o'clock.

Before doing so, however, I wish to express to the gentlemen who have addressed us the hearty thanks of this Convention—in which expression I know you will all join. [Applause.]

The Convention stands adjourned until half-past 2 o'clock. Recess until 2.30.

#### AFTERNOON SESSION.

CHAIRMAN REYNOLDS: Gentlemen of the Convention, we are now after the hour set for our afternoon meeting, and I take the liberty of calling you to order. We will have, first the report of the Bills of Lading Committee.

THE SECRETARY: Clay H. Hollister, Chairman.

CHAIRMAN REYNOLDS: Mr. Hollister does not seem to be in the room. We have left here the report of the Federal Legislative Committee, and in that regard I beg to say that the Chairman of the Committee, Mr. Swinney, requested me to make an early report for his Committee, and state that while their work has been largely in connection with the work of the Currency Commission, they have done considerable outside work in connection with various legislation at Washington, upon which there need be no special report at this time. We will now pass on to the next thing in order, being the invitations for the next Convention.

Hold on, just a moment, gentlemen. I am passing through rapidly. I overlooked Insurance Committee, Mr. Oliver J. Sands, Chairman.

#### Report of Committee on Fidelity Bonds and Burglary Insurance.

Mr. O. J. SANDS, of Virginia: Gentlemen, your Committee on Fidelity Bonds and Burglary Insurance, appointed early this year, held its first meeting in May.

[The report was then read. It is given on page 139.]

Mr. J. A. McCORD: Mr. President, I listened with a great deal of interest. I think it is one of the best things for the American Bankers' Association, and for each State Association, and therefore I offer a resolution, as follows:

*Resolved*, That the report of the Insurance Committee be approved and filed, and that the Committee be continued as a Standing Committee as provided in Section 3, Article VI of the Constitution, and that ample provision be made to cover the expenses of the Committee so that the work outlined in the report may be carried out.

BRADFORD RHODES, of New York: I second the motion.

CHAIRMAN REYNOLDS: Gentlemen, you have heard the motion, which has been properly seconded—

MR. SOL WEXLER, of Louisiana:

I would like to say a word on this. This committee was appointed by the Executive Council; and I think the proper course to pursue would be to leave the matter of the continuation of the Committee to the Executive Council, which will meet this afternoon. I do not think it is advisable to have any more Association committees than is absolutely necessary, but I believe that the Association recommend to the Executive Council the continuation of the Committee on this work.

MR. BRADFORD RHODES: I second that motion.

CHAIRMAN REYNOLDS: Moved and seconded—are there any remarks?

MR. McCORD: Mr. Chairman, this committee ought to be continued from year to year. It is a very important committee; and as soon as you get one man trained into it, as the rule now is, then the Executive Committee can change and put another man in, and that destroys the thread of the work that has been done by the previous committee. It loses the thread of the work of the committee; that committee ought to be continued.

CHAIRMAN REYNOLDS: We will now vote upon the question of the amendment.

[The Secretary counts the votes.]

THE SECRETARY: Ayes 110; noes 35.

CHAIRMAN REYNOLDS: Gentlemen, the amendment is carried. We will now vote upon the original motion as amended. Referring this matter to the Council.

THE CHAIRMAN: Motion carried.

#### Report of the Law Committee.

We will now hear the report of the Law Committee by Mr. I. H. Orr, of St. Louis.

[The report of the Law Committee is given on page 131.]

MR. ORR: Gentlemen, in the absence of Mr. Pierre Jay, chairman of this committee, I submit the report which covers the activities of the year and during the year. As that report will be printed, I will not read it unless called upon to do so, but I will refer to one of its articles which calls for action on the part of this Convention. By Section 16 of Article 5 of the new Constitution, it is made the duty of the Law Committee, as occasion may arise, to recommend to the Executive Council and the general Association drafts of proposed statutes for their approval. And upon such dual approval to urge the enactment of such approved drafts through the State organization and the State Legislature and force through the State legislation through the State Committee and through Federal legislation through the Federal Legislative Committee of national legislation. In pursuance of this duty, your committee would recommend that the Association approve the draft of the Act to make uniform the law or transfer of shares of stock incorporations, technically known as the Uniform Stock Transfer Act. This Act, after careful consideration, was endorsed in August, 1909, by the Commissioners of Uniform State Laws and recommended to the Legislatures of the various States for passage. It has been enacted and it is in force to-day in Louisiana, in the State of Maryland; it has been enacted in Massachusetts, in Ohio, in Rhode Island, in Pennsylvania and in Michigan. The Act gives full negotiability to certificates of stock, and will make the law governing stock transfers uniform in the various States. A copy of the Act is annexed to this report of the committee submitting the proposed measure to the Executive Council—and it, having on October 5th at its meeting unanimously approved the same, submits it now to this Association, and asks your approval. Mr. Chairman, in connection with the report I move that the Convention approve this Uniform Negotiability Act.

MR. WEXLER: I second the motion.

CHAIRMAN REYNOLDS: You heard the motion which was seconded. Are there any remarks?

If not, all those in favor will signify by saying aye.

Contrary? None. Carried.

The next order of business is the fixing of the place for holding the next convention.

#### RICHMOND CHOSEN FOR NEXT CONVENTION.

[General Secretary Farnsworth then read communications from Atlanta, Richmond, Atlantic City, and Salt Lake City, inviting the 1914 Convention.]

The remainder of the invitations are from various cities, but they have not been joined in by the banks of the cities, and it has been the policy of the Association not to receive

invitations unless they come from the associated banks of the cities.

[The General Secretary then read a list of additional cities that had invited the Convention.]

I can read these communications in full if the Convention desires it.

MR. JOHN K. OTTLEY, of Atlanta, Ga.: It is very seldom that I have ever claimed the privileges of the floor, and I only do so now to extend the hospitality of Atlanta for the 1914 Convention. While there are a number of other cities that have invited the Convention, and they are all very charming places where I have no doubt the Convention would be well taken care of, yet I am reminded of the story of the woman who was unfortunate enough to lose her husband. The last rites were performed at the cemetery and the minister was riding home with the widow in a carriage, and he endeavored to console her, and, taking her hand in his, he said: "Sister, this is no time and place to say what is really in my heart, but before you make any other engagement I want to have the opportunity of presenting my claim." Very much to his surprise, the widow began to cry, and he hastened to assure her that he hoped he had not offended her. Thereupon she brightened up and said no, that he had not offended her, and that she liked him a great deal better than she did the undertaker, but that the undertaker had spoken to her at the grave. [Laughter.]

Atlanta is known, first, for her hospitality, and, second, for her enterprise. Now, we were first in the field and extended our invitation at the May meeting of the Executive Council, and we now come to renew and confirm that invitation.

I asked the General Secretary to state the specifications that would be required to care for the Association in the event that you decided to come to Atlanta, and the Colonel very kindly complied, and our hotel men have pledged 2,000 rooms. Afterwards Colonel Farnsworth was invited down to Atlanta to look over the ground for himself, and he came, and he expressed himself to the bankers and to the hotel men that he felt sure that we could properly care for the Convention.

In closing, I will say that I hope, without any disparagement to other cities that have invited you, that the Association will honor Atlanta with the 1914 Convention.

MR. JOHN T. DISMUKES, of Jacksonville, Fla.: I rise to second the invitation of Atlanta, and in doing so I confess to more or less selfish consideration. Some years ago, when I was the President of the Florida Bankers' Association, we had a joint meeting with the Georgia Bankers' Association in Atlanta. At that time it was not my good fortune to be a rider on the water wagon. So I have some very pleasant recollections of Atlanta, and I want to get back to see it in its purity. I remember that Colonel Lowry, who owned a tally-ho, took me out for a ride. I have indistinct recollections, I may say, of that occasion [laughter], and after riding around with him I was taken to a hospital, where I remained for some days. When I got home I had the pleasure of writing to Colonel Lowry along these lines:

"DEAR COLONEL: I attended the Convention, I think. I had a good time—I think—but of one thing I am sure, and that is that there is no city in the country that can surpass you in hospitality; and as for your hospitals, they take the cake." [Laughter and applause.]

MR. PARKER, of New Jersey:

In behalf of the New Jersey Bankers' Association, I wish to endorse the invitation that has been sent in from Atlantic City. It is unnecessary for me to recount the attractions of the first watering place in all America. It is conceded that its hotel accommodations are sufficient to care for many conventions of the size of this one all at the same time.

I would not disparage the hospitality of Atlanta, for it was my privilege to attend the Convention that was held there in 1894, but the bankers of New Jersey believe that Atlantic City is the place where you should hold your Convention next year, and on their behalf I assure you that we will do everything in our power to make it a success.

MR. SOL WEXLER, of Louisiana:

As Atlanta is an important suburb of New Orleans, and by reflection has many of the same charms, I am very anxious to see the Convention go to Atlanta next year.

We are always glad to have as many bankers come to the South as possible. We want you bankers to see the industrial development that is going on all through the South, and Atlanta is a splendid place to see it from.

MR. P. E. BOWLES, of San Francisco, Cal.:

My friend Mr. Ottley asks me to say a word in behalf of Atlanta. I do not know that anything I could say would improve your acquaintance with his city, and when I made the promise to him I was not aware that Salt Lake City was also seeking the Convention. Salt Lake City is so near a suburb of San Francisco that I could not say anything against it, but I will say that if you do not decide to go to Salt Lake City I believe Atlanta would be most acceptable to the Pacific Coast people.

MR. J. A. McCORD:

Atlanta is in the center of the Southeast section of our country and it is fast growing to be one of the financial centers of the South. We want you gentlemen who have never been there.

to come and see what wonderful development the South has made and is making; and, if you will come to Atlanta, we will underwrite it and say that you will never forget it.

MR. THOMAS MCKENZIE, of Virginia:

I am forced to ask that Richmond be substituted in place of Atlanta. Thirteen years ago this Association visited Richmond, and I believe that every one who was there at that time will testify that they were properly and royally entertained. We have in Richmond one of the finest convention hotels in this country, the Jefferson, and there are three new hotels that have just been finished, and if they are not sufficient we will build another one. Richmond is only three hours from Washington, four from Baltimore, six from Philadelphia, eight from New York, eighteen hours from Pittsburgh, eighteen hours from Chicago, and fourteen hours from Cincinnati. It is easy of access, and we want you to come and get some of the old Virginia ham and some of our celebrated Virginia mint julep. Until I came to Boston I had always supposed that there were two times, Eastern and Central, east of the Mississippi River, but after I got here I found that the bars close at 11 o'clock. Now, in Richmond we run on Central time, and you can get a drink at any old time. [Laughter.]

We want you to see what has taken place in Richmond in the last dozen years. Our bank deposits have nearly doubled in the last ten years.

I would like to have the privilege of the floor extended to Mr. Dabney to speak for the Clearing House of Richmond.

MR. WILLIAM LIVINGSTONE, of Detroit, Mich.:

There is no doubt whatever that in all of the cities that have been mentioned we would receive hospitality and good cheer in any of them, but with very pleasant recollections of the meeting in Richmond thirteen years ago on behalf of the Michigan delegation I desire to second its selection.

CHAIRMAN REYNOLDS: We will be glad to hear from Mr. Dabney.

MR. W. P. DABNEY, of Richmond, Va.:

Mr. President and Gentlemen: Observation and personal experience has impressed me in all my relations with the bankers of this country, more particularly with those in the city that I have the honor to come from, that what they want are facts. Now I am going to give you a few facts, relying on your intelligence to see whether or not it would conserve the interests of this Association to accept of our hospitality. Now, I am commissioned by the Governor and by the city authorities and by the banks to ask you to come to Richmond, and when the newspapers said that we were to extend this invitation, of course, there was some publicity given to it, and as I was about to board the train to come here there was a throng of people on the platform, who authorized me to say that *all of the people* in Richmond wanted the bankers to come there. [Applause.]

I submit that accessibility to the larger percentage of your membership is a factor to be considered in coming to your Convention city. If you pass from the Northeast you come through Boston and New York, and you can take in Atlantic City, and come on to Baltimore and Washington. If you come from the West you can take in Cincinnati, Louisville, Baltimore and Philadelphia, too, if you wish, and then you can go to Richmond by way of Old Point.

This is the third time that we have invited this Convention. The first time we invited you, Colonel Farnsworth visited our city and investigated our hotel accommodations, and he said that we hadn't sufficient hotel accommodation at that time. Since then we have built three new hotels.

Modesty forbids my referring to our hospitality, but no city could offer you greater hospitality than this city of Boston has extended to this Convention. [Applause.]

I am not competing with Atlanta or with Salt Lake City; I am simply here conveying to you a message from our people asking you to come to Richmond, with absolute faith and confidence that it is the best place for you to meet in next year.

MR. W. G. EDENS, of Illinois:

This discussion reminds me of the old story of the banker who got a black-hand letter threatening that if he did not deposit \$20,000 at a certain spot where the black-handers could get it they would kidnap his wife, and he replied, saying that he didn't have the money, but the proposition appealed to him. [Laughter and applause.] Now I confess that I am moved by the inducements held out, but I am in doubt just where we ought to go. I cannot resist. However, the influence that is at work on me now is to go to Richmond. My parents came from Virginia, and I see two or three ladies in the balcony who have apparently indorsed Richmond; so I think I will decide to go to Richmond. [Applause.]

MR. JOSEPH WAYNE, JR., of Pennsylvania:

I have never been in Salt Lake City in my life, and out of courtesy to Mr. Knox and his good friends, I would like to second the claims of Salt Lake City for the next Convention.

MR. WEXLER: I move that speeches be now closed and we proceed to select the next Convention city, because there is a great deal of work yet to be done and we must dispose of it.

MR. MILTON ALEXANDER, of Altoona, Pa.:

Fifty years ago the cry was, On to Richmond. We are now in the historic city of Boston. Why not go back to Patrick

Henry's home? I think it is the logical place to hold the next Convention after meeting here in this city. So let us once again cry, On to Richmond!

CHAIRMAN REYNOLDS: Gentlemen, are you ready to vote on this question?

MR. EDENS: I move that Richmond be selected.

[The motion was seconded.]

MR. DISMUKES: I move as an amendment that we choose Atlanta.

[The amendment was seconded.]

CHAIRMAN REYNOLDS: The question is first on the amendment, that Atlanta be selected. All in favor of the selection of Atlanta will say aye; opposed, no. The motion is lost. The question is now on the original motion, that Richmond be selected. All in favor of that motion will say aye; opposed, no. The motion is carried, and the next convention will be held in the City of Richmond. [Applause.]

GENERAL SECRETARY FARNSWORTH: As a matter of clearing the desk, I want to report in invitations from San Francisco and from Seattle for the 1915 convention.

#### STATUS OF HAWAII UNDER NEW CONSTITUTION.

CHAIRMAN REYNOLDS: The next order on our program is Unfinished Business.

MR. ABRAHAM LEWIS, of Hawaii:

Mr. Chairman and Gentlemen: If you remember, yesterday afternoon the Territory of Hawaii desired to have its status determined under the new constitution. A motion was made at that time which partially cleared the situation. I had only yesterday received a copy of the revised Constitution and there was one point in it which I had not noticed. Now, upon consultation with your President and the General Secretary and with Mr. Wexler of the committee that revised the Constitution, I am prepared to offer this amendment:

That Article IV of the By-Laws of this Association be amended by adding thereto after Group No. 4: "Group No. 5 shall be composed of the Territories of Hawaii and Alaska."

This amendment does not in any way interfere with any State or with any other group. It simply asks for the defining of the status of Hawaii, and we are asking this amendment under the machinery of the Constitution, which states that the Convention when assembled may pass the necessary By-Laws defining the groups.

MR. JOSEPH WAYNE, of Pennsylvania:

Can amendments to the Constitution be taken up in this manner?

CHAIRMAN REYNOLDS: This is an amendment to the By-Laws, and it can be taken up.

MR. SOL WEXLER: In seconding the motion, I would explain that the new Constitution provides for it, and it is entirely in order to constitute a new and additional group. I would suggest, however, that the Philippine Islands be added, for the reason that although they have not thus far sent a representative here, they may do so at any time.

MR. LEWIS: I will be very glad to have the Philippine Islands included in my amendment.

MR. J. T. DISMUKES, of Florida: I would inquire if the introduction of those territories would entitle them to membership on the Executive Council?

CHAIRMAN REYNOLDS: Yes, sir; to rotating membership on the Executive Council.

MR. DISMUKES: If they do not aggregate 100 members, how can we follow the mandate of the Constitution and allow a membership on the Executive Council for less than 100 banks? They may come into membership in the Association, but not in the Executive Council.

I would move, as a substitute, that this matter lie over until the spring meeting of the Executive Council.

MR. EDENS: I move that the matter be referred to the next meeting of the Executive Council, to determine whether or not the banks in these territories that have been mentioned can qualify under the Constitution and come in.

[The motion made by Mr. Edens was seconded.]

MR. WEXLER: I would say that the Constitution would not permit of Hawaii and Alaska coming in with less than 100 members, but I believe they would have the right to join with some State or States which have less than the requisite number. I do not think they should be excluded from having a voice in the election of members of the Executive Council simply because of the fact that none of these groups may want them. This appears to be a point that we have overlooked in framing this revised Constitution, and I think probably Mr. Edens' motion of referring this to the Executive Council is a good suggestion.

MR. H. W. DUNLAP, of New York: I desire to suggest that there is seemingly no provision for the Territories and Dependencies of the United States in this Constitution. The language of the Constitution is "States." We ought to have some provision for Territories and Dependencies.

MR. C. A. HINSCH: Why could not these banks in Hawaii be given a representative? Make a special order for them. It would be ridiculous to suggest that they join with Arizona or Utah or any other State. They have nothing in common.

MR. J. J. SULLIVAN, of Ohio: As Chairman of the Committee

which reported this language at the meeting in Atlantic City four years ago—and it is the same language; it has been copied verbatim into the new Constitution—the understanding at that time was that as a prerequisite for recognition on the Council any State or group of States must have at least 100 members. It would be an infraction of the fundamental principles of our Constitution to make any special arrangement for the grouping of Hawaii, or any of the other similar Dependencies or Territories, with any of the States.

MR. GEORGE M. REYNOLDS, of Illinois:

It seems to me that this question is of more moment than appears on the surface. There is a fundamental principle involved in this, and I do not believe we will be able to thrash it out in the short time that is left to-day. When you take into consideration the distance that these sections are removed, and the further fact that at the Council meetings the expenses of delegates are paid, I think there should be an adherence to the rule with reference to the required number. I believe that everybody here wants to try and work out some solution of the problem that will be fair.

With that in view I move that this question be referred to the Executive Council, with authority to act, between now and the next annual Convention, at which time the Convention can confirm such action and continue whatever recommendations the Council may make; and if, perchance, the Council should recommend that through the grouping of these Sections they are entitled to one, two, three or four, or whatever number they shall be given on the Council, that during this year at least and until the next Convention those delegates be allowed to sit in the Council.

[This motion was seconded by various delegates.]

CHAIRMAN REYNOLDS: Gentlemen, you have heard the motion. Is there any discussion of it? If not, all in favor of the motion will say aye; opposed, no. The motion is carried and the matter is referred to the Executive Council.

#### RESOLUTION IN FAVOR OF IMPROVEMENT OF MISSISSIPPI RIVER.

MR. WEXLER: A communication was read in the meeting of the Executive Council on Monday from the Mississippi Levee Association. It is quite lengthy, and I will not read it, but it requested this Association to adopt resolutions in favor of the improvement of the Mississippi River and the prevention of floods. A committee was appointed by the Executive Council, with myself as Chairman, to draw up a proper resolution on the subject, and that resolution I will now present, as follows:

WHEREAS, The great Mississippi River and its tributaries constitute the principal drainage outlet for the vast territory lying between the Alleghany and the Rocky Mountains; and

WHEREAS, The continued deforestation and opening up to agriculture of this wide and fertile area, together with other natural causes, periodically inflicts upon the people residing therein incalculable injury to property, suffering and loss of life; and

WHEREAS, These great rivers were intended by nature as interior means of cheap transportation of agricultural and industrial products; and

WHEREAS, In order to accomplish this great and beneficent purpose and to prevent the disastrous and wasteful destruction of property and loss of life occasioned by overflow and inundation a difficult and tremendous engineering work requiring the expenditure of vast sums of money is necessary; and

WHEREAS, The task is in its magnitude far beyond the capacity of any one State, or group of States, and is in its very nature interstate in character; and

WHEREAS, The completion of the Panama Canal at an early date will release and make available for this important work the great engineering skill, the army of trained laborers and the large quantity of machinery and apparatus employed in that great work;

*Be it Resolved*, That the American Bankers' Association of the United States, in convention assembled, does hereby earnestly entreat the Congress of the United States to undertake this great and important work for the benefit of the whole country, and that it appropriate the necessary money for that purpose;

*Be it Further Resolved*, That a copy of these resolutions be transmitted to the President of the United States, to the Secretary of War, to the Chairmen of the Committee of Rivers and Harbors of both Houses of Congress, and to such other appropriate committees as may be deemed useful and desirable.

I move the adoption of these resolutions.

[The motion was seconded.]

CHAIRMAN REYNOLDS: All in favor of the motion will say aye; opposed, no. The motion is carried and the resolution adopted.

MR. P. H. W. ROSS, of Ellensburg, Washington:

I have a resolution here, Mr. Chairman, that I would like to submit to the Convention—

CHAIRMAN REYNOLDS [interposing]: Under the new Constitution it will be impossible to recognize a resolution offered from the floor without a majority consent.

A DELEGATE: What is the subject of the resolution?

MR. ROSS: It has relation to the matter of foreign banking as it has been affected by the attempted cancellation of a clause in the tariff bill passed a few days ago.

MR. EDENS: I move that resolution be read.

[The motion was seconded.]

CHAIRMAN REYNOLDS: All in favor of the motion that the resolution be read will say aye; opposed, no. The motion is carried.

#### RESOLUTION REGARDING FIVE PER CENT. REBATE CLAUSE FAVORING AMERICAN SHIPS REFERRED.

MR. ROSS: The resolution that I wish to offer is as follows:

WHEREAS, We believe that to insure the successful operation of a new banking law, it is essential that a clear understanding of the conditions contributing to such success should prevail; and

WHEREAS, The world-wide equilibrating effects of the Bank of England discount rate are only possible because that country's banking affiliations are perfected through the development and excellence of its maritime facilities and its over-seas commercial transactions; and

WHEREAS, By the operation of the new Tariff Bill the Industries of this country will have to be adjusted to a freer selling basis, as well as a freer buying basis; and

WHEREAS, This Convention has already adopted the report of the Chicago Currency Commission, wherein by Section 28 provision is made for the establishment of foreign branches of national banks; and

WHEREAS, The whole structure of foreign trade, the adequate export of American manufactures and agricultural produce, the revival of American shipbuilding, and the interminable ramifications of banking transactions that underlie, support and sustain every variety of our foreign commercial enterprise, depend upon the existence of American built, American owned and American "route-controlled" ships;

*Resolved*, That the American Bankers' Association, in convention assembled, urge upon the Congress of the United States the paramount national necessity of not lightly or hastily rescinding the five per cent. rebate clause favoring United States ships until full and deliberate investigation has been made as to the bearing of this clause upon the welfare not only of the shipping trade, but of the banking, exporting, agricultural and manufacturing interests of the country at large, especially as they will be affected by the operation of the new Tariff Bill.

The urgent adoption of this resolution is requested because of the protests at this moment being made by foreign nations against this very mild attempt on the part of Congress to help the expansion of American foreign commerce; not content that America should build a Panama Canal for the convenience of their foreign commerce (we having almost none of our own); not content that by the new tariff their goods are admitted into our country in vastly increasing quantities, our foreign commercial rivals demand that we should rescind our own already existing laws and refrain from the only economically possible method of selling our goods to any one else excepting to ourselves.

MR. WEXLER: I move that this resolution be referred to the Executive Council so that they may investigate the reasons for the action referred to on the part of the Secretary of the Treasury. It would be very inopportune for us to suggest at this time anything to the Secretary of the Treasury on the matter. I move the reference of the resolution to the Executive Council without recommendation.

MR. DISMUKES: I second the motion.

CHAIRMAN REYNOLDS: All in favor of the motion will say aye; opposed, no. The motion is carried and the resolution is so referred.

#### AGRICULTURAL COMMISSION TO BE NAMED BY EXECUTIVE COUNCIL.

MR. GEORGE M. REYNOLDS, of Illinois: This forenoon I introduced a resolution providing for the appointment of an Agricultural Commission, with authority to the President to appoint that Commission. I did this at the request of several members who were interested in the work. But I find since having done so that it is contrary to the new Constitution and that the Committee should have been constituted through the Executive Council itself. Having made that motion and having started the negotiations looking to the appointment of this Committee, I wish to offer now a resolution in substitution for that one to the effect that we recommend to the Executive Council that an Agricultural Commission composed of the following gentlemen be formed:

B. F. Harris, of the First National Bank, Champaign, Ill.; W. D. Vincent, of the Old National Bank, Spokane, Wash.; C. H. McNider, of the First National Bank, Macon City, Iowa; Robert I. Woodside, of the Farmers & Merchants Bank, Greenville, S. C.; J. W. Wheeler, of the Security Trust Company, St. Paul, Minn.; Joseph Hirsch, of the Corpus Christi National Bank, Corpus Christi, Texas, and J. R. Wheeler, of the Farmers' & Merchants' Union Bank, Columbus, Wis.

MR. JOSEPH CHAPMAN, of Minnesota: I second the motion.

CHAIRMAN REYNOLDS: Gentlemen, you have heard the motion. Are there any remarks?

MR. JOHN T. DISMUKES, of Florida: I would suggest that Mr. Joseph Chapman be made an honorary member of that Commission.

CHAIRMAN REYNOLDS: I think Mr. Chapman would be regarded as an honorary member of the Commission, whether he is so named or not.

Now, all who are in favor of the motion that has been made, looking to the appointment of the Committee named, will say aye; opposed, no. The motion is carried.

The next order of business is to receive the report of the Committee on Nominations.

MR. WILLIAM J. FIELD, of Jersey City, N. J.: Mr. Chairman

and gentlemen: On behalf of the Nominating Committee I beg leave to submit the following report:

REPORT OF THE NOMINATING COMMITTEE.

FOR PRESIDENT:

Arthur Reynolds, President Des Moines National Bank, Des Moines, Ia.

FOR FIRST VICE-PRESIDENT:

William A. Law, Vice-President First National Bank, Philadelphia, Pa.

FOR VICE-PRESIDENTS FOR THE DIFFERENT STATES AS NOMINATED AT CONVENTIONS OF THE STATE ASSOCIATIONS AND CERTIFIED TO THIS ASSOCIATION BY THE SECRETARIES THEREOF:

Alabama—George H. Malone, Cashier First National Bank, Dothan.  
Arkansas—Thomas H. McRae, President Bank of Prescott, Prescott.  
California—Joseph D. Radford, Vice-President Los Angeles Hibernian Savings Bank, Los Angeles.

Colorado—Frank N. Briggs, President Interstate Trust Company, Denver.

Connecticut—O. H. Brothwell, Cashier First Bridgeport National Bank, Bridgeport.

District of Columbia—H. H. McKee, Cashier National Capital Bank, Washington.

Florida—S. J. Harvey, President First National Bank, Milton.

Georgia—A. C. Blalock, President Fulton National Bank, Atlanta.

Idaho—A. H. Keller, Cashier First National Bank, Weiser.

Illinois—William C. White, President Illinois National Bank, Peoria.

Indiana—C. L. Balthis, Secretary Mutual Trust & Deposit Company, New Albany.

Iowa—J. A. Dunlap, Cashier Keokuk National Bank, Keokuk.

Kansas—L. A. Mergan, Cashier German National Bank, Beloit.

Kentucky—Charles E. Hoge, President State National Bank, Frankfort.

Louisiana—Chas. Janvier, President Canal-Louisiana Bank & Trust Company, New Orleans.

Maine—H. M. Lawton, Cashier National Bank of Gardiner, Gardiner.

Maryland—Francis M. Wilson, President Pocomoke City National Bank, Pocomoke City.

Massachusetts—Chas. P. Blinn, Jr., Vice-President National Union Bank, Boston.

Michigan—B. F. Davis, President City National Bank, Lansing.

Minnesota—W. A. Shaw, President Clearwater State Bank, Clearwater.

Mississippi—J. W. McGrath, President Commercial Bank & Trust Company, Brookhaven.

Missouri—J. W. Perry, President Southwest National Bank of Commerce, Kansas City.

Montana—A. L. Smith, Vice-President National Bank of Montana, Helena.

Nebraska—J. M. Talmage, Cashier First National Bank, Grand Island.

New Jersey—Archibald W. Conklin, Cashier Union National Bank, Newark.

New York—John A. Kloefer, President Union Stock Yards Bank, Buffalo.

North Carolina—J. C. Braswell, President Planters Bank, Rocky Mount.

North Dakota—Lewis F. Crawford, Cashier Inter-State Bank of Billings County, Sentinel, Butte.

Ohio—I. M. Taggart, Assistant Cashier Merchants' National Bank, Massillon.

Oklahoma—F. C. Hoyt, Cashier First National Bank of Cestos, Cestos.

Oregon—Alfred C. Schmitt, Vice-President First National Bank, Albany.

Pennsylvania—Chas. H. Dickerman, President First National Bank, Milton.

South Carolina—John W. Simpson, Vice-President Central National Bank, Spartanburg.

South Dakota—E. J. Miller, Cashier First National Bank, Huron.

Tennessee—J. F. Hunter, Vice-President Union & Planters Bank & Trust Company, Memphis.

Texas—A. W. Wilkerson, Cashier City National Bank, Bryan.

Virginia—H. R. Booker, President Merchants' National Bank, Hampton.

Washington—R. L. Rutter, Vice-President Spokane & Eastern Trust Company, Spokane.

West Virginia—Wylie W. Beall, President Commercial Bank of Wellsburg, Wellsburg.

Wisconsin—H. A. Moehlenpach, Cashier Citizens' Bank, Clinton.

FOR VICE-PRESIDENTS OF THE DIFFERENT STATES AND TERRITORIES IN THE UNITED STATES AND ITS DEPENDENCIES WHERE THE MEMBERSHIP IN THE AMERICAN BANKERS' ASSOCIATION IS LESS THAN ONE HUNDRED:

Arizona—John H. Ormsby, Cashier Arizona National Bank, Tucson.

Delaware—Gov. Charles R. Miller, President Farmers' Bank, Wilmington, Del.

New Hampshire—L. F. Thurber, President City Guaranty Savings Bank, Nashua.

Utah—W. S. McCornick, President McCornick & Company, Bankers, Salt Lake City.

Vermont—A. H. Chandler, Treasurer Bellows Falls Trust Company, Bellows Falls.

Wyoming—Ira E. Jones, Cashier First National Bank, Thermopolis.

Hawaii—A. Lewis, Jr., Vice-President and Manager Bank Hawaii, Ltd., Honolulu.

FOR MEMBERS OF THE EXECUTIVE COUNCIL AS NOMINATED AT CONVENTIONS OF STATE ASSOCIATIONS AND CERTIFIED TO THIS ASSOCIATION BY THE SECRETARIES THEREOF:

Alabama—McLane Tilton, Jr., President First National Bank, Pell City.

Arkansas—Charles M. Blocker, Treasurer State Savings & Trust Company, Texarkana.

California—Stoddard Jess, Vice-President First National Bank, Los Angeles.

Colorado—Harry M. Rubey, Cashier Woods-Rubey National Bank, Golden.

Connecticut—Martin H. Griffing, Cashier City National Bank, Danbury.

Georgia—Eugene W. Stetson, President Citizens' National Bank, Macon.

Illinois—Nelson N. Lampert, Vice-President Fort Dearborn National Bank, Chicago.

Indiana—Earl S. Gwin, President Second National Bank, New Albany.

Maryland—W. B. Copper, Cashier Third National Bank, Chestertown.

Michigan—George E. Lawson, Vice-President Peoples State Bank, Detroit.

Minnesota—J. B. Galarneault, Cashier Aitkin County State Bank, Aitkin.

Montana—W. J. Johnson, Cashier First National Bank, Lewistown.

Nebraska—C. E. Burnham, President Norfolk National Bank, Norfolk.

New Jersey—Walter M. Van Deusen, Cashier National Newark Banking Company, Newark.

New York—Cornelius A. Pugsley, President Westchester County National Bank, Peekskill.

Delmer Runkle, President Peoples National Bank, Hoo-sick Falls.

Ohio—C. A. Himsch, President Fifth-Third National Bank, Cincinnati.

W. P. Shaver, President First National Bank, Zanesville.

Oklahoma—Asa E. Ramsay, Vice-President First National Bank, Muskogee.

Pennsylvania—B. M. Marlin, Treasurer Union Banking & Trust Company, Du Bois.

South Carolina—J. Pope Matthews, Cashier Palmetto National Bank, Columbia.

Texas—George E. Webb, President First National Bank, San Angelo.

FOR MEMBERSHIP OF THE EXECUTIVE COUNCIL TO REPRESENT DELAWARE.

Wilmer Palmer, President of the Wilmington Savings Fund Society, Wilmington.

The various Sections have elected the following officers, and under the Constitution of the Association they are members ex-officio of the Executive Council:

TRUST COMPANY SECTION.

PRESIDENT.

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

CHAIRMAN EXECUTIVE COMMITTEE.

John H. Mason, Vice-President Commercial Trust Company, Philadelphia, Pa.

SAVINGS BANK SECTION.

PRESIDENT.

J. F. Sartori, President Security Trust & Savings Bank, Los Angeles, Cal.

CHAIRMAN EXECUTIVE COMMITTEE.

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

CLEARING HOUSE SECTION.

PRESIDENT.

John K. Ottley, Vice-President Fourth National Bank, Atlanta, Ga.

AMERICAN INSTITUTE OF BANKING.

PRESIDENT.

H. J. Dreher, Assistant Cashier Marshall & Illsley Bank, Milwaukee, Wis.

STATE SECRETARIES SECTION.

PRESIDENT.

William J. Henry, Secretary New York State Bankers' Association, New York, N. Y.

MRS. L. A. BATCHELLER,

Secretary.

No nomination for the office of Vice-President of the following States or Dependencies were made by the Nominating Committee of Vice-Presidents of States and Dependencies having less than one hundred members within their borders, nor by the General Nominating Committee: Alaska, Nevada, New Mexico, Philippine Islands, and Rhode Island.

In connection with New Mexico, Mr. Allen Falconer, Cashier of the First National Bank of Magdalena, New Mexico, is the only delegate from that State attending this Convention.

There are no delegates in attendance from Alaska, Nevada, and the Philippine Islands; there are several, however, from Rhode Island. Possibly it is the wish of the Committee that these nominations be made by the Convention, or some action taken delegating the appointment of Vice-Presidents for these States and Dependencies by the Executive Council of the Association.

[At this point, upon the request of Chairman Reynolds, ex-President William Livingstone, of Detroit, Mich., took the chair.]

THE CHAIRMAN: What is the pleasure of the Convention in respect to this report?

MR. EDENS: There were fifteen members that did not endorse all of the work done by the Committee as contained in the report just read, but there is so much of good in it that we fifteen believe that hereafter there will be no such amendment adopted by candidates for office looking for honors in this Association; and, after having declined to make the report unanimous, we do, however, believe that the report should be adopted.

MR. D. S. KLOSS, of Tyrone, Pa.:

I move that the report be adopted as read, and that the General Secretary cast the ballot of the Association for the election of the men named in the report.

[The motion was seconded by various delegates.]

THE CHAIRMAN: All in favor of the motion will say aye; opposed, no. It is carried. The Secretary will cast the ballot as directed.

GENERAL SECRETARY FARNSWORTH: Mr. Chairman, the General Secretary states that he has cast the ballot as directed. [Applause.]

THE CHAIRMAN: I declare the officers named duly and regularly elected. Next in order is the Installation of Officers.

It affords me the greatest possible pleasure, gentlemen of the Convention, to present your new President. It has been my pleasure for several years to have worked with him in various capacities, and I feel sure that you have made no mistake in the high honor you have conferred upon him. [Applause.]

[At this point a large vase containing American Beauty roses was placed upon the platform.]

PRESIDENT REYNOLDS: Members of the Convention, Ladies and Gentlemen: In my opinion there is no position in the business world more honorable than the Presidency of this great Association. I feel a deep sense of gratitude for this expression of your confidence and good-will and for the high honor you have conferred not only upon me, but upon the State of Iowa which I represent.

The American Bankers' Association has established itself in the favorable opinion not only of the bankers of the United States, but it enjoys the full confidence of the business public, and is to-day a potent factor in many of the undertakings outside of the business we represent. It should be a matter of pride and congratulation to the members that the Association has achieved such a strong position, and it makes for the maintenance of those sound principles both of banking and of commerce which the Association has so unflinchingly and persistently advocated. The success and growth of the Association is due to the untiring efforts of your former officers, and it is assisted by your good work and loyal co-operation. In assuming the duties which your selection imposes on me, I know that I can rely implicitly upon that co-operation and assistance which is so distinguishing a feature of this Association and which I hope you will permit me to utilize to the fullest extent. The accomplishment of the greatest success in any large organization can only come through full and free interchange of ideas upon all subjects. Individual differences of opinion concerning the policy of this Association aid in crystallizing ideas and arriving at a popular result. Heretofore the wisest course of action has been reached by following the consensus of opinion of the membership. I shall, therefore, be very glad to receive suggestions at all times, and I shall feel free to call upon any of you for assistance.

Again thanking you for the recognition and the honor conferred upon me, I pledge you my best efforts in working out your purposes for the good of this Association and our common country. [Applause.]

[The Vice-President-elect was called forth.]

PRESIDENT REYNOLDS: Gentlemen of the Convention, I take pleasure in introducing Mr. William A. Law, First Vice-President of the American Bankers' Association.

FIRST VICE-PRESIDENT WILLIAM A. LAW:

I take this election not as a personal tribute to myself, but as a tribute to the great Commonwealth of Pennsylvania in which I live and to the fine old city of Philadelphia where I make my home. Any lengthy remarks on my part at this time would be contrary to custom and foreign to good taste, but I would like to say that in my judgment the life of a bank officer is necessarily a life of service—service to stockholders, service to customers, service even to employees, and of general service to the community; and any connection with this Association broadens that field of service to the extent of the co-operative activities in which this Association busies itself. It shall be my purpose to the utmost of my ability to justify the confidence which you have shown in me by electing me as your First Vice-President. [Applause.]

#### THANKS TO BOSTON.

MR. F. O. WATTS: Mr. President and Members of the Association: It is the part of human experience that where anticipation is common within the human breast its realization is a disappointment. It has not been so here, and in the matter of our coming to this, the capitol of New England, with the Thirty-ninth Annual Convention, the long anticipation has been more than met by the realization, in which seemingly every citizen of Boston has contributed. [Applause.] I know not how you may feel when you go to your several homes, but for me it has been a most distinctive treat, and I have the feeling that when I return home I can follow with expression the Scotch poet who said, "Still o'er those scenes my memory wakes."

Gentlemen, in view of this I ask the privilege of offering this brief resolution:

WHEREAS, The Thirty-ninth Annual Convention has been entertained by the city of Boston in an incomparably pleasant manner; therefore be it resolved that this Association express to all those contributing to it our sincere appreciation of their courtesy.

[The resolution was seconded by delegates all over the hall.]

PRESIDENT REYNOLDS: All in favor of this resolution will signify the same by saying aye; opposed, no. It is carried.

#### TRIBUTE TO MR. LIVINGSTONE.

MR. GEORGE M. REYNOLDS: At the request of many friends and on their behalf I desire to present to Mr. William Livingstone, of Detroit, Mich., this album containing photographs of the officers of the American Bankers' Association for the past year and many members of the Executive Council, as well as photographs of friends of Mr. Livingstone in the Association.

As I sat here turning over the leaves of this album and came to my own picture I heard a voice behind me say, "What are you going to present to any man a book of thugs of that sort for?" and I decided not to make any further investigation of the book, but simply to present it with the full assurance, Mr. Livingstone, that you can make your own interpretation of the character of those whose photographs you will find herein.

[Presenting a large album.]

MR. WILLIAM LIVINGSTONE: Mr. Reynolds and Gentlemen: I assure you that I shall always appreciate this gift and look many times upon the faces that I shall see depicted in it. [Applause.]

PRESIDENT REYNOLDS: We have several memorial notices which the General Secretary will read.

GENERAL SECRETARY FARNSWORTH: It seems to be quite fitting that these notices shall be read after I have made some announcements that are of importance.

The new Executive Council will organize immediately after the adjournment of this Convention in the Salon in the Copley-Plaza Hotel.

The local committee desire me to announce that, although yesterday they ran out of tickets for the Shore Dinner they have now an additional supply which can be obtained at the Information Bureau.

The Economic Club, of Boston, will give its first dinner of the season on Friday evening at 6 p.m., and among other speakers will be Mr. Sol Wexler, one of our own members.

Those holding railroad tickets should call at headquarters for them to-day, and those who have not deposited certificates for proper certification should give the matter prompt attention.

Now these memorial notices are as follows:

[The General Secretary then read memorials to M. M. White, of Cincinnati, Ohio; James P. Hollenstein, of Philadelphia, Pa.; and William B. Greene, of Ohio.]

PRESIDENT REYNOLDS: Gentlemen, we have now closed all of the business, and I declare the Convention adjourned *sine die*.

#### EXECUTIVE COUNCIL.

The Executive Council met at the close of the Convention Thursday evening, and again on Friday morning, and re-elected Col. Fred E. Farnsworth as General Secretary, and William G. Fitzwilson as Assistant Secretary, and J. W. Hoopes, of Galveston, Texas, as Treasurer. The following committees of the Association were also elected:

Currency Commission—A. B. Hepburn, James B. Forgan, Myron T. Herrick, Festus J. Wade, Joseph T. Talbert, Sol Wexler, Robert Wardrop, E. F. Swinney, J. F. Sartori, E. L. Howe, and Fred E. Farnsworth as Secretary.

Law Committee—R. E. James, F. W. Foote, E. E. Crabtree, Dudley E. Waters, E. W. Stetson, C. A. Pugsley.

Federal Legislative Committee—P. W. Goebel, J. Elwood Cox, E. M. Wing, W. H. Bucholz, John McHugh, C. A. Hinsch.

Membership Committee—W. J. Flather, E. S. Kennard, M. H. Griffing.

Administrative Committee—Joseph Wayne, of Philadelphia; Walter H. Bennett, of New York, and the President of the Association ex-officio.

Finance Committee—C. G. Hutcheson, J. K. Lynch, N. E. Franklin, D. D. Muir, W. F. McCaleb, Frank Knox, Earl S. Gwin, George E. Lawson, Nelson N. Lampert, and the First Vice-President and the Treasurer of the Association ex-officio.

Agricultural Commission—B. F. Harris, of Champaign, Ill.; W. D. Vincent, Spokane, Wash.; C. H. McNider, Mason City, Iowa; Robert L. Woodside, Greenville, S. C.; J. W. Wheeler, St. Paul, Minn.; Joseph Hirsch, Corpus Christi, Texas; J. R. Wheeler, Columbus, Wis.

Insurance Committee—Oliver J. Sands, Richmond, Va.; H. P. Beckwith, Fargo, N. D.; H. G. Parker, New Brunswick, N. J.



## Action of Country Bankers.

To get an expression of the independent opinion of the small banks throughout the country on the pending Banking and Currency Bill, a meeting of the delegates from such banks, in attendance at Convention of the American Bankers' Association, was held on Monday, October 6, two days in advance of the general Convention. The idea originated with the small banks themselves, and the meeting showed an almost absolute unanimity of sentiment against the bill on the part of the small institutions. Representation at the meeting was limited to banks having \$25,000 to \$250,000 capital.

We furnish below a report of the proceedings of this meeting:

MR. GORDON JONES: Gentlemen of the Convention, it is my pleasure to call the meeting to order. I nominate for Chairman at this Conference a gentleman from the Far West, a man from the agricultural plains of Kansas, Gov. Bailey, of national reputation.

All in favor of Gov. Bailey say aye. It is a unanimous vote. Gov. Bailey.

[Gov. Bailey took the chair.]

THE CHAIRMAN: Gentlemen of the Conference, I appreciate very much this compliment that is paid me in asking me to preside over this informal body of country bankers. The suggestion was made to me last night that it would be a good thing while we were here attending the American Bankers' Association Convention to call the country bankers together and get their expression on the currency bill that is now pending in Congress. It has been the common expression of those for the bill in its entirety to-day that the big bankers are against it, but the little bankers are all right, and silence seems to give consent to that. We live so far apart that it is almost impossible for us to emphasize our objection or our endorsement to the great public measure, the pending currency legislation; but the time seemed opportune, and I was glad to join in making this call and I am very glad to preside at this meeting.

It is your meeting, gentlemen, and we want to know if the country bankers are for the Currency Bill as passed in the lower House of Congress. If you are, this is the place for you to say so, and if you are opposed to it this is the place for you to say so. In my judgment, the voice from the men who are sitting before me now will be very potent in shaping that legislation, more so than the voice that comes from Wall Street or the great commercial centres.

I have been in public life some, and I know this: that when I got word from the "grass roots"—the folks at home—I was ready to act. Then my judgment is that the men who framed this bill thought that they would make friends with the country bankers all over this country, scattered from Maine to California.

Gentlemen, this meeting is yours. What is your further pleasure?

A DELEGATE: Mr. Chairman, before we start, I want those who rise to speak to the question before us to state their name and location. The country bankers want to know where every man present comes from—

THE CHAIRMAN: I will see that that is done.

A DELEGATE: This suggestion is made by Mr. Scudder, of Richmond, Virginia.

THE CHAIRMAN: I would suggest that the nomination of a secretary is now in order.

MR. GORDON JONES, of Denver, Colorado, was placed in nomination for secretary; the motion was duly seconded and carried, and Mr. Jones was unanimously elected Secretary of the meeting.

THE CHAIRMAN: Now, gentlemen, so far as I know, there is no cut-and-dried program in this thing. What we want to do is to get an expression of the country bankers in regard to the pending currency legislation, and the Chair will be glad to recognize any one so far as he can.

SECRETARY JONES: Mr. Chairman, before we get into the discussion, I have been requested to announce that the Water Carnival, as per the notices which you will see posted up, has been postponed until Friday evening. We of the West call it fireworks. They will not take place this evening.

We have a limited number of the bill that passed the House, and which is now up to the Senate Committee. The Secretary of this American Bankers' Association wired me some days ago that he would have a full supply here for every member at this Conference, but we were very much disappointed to receive this morning a wire from Washington saying that they had not started them until to-day. We have a limited number here to-day, which are available for the discussion, and if any one needs to read a section we will hand it down to him.

THE CHAIRMAN: Gentlemen, what is your further pleasure?

MR. THOMAS C. MCRAE, President Bank of Prescott; Prescott,

Arkansas: Mr. Chairman, as a basis for this discussion, as no one else seems to be disposed to suggest anything, I offer the following brief resolution:

"Resolved, That this conference indorse the fundamental principles of the bill, H. R. 7837, which provides for the establishment of Federal reserve banks to furnish an elastic currency, and to afford means of rediscounting the commercial paper of all member banks."

THE CHAIRMAN: Gentlemen, what will you do with the resolution?

MR. H. A. MOEHLENSPAH, President Wisconsin Bankers' Association; Cashier Citizens' Bank, Clinton, Wis.: I second the resolution.

THE CHAIRMAN: Gentlemen, you have heard the motion. The motion is to adopt this resolution.

MR. LINDBURG, of Kansas: If I am not out of order, I think that the proper thing to do is to have a Committee on Resolutions to refer these things to. And if the gentleman will permit me I will make a motion that the Chairman appoint a Committee on Resolutions, consisting of five.

THE CHAIRMAN: Have you any objection?

MR. MCRAE: I have no objection. I think we ought to reach whatever decision we come to here in an orderly way, and this resolution might very well go to a committee and be reported back to us, so that everybody will have an opportunity to be heard.

THE CHAIRMAN: Gentlemen, you have heard the motion that a committee of five on resolutions be appointed by the Chair, to whom shall be referred all resolutions that are presented, who shall report back as early as possible to this body. Are you ready for the question? Those in favor make it manifest by saying "aye." Contramindeed, "no." The ayes seem to have it.

A DELEGATE: I call for a rising vote.

THE CHAIRMAN: The ayes have it and a committee will be appointed.

MR. HARRISON, of Oklahoma: Mr. Chairman, I wish to say, regarding that motion which has just passed, that it seems to me that you will kill the force of this meeting if you appoint a committee and have them retire now. If you are going to make this meeting effective, you must get a general discussion of this resolution, and then if you want to appoint a committee and have them retire and frame resolutions in accord with the sentiment of this meeting, that is all right.

THE CHAIRMAN: I would suggest that the appointing of this committee need not stop the discussion; that could go on.

MR. HARRISON: Mr. Chairman, I am further of the opinion that the appointment of a Committee on Resolutions could better be done after this discussion has taken place.

A DELEGATE: Right.

MR. HARRISON: The committee would know who the men are who take part in the discussion; and therefore I call for a rising vote on the proposition.

A DELEGATE: I second the motion.

THE CHAIRMAN: Gentlemen, it is too late for a rising vote on the proposition after it has been settled.

A DELEGATE: I appeal from the decision of the Chair.

MR. DUNLAP, of New York: Gentlemen, I move that we reconsider.

A DELEGATE: I second the motion.

THE CHAIRMAN: That is in order. The motion now is to reconsider the motion that we appoint a Committee on Resolutions. Are there any remarks?

MR. HARRISON: Mr. Chairman, there is one thing I do not like to do, and that is to precipitate any parliamentary discussion. What we want to do is to get down to discussion. So far as I am personally concerned, it is perfectly satisfactory to me to have you go ahead and name this committee, because I know you will name a good one; but I do not want to have this thing a cut and dried affair. Let us have a free and full discussion here.

THE CHAIRMAN: I would suggest to the gentleman that the only way in which you can have an orderly procedure is to have ordinary parliamentary usage in the way of carrying it on.

The question now is to reconsider the motion. All in favor of that manifest it by saying "aye." Contrary, "no." The ayes seem to have it. The ayes have it and the motion is reconsidered.

What is the further pleasure of the meeting?

MR. WOOD, of West Virginia: I move that the motion be laid on the table.

A DELEGATE: I second the motion.

THE CHAIRMAN: The motion is to lay the motion to appoint a committee on the table—the motion to appoint a Committee on Resolutions—the motion was reconsidered; that was carried; that brings the motion before the house. Does anyone second the motion of Mr. Wood?

A DELEGATE: I second the motion to lay it on the table.

THE CHAIRMAN: It is moved and seconded that the motion to appoint a Committee on Resolutions at this time be laid on the table.

[Carried.]

THE CHAIRMAN: What is the further pleasure of the convention?

MR. CAMPBELL, of Indiana: Mr. Chairman, I understand that the motion that the gentleman read is still before the house. I do not think that he withdrew his motion.

MR. MCRAE: Oh, no, I just consented to its amendment, if it was the pleasure of the meeting.

MR. ROGERS, of Arkansas: I have a resolution which I would like to offer for the discussion of the meeting.

THE CHAIRMAN: Mr. McRae's resolution is first.

MR. MCRAE: Shall I read it again?

THE CHAIRMAN: Yes, sir.

MR. MCRAE: "Resolved, That this conference indorse the fundamental principles of the bill H. R. 7837, which provides for the establishment of Federal reserve banks to furnish an elastic currency and to afford means of rediscounting the commercial paper of all member banks."

The motion is to adopt this resolution. I do not care at this time to take any considerable time to discuss it. I assume that most of the members of this conference are familiar with the general principles of the bill now pending before the Senate Committee of the present Congress, and which bill has passed the House. This resolution does not commit this conference, if it is adopted, to the details of the bill—the number of reserves, or any question of detail—but to the general principles which are involved in it. That is, that the Government shall issue the money or the notes provided for by that bill, and shall control the issues.

Now, gentlemen, we have reached a time in the consideration of this currency question that is of the utmost importance to the whole country, and particularly to the country banks. There is in charge of public affairs an administration elected upon a platform committed to the fundamental principles of this bill; and these principles are not antagonistic to the principles of the Monetary Commission Bill, except that that bill provided for a central bank, and this bill provides for reserve banks and decentralizes the proposition. If we mean what we say, if we want provision for emergency currency that can be impartially and fairly distributed to all of the banks, big and little, and all alike, now is the time to say so. I believe that this bill is in the interest of the small banks, the large banks, the small merchants, the big merchants, and all the people of this country. These reserve banks will be perfectly safe. If this Convention, or the country banks will make known their wishes upon this matter, they will have consideration. But let us not fritter further away our time here discussing questions of detail. If you believe in the fundamental principles of this bill say so, and let the word go to the men who make these laws.

I have had some experience in making laws. I know that there is some distrust on their part of bankers; unjust, I believe. I know that there is some distrust on the part of bankers of the law-makers of our country; unjust, I believe. But we must reckon with each other. You must believe that these men are as honest as you. If you bankers are to insist, as some have, that you will appoint the men to supervise your own business, you are asking what Congress will never give to you. If you want a currency issued by the Government, and perfectly safe, you can get it; but if you dally with Congress, and ask them to permit you to name those who are to control these banks, you are asking what no other business in this country has ever asked or ever had conceded to it.

I do not wish to take up any more time in discussing the details of the bill, and I hope that this resolution will be adopted.

MR. ROGERS, of Arkansas: Mr. Chairman, I desire to offer a substitute motion. I think that this is the time when the country banker's should be heard.

I believe that we are here together and that we should show Congress just exactly what we approve of that bill. [A voice, "Correct."] Or if we do not approve any section of that bill, I think it is due to us to say that we do not approve it. [A voice, "That is so."]

When you go to Washington and say that you approve the great fundamental principles of the bill, you do not do a thing. You just say, "Pass anything." Any provision of that bill which affects the bankers of this country is fundamental.

We are opposed to certain sections of that bill. We believe that when these banks purchased their Government bonds that they purchased the good will and the faith of this Government, and that has always been worth a hundred cents, and we always want it to be worth a hundred cents.

Another thing: we want, us little fellows in the country, in the farming communities—we do not want segregation of Savings Bank deposits. That would take out of our own communities the funds which belong there, the funds which we should use to develop our country and to loan to the people who are doing business in the very country that owns those funds, and not to invest them in foreign securities.

We believe, also, that it is economically wrong and unjust to ask the country banks of this country to clear at par, to remit at par, for all country checks drawn on them. A bank should only be asked to pay its checks over its own counter. This proposition of clearing country checks is a proposition that has never been tried in this country. They have always been collected and never cleared. You, gentlemen, know the difference between clearing and collecting. Now the items are sent to the bank and they are paid by a draft on some reserve city; otherwise the bankers would be required to keep in these federal reserve banks, that acted as clearing houses, a sufficient sum on hand at all times to protect their clearings, depending, in my own State, upon distance, say from St. Louis, as it takes some two or three days in many places to get a letter to them, and also two or three days to get that letter back. That would mean that the little country bank would be required to keep in that federal reserve bank an amount equal to at least six days of its clearings, and it would work out that instead of 18 per cent., as is required by a central reserve city, they would have of necessity tied up from 40 to 60 per cent. of their deposits. That would be impossible. They would either have to leave the system or quit business.

Another thing. These gentlemen are all interested in, and they are talking, the difference between 5 per cent. dividends and 6 per cent. dividends. If that goes through they can cut the word "dividend" out of the bill. [Applause.] There will never be any dividend. The labor expense, the stationery expense, the postage expense, would eat up all the earnings of the other departments of the bank.

Now, I would like to read these resolutions with your permission.

A banking and currency bill is now pending in the Congress. Its speedy passage into law is desirable. Any new financial system adequate to the needs of the nation must be one that country bankers, national and State, can support with justice to themselves as bodies corporate and with justice to their customers.

Country banks, as distinguished from banks in the fiscal centers, represent a number of about seventy-five per cent. of all the banks in the United States. They bear the burden of national prosperity in proportion to their numbers. Legislation hostile to the welfare of these country banks is of necessity also hostile to the welfare of American citizens, whether farmers, wage-earners or business men. A satisfactory banking system has long been needed by the people. Legislation upon this subject has already been too long delayed. The efforts of administration leaders at Washington to pass this statute at a special session is to be commended. Recognizing these facts, and having had no opportunity to go on record concerning this legislation, a large number of country banks present at Boston, attending the Convention of the American Bankers' Association, held a meeting on this sixth day of October, 1913, and the following resolution was presented and adopted unanimously:

1. That government bonds have been purchased by country banks at a price that would be unjustified except for circulation and depository privileges that attach to them. These bonds are now selling under par. The good faith of the nation and its credit must remain unimpaired. If national banknotes are to be retired, there should be exchanged for these bonds a new security that will sell upon its own merits at 100 cents on the dollar in the markets of the world, and banks desiring to liquidate their circulation should be given the right to have their bonds retired at not less than their face value.

2. That any unnecessary restrictions placed upon the acceptance and investment of savings deposits is unwise. The prosperity of the people depends much upon the profitable use of their earnings. Country banks have always encouraged thrift on the part of their customers and others resident in their respective localities. Many millions of savings deposits have thus been created. In rural communities there is no need for separate savings banks. Banks doing a commercial business are now satisfactorily caring for this business. These deposits are safely loaned out at home. There is rarely any local market for bonds of any character. To require country banks to invest savings deposits in any one class of securities, to forbid their use for local farming and business needs, to divert this money from local to foreign purposes, will seriously cripple the credit of their customers and result in the very disaster which is the aim of this legislation to prevent. Segregation of savings deposits, the setting aside of separate capital, the creation of two banks under the same management and under one roof, will place a burden upon country banks which they cannot bear and will deny to their patrons facilities which they require and now enjoy.

3. That section 17 of the bill should be amended in so far as it refers to matters pertaining to exchange. We suggest that section 17, page 33, be amended by eliminating the last word on line 15, the first five words on line 16, the balance of section after the 18th line, leaving the last paragraph of section 17 to read as follows: "It shall be the duty of every Federal reserve bank to receive on deposit, at par, and without charge for exchange or collections, checks and drafts drawn by any of its depositors upon any other depositor, and checks and drafts drawn by any depositor in any other Federal reserve bank upon funds to the credit of said depositor in said reserve bank last mentioned. Exchange profits represent a large part of the total net earnings of country banks. It is a proper charge for a fair service rendered. The bill as now drawn will decrease the net earnings of the average country bank by not less than twenty-five per cent., and many of them much more. This gain will not go into the pockets of the business men of America, but will be enjoyed solely by the banks of the collection centers which are now making satisfactory profits. The result of this section will be to take income from banks that can least afford the loss and give this money to banks that are already earning satisfactory profits. In addition to the above, the bill provides a radical change in the method of handling country items. It provides that they shall be cleared and not collected. To accomplish this it would require that the small country banks keep in

the Federal reserve banks an amount in excess of their legal reserve sufficient to care for their clearings from two to six days, depending entirely upon the distance and time they are from the bank acting as such clearing house.

4. That whatever percentage of reserves is agreed upon should carry with it the right to keep not less than one-third of such reserve, with approved reserve agents in fiscal centers. The reduction of reserve from 15 to 12 per cent. is no real advantage to the country bank. Very few country banks can do business without having a larger amount of funds either in vault or with nearby connections. These connections must be maintained after the passage of this law. The money so held by them should be counted as a part of country bank reserve.

5. That the above matters include only those features that country bankers are especially concerned with. There are others of equal importance which concern the larger banks in the fiscal centers. With these subjects we do not propose to express an opinion; but we believe that unless this bill is amended so as to meet the objections and recommendations made herein, that very few country banks, either State or National, can afford to become members of the new Federal system. This means that the great majority of country National banks must surrender their charters or retire from business. The exchange and savings sections of the bill will so reduce our earnings that most country banks will show net operating losses, instead of the reasonable profits we now enjoy. We desire to do our full duty to the country, but our duty to stockholders and customers must not be disregarded. We desire to become members of the Federal system and assist in making it the success it ought to be and can be made. We earnestly call upon Congress to consider this resolution as a formal expression of the opinion on the part of country bankers, who realize the seriousness of the situation that now confronts them. And, finally, we ask for the committee that will present these resolutions to the Hon. Robert L. Owen, chairman, and the Committee on Banking and Currency of the United States Senate, for an opportunity to be fully heard in the premises.

THE CHAIRMAN: Gentlemen, Mr. Rogers offers the resolution which he has read as a substitute for the resolution which was offered by the gentleman who just preceded him, and moves that it be substituted. Does any one second the motion?

A DELEGATE: I wish to second the motion for the adoption of the substitute resolution.

THE CHAIRMAN: Gentlemen, you have heard the motion. The question before the house is that the resolution read by Mr. Rogers take the place of the one read by the gentleman who preceded him, Mr. McRae. Are there any remarks?

MR. HOUSTON, of Missouri: Mr. Chairman, I do not believe that the adoption of the motion first brought before the house would represent the real sentiment of the bankers in this Convention, or in any other Convention. [Applause.] I for one am very unwilling to be put upon record as endorsing the fundamental principles of this Currency bill. On the other hand, I do feel very willing, and I believe that the majority of the gentlemen in this audience feel very willing, to accept the provisions of that bill in the main. We have not been consulted about the provisions in this bill, and we realize that the best we can do now is to come in and accept the bill, as patriotic citizens, on the theory that this is the best we can get, and in the meantime, in every possible way, urge amendments which will simplify the passing of the bill and make its provisions less onerous on the country banks of this country.

But to begin this discussion by endorsing the fundamental principles of that bill would be sheer folly.

I wish most heartily to second the motion of Mr. Rogers, whereby we make some specific recommendations. We cannot endorse this bill as a whole. I think it is foolish for us to pretend to do so. I think that we are doing all that can be expected of us as patriotic citizens and as bankers of the United States, if we endorse this bill without recourse. I believe that the majority of the bankers here are willing to endorse the bill "without recourse." We are willing to accept this as the best that we can get at this time, but with certain modifications which we have a right to ask for, and which are, I think, brought forth largely in the resolution proposed by Mr. Rogers. This resolution, as presented by Mr. Rogers, embodies something specific. If I was a member of the committee sent down to Washington to appear before the Committee, I would feel foolish if I was sent there with a simple statement that we endorse the fundamental principles of that bill. I think I know that the majority of the bankers in the United States do not. But I think also, and I think that the bankers would recommend, that the best that we can do at this time is to endorse the fundamental principles of the bond circulation which we have lived under for fifty years; and we can live under it, perhaps, for another fifty years.

Why should we go on record as approving that sort of thing, when, as a matter of fact, we do not?

MR. JOHNSON, of Kansas City, Missouri: Mr. Chairman, I should like to ask the Chairman whether in voting on this question that a debate of the fundamental principles of the bill is in order?

THE CHAIRMAN: I would answer the gentleman by saying that it will be impossible to start into any long-winded discussion of this thing and ever get through. This meeting was called, and the call was made for a meeting at which should be represented country banks outside of commercial centers. [Applause.] And so far as the Chair goes, he shall refuse to recognize any banker in a reserve city. [Great applause.]

MR. JOHNSON: Mr. Chairman, I was requested to come to this meeting because and for the reason that I am the president of a country bank and have been for twenty-eight years, and am to-day, and I was requested by the parties who called this convention, as a country banker, now the president and founder of a bank that I established in a town of 400 people, and it has a capital of \$30,000 and a surplus of \$6,000 and a deposit of \$125,000. [Laughter.]

THE CHAIRMAN: The reason I said that was that the theory is, as you well know, that you are the president of a bank in a great big city. I am sure, though, in view of the fact that you are still president of a little country bank, we will give you five minutes. And I am going to limit everybody to five minutes, because it will take two years to get through with it in any other way.

MR. JOHNSON: I shall be pleased to take five minutes.

THE CHAIRMAN: I will give you five minutes, and I will call you down at the end of five minutes.

MR. JOHNSON: I shall be glad to be called down at the end of five minutes. I am proud that I am a country banker. Now, out in Missouri there are 136 National Banks and 1,257 State Banks—10 to 1, practically, in that State of Missouri; while in the Nation there are 10,400 National Banks and 18,350 State Banks, so the average is  $2\frac{1}{2}$  in the Nation, while in Missouri it is practically 10 to 1.

I do not think that this representative body of American bankers, at this psychological moment, which requires the greatest statesmanship in facing the most important problem that ever faced an American Senator or Representative—infinity more so than the tariff question—I say for us to condemn the measure that has practically passed the Lower House would be a mistake.

Now, the fundamental principle which this first resolution supported, and which you are about to vote on—what are the fundamental principles? They are one, two, three, four.

The first fundamental principle is the mobilization of our reserves in this country, and placing with those reserves the money in the National Treasury, which amounts to from three to five hundred million dollars, making that available, together with our reserve, so that it will be elastic, so it will work automatically, and when we need money in crop moving periods, in emergency, or a stringency of times, that it will automatically expand and when we do not need it, it will automatically contract. This has been solved, the elastic feature, which is the biggest fight in the monetary platform to-day that we are after.

Second, the fundamental principle is the question of the centralization of power. The question is whether we shall have one centralized bank, wherever situated, or whether we shall have what is known as a decentralization of power. That is solved in this question. Not that any of us, perhaps, want as many as twelve, but I believe that the great West and the South want five regional reserve banks, that we may stand in the West for a decentralization of power. That is fundamental—that is one of the fundamentals.

Gentlemen, the other two fundamentals are governmental control and the reduction of our reserve.

MR. HARRISON, of Oklahoma: Mr. Chairman, I am not getting up here to show myself off, but just because I want you to hear me. I represent here the First National Bank, of Enid, Okla. I have every respect for Dr. Johnson, of Kansas City, Mo., who gave you the capital of his country bank and did not give you the capital of his city bank. [Laughter.] Dr. Johnson says that they stood for governmental control. Those are Senator Owen's own words on this bill—governmental control. [Applause.]

We have in Oklahoma an experience with State control which absolutely corresponds with this in principle. Five years ago, the first day of October, there went into effect in Oklahoma a law which compelled every bank in that State to come under a guaranty law. I recognize that there is a vast difference between a guaranty law and a national bank act, but it is compulsory in both cases. In Oklahoma the State Treasurer and the Lieutenant Governor controlled the banks, just as in this case you had a set of political appointees to control the banks of the nation. [Applause.]

After the passing of that act three years went by, and we went down to the newly elected Governor of the State of Oklahoma, and we said to him, "This thing cannot last; this thing cannot last; we have got to have some relief." And we tried to get the Governor to permit a board to be appointed exclusively of bankers. We could not do it. But it was agreed that instead of the board consisting of elected officials—who were going to be good because they were elected—that we would have, in their place, officials appointed by the Governor.

Two years more went by, and the Legislature of Oklahoma, composed mainly of the same men who had passed the banking law five years ago, absolutely threw up their hands, and they said to us last winter, "You bankers submit a list of nine names to the Governor, and he will appoint a board of three men from that list of bankers, and you bankers run it and take the responsibility." [Applause.] That experience taught us a lesson which the bankers of this nation all know. If you don't know it, get familiar with it before very long. Because they had to

throw up their hands from political control, which they call State control, and in five years' time they had to turn it over to a lot of bankers, who are now trying to redeem from the wreckage of that State a loss of over two million dollars, a large part of which was unnecessary, and which was caused by the fact that it was not run by bankers who knew their business.

In Ohio, Senator Owen—who comes from Oklahoma, my own State, and I regard him highly as a citizen, I am not saying anything against him personally, but I feel that I have a right to say something here, because it must appear to the bankers of the nation that he represents the sentiments of the bankers of Oklahoma—Senator Owen said in his Ohio address last week: "It is a mistake to say that you are not going to be satisfied with the earnings that you have to invest in the capital stock of this bank." He said, "You can take a part of your profits, a part of the capital of your business, and invest it in this bank, and it will earn you more than the two per cent. which you are now getting."

Now, gentlemen, I say that any man who makes that statement is either not familiar with the banking business, or else it is a slip of the tongue on his part. It certainly is not banking to advocate that kind of business.

The bankers of Oklahoma are not for this bill. I speak advisedly. [Applause.] We had a meeting of the Executive Committee of our Association in Oklahoma City before I left, for the purpose of letting me know how the men of Oklahoma felt. I advertised in our official organ for any banker who was in favor of this bill to write right in to me and let me know about it, and I have not received a single letter. Only one man has told me that he was for the bill; I expect that there are some others. The bankers of Oklahoma feel just the way the bankers all over this country feel—that this is a dangerous thing. And when this gentleman presents a resolution here to you which says that every member bank can get aid in emergency by placing paper in the Federal reserve banks under this system, I say to you that there isn't one-tenth of the national banks in Oklahoma that can go to the Federal reserve banks under this bill, of our State, or of our district, and get relief in time of panic. We believe that the worst thing that can happen now is for the bill to pass. [Great applause.]

Mr. HARRIS, of Illinois: Mr. Chairman, this is a very large meeting, and you want to expedite it. We are not all going to have an opportunity to discuss the bill, and I am not going to discuss it, but you want to send some word to Washington so that Washington will know how the country banks stand on this proposition. The proof of the pudding is in the eating of it, and I think you can find out how we stand if you put the question here, how many country banks will go into the scheme on the basis of the present bill, and how many will stay out. And then, if you wish, you can classify that as to State and National Banks.

I simply suggest that scheme as giving Congress some individual expression of how the country banks stand.

Mr. McRAE: Do you not think that that would be unfair, until the bill has been perfected and passed?

THE CHAIRMAN: I would answer that Mr. Harris' suggestion was, "as passed by the House."

Mr. HARRIS: I am opposed to your resolution, Mr. McRae, because "fundamentals" is a very wide open proposition. The fundamental features of the bill—what I might consider fundamental, or that this Convention might consider fundamental, you might not consider fundamental. I do not believe that the passing of that resolution would really mean anything so far as our individual opinions are concerned, but it would mean everything, if we passed that resolution, so far as Congress would take a view of the resolution.

[Cries of "Question, question."]

THE CHAIRMAN: The question before the house is the vote on the substitute resolution offered by Mr. Rogers in place of the resolution offered by Mr. McRae. Any further remarks?

SECRETARY JONES: Gentlemen, I did not intend to make any remarks, and I will only talk to one point.

I cannot feel that the suggestion which Mr. Harris made would be such as we could intelligently vote upon—as to whether we would be in the system or stay out. Gentlemen, without advertising the country banks of which I am President [Laughter]—they are larger and they have more surplus than Mr. Johnson's bank has, but I don't want to give it away. But I will show you how I will give it away. If we go in this system, what do we have to do? I am surprised to learn that so many more country banks have not gone into the merits of this bill as affecting their own business. Without taking my time to read I will touch upon the first point brought out in Mr. Rogers' resolution, regarding the Government bonds. If you go into the system, where are you? You have the privilege of retiring 5 per cent. of your circulation each year, but you must take in exchange for your 2 per cent. bonds bearing the circulation privilege, 3 per cent. bonds without circulation privileges. Gentlemen, the Consols of old England on a 3 per cent. basis sold to-day at from 85 to 87.

A DELEGATE: Seventy-three.

SECRETARY JONES: Seventy-three to-day?

A DELEGATE: Seventy-three.

SECRETARY JONES: Well, when I was over there about two months ago they were selling for 85, 85 to 87. Gentlemen, that is what you must receive if you go in. Mr. Johnson will have to make an assessment if he goes in before he has enough surplus to stand a loss in either case. If you don't accept of that, what else happens? You must give up your national charter. Mr. Johnson is not affected in that; his is a State Bank. [Applause.] If you give up your national charter, what do you have to do? Retire your circulation. How do you retire your circulation? Sell your 2 per cent. bonds. You bought them from the Government or from the market, and the Government did realize 100 cents, and when they floated the Panama bonds, one of the little country banks I represent paid them 102½ for those bonds. You sell your Government bonds on an investment basis. If the 3s are selling for 73, what will the 2s sell for on this basis? Can the Government indirectly repudiate?

For those reasons, gentlemen, I am not prepared to vote, whether I will go in or stay out. I am between the devil and the deep blue sea.

THE CHAIRMAN: That is not the question before the house.

SECRETARY JONES: I submit in all fairness, can we pass fundamental principles if the fundamental principles of this bill mean the retiring of our circulation, whether we want to or not? If that is a fundamental principle, I cannot vote for it. I believe in the fundamental principles of the bill as outlined by the gentleman from Arkansas, but I do believe we must ask some modification, and express ourselves upon some specific features, as the gentleman from Missouri has said, in passing upon the fundamental principles. I thank you.

Mr. CAMPBELL, of Indiana: Mr. Chairman, it seems to me that the resolution as it was originally presented by Mr. McRae is exactly the resolution that we ought to vote upon. It is short and terse and right to the point. We do not necessarily have to vote in the affirmative on that resolution. If we vote in the negative we simply decline to approve of the law as being fundamentally correct. We have not voted that we think it is fundamentally wrong; we have said that we declined to say that it is correct. Then if we decline to approve it as correct, it would seem to me that the correct thing then to do would be to appoint a committee from this body to prepare resolutions to submit to the Association as a whole at its meeting when the question comes up for discussion.

It seems to me that we would be more likely to get it intelligently before the body what we do want. If we do not think that we are getting what we want, then I think it would be better to have a committee who would consider it carefully and present it to the body—what we do want.

THE CHAIRMAN: I will say for the information of Mr. Campbell that the theory of this meeting was to get the expression of the country bankers, separate from all the banks put together. I will explain what the motion is. I am going to put the motion now, gentlemen.

The motion is the substitute offered by Mr. Rogers, which means a modification of the bill as it passed the House. If that is voted down and Mr. McRae's resolution is indorsed, it means the indorsement of the bill as passed by the House, and it will be so construed by the country.

Gentlemen, all favorable to the adoption of the resolution, as substituted by Mr. Rogers, will make it manifest by saying "aye." Contramindeed, "no." The ayes have it. [Tremendous applause.]

It is carried unanimously.

Mr. McRAE: The motion did not carry unanimously.

THE CHAIRMAN: With one exception.

Mr. McRAE: Mr. Chairman, I beg your pardon. More than one exception.

Mr. HAINES, of New Jersey: New Jersey moves the adoption of the resolution.

THE CHAIRMAN: Mr. Haines moves the adoption of the resolution as read by Mr. Rogers, as being the sense of this meeting.

Mr. LOONEY, of Texas: I second the motion.

THE CHAIRMAN: Gentlemen, all in favor of the motion make it manifest by saying "aye." Contrary, "no." The ayes have it unanimously.

Mr. TILTON, of Alabama: I move that a committee of three, of which the Chairman shall be one, be appointed by the Chair to name a committee to personally present this resolution to the Senate Banking and Currency Committee, said committee to consist of one member from each State here represented.

[Motion seconded and carried.]

THE CHAIRMAN: I will appoint that committee and notify them, I would say, at the Association meeting. Some time before the adjournment this committee will be announced publicly. There ought to be some little time taken to select a committee of that kind: first, to see if they can go; and, second, to see if they are the proper men to represent us.

What is the further pleasure of the meeting?

[A motion was made and seconded that the meeting adjourn, and the Chairman announced that the meeting stood adjourned.]

# TRUST COMPANY SECTION

## AMERICAN BANKERS' ASSOCIATION

Eighteenth Annual Meeting, Held at Boston, Mass., October 7, 1913

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### *The Relation of the Government to the Trust Company.*

By HON. SAMUEL W. MCCALL, of Massachusetts.

MR. PRESIDENT, LADIES AND GENTLEMEN: AS I am in no danger of talking over your heads, I will take the platform. It will be necessary for me to do this, to give myself this advantage in altitude, in order to talk to you on the level, to use the expression of the Chairman of one of your committees. I suppose my chief qualification for addressing gentlemen who are associated with the management of Trust Companies like this—upon the subject of your business—is the fact that I know practically very little about it. While ignorance of the law excuses no man, yet ignorance of his subject is a qualification of a modern speaker. You do not always want instruction, but sometimes you desire to use it, and gentlemen who know all about this business, who have learned it from the hard knocks of adversity, take a morbid satisfaction in listening to a man talk who does not know anything about it.

I have not had very much to do with Trust Companies. I think I have had a balance of a sum that by courtesy was called a balance, which I suppose for convenience was kept in red ink. It has so happened that I was never fitted to manage, or have anything to do with the management of a Trust Company, so long as it was a going concern. But when nothing further could happen to it, when it became insolvent, then I have on two occasions been appointed a receiver for a trust company. And it happened on both occasions—I don't know whether I say it more in pride or in sorrow—it happened on both occasions that the depositors were paid in full and the Trust Company was returned to its stockholders. You may infer from this my life has been, to a certain extent, one of neglected opportunity.

Now, a Trust Company strikes me as a myriad-minded sort of creature that can do almost anything. I never yet have discovered something that a Trust Company could not do. So far as regulation is concerned, Trust Companies in most of the things which they do, receive their regulation from the character of the transactions that they carry on. For instance, when it acts as executor, or as guardian, or as trustee, they have the regulation that the law imposes upon those functions, whether they are carried on by corporations or individuals. I suppose that your relation to the law—the regulation that you had in mind when this subject was assigned to me—is the regulation of the general and ordinary busi-

ness of banking with which you are connected. The business of banking, as I understand it, is older than banks. This has been a borrowing and lending world since the very beginning of civilization. Credit and loans to merchants are as old as trade itself. And we find some of the oldest forms of promissory notes with which we are familiar are even more deadly in form than the modern form of promissory note, to hold over the head of the signer, because they were engraved upon bricks, and from that time until now we have had a constant struggle, sometimes of no effect, for a long time of no particular effect—to bring banking within the range and supervision of law. The ordinary going rates of interest in the old times appear to have been panic rates—usury, and rates which would make a man of to-day gasp when he came to regard them. They acted upon the principle upon which railroads some years ago were said to fix rates—that is, all the traffic would bear—and 50 per cent. and 100 per cent. was a very common rate to be met with. This did not put bankers in very good repute. In fact, it was considered something of a disgrace to have a banker in the family; and it was said against one of the most celebrated of Roman Emperors, Augustus—it was alleged against him that one of his uncles, or some relative, was a banker. The other trades were shut up and the Jews were barred out from entering into almost all other trades, but banking was open, and they entered into banking, and in that calling they proceeded to achieve the ownership of the world. The church appears have made the first effective regulation of usury, and they did it in a somewhat drastic fashion, because interest was prohibited altogether. But that has been a very difficult subject for the law to deal with. I suppose that has been due to the fact that money is like other commodities generally: when there is a good deal of the commodity and a very little demand for it, then is it to be had cheap. But, on the other hand, when there is very little of it and a large demand, it is dear. And this is a fact in fixing the rate upon money. But the law has not yet, by any means, got rid of usury. I had my attention called the other day to a Loan Association, through a report of that Loan Association which it made under the law, from which it appeared that that association's income consisted of seven or eight thousand dollars of interest and some seventy or eighty thousand

dollars in fees; so that while the charge was not made as interest and cannot be considered as interest, it is made in indirect way. And oftentimes loans carry today, even in the Commonwealth of Massachusetts, from 50 to 70 and 100 per cent.

Now, it occurs to me that there is a field here open to the great banks; that the great banks should recognize their obligations as public institutions to the whole society; that they should not make their section of society horizontal and take simply the top, but they should make it perpendicular, and from the top to the bottom. Now, the large borrower has no difficulty upon the subject of usury; but it is the small borrower, the man with the little shop, the school teacher, the honest and self-supporting man, upon whom sickness, or in whose family sickness has come, and who is forced to go to the money lender. They are the ones who really suffer.

Now, it seems to me that your large bank could have a department in charge of skilled men to look out for the small borrower—not a department of charity, but a department to look into these meritorious cases. Very often these loans can be made with entire safety, and the poor man whose income barely supports himself and his family, when he makes a loan upon which he must pay a high rate of interest, is unable to ever catch up. The interest eats him up until he finally meets with financial destruction.

Now the large banks by doing this would rescue a class of meritorious and honest people from the money shark, and they would put a crown upon their own business which would popularize the institutions.

Now, how does it happen that your great, big one-hundred-million-dollar bank does not have the influence at Washington, when matters of legislation come up, that your fifty-thousand-dollar bank does? Why, it is simply because you are supposed to support not very great interests, but very narrow interests; it is because you are supposed to come in contact with very few people, and if you can do something of this sort, to recognize particularly your obligation to society, you will not only do good to others, but I believe you will do good to yourself. All the business cannot be big business. In order to have big business you must also have small business. And I think it is well for the banks to take a section of society and to recognize all kinds of business. The trouble with some of our big philanthropists is a good deal the same as the trouble with our big banks—they are too much in the upper ether, they look out for the minds of men, they provide that men may have full minds, but they forget that great libraries and museums are but aggravations to a man who is in want, and that full minds do not go well with empty stomachs. I think it is well for them to organize and base their charter upon a broader basis to make men self-supporting, or at least, encourage them to become self-supporting.

Now the subject which has been assigned me is: "The Relation of the Government to the Trust Company." I imagine by that is meant the National Government. It is spelled with a big "G," and the National Government is acquiring the mania for regulating everything, and I suppose the meaning of this subject is, the relation of the National Government to the Trust Companies.

I do not know of any particular clause in the Constitution that would give the National Government the power to regulate the Trust Companies, but it is the way of exercising the old and ancient power in a new way. For instance, through its power to establish post offices and post roads, it might regulate any State institution. Through the power to impose taxes, it could practically regulate a State institution. State banks fifty years ago were deprived under this power of taxation of the power of issuing notes, because a prohibitory tax of 10 per cent. was imposed upon the issue of notes by State banks, and that tax was not for the purpose of revenue, but simply for the purposes of prohibition. I think very likely the National Government might, by the indirect

exercise of some of its powers, conferred apparently for no other purpose, regulate Trust Companies. From my point of view I think it would be a great mistake for the National Government to undertake to regulate Trust Companies. I do not mean that it is undesirable to have uniformity of laws in the different States relating to Trust Companies, so long as the conditions in those States are similar. But I think that we should have national banks, with national charters, with the powers conferred under those charters subject to regulation by the National Government, and that we should have in each State, and reserved to each State, the right to incorporate banking institutions, having reference to its own legal conditions, which fulfill the functions of banks. Why, a bank in Mississippi might have very different requirements from a bank in Massachusetts; its business might be conducted, perhaps, with reference to some particular crop, and you can easily understand how, when you have national banks operating throughout the whole country for national purposes, it might be well to have State banks operated purely for local purposes.

Now I have not the utmost confidence in national regulation. At the best, it is necessary; but it is a necessary evil, to my mind, in a good many cases.

We have such a multitude of legislative matters coming up at Washington from a great big country, covering a hundred million people, that men act there from a distance from their constituents. They are not under the eyes of the people for whom they legislate as they would be in their own State. We have a government set up on a distant stage, and when you have a government so situated some clever contriver of the people, who can use the red lights and green lights, will produce illusions upon the minds of you people, at a distance; that are very different from the real things, while to those who are upon the front seats or behind the scenes certainly it would produce no illusions upon them. We have so many things pressing at Washington that they do not get the attention that they should have. We have some 35,000 bills, for instance, introduced in a single Congress. And then our legislation there, especially that of a penal sort, is framed by lawyers, by men who have actually been District Attorneys in their own States, and they draw up a law as they would draw up an indictment for the purpose of being sure to catch the man that they are after, and without thinking that the statute is really imposed upon the liberties of the whole people. Now if they are drawing up an indictment against you for breaking and entering, why they will say in one place that you got into the window, and then that you came up through the cellar, and then that you came down through the roof, and they allege it in every conceivable way so that they will be sure to catch you. And it is that way in drawing the statute. Now you take the Sherman Act, for instance: the men who framed that law had a certain evil in mind which possessed them, and they used very broad language, very magnificent language, but somewhat vague language, and it has an application to-day that they never dreamed of. It is aimed so broadly against combinations that a man to-day hesitates even about entering into matrimony unless he consults a lawyer. And when he consults a lawyer, the lawyer is not able to tell him what the law means.

Now let me give you a little illustration of my experience in Washington. One day, in the confusion of the House, I overheard the clerk putting before the House a conference report which was the last stage in the enactment of that particular piece of legislation. It was to the effect that members of Congress should be prohibited from giving information which they might have received by virtue of their office, if that information should have any effect upon the value of stock or bonds, or upon the value of merchandise. Well, that struck me as a very funny thing. I didn't know anything about this legislation, and I spoke to the Chairman of the Judiciary Committee, who had it in charge, and I asked him to hold up

the report a while until I could look into it. And he did. Now I found this state of facts: that there was somebody down South in an agricultural town who was accused of giving away to some cotton brokers information concerning the cotton crop that the Government had collected, and that this information had been used for the purposes of speculation. Now this man had been tried, and it was found that there was no law to apply to it. Possibly there might have been a law narrowly drawn just to apply to that kind of a case, although I am not so sure about that. But somebody deemed that there should have been a law, and the committee had gone to work and it had framed a general statute that any officer of the United States who should have any information by virtue of his office which might affect the value of stocks or bonds or of merchandise, who should divulge that information should be liable for from one to five years in the State prison. A bill to that effect was unanimously adopted by the Judiciary Committee of the House, passed the House without debate unanimously, went over to the Senate and was unanimously adopted by the Judiciary Committee of the Senate, was adopted by the Senate unanimously, with the exception that somebody discovered that technically a member of Congress was not an officer of the United States Government and that the law would not apply to him, and so they adopted an amendment, making it also apply to a member of Congress. It was discovered that that amendment was not germane, that the conferees—the two conference committees appointed by the House and Senate on this amendment did not have jurisdiction over it, so a special rule was unanimously adopted by the House and Senate, giving those conferees the jurisdiction, and the conferees had made the final report that the bill should be passed. I thought of it just the moment I read the bill, and it struck me that it was a dangerous thing to put a load upon our Government; that publicity was of the very essence of our Government; that a member of Congress should have no secret from his constituents; that they had a right to know everything he knew, and that a member of the Cabinet or any officer of the Government should not be required to give information at the peril of going to jail. So when the matter came up I stated what I thought the bill meant, how I thought it was against real representative popular government. The House had not heard anything about it before, and they pricked up their ears—the press did—and they finally laid the whole thing on the table, which killed the whole bill. The bill was killed by a vote of practically 2 to 1. That shows how legislation gets through. There is lots of it that would not escape if it received discussion. But we have so many thousands of bills that out of necessity a given bill, unless a very important bill like the Tariff bill, is confided to a committee of three or four men, and in that way passed. Take the report of your committee to-day about the difficulties that Trust Companies are going to get into regarding the income tax. That is up. Taxation at the source. Now it is easy to see how that comes about. There are some gentlemen on that committee—probably they are from a district that does not have any income, and are not subject to the bill any way—and those gentlemen have read up

on the English income tax system and they have found out in England that they tax at the source, but they didn't find out that in England they have an accurate report of everybody who is to receive his dividends, and that he gets them by check, and it is a very simple and easy matter for the corporation to take out the tax. But how can taxation at the source apply to the tens and hundreds of millions of dollars paid out every year upon coupon bonds? Why, it is simply because they did not wish to create embarrassment or difficulty, but they did not understand it.

Now we will go back. I believe that we are going to get better regulations of our State banks and our Trust Companies from State law than we are from national law. And, therefore, I think the Government should leave that field to the States. The State banks have had relations to the National Government and relations that were cordial, and the credit of the banks. When the Civil War broke out there was no national bank in the country. The Government could not get money; it had no credit, or, if it had, it was at least upon a 12 per cent. basis, or even a higher rate than that. It needed a large loan. Gold payments were right upon the point of being taken away. The State banks of the country joined together and loaned the Government at a rate of about half what the Government rate had been in its previous transactions; loaned the Government more than the total bonded capital of the banks making loans and paid the Government in gold. Now I claim that was a highly patriotic act that the State banks did then. There was a mistake made, however, by the Secretary of the Treasury, for the cost particularly might have been very greatly less than it was. Instead of doing what modern banking will do and leaving this gold in the vaults of the banks so they could have it as against their notes, the Secretary of the Treasury was so much of a sound money man that he took that gold from the banks, and instead of paying by check, took it and put it over the country and paid the contractors in actual gold, and this gold was dissipated and the banks were unable to redeem their notes in gold, and we had to make an issue of greenbacks, which so greatly, I believe, augmented the cost of the war.

So I will simply sum up by saying that national regulations are important wherever institutions are operating throughout the country; but that wherever institutions have an operation within the limits of a State, that it is a mistake to have a common code jurisdiction at Washington. You cannot imagine Europe, which is no larger than we are in extent, being governed by a common code of municipal law from the Hebrides to Sicily. You cannot have a general code of law and have good government. The best possible governments that have existed have operated in small countries. We are a great country; we have certainly great common interests which must of necessity be transacted at Washington, but in order to preserve freedom in this country we do not want to yield any more power to that overloaded Government at Washington than is necessary, but we want to keep it where it can be exercised under the eyes of the people, and only in that way are you going to have real popular self-government.

# Additional Legislative Regulation of Corporate Reorganizations.

By ROBERTS WALKER, of the New York Bar.

The title of this paper is broader than its actual contents. Instead of examining *seriatim* all the legislative possibilities suggested by the theme, we shall approximate the same result by selecting a seasoned group of British statutes and considering the appropriateness thereof for enactment in our country.

These statutes are often called the "Reconstruction Acts," and regulate the winding up and reorganization of corporations in the United Kingdom of Great Britain and Ireland. They are not independent enactments, but are sections occurring in that large and, for the most part, coherent body of law known from 1862 until 1908 as the Companies Acts and since then as the Companies (Consolidation) Act, 1908. Thus they have had the benefit of developing step by step with the general corporation legislation of England. They have also enjoyed interpretation by the courts and careful revision and re-enactment by successive Parliaments. Unfortunately, their present developed and polished state does not make them any the more suitable for conditions in America. While we derived our common law from Great Britain, the course of our business law, and emphatically the growth of our statutory law relating to corporations, have been independent of England. The business procedure may be very much the same in both countries; but the statutes and decisions of the United Kingdom disclose widely different juristic conditions. To work in British corporation law, one has actually to acquire a new vocabulary.

Let me summarize, briefly and imperfectly, the existing British statutes for the regulation of liquidation and reorganization. Observe both words. In Great Britain it would seem that companies are often wound up either without reorganization or without regard for plans of reconstruction. There are three general methods of winding up: (A) by the court; (B) voluntary; and (C) subject to the supervision of the court (Halsbury, Laws of England, 5: 390). Going into these somewhat more in detail:

## (A)

### BY THE COURT.

Petition may be submitted by the company itself, or by any creditor present, prospective or contingent, or by any "contributory," or, in some cases, by an official receiver. (A contributory is any person liable to assessment in the event of winding up; for our purposes, "contributory" means "stockholder." See Companies (Consolidation) Act, 1908, secs. 123, 124, 125, 263 (f), 269). The malicious misuse of such petitions is discouraged by the fact that damages are recoverable for presenting them without reasonable cause, even though no special damage can be proved (Quartz Hill Gold Mining Co. vs. Eyre, 11 Q. B. D., 674). Of the divers grounds for winding up, the following are illustrative:

1. That the company has passed a special resolution to be wound up;
2. that it is in default for a statutory report or meeting;
3. that the number of its members has become reduced below the statutory number (two in the case of private companies and seven in the case of other companies);
4. that it is unable to pay its debts; and
5. that the court is of opinion that it is just and equitable that it be wound up. (See Halsbury, op. cit.,

V. 395; Comp. Act 1908, sec. 129; Assurance Companies Act 1909, sec. 23.)

Hearing on the petition is then elaborately advertised, and the hearing is had in open court. The court may dismiss or grant the petition, or may make any other order that it deems fair and appropriate. Costs are fixed among the parties concerned (corporation, creditors, stockholders) in the court's discretion. In fixing the substantive rights of the classes of creditors and others, the court need not be bound by the will of the majority. The court's conclusions (subject to the right of appeal in some cases) are binding upon all parties concerned. To sum up, the court's power is practically complete.

## (B)

### VOLUNTARY WINDING UP.

Upon special resolution or by reason of liabilities, a company may be wound up voluntarily (Comp. Act 1908, sec. 182). Such intention must be advertised and the authorities must be notified. The company appoints a liquidator, who assembles a meeting of creditors. At such meeting, the creditors determine whether to apply to the court either for a second liquidator or for a substitute liquidator or for a committee of inspection (Comp. Act 1908, sec. 188). At any stage in a voluntary winding up, the liquidator or any creditor or any contributory may apply to the proper court to determine any question arising, in which case the court has all the powers that it has when companies are wound up by the court (Comp. Act 1908, sec. 193). Thus even a so-called "voluntary winding up" does not necessarily continue such. On the contrary, explicit provision is made for comprehensive interposition by the court, which may adopt as much of the voluntary proceedings as it deems just (Comp. Act 1908, secs. 197, 198). It is in connection with this "voluntary" procedure that provision is made in the Act for the transfer of the assets to a new or another company and for the acceptance of securities, etc., from any such other company—in other words, for reorganization (Comp. Act 1908, sec. 192). A stockholder who has properly evidenced his dissent from the plan may under certain circumstances require his interest to be purchased by the liquidator at a price to be determined by agreement or by a statutory arbitration.

## (C)

### WINDING UP UNDER THE SUPERVISION OF THE COURT.

This third method is really only a variant of voluntary winding up. In the words of the statute,

"when a company has by special or extraordinary resolution resolved to wind up voluntarily, the court may make an order that the voluntary winding up shall continue but subject to such supervision of the court, and with such liberty for creditors, contributories, or others to apply to the court, and generally on such terms and conditions as the court thinks just" (Comp. Act 1908, sec. 199).

The procedure is very much the same as in the first sort of winding up, above outlined. Compromise arrangements among creditors or between the company and its stockholders, if approved by three-fourths in value of those present or represented at a creditors' meeting duly called, become binding on all creditors or classes of creditors and all stockholders or classes of stockholders as soon as sanctioned by the court (Comp. Act 1908, sec. 120).



The court may sanction any sort of reorganization plan, always, however, proceeding (so we are told) on the postulate that the plan is such as a business man would approve and as is fair and reasonable as regards the different classes of persons interested. Some plans have been approved and forced upon creditors that are rather shocking to American ideas. First mortgage bondholders have been postponed to newly created charges (Re Western of Canada Oil, Lands & Works Co. [1874], W. N. 148). Debenture-holders and creditors have received shares in satisfaction of their debts (Re Empire Mining Co., 44 Ch. Div. 402). Fixed-interest obligations have been turned in for income debentures (Re Alabama, New Orleans, Texas & Pacific Junction Rail. Co. [1891], 1 Ch. 213). The terms of these plans are not so much of a surprise as is the fact that these terms were compulsory and without alternative.

It would be most interesting to examine the reported cases and to learn just how each business situation was treated, but time does not suffice. We must pass on to the consideration of the practicability of such laws for the United States.

A reorganization is, with us, a matter of free bargain, or nearly so. It is not that we are wholly lacking in statutory regulation. We already have numerous acts governing purchasers at judicial sale, corporate objects, nature of securities, valuation, monopolies and many other matters that figure directly or indirectly in plans for rehabilitation of failing enterprises. But, steering a prudent course among all these, the practical situation, familiar to all of us, is as colloquially described by a recent writer:

"In due time, a scheme of reorganization is proposed. In this the stockholders are supposed to have but little voice. They are the owners of the property, and in theory, at least, are expected to bear practically all the burden of providing whatever new capital is considered necessary to put the corporation on its feet. It does not always work that way, however. The stockholders have found many times in practice that they can, if they will, get off much easier. They may say to the bondholders, who are the creditors: 'We are willing to furnish so much new money, and no more. If that is not satisfactory, you may take the property.' And the bondholders are nearly always unwilling to take physical possession through foreclosure, because that would shift the burden of finding the new capital entirely to their shoulders. It seems cheaper to compromise. So, through their committees they agree to make some contribution as well as to accept a reduction of their claims, and the reorganization plan is forthwith declared effective."—(*World's Work*, Aug., 1913, p. 387).

Many of us, perhaps most of us, are convinced that a condition of free barter is preferable, whether simply because it is free and untrammelled, or because our courts are not trained in business matters, or because we think we have enough legislation for our humble needs. But let us assume that the British method of reorganizing under the authority of the court is theoretically desirable, and then speculate on how far we could avail ourselves of these methods. The most prominent feature of the British procedure is that the plan, when so sanctioned by the court, becomes binding upon all parties interested, regardless of the nature of their old security or of their dissent to the plan.

We are confronted at the threshold with the problem: how make such a statute effective? England has but one Parliament, but we have forty-eight plus Congress. The efforts of the Commissioners of Uniform State Laws indicate how slowly general enactments, even of the most drab and dispassionate sort, become law. The Uniform Bills of Lading Act has been adopted in nine States, the Uniform Sales Act in nine States, and the most success-

ful enactment has been the Uniform Negotiable Instruments Law which, after nearly twenty years, has been adopted by the Legislatures of forty States. That a statute governing corporate reorganizations should be uniform in all the States is imperatively desirable, but the general passage of such an act would be sure to move very slowly. Local peculiarities and policies are here involved, making it almost idle to hope for concert and uniformity. Texas would look with suspicion on a bill satisfactory to New York.

Those, however, who agree with the greatest Assistant Secretary of the Navy our country ever had that the State's rights idea is "obsolete and exploded," will at once suggest Congressional legislation. Yet this, too, is without avail. Save in so far as involves, *first*, interstate commerce and its agencies and, *second*, bankruptcies, Congress cannot validly legislate respecting corporations generally. Even in the case of railroads and other interstate carriers, Congress may not interfere directly in their relations with their security-holders. Until, therefore, we have some form of Federal reincorporation or registration, we shall have no point of departure for Federal regulation of reorganizations. Even did such legislation exist, it manifestly could apply only to such corporations as are properly amenable to Federal control—a very limited class, from which are excluded the host of corporations engaged in insurance, banking (other than National banks), mining, manufacturing, trading and, in short, practically all the corporations except the carriers of freight and of intelligence. Thus the problem can be solved only fractionally, if at all, by act of Congress.

Still graver difficulties arise from our Constitution. The several States are prohibited from impairing the obligation of contracts. A tantamount restraint is placed on Congress by the prohibition against depriving persons or corporations of property without due process of law (Sinking Fund Cases, 99 U. S., 718, 719, quoted by Harlan, J., dissenting, in *Canada Southern vs. Gebhard*, 109 U. S., 540). Hence, any statute that took the course of forcing upon a dissentient minority a plan of reorganization or an emission of new securities would be subject to vital objections. In this country we do not countenance legislation that would debar a single bondholder from suing on the contract contained in his bond.

Recorded instances of such legislation are few. The Commonwealth of Pennsylvania in 1862 passed a law sanctioning the issue by the Union Canal Company of income bonds in lieu of fixed-interest bonds, and providing that bondholders not signifying their dissent within three months should be deemed to have assented. This legislation was sustained on the theory that it did not impair the contractual obligations of the old bonds but was more nearly analogous to a statute of limitations, and really preserved the rights of old bondholders but required them to set about enforcing such rights without delay. The court was careful to say that "no statute of a State, passed after the bonds were issued, subjecting the minority to the provisions of the agreement without their consent, would be valid" (*Gilfillan vs. Union Canal Co.*, 109 U. S., 401). The British statutes, being unhampered by constitutional restraints, proceed upon precisely the opposite theory, and the British courts may lawfully offer to a minority bondholder "Hobson's choice."

Another American experiment was an act of Kentucky, passed in 1896, permitting the courts to review and amend plans for the reorganization of bridge or railroad corporations. There is no recorded case of resort to this statute. If the court under this law could exercise duress upon the minority, no lawyer would think of using this statute, because he would know that the exercise of such a power would be unconstitutional. If, on the other hand, the court's function is merely to approve what the majority have already agreed upon, resort to

the court is superfluous. And if, third, the court is to amend and alter what the majority has already agreed to, certainly there is still less incentive to submit the plan to the court.

It will be recalled that in the case of the Chicago Railways Company, the Federal Court at Chicago entered an order which in effect directed receivers to lease the railroad properties of several companies to one reorganized company, and to permit the lessee to make its new mortgage a first lien upon the entire property in spite of the objections of prior mortgagees. It will also be recalled that the Circuit Court of Appeals set this order aside. The court through Mr. Justice Brewer pointed out that no State legislature could indulge in any such procedure and that the court likewise had no power materially to affect prior liens (*Merchants' Loan & Trust Company vs. Chicago Rys. Co.*, 158 Fed., 923, 928).

One of the reasons urged for adopting the British reconstruction system is that it would give small security-holders a simple recourse to the courts in the event that they consider themselves unjustly dealt with by a proposed reorganization plan. This argument would not be mentioned but for fear of having it said that it had been slighted. Resort to the courts is of no important value if the court cannot grant relief. Hence I have gone to the root of matters and considered the powers of the court. We are all of us perfectly ready to concede that if submission of plans to the court will act as a deterrent to unjust programs, it would be of some benefit. But there is no use of passing legislation which would merely afford a place of lamentations, without empowering the court to remedy the evils lamented.

The upshot of the matter is that, unless the court can be given power to foreclose and debar the minority, nothing is to be gained from such statutes beyond a modicum of publicity. The paramount feature of the British acts cannot be had in the United States. We can have courts or commissions approve or tinker a plan *as a plan*, but not force a single security-holder, assenting or dissenting, to accept the plan thus canonized. Thus there is unnecessary confusion in the minds of those who urge the adoption of statutes like the British Reconstruction Acts. Save possibly (and of this I am very skeptical) as part of a modified bankruptcy statute, the thing appears to be impossible.

We are, nevertheless, experiencing some steps intended to carry us in that direction. The Missouri Act of March 17, 1913, placing reorganizations of carriers among the

vigils of the Public Service Commission, is very like an amendment last year adopted in New York. Both seek to limit the amount of new securities by the commission-made valuation. Neither pretends to constrain the non-assenting minority. Both throw new difficulties in the way of financing; neither tends to help the reorganization to move forward swiftly and without impediment. They illustrate the tendency toward *more statutes*, but leave unsupplied the demand for *better legislation*.

It is, I am sorry to say, the fashion in some quarters to sniff contemptuously when it is said that our methods give every man his day in court. But the recent case of *Northern Pacific vs. Boyd* (228 U. S., 482) is, with many another case, a striking illustration and vindication of the value of one's day in court. As the bench divided five to four, we need not unanimously accept the majority's conclusion. But here was a case where, fifteen years after a reorganization, a labor-and-material creditor was granted recourse against the reorganized property. The lapse of time in prosecuting his claim, the fact of foreclosure and the heavy assessment submitted to by the stockholders, were all persuasive against the claimant. But the Supreme Court afforded relief and laid the foundation for the doctrine, to state it loosely, that in reorganizations the shareholders may not participate in the advantages of the reorganized enterprise, unless the creditors of all classes are afforded equitable opportunity and terms under the plan. The ruling, indeed, reminds us strongly of the English method of assessing certain stockholders upon reconstruction, for settlement with creditors often involves contribution by stockholders unless they are willing to abandon their interest in the corporation; and the *Boyd* decision bids fair to bring us further along the road toward the really vital features of the British acts than any statute has done.

By this all too hasty survey it is at least indicated, I trust, that the vigorous, efficient British statutes apparently cannot be enacted here without amending our Constitution; that anything short of the British plan adds nothing beyond publicity of dubious value, and in many cases adds to the perplexities and harassments attending the efforts of conscientious bankers endeavoring to rehabilitate discredited properties; and that our existing practices give every creditor and stockholder his day in court and preserve the right of free barter—propositions as soundly American and democratic as the British legislation is arbitrary and monarchical.

# Committee Reports—Trust Company Section.

Report of Executive Committee, by Ralph W. Cutler,  
Chairman.

*Mr President and Members of the Trust Company Section:*

On behalf of the Executive Committee it is a pleasure to be able to report continued growth of the Section during the past year. On September 1, 1913, the membership was 1,363—an increase of 112 over the number a year ago—and it now embraces, almost without exception, every Trust Company of importance in the United States.

The period which has elapsed since the last Convention in Detroit has been one of great activity in Trust Company affairs, and during the year an unusual number of important matters have come up for action, which have had the earnest consideration of your Committee.

The legislatures of forty-one States convened in regular session during the past winter. This made a special amount of work for the Committee on Protective Laws, which has been very active in looking after the laws in which Trust Companies were interested, both in a positive and negative way. The Chairman of the Committee will make a report to the Convention, and we shall learn from it how much they have been able to accomplish. This is one of the very important committees of the Trust Company Section, and your Chairman can bear testimony to the faithful, persistent and efficient services of the members who compose the Committee.

At the Spring Meeting of the Executive Committee of the Section, held at Briarcliff, New York, on May 5, among the matters brought forward for attention was the "Model Trust Company Law." This has been under consideration for several meetings, and at the request of the Committee a skeleton of this law has been prepared by General Counsel Paton, and after revision by the Special Committee appointed for the purpose it will be submitted for your consideration at this Convention.

The importance of uniformity in the laws of the different States, in so far as local conditions will permit, is so apparent that we trust some action will be taken to-day toward its endorsement by the Section.

The Third Annual Banquet of the Trust Companies of the United States was held at the Waldorf-Astoria, New York, on May 8. More than six hundred and fifty Trust Company officials, bankers and other representative men from nearly all the States in the Union were present, and in the opinion of those in attendance and from the accounts of the daily and financial press this occasion takes rank with its predecessors as one of the notable banking dinners given during the winter in New York City. The success of these affairs strengthens the feeling that they should become a regular feature of the Trust Company year. In no other profession is the fraternal spirit more desirable than among the officers of Trust Companies. The serious and instructive character of these gatherings of Trust Company representatives, with their community of interest, emphasizes in the public mind the importance of the functions which Trust Companies are organized to fulfill. It may be desirable to again state the fact that they are entirely self-supporting, and their finances do not in any way enter into the accounts of the Trust Company Section.

In reference to the Income Tax, your Committee, at a conference at headquarters in New York, appointed a sub-committee to draft a circular letter calling to the attention of the membership of the Trust Company Section the need for immediate effort to accomplish modifications in what seemed to be the impractical provisions of the Income Tax Section of the Tariff Bill then before the Finance Committee of the Senate. This was mailed to each member of the Trust Company Section under date of May 8, requesting them to at once communicate with their Senators and Representatives, and set forth as clearly as possible the difficulties that would be encountered by Trust Companies in an endeavor to follow the provisions of the bill as framed—the impossibility of a proper interpretation of many of its clauses—and the great burden of administration and expense involved in the performance of duties that it would seem should more properly be discharged by the Government. Thereafter, the bill having been referred to a sub-committee of the Finance Committee of the Senate, a supplemental letter was sent by your sub-committee to the membership of the Trust Company Section in the States from which came the Senators composing that sub-committee.

From various sources it was ascertained that the members of the Trust Company Section were actively at work upon the lines indicated. Prominent members of the Section, by cooperation with the Federal Legislative Committee of the American Bankers' Association—with the Chamber of Commerce of

the State of New York—and also with the committee appointed by certain Trust Companies of the City of New York, have been able to bring forcefully to the attention of the Finance Committees of the Senate and House of Representatives some of the impractical provisions of the bill and methods of collection of the tax, and to urge the importance of their revision. Our objection was not a criticism of the principle of the Income Tax Bill, nor of the rates of the proposed taxation of incomes, but related solely to the burdensome nature of some of the administrative provisions of the bill—and we earnestly requested that these matters be rectified before the bill became a law.

The latest published revision of the bill shows that the features to which objection was made have either been very much modified or entirely eliminated, and so far as we can judge the bill as it now stands is more reasonable in its provisions for collecting the tax, and is one under which the Trust Companies and banking institutions of the country can do business.

The currency problem is once more prominently before the nation. It seems very probable that some sort of legislation will be enacted before many months on the lines of a "Regional Reserve Association," and that Trust Companies and State banks will be admitted to membership on practically the same terms as national banks, if they elect to join the Association. Until the bill becomes a law it will be impossible to determine exactly what its provisions will be. Therefore, it is not considered necessary for this Convention to take action in the matter to-day, and it is suggested that the Section may properly pursue the policy of waiting for developments, pending further enlightenment.

At the Annual Convention of the Trust Company Section in Detroit the topic, "Advantages of Co-operative Publicity of Trust Company Functions," was designated on the program for discussion. Owing to the length of the proceedings it was not reached and has been placed on the program for to-day. A resolution was passed by the Section to refer the question of co-operative or educational trust company publicity to the Executive Committee for further consideration.

At a special meeting of the Committee in New York City it was decided to inaugurate an "Educational Publicity Campaign" and to have a series of articles prepared, describing the various services rendered by Trust Companies, and to be made available for newspapers generally throughout the country. Certain articles were also to be provided which were adapted to newspapers in different important cities, and which were to be written in a manner to make them acceptable to the editors, either as "news" matter or as special articles to be used in connection with the customary Saturday financial reviews, or in Sunday supplements. Assurances were received from influential members of the Section that such articles would be gladly used by the newspapers of the cities in which they resided.

Attention was directed to the fact that the Trust Companies are annually spending tens of thousands of dollars in newspaper advertising. It was considered, therefore, a natural and proper conclusion that the editors of reputable newspapers which receive this patronage would be most favorably inclined to giving, from time to time, space for the presentation of purely educational or "news" articles relating to Trust Company functions and activities, and of real interest to their readers, and which would make the regular advertisements of the Trust Companies more effective than heretofore. It was also appreciated that the usual newspaper advertisement does not admit of much description of Trust Company advantages, and that these could be more forcibly and clearly set forth in the news columns without reference to any particular Trust Company.

A series of nineteen articles upon live topics was prepared in connection with this campaign by Mr. O. A. Luhnnow, publisher of "Trust Companies' Magazine," and these were submitted to your executive officers, passed upon and approved before being printed and distributed from the office of the Secretary of the Trust Company Section.

Then followed the announcement in the December JOURNAL-BULLETIN that the articles had been prepared and were ready for distribution.

The response was immediate. The alert Trust Company officers all over the country took up the campaign with great enthusiasm, and the first edition of two hundred copies was speedily exhausted, necessitating a second edition of the same number.

At the meeting of the Executive Committee at Briarcliff, on May 5, the Chairman was able to report that the nineteen articles had been published, practically without expense, with more or less frequency in fifty-six different newspapers throughout the United States.

The success of the "Educational Publicity Campaign" was

so apparent that it seemed to your Executive Committee a "second impulse" at that time would be appreciated by the Trust Company men who had successfully used the nineteen original articles in their local newspapers. In accordance with this idea a new series of fourteen articles was prepared, and these also have been very extensively used in all parts of the country. The number of newspapers printing them has been increased to about one hundred—in some cases, the entire series of thirty-three articles has been published—and the campaign, in the judgment of your Committee, can be considered to have been of substantial benefit to Trust Companies.

Four special meetings of the Executive Committee have been held at headquarters in New York since the Spring Meeting at Briarcliff, to consider the proposed changes in the Constitution of the Association which will be presented by the Committee on Constitutional Revision to the Convention of the Association in Boston on October 8. At the last meeting, on September 19, a circular letter was drafted which sets forth explicitly the opinion of the Executive Committee, and a copy has been mailed to every member of the Trust Company Section. The proposed revision was printed in full in the September JOURNAL-BULLETIN, and is also in your hands. Consequently it is not necessary for the Chairman to explain here in detail what is stated in that letter except to quote briefly from it. In reference to the reduced representation on the Executive Council: Under the present Constitution, the President, Vice-President and Chairman of the Executive Committee of your Section are ex-officio members of the Executive Council.

Proposed Revision, Article V, Section 1.

"The Executive Council shall be composed of members elected by the States, groups of States, and the District of Columbia, and of the President of the Association, the Vice-President of the Association, ex-Presidents of the Association for a period of three years immediately after the expiration of their terms of office as President, and the Presidents of the Sections, ex-officio"—thus limiting our representation to one member.

"We feel most strongly that our active, progressive Section, having 1,363 members, should in all justice have a direct representation of three executive officers of its own selection, as at present, and that such representation, with full powers of membership, is not too large to properly bring before the Executive Council of the American Bankers Association the particular requirements of the Trust Company Section."

In reference to restriction in the disbursement of funds allotted by the Executive Council:

Proposed Revision, Article X, Section 2.

"Sections shall be under the supervision of the Executive Council, and subject to the directions of the General Convention. All By-Laws or Standing Regulations of any Section shall, before becoming operative, be approved by the Executive Council. The Sections shall make written report annually to the Executive Council and to the General Convention. The Executive Council may make reasonable financial provision for the needs of any Section, and shall control the disbursement of any funds so provided."

By-Laws, Sixth, Section 8.

"Salaries and compensations of Secretaries and employees of Sections shall be fixed by the Executive Council and all such officers and employees shall be subject to the supervision of the General Secretary and Executive Council."

Under the present Constitution the Section is subject to the supervision of the Executive Council, but the management of the Section and control and direction of its officers and employees is vested in your Executive Committee. The new Constitution would seriously lessen such control over the policies of the Section, and over the small appropriation granted by the Executive Council from the large amount of dues paid to the Association by the members of the Trust Company Section, and might injure its initiative on occasions of importance.

Your Committee is firmly of the opinion that the suggested changes would tend to destroy the strength and virility at present to be recognized in the work of the Section; would impair the co-operation which now exists between our Section and the parent Association; and we come before you to-day with great confidence that this Convention will take action toward defeating a revision of the Constitution which contains such radical and objectionable features, and by so doing protect what we believe to be the best interests of the Trust Company Section, and consequently of the American Bankers' Association.

RALPH W. CUTLER,  
Chairman.

#### Report of the Protective Laws Committee of the American Bankers' Association, Trust Company Section.

During 1913 the General Assemblies of forty-two States have been in regular session. The Governors of several States have convened extra sessions and bills proposing financial legislation have exceeded in number any similar period since the Protective Committee was established. During practically the entire year the National Congress has been at work along similar lines.

The Association has a Currency Commission and a Federal Legislative Committee to look after the interests of Trust Com-

panies as well as banks, so this Committee has made no official effort to influence national legislation. Before the Chicago meeting, its Chairman had an interview in New York with the Chairman of the Currency Commission, directing his attention to several features in the pending bill about which it seemed to be to the interest of Trust Companies to secure some changes and additions in verbiage, all in order to more clearly define the exact application of the law in so far as it concerns Trust Companies.

The Committee has steadily pursued its policy of directing the attention of State banking institutions to legislation which appeared desirable to have enacted in their several States. In other instances it has written State banking authorities direct regarding proposed or desirable legislation, but it has not made or encouraged any independent effort to secure legislation in States where local sentiment was against changes in the *status quo*.

A number of States have followed Kansas in the matter of enacting laws regulating the sale of securities. The acts are popularly known as "Blue Sky" laws. They have been passed in Arkansas, California, Georgia, Idaho, Maine, Iowa, Florida, Michigan, Missouri, Montana, Nebraska, North Carolina, North Dakota, South Dakota, Ohio, Oregon, Vermont, West Virginia, and Wisconsin.

Investigation begun over two years ago leads the Committee to think some sort of regulation in the matter of selling stock, debentures and corporation bonds is not undesirable and was needed in many States. The Investment Bankers' Association of America, acting through its committees and General Council, has taken up this question actively and has secured desirable changes in many of the proposed bills, and has, in at least one case, Michigan, brought the law before the Federal Court in order to test its legality. Referendum holds up operation of California law, and the Iowa and Kansas enactments are being tested through the courts.

That section of the Postal Savings Bank law which restricts deposits in State institutions to localities in which there is State supervision of banks, continues to exert a wholesome influence in the direction of securing adequate State supervision. Arkansas, Tennessee, Connecticut, Colorado, Florida, Ohio, and Utah have passed new general banking laws, providing for supervision, or have so changed pre-existing laws as to meet the requirements of the Federal authorities in this respect.

In the State of Washington a bill was passed which provides that no Trust Company which advertises that it will furnish legal advice in the matter of the preparation of wills shall be permitted to act in any fiduciary capacity. Our representative in Washington claims this bill was introduced at the instance of lawyers who had lost business because of Trust Company activity.

In several instances the Committee has furnished banks in States contemplating supervisory legislation copies of the laws of the various States in which supervision was already effective.

Some progress has been made in the matter of ascertaining facts regarding the inheritance taxes in various States and also in the matter of providing definite compensation for executors, administrators, etc. In many States the amount of fees for such service is left to the discretion of court officials and results in many apparently unjust discriminations.

The use of the word "Trust" has been further safeguarded by the passage of desired legislation in South Carolina, Ohio, and Washington.

The State of Idaho has provided for the issuance of bonds or debentures by State banks and Trust Companies, maintaining savings departments, securing the payment thereof by mortgages approved for the investment of savings deposits by the State Bank Commissioner and providing for the deposit of such mortgages with the State Treasurer.

Iowa has conferred additional powers upon Trust Companies, and several States have passed legislation indicating a desire to facilitate the handling of loans secured by farm property or by farmers' guarantee.

The Committee finds a great deal of proposed legislation detrimental to Trust Companies is introduced by legislators who lack reliable information regarding Trust Company affairs and Trust Company administration. Instances in which such legislation is urged because of improper motives are rare. If Trust Company officials would occasionally come into closer personal contact with the legislators in their several States, a long step in securing immunity from undesirable legislation will have been accomplished.

The Committee desires to recognize and thank the General Counsel and the Secretary of this Section for their assistance and advice during the year.

Very respectfully submitted,

HERBERT A. RHODES,  
P. C. KAUFFMAN,  
E. D. HULBERT,  
SAM. W. REYBURN,  
LYNN H. DINKINS, *Chairman*,

Committee on Protective Laws, Trust Company Section,  
American Bankers' Association.

## TRUST COMPANY SECTION.

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### Report of the Secretary, P. S. Babcock.

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

GENTLEMEN: I beg to submit herewith my report for the year ending August 31, 1913. The Financial Statement, as furnished from the General Secretary's office for the fiscal year ending August 31, 1913, is as follows:

CREDITS:	
By appropriation of Executive Council, September 12, 1912.....	
	\$8,500.00
sale of Trust Company Laws.....	7.00
sale of Trust Company Proceedings.....	43.10
Account postage and stationery.....	35.00
Sale of State Banking Statistics.....	.90
	\$8,588.00
DISBURSEMENTS:	
Salaries.....	\$3,692.50
Convention expenses.....	131.92
Rent.....	655.46
Executive Committee Meeting.....	921.40
Postage, stationery and printing.....	710.72
Proceedings 1912.....	1,097.02
Loving Cup for retiring President Fries.....	125.00
Traveling expense.....	192.64
Legislative Committee.....	43.10
Telegrams and telephone.....	9.40
Gold badge retiring President.....	5.50
Petty Cash and Sundries.....	3.90
	\$7,588.56
Credit Balance.....	\$997.44

The credit balance of \$997.44 has been transferred back to the general funds of the Association. Certain bills amounting to about \$300 were received too late to be included in the disbursements of the year, but the statement shows that we have kept within our appropriation by nearly \$700.

The book of "Forms for Trust Companies" is still in demand. It has been necessary to have bound, in the past year, a hundred copies, and the credit balance to date is \$1,121.06. There are still four hundred copies printed, but not bound, and I suggest that I be authorized to have a hundred or two hundred of these copies bound and that the price, which has been regularly \$15, be now reduced to \$10 and that an active campaign be undertaken to sell these new volumes. This would leave the Section a fund for other purposes, such as publication of books and otherwise as might be decided upon during the year.

Membership in the Section now numbers, as of September 1, 1913, 1,363 companies, a net gain for the fiscal year of 112 companies. The annual address of the President and the report of the Executive Committee as prepared by its Chairman, having dealt with the major activities of the Section during the year, it is only necessary for me to report that I have endeavored to continue faithfully the routine work of my office and have endeavored to make the Section of increasing benefit to its members by correspondence, by articles and notices supplied

each month to the Journal-Bulletin of the Association and by furnishing information to financial and other papers interested in Trust Company matters.

Respectfully submitted,  
P. S. BABCOCK, Secretary.

### Report of Committee on Legislation.

To the Members of the Trust Company Section:

The Committee on Legislation was first created by this Section in November, 1911, at its annual meeting in New Orleans, Louisiana, by the unanimous passage of the following resolution;

"Resolved, That the Executive Committee shall annually, at its first meeting, appoint a Committee of Five as a Committee on Legislation of the Trust Company Section. The President, the First Vice-President, and the Chairman of the Executive Committee shall be ex-officio members of such committee; the other two members may, or may not, be members of the Executive Committee. Such Committee shall serve until the appointment of their successors."

The work of this Committee this past year was almost entirely in conjunction with that of the Executive Committee of the Section, which met frequently during the year.

The inclusion of an income tax in the Underwood Tariff Bill, under the provisions of which most onerous duties and responsibilities were imposed upon Trust Companies in connection with the collection of the Tax at the source, resulted in the appointment of a special committee by the Executive Committee of the Section at Briarcliff Manor, on May 5th, to secure the correction of these administrative details, if possible.

This special committee, consisting of Messrs. A. A. Jackson, John H. Mason and Isaac H. Orr, considered the whole situation in a most comprehensive manner, and brought before each member of the Section the need for immediate action in securing a revision of this section of the law. The thanks of this Section should be accorded this Committee for its prompt and energetic work in this connection.

Acting under a resolution passed at our last annual meeting in Detroit, the Committee on Legislation have had prepared by the General Counsel of the Association, Mr. Thomas B. Paton, a draft of a Model Trust Company Law. This draft, which is to be considered as suggestive, merely, has been discussed at various conferences of this Committee, and by resolution of the Executive Committee has been placed upon the program of this meeting for your consideration and discussion. It has been published in full in the current number of Trust Companies Magazine, and copies have been printed for distribution at this meeting.

Respectfully submitted,

F. H. GOFF,  
R. W. CUTLER,  
O. C. FULLER,  
F. H. FRIES,  
W. C. POILLON, Chairman,  
Committee on Legislation, Trust Co. Section,  
American Bankers' Association.

# Detailed Report of Proceedings.

Eighteenth Annual Meeting TRUST COMPANY SECTION, Held at Boston, Mass., October 7, 1913

MORNING SESSION.

Tuesday, Oct. 7, 1913.

The Trust Company Section of the American Bankers' Association convened in Paul Revere Hall, Mechanics' Building, Boston, Mass., on Tuesday morning, October 7, 1913, at 10 o'clock, the President, William C. Poillon, of New York, in the chair.

The Proceedings in detail follow:

**THE PRESIDENT:** The eighteenth annual meeting of the Trust Company Section of the American Bankers' Association will now come to order.

Our proceedings will be opened with prayer by the Rev. Walter E. C. Smith.

## PRAYER

By the Rev. Walter E. Clifton Smith, Rector of St. Mary's Church, Dorchester.

Almighty God, to whom all hearts are open and all desires are known.

We beseech Thee to cleanse our hearts by the inspiration of Thy holy spirit that we may more perfectly love Thee and the more worthily magnify Thy holy name. Especially do we commend to Thee Thy servants here assembled in convention. Direct them, O Lord, in all their doings, and favor them with Thy continual help that in all their work they may glorify Thy holy name, and finally, by Thy mercy, obtain everlasting life through Jesus Christ, our Lord. Amen.

## Annual Address of the President, Wm. C. Poillon, Vice-President Bankers' Trust Company.

*To the Members of the Trust Company Section:*

The record of Trust Company achievement has never been more strongly in evidence than during the past year, and without question the Trust Companies of the United States hold a more permanent place to-day than ever before in public confidence and esteem.

There could be no greater proof of this than the fact that the late Mr. John Pierpont Morgan specifically provided in his will for the selection of a Trust Company in the City of New York as sole trustee of his large estate, in the event that his executors and trustees deemed such disposition as in the best interests of the estate.

The Executive Committee of the Trust Company Section held its customary spring meeting at Briarcliff, N. Y., on May 5, 1913, in connection with the annual spring meeting of the Executive Council of the Association, at which considerable business of interest and importance to members of the Section was discussed and acted upon. At the close of this meeting the third annual banquet of the Trust Companies of the United States was held at the Waldorf-Astoria Hotel, New York City, on May 9, which was universally considered to have upheld the unusually high standard attained by the two preceding annual dinners. The speakers were Colonel George B. Harvey, Mr. Festus J. Wade and Mr. Patrick Francis Murphy, whose addresses were most interesting. There were over six hundred present at the dinner, representing a total number of one hundred and thirty-seven Trust Companies from thirty-four States of the Union. No expense whatever attaches to the Trust Company Section or to the American Bankers' Association in connection with these banquets, the entire cost being defrayed by the subscriptions of those in attendance.

It is a matter of the greatest regret that the Aldrich Bill, which was prepared by the National Monetary Commission after an exhaustive investigation of the leading monetary systems of the world, failed to pass Congress at its last regular session. This measure extended to Trust Companies the same privileges as to other banking institutions.

The Federal Reserve Act now under consideration by Congress is not considered a satisfactory currency measure by the bankers of the country at large. The act provides that Trust Companies may apply for admission to the Reserve Bank System upon practically the same terms as other banking institutions; but it also provides that national banks may open savings departments and may apply for power to act as trustee of corporate mortgages. This is undoubtedly the first time that this peculiar function of the Trust Company business has been delegated to commercial banks—and, as there seems to be no real demand for this privilege by national banks, should be omitted from the act. This feature, and the provision that reserves may be carried in national banks only, should receive the fullest consideration at this meeting.

At the annual meeting of the Association in Detroit last year a special committee was appointed to revise the constitution

and by-laws of the American Bankers' Association. This Committee on Constitutional Revision has completed its work, and the final draft of the revision is set forth in full in the September JOURNAL-BULLETIN. It is a most comprehensive revision, and great credit is due the Committee as a whole, and especially to its able chairman, Mr. James, for the conscientious work devoted to this revision.

The officers and Executive Committee of the Trust Company Section have given a great deal of consideration to this revised constitution, particularly to the changes made in the present constitution and by-laws in connection with the Sections and their relations to the main Association. As these changes were in some respects most radical, a meeting of the Executive Committee was held at the Association's headquarters in New York, with Mr. James, the Chairman of the Revision Committee. The members of the Executive Committee who were present endeavored to convince the Revision Committee Chairman that the provisions of the present constitution as to the representation of the Sections on the Executive Council had proved most satisfactory in the past, and that the excellent work of the several Sections had been accomplished under these conditions. In this effort they were unsuccessful, and the officers and members of your Executive Committee are unanimous in their recommendations that the members of the Trust Company Section should oppose the adoption of that provision of the revised constitution which reduces the representation of the several Sections on the Executive Council from three members to one member, and the provision that the Executive Council shall control the disbursement of the funds provided by them for the use of the several Sections, and also the proposed by-law which provides that the secretaries and employees of the several Sections shall be directly subject to the supervision of the General Secretary and the Executive Council.

A letter has been sent to each member of the Trust Company Section, signed by the three executive officers of the Section, setting forth, in detail, the situation in connection with this revision as affecting the Trust Company Section, and it is confidently believed that the wisdom and justice of our cause will appeal to the Convention as a whole, when our reasons for opposing these changes are clearly placed before the assembled delegates when the subject of revising the constitution comes before them for action at the general Convention on Wednesday next.

One of the most important undertakings of this Section during the past year has been the initiation of a publicity campaign of education in the daily press on behalf of the advantages offered by Trust Companies in their particular field. This campaign consists of a series of well-prepared articles explaining the special functions of the Trust Company, written by experts, and published in about one hundred newspapers in different cities of the United States. No work ever undertaken by this Section has brought forth more favorable comment than this campaign, which has been almost entirely under the direction of the Chairman of the Executive Committee. This subject is upon our program for discussion to-day.

The excellent work of the Committee on Protective Laws has continued this past year with its familiar tireless energy, as the formal report of the Committee will show. I desire particularly to mention the great work that is being accomplished on behalf of Trust Companies as a class by the monthly magazine, *Trust Companies*. Although not an official journal, strictly speaking, it has never failed to uphold in every way the highest ideals of our profession, and is devoted to our cause of raising the standard of perfection wherever possible.

Although there are more than two thousand Trust Companies in the American banking field, there are only three States which enjoy State Trust Company Associations, viz., New York, Pennsylvania and Wisconsin. It is greatly to be hoped that other States will follow this lead, in view of the continual legislation that is being enacted by both National and State legislative bodies, requiring constant watchfulness on the part of all classes of banking institutions.

Since the foregoing was prepared there has been a change for the better in respect of the proposed revised constitution regarding our representation on the Executive Council in the new revised draft of the Constitution, and the chairman of the Executive Committee, Mr. Cutler, will set that forth in detail in his report which we will now have.

## Report of Executive Committee.

[The report of the Executive Committee is given on page 177 of this publication.]

**THE PRESIDENT:** Gentlemen, you have heard the report of

the Chairman of the Executive Committee. What is your pleasure in respect to it?

MR. F. H. FRIES, of Winston-Salem, N. C.:

I move its adoption.

(The report was adopted.)

THE PRESIDENT: We will now have the report of the Committee on Legislation, which will be presented by Mr. Goff, Vice-President of the Section.

#### Report of Committee on Legislation.

[We print this report on page 179.]

THE PRESIDENT: Gentlemen, what is your pleasure regarding this report?

MR. JOHN B. CLEMENT, of Camden, N. J.:

I move its adoption.

(The report was adopted.)

THE PRESIDENT: We will next listen to the report of the Committee on Protective Laws, which will be presented by Mr. Lynn H. Dinkins, the Chairman of the Committee.

#### Report of Committee on Protective Laws.

[See page 178 for report of Committee on Protective Laws.]

THE PRESIDENT: What is the pleasure of the Section as to the report of the Committee on Protective Laws?

(The report was adopted.)

THE PRESIDENT: We will now listen to the report of Mr. Philip S. Babcock, the Secretary of the Section.

#### Report of the Secretary.

[The report of the Secretary will be found on page 179.]

THE PRESIDENT: Gentlemen, if there is no objection the report of the Secretary will be received and placed on file. The Chair hearing no objection, it is so ordered.

We are very fortunate in having with us to-day a man who is known to us all, at least by reputation, the Hon. Samuel W. McCall, of Massachusetts. Mr. McCall will address us upon a subject which is of peculiar interest at this time, "The Relation of the Government to the Trust Company."

#### "The Relation of the Government to the Trust Company," by Hon. Samuel W. McCall.

[Mr. McCall's address in full appears on page 171 of this publication.]

THE PRESIDENT: Gentlemen, I think Mr. McCall has made it very plain to us all that our States governments are far better able to govern our affairs than if we are regulated under any National act, something which I think many of us think is surely on the way. It certainly has clarified my mind on the subject.

We also have with us to-day a gentleman, a member of the New York Bar, who has been connected with large railroads and banking institutions for years, who is going to address us in connection with a particularly Trust Company subject—Additional Legislative Regulation of Corporate Reorganizations—and I introduce to you Mr. Roberts Walker, of New York City.

#### "Additional Legislative Regulation of Corporate Reorganizations," by Roberts Walker.

[Mr. Walker's address in full may be found on page 174.]

MR. OLIVER C. FULLER, of Milwaukee, Wis.:

I think we are very much indebted to Messrs. McCall and Walker for their very interesting addresses, and I move that the appreciation of the members of the Section be expressed by a rising vote.

(The motion was seconded.)

THE PRESIDENT: Gentlemen, you have heard the motion that has been made. All in favor of the motion will please rise. The motion is carried.

#### APPOINTMENT OF NOMINATING COMMITTEE

MR. A. A. JACKSON, of Philadelphia, Pa.:

Mr. President, I think at this time in our meetings it is usually arranged to have a committee appointed for the purpose of nominating five members of the Executive Committee, and therefore I would offer this resolution:

*Resolved*, That a nominating committee of five be appointed by the President, which committee shall receive names in writing from the delegates present, from which names the Nominating Committee shall elect five members of the Executive Committee for the term ending in 1916, and which names shall be reported back to the Convention for its action.

THE PRESIDENT: Gentlemen, you have heard the resolution. Is it seconded?

(The resolution was adopted.)

THE PRESIDENT: Gentlemen, it would seem to the Chair desirable that we consider the names. I assume that you all have paper upon which to write the names of the gentlemen whom you think of, and I will suggest that the Secretary pass around the hat and the names will be given to the Committee on Nomi-

nations, who may meet during the recess, that we shall take for luncheon and report later this afternoon.

MR. OLIVER C. FULLER:

Permit me to suggest that instead of the Secretary passing around the hat it would be very much better if he would place a box on the platform and let the members, one by one, as they have thought the matter over and decided who to nominate, place their papers in the box.

THE PRESIDENT: The Chair accepts the suggestion, and accordingly would say that when any member has finished making his nominations of not more than five members he place his ballot in a box which will be provided on the platform for the purpose.

The next subject on the program for discussion is the Advantages of Cooperative Publicity of Trust Company Functions.

I might say to the members that these subjects have been deemed as being of interest not only to the members of the Trust Company Section, but to the Trust Companies at large, and we shall be very glad to have full discussion of the subject.

#### THE ADVANTAGES OF CO-OPERATIVE PUBLICITY IN TRUST COMPANY FUNCTIONS.

MR. ARTHUR B. CHAPIN, of Boston, Mass.:

The advantages to the members of this Section in discussing questions of mutual interest and the interchange of ideas of men from all sections of the country should be very great. Most of us look at these questions through our own glasses, and are prejudiced by the conditions under which we each operate, but a frank statement of the different points of view will prove most interesting and instructive.

When it is considered that the rise and growth of Trust Companies has been practically confined to the past quarter of a century, it is not surprising to find that the various functions exercised in the various States are widely different, and while some States have endowed them with broad powers, others have restricted their operations to narrow fields, the older States being in the main more generous with their privileges than the newer ones.

As originally conceived, it was evidently the main idea to charter financial institutions that would supplement the functions of National or State Banks by having broader powers for the receiving of money or securities and investing or holding them in trust without the restrictions imposed upon banks doing a strictly commercial business in receiving deposits payable on demand and in discounting commercial paper. While in many States, as in Ohio, Michigan and Wisconsin, to-day their powers are limited so that they cannot compete with the strictly commercial banks, in other States, mainly the older States, they have entered the commercial banking field and in addition to their other powers are really commercial banks for receiving deposits payable on demand and loaning these on strictly commercial paper; in fact, this branch is often the most remunerative. Going still further, they have trust departments proper for the care and custody of money and securities—acting as transfer agents for corporations, trustees under mortgages, trustees in bankruptcy, performing the duties of executors and trustees under wills, administrators of estates, trustees for property of persons during their life time, sureties on fidelity bonds, as well as buying and selling corporation and municipal bonds, and further invading the province of the savings banks in the older States, in their savings departments, they receive time deposits and invest them under the restrictions and limitations of the various State laws. Further, many Trust Companies own and operate safe deposit vaults. In order to ascertain whether any commensurate advantage can be gained by all the Trust Companies which will warrant the expenditure of time and energy and money to be contributed by all the members of this section, it will be necessary to examine first if there is a common ground upon which all can unite; and, second, what method of publicity can be adopted that will be of benefit to all.

The functions of Trust Companies can be grouped under four heads:

(1) The Trust Department proper, for the execution of trusteeships in some form, either for the dead or living, for individuals or corporations, which includes acting for corporations either as transfer or registrar of stock or in some trust capacity in its broadest sense.

(2) The Commercial Banking Department, which has to do with the receiving of demand deposits and investing them, thus competing with National and State Banks, and

(3) The Savings Department, which receives time deposits and invests them usually in some selected or restricted kind of investments, this being in competition with the Savings Banks as established in the older States of the Union.

(4) The Bond Department, dealing in municipal and corporation bonds in competition with established bond houses.

In addition to these functions, some States allow Trust Companies to act as sureties on fidelity bonds.

In order to ascertain whether it is possible to obtain successful co-operation, we must find out how many of these functions are enjoyed in common by the majority of Trust Companies to such an extent that they can obtain better results by an organ-

ized publicity than by acting individually, as at present. I have not been able to compile the statistics of all the States, but believe that Massachusetts is a fair example of the idea which I have in mind. At the close of last year there were sixty-five (65) Trust Companies in Massachusetts, holding in their banking departments about three hundred and fifty million dollars of assets. These banking departments were conducted on the same lines as National Banks, and could not offer any special inducements which National Banks in general do not offer, so that there would be no especial advantage in an organized publicity in that line. Of these sixty-five Trust Companies, only twenty-nine had trust departments proper in which they held trust accounts or acted as executors, administrators, etc. In these departments there were some sixty-eight million dollars of assets, but with less than half of the Trust Companies in Massachusetts having such trust departments, the other half would not care to contribute to the advancement of those who were acting in a strictly trust capacity. Of these sixty-five Trust Companies but twenty-two had savings departments, with total assets of over eleven million dollars, and the remaining two-thirds of the Trust Companies not possessing such departments would hardly feel like contributing toward the increase along those lines.

I believe an examination of the reports of other States would find a similar situation in many of them with a diversity of functions. When it is taken into consideration that some States do not allow banking departments, strictly speaking, in their Trust Companies, but permit only what in Massachusetts are known as "Savings Departments," where only deposits payable on time are allowed, I do not believe it would be possible to find a common ground which would be of proportionate benefit to all. Furthermore, trusts are regulated and controlled in different ways in the various States, and some of the functions are restricted by taxation, so that what can be successfully performed in Pennsylvania is curtailed in Massachusetts. I have assumed that any co-operative publicity contemplated a special sum being raised for carrying it out either by voluntary contribution, which I do not believe feasible, or by pro rata assessment, which does not seem to me practical.

While some efforts have been put forth this past year with the idea of obtaining from certain of the newspapers publicity for Trust Company functions under the general item of "News," and I am informed that the effort has been successful in some quarters in obtaining from the press a certain amount of publicity, I do not believe that this organization should attempt to seek from the press in general any special advantages for its own profit without compensating newspapers or periodicals for the amount of space occupied, as any other commercial business would do, in advancing its own lines for profit. While it may be possible in individual cases through personal friendship or otherwise to obtain a certain amount of publicity through the press in general, any organized movement of this Association should contemplate proper remuneration for any space which it is desired to obtain on the same basis that we expect remuneration for the banking services which we perform, as the press is under large expense in producing its commodity, and must receive its remuneration mainly through its advertising columns, just as any commodity to be produced and distributed requires an expenditure of money and expects a fair return. I do not believe, therefore, that this organization should expect from the press any gratuitous special advertising which would be constant enough or of sufficient importance to be productive of any appreciable result. It may be claimed by some that it might be for their mutual advantage for those who exercise similar functions, such as acting as executors of wills, to unite in impressing upon the public the importance of having Trust Companies act rather than individuals, both because they are more expert in matters of investment, more constant in their attention, more responsible, and can produce better results. I feel that the kinds of advertising which appeal to the people in different sections of the country are radically different, and the kind of advertising that might prove especially attractive in the West might not appeal to the people of the East and South, and what might be especially effective in the East might be considered too quiet and tame for some other sections of the country.

When it comes to making any organized attempt toward co-operative publicity, I believe that, in the first place, there is not a common ground upon which we can all meet; second, that it is inadvisable to attempt to advance our interests by obtaining free use of the columns of the press; third, that it is not advisable to attempt to assess the members or to receive general contributions for a general campaign, because the benefits would not be proportionately commensurate to all.

Mr. A. R. HERR, Vice-President Cleveland Trust Company, Cleveland, O.:

Mr. President and Members of the Trust Company Section: A successful advertising campaign is based upon two essentials: First: The goods advertised must possess merit. Second: They must be brought to the attention of the right people in the right way.

Let us apply these axioms to the subject under consideration. What are the goods we have to offer? Presumably all that we need consider are those which can be bought at the Trust Companies, as distinct from those sold over the counter

of every banking institution. The goods which we alone offer for sale are the service of a corporate executor, administrator, trustee under wills or personal trusts (living trusts, we call them in Ohio) and the various forms of trusteeships for other corporations, such as the certification of bonds, transferring and registering stock, acting as assignee, receiver, etc. These goods may be found upon our counters in quantity and quality suitable for every demand.

Do they possess merit? The answer lies in the efficient, conscientious attention which the administration of trusts receives when committed to a well equipped Trust Company. The most satisfactory method of doing business that the world has devised consists of entrusting the management of affairs to individuals with power to initiate and execute, referring the decision of acts and policies to a group of men with varying experiences and viewpoints? A Trust Company, in administering a trust, has the advantage of the service of trained specialists, men whose lifetime is devoted to solving one class of problems, but the individual judgment of one man, or two men, or three men, is not enough. Questions in regard to investments and other matters of importance are determined by the united judgment of the Board of Directors or Trust Committee. When it is considered that for even less money than would be paid an individual trustee, the services of the officers, supplemented and controlled by the judgment of the directors of the Trust Company can be purchased by our customers, can there be any doubt as to the merit of the goods we are offering for sale? It seems a waste of time to discuss that question in the presence of the men who are responsible for the type of trust company service now available. Convinced then that our goods have merit, which shall we place in our windows to attract the attention of the public? Clearly this is not a difficult problem. There is little to be gained by advertising the service of our corporate trust departments. The appointment as Transfer Agent, Registrar or Trustee for bond issues come to us through solicitation and personal effort rather than by general publicity. The broad field that lies open to us, the field where we may serve every man who possesses property or who carries life insurance, is the administration of estates and the management of property. These are the goods which should be spread out to the public view. Why should we not give them wide publicity? We are not dealing in luxuries; we are selling what is practically a necessity, and we are selling it at a price which defies competition.

Assuming, for the purposes of argument, that these premises are correct, and that our goods have merit and are worthy of being advertised extensively, let us proceed to the next question. How may we bring them to the attention of the right people in the right way? Two methods have been suggested. One, a publicity campaign by means of inspired news articles and editorials in newspapers and other publications. The other placing our goods before the public through paid advertising in periodicals of national circulation. I would give my vote unhesitatingly to the first method if I could make myself believe that it would work. We have a noble purpose in view, a noble-minded ambition to preserve the property of the widow and orphan and to assure them continuity of income, and the editors (William Jennings Bryan and the others) who really run this country ought to join enthusiastically in our crusade and fill the columns of their publications with stories and news articles in furtherance of the just cause. But how can we make them see it? I submit that on a broad scale it can't be done. A lot of good work has been accomplished along this line during the past year, and the Chairman of the Executive Committee of the Trust Companies Section has secured a high degree of co-operation from the newspapers of his own city. If such a campaign could be conducted by a man like Mr. Cutler in every large city in the land, it would doubtless succeed. But others find that it is practically impossible to continually procure or produce educational articles and to get the newspaper men to admit that they have news value. We have tried it in Cleveland, and by dint of promises, threats and supplications, secured publication of a number of articles. The make-up man, we find, seems to delight in running our articles alongside the legal notices and just under the Peruna advertisements. Perhaps he means well, but something seems to tell us that John Rockefeller and other well-to-do citizens of our village whom we especially hope to attract don't get over that far in the paper.

In this land of the free we can't hope to get something for nothing and to get it all the time. What is more, should our organization place itself in the position of going to the editors with hands outstretched, begging for favors? Those editors have power enough as it is. Why should we place ourselves under still further obligations to them? Moreover, inspired news articles, where the real purpose is carefully concealed (and we may be sure the copy reader will attend to the careful concealment part all right, and what he doesn't cover up the headline writer will finish), will never enable us to formulate our arguments to the best advantage. So, if there is any advantage to be gained by co-operative publicity, why do we not adopt the alternate plan and buy space to describe our wares? Then, instead of asking favors, we will be conferring benefits upon the editors, and while I should gasp in horror



at the bare suggestion that the tone of editorial comment in any American publication might ever be influenced ever so slightly by the size of an advertising contract, it might not be too much to hope that the editors would see our ads and be convinced by our logic. Thus a modicum of free publicity might follow.

In Cleveland, our leading newspaper, the *Plain Dealer*, is conducting a campaign to get more advertising from the local Trust Companies. It is not doing this by threats or entreaties, but by trying to prove the value of giving publicity to our functions. The following Machiavellian advertisement appeared conspicuously in the *Plain Dealer* a few weeks ago:

#### TRUST COMPANIES AND WILLS.

A will is a private law which civilization permits you and me to make concerning the disposition of our property after death. We may use that legislative power cautiously, prudently and wisely. If we fail to do so, however, we shall not personally suffer, but the suffering caused by us will fall to the lot of those we love.—David Remsen, of the New York Bar, in the *Financial Age*.

Most Trust Companies are willing to draw wills free of charge in consideration of the business they will ultimately get from the testator's estate. But many people don't know it. Only a few of the Trust Companies advertise their capacity for service in this respect through the newspapers.

The Trust Companies owe it to themselves, to their present clients and to prospective clients to set before the public, through informative newspaper advertising, the vast importance of using the private legislative power of which Mr. Remsen writes with such care that the private law—the will—cannot be invalidated upon the lawmaker's death.

We know what we are talking about when we say any sound Cleveland Trust Company can vastly increase its business as executor, guardian and trustee by the right kind of advertising in the *Plain Dealer* about the making of wills.

*The Plain Dealer,*  
Financial Advertising Department.

An argument in favor of a paid advertising campaign would be incomplete without a definite suggestion as to how such a campaign might be handled. A fund approximating a hundred thousand dollars should be provided for the first year. It could be used to pay for conspicuous advertisements from time to time in such publications as *The Saturday Evening Post*, *Harper's Weekly*, *Collier's*, *Literary Digest*, *Scribner's*, *The Century*, *North American Review*, *World's Work* and *Review of Reviews*. The Trust Companies, who contribute should be given advance information as to the publication of these advertisements, so that simultaneous with their appearance local newspaper advertising could be used as a supplement to the general campaign. An annual contribution of 1-100 of 1% of capital and surplus from all Trust Companies qualified to accept trusts would provide the funds. Any high-class advertising agency should handle the campaign satisfactorily, under the supervision of a committee representing the Section. The campaign would not be burdensome or expensive and surely it should be effective. We have something worth saying—why not cry it aloud through the land?

**THE PRESIDENT:** Gentlemen, we have listened to two very interesting addresses upon this subject, a subject which we have had up for discussion at several of our annual meetings, and I hope there will be more discussion of it to-day.

**MR. RALPH W. CUTLER:** I would like to say that these papers are both very admirable, and those gentlemen may both be right about practically continuing the work that has been done this year by your Executive Committee. The Executive Committee has ploughed the field. The educational publicity campaign, which we planned, has been carried forward to a reasonably successful conclusion. Articles have actually appeared in more than 100 newspapers, and I think it is now up to the Trust Company Section after the field has been ploughed by us to take this matter and carry it forward, if they desire to do so, upon the lines indicated by these two papers.

**THE PRESIDENT:** It is quite true, as Mr. Cutler says, that the Executive Committee of the Trust Company Section has demonstrated that it is possible for us to secure the co-operation of the newspapers in the articles which are not in any sense paid advertisements, but which have been of great benefit to the Trust Company business.

Are there any further remarks upon this subject?

**MR. F. H. GORF,** of Cleveland, Ohio:

I move that this matter be referred to the Executive Committee and the question taken under consideration, and that the Committee report to the next convention with their recommendations.

(The motion was seconded.)

**THE PRESIDENT:** Gentlemen, you have heard the motion made by Mr. Goff. Are you ready for the question?

**MR. JOHN H. HOLLIDAY,** of Indianapolis, Ind.:

What subject is that? I could not hear back where I am sitting.

**THE PRESIDENT:** The subject presented in these two addresses. All in favor of the motion made by Mr. Goff will say aye; opposed, no. The motion is carried, and it is so ordered.

#### NOMINATING COMMITTEE NAMED

Before we take up the next subject, the Chair will announce the Committee of Five which this meeting directed should be

appointed to consider nominations for the members of the Executive Committee. The Chair will appoint the following gentlemen:

Oliver C. Fuller, President of the Wisconsin Trust Company, Milwaukee, Wis.

Willard V. King, President of the Columbia Knickerbocker Trust Company, New York City.

Frederick G. Boyce, Vice-President of the Mercantile Trust & Deposit Company, of Baltimore, Md.

Frederick W. Fuller, Vice-President of the Equitable Trust Company, of New York City.

John H. Holliday, President of the Union Trust Company, Indianapolis, Ind.

Gentlemen, we will now take a recess for luncheon, and reassemble at half past one o'clock.

(Recess.)

#### AFTERNOON SESSION.

**THE PRESIDENT:** The meeting will come to order. The first subject upon the program for this afternoon's consideration is Annuities and Pension Funds for Employees. Mr. Frederick I. Kent, of New York City, has made a specialty of this subject for a great many years, as it is used in most of the larger banks of the country, and I am sure we will all be interested in what he has to say.

**MR. FREDERICK I. KENT,** of New York:

**Mr. President and Gentlemen:** Just before starting from New York I was rather fearful that in trying to condense a large subject into a few words I might have lost clearness. So I handed to the manager of our advertising department my speech and asked him to read it and see if he knew what I was talking about. He said it was very clear, but that he did not think it was exactly popular. Even so, it is the subject of interest to all of us, and at the request of the Committee I am going to read it.

#### ANNUITIES AND PENSION FUNDS FOR EMPLOYEES.

**MR. F. I. KENT,** of New York:

A large number of banking and industrial institutions throughout the world have, during recent years, been adopting systems aimed to protect their employees during periods of temporary disability, after the age of desirable retirement, and their families after death. The different systems now in actual operation include the following:

First: Employees' participation in profits. (Aimed to enable the employees to save sufficient money to protect themselves in case of loss of position. Example—Eastman Kodak Company.)

Second: Pension fund made up entirely from payment by the employer. Examples—Pennsylvania Railroad Company, New York Central Railroad Company, Bell Telephone Company, Western Electric Company, Western Union Telegraph Company.

Third: Pension fund made up from payments by both employer and employee. Examples—First National Bank of New York, First National Bank of Chicago, United States Brewers' Association, Deutsche Bank, Berlin, and the Bankers' Trust Company.

Fourth: Combined pension and profit sharing plan made up entirely by the employer. Example—Union Savings and Trust Company, Cincinnati.

Fifth: Blanket insurance issued by life insurance companies, for which payment may be made in one of three ways:

A: Entirely by the employer.

B: Partly by the employer and partly by the employee.

C: Entirely by the employee.

Examples of the first form of payment—Northern Trust Company of Chicago, Mercantile Trust Company of St. Louis.

Other forms combining some of the above are also in operation.

The interests of every employer of labor demand that the employees shall be contented and loyal, that they be interested in the development of the business in which they are engaged, and that they be as free as possible from any fear of the financial effect upon themselves and their families should they be disabled or should they die. Anxiety over such contingencies often leads to inefficiency through mental deterioration, because of worry, oftentimes to actual theft, and always to a favorable consideration of every new opportunity of employment which may present itself. A pension fund system is aimed to give the employee a sense of security in the knowledge that after he has served a sufficient number of years, ordinarily ten or fifteen, he will have a pension in case of disability for a certain length of time, usually the number of years that he has been with the company employing him, and that when old age came upon him he will have a steady income for a series of years, or for life. Further, that his family will receive a pension (for a reduced amount) for a period of time based upon the length of service of the individual, the widowhood of his wife and the age of his children, the latter receiving a pension under the usual plan until they become sixteen or eighteen years of age. This is most satisfactory form, but does not cover every contingency, as the employee is not protected other than by the amount of money he has paid into the pension fund, provided he contributes toward it, unless he has served ten or fifteen years, or whatever length of time the system may require.

The younger men in the employ of an institution are the ones

that would naturally be affected in such cases, and it is therefore not serious, unless they have others entirely dependent upon them. This risk can be covered by a form of blanket insurance. Such insurance is based upon the salary of the clerk, and at his death his family would receive one year's salary in a lump sum, or two or three times his salary, should such units be paid for. A combination of pension fund and blanket insurance would cover every contingency, but in actual practise the pension fund seems sufficient.

Profit sharing schemes have opposite effects upon different individuals. In some cases they increase efficiency and interest in the company at all times, and in others they result in friction in years when the profits are small, that often leads to greater dissatisfaction than if the plan were not in existence. In one institution where this scheme was tried, a number of the employees were seriously inconvenienced after the panic of 1907, as they had figured on their share of the profits and had practically spent it. Under a profit sharing plan it is, of course, possible for a company to conserve the interests of its employees by investing the fund for them and paying them the income only. This is a kind of paternalism that tends to stop the development of the individual, and has proved very unsatisfactory when tried. When a lump sum of money is paid to an employee and he is not in the habit of receiving funds in this manner, it often leads to speculation and serious developments.

After careful consideration of all of the systems, together with an analysis of what each means to a company and its employees, it would seem that a pension fund requiring payments by both employer and employees, annuities being based on length of service, is the most practical and satisfactory. Under such a plan, 3 per cent. of the salaries of the employees is usually deducted on each pay day and credited to the pension fund, and at the end of each year the company pays into the fund an amount equal to that paid in by the employees, or more, provided the profits warrant and the fund requires it. In order to start such a fund and place it upon a proper working basis, it is necessary, if employees are to be given the benefit of past years of service, for the company to establish the fund with a round amount. As the base for such an amount a sum is usually taken which represents the payments that would have been made by the employees from the date of their employment, had the system been established at that time. It is not necessary to figure the interest, as payments would have undoubtedly been made to the employees had the fund been operative that would have largely offset the interest. In order to have the fund effective, it is necessary to figure back in this manner, for otherwise those employees who might be nearing the age limit could not be retired on any livable basis, and the whole purpose of the fund would be destroyed for many years to come. It is not claimed that any such method of figuring in the establishment of the fund is entirely scientific, but actual practise has shown that it is near enough correct in principle so that, together with the variable payments that may be made into the fund by the employer based on his profits and the need of the fund as it develops, it can be kept solvent. When the employee is asked to contribute to the fund, it does not represent a real charge to him, but results in the accumulation of an asset that must be paid back to him, or to his heirs, in some form or another. Under the ordinary pension fund system such payments are required in one of the following ways:

First: Upon resignation or discharge, in cash for the actual amount paid in, sometimes with and sometimes without interest.

Second: To the widow or heirs, with or without interest, in case of death before completion of a stated service, say ten or fifteen years.

Third: In the form of a pension in case of disability after, say, fifteen years' service and before, say, the age of sixty.

Fourth: To the heirs in case of death after the completion of, say, fifteen years' service in the form of a pension to the widow and minor children for, say, the same number of years that the employee has been with the company.

Fifth: In the form of a pension from the age of retirement at, say, sixty or sixty-five for as many years as the clerk has been in the service of the company, or if such service has covered a period of, say, twenty-five years, for life.

Sixth: To the widow and minor children in the form of a pension in case of death of an employee after he has retired upon a pension and for the number of years that the employee was connected with the company before his retirement, less the number of years that he has been a pensioner.

These payments figure out under the usual plan, which fixes the amount of the pension paid at one or two per cent. of the amount of salary received, multiplied by the number of years of service, the total percentage not to exceed in some cases fifty or seventy per cent., so that it is only in the case of the resignation or dismissal of a clerk or of his death before he has served the stated length of time, that he or his family will not receive a larger sum than would be represented by his payments, together with compound interest at the legal rate.

These additional payments come out of the amounts contributed to the fund by the employer.

In actual practise such a pension fund represents the interest on a principal that the average employee could not hope to save. The amount increasing as it does with the length of

service takes away the sense of added years, and such a plan is not in operation long in any company before the employees begin to look back with satisfaction upon their years of service. They naturally become more anxious to do their work well and retain their positions, which is mutually valuable to themselves and their employers, and that leads to more perfect co-operation between them and greater satisfaction to all concerned.

THE PRESIDENT: I am sure that Mr. Kent's paper is one of very great value to all of us. Now, if any gentlemen desire to ask any questions of Mr. Kent, I think he will be very glad to answer them. If not, we will proceed.

#### REMARKS OF ARTHUR REYNOLDS

We have the honor, gentlemen, of having with us the President of the American Bankers' Association, Mr. Arthur Reynolds, and I think we would be glad to have a few remarks from him. (Applause.)

MR. ARTHUR REYNOLDS, of Des Moines, Iowa, Vice-President and Acting President of the American Bankers' Association:

Mr. President and gentlemen of the Trust Company Section: I did not expect to be called upon to make any talk here this afternoon and had no thought of doing so in any extended way.

I assure you that it is a very great pleasure to me to be called upon to address you. I can only say that the Trust Company Section, as are all the sections in the Association, is recognized as a potent factor in the growth of the American Bankers' Association. All of us, I am sure, recognize that in all of the sections there are men of exceptional ability who are operating along individual lines of work in which they are the most deeply interested, and I have come in rather close contact with the work of this particular Section, and I congratulate you upon the success and the prosperity that you have shown not only in your increase in membership, but also in the general character of the work that you are doing. I know a great many of your members personally, and I recognize among you some of the brightest and brainiest men that we have the honor to have in the membership of the American Bankers' Association.

I assure you, gentlemen, that the officers and the Administrative Committee of the American Bankers' Association, the men who have any charge at all over the work of the Association, will do anything in their power to aid you in your work. I am very sure that they will be glad to do so. I thank you for your reception. (Applause.)

THE PRESIDENT: I assure you, Mr. Reynolds, that we have always had the strongest support from you in everything that we have brought before the Administrative Committee of the American Bankers' Association.

Gentlemen, if there is no further discussion upon the last topic, we will proceed to the next subject upon the program, which is that of "Model Trust Company Law."

#### MODEL TRUST COMPANY LAW

The draft of the proposed Model Trust Company Law, I understand, is taken by many of the delegates here to mean that it is thought that this Section may urge that it become a model law, and that all of the States may gradually change their legislation regarding Trust Companies to conform to it. That is not the case. It was a law that was prepared in response to a popular demand for it on the part of Trust Companies, because there are some States that have no particular laws regulating Trust Companies at all, and others that do have; and we are endeavoring to have laws passed in all of the States through our Committee on Protective Laws, which shall raise the standard and ideals of the Trust Company business. I find when we endeavor to communicate with legislative bodies who have passed similar laws in various States that they ask us for suggestions as to what kind of a law we would like to have passed, and then it would be amended to suit their particular localities, and we have not had any such law to give them. So that this law has been prepared under the direction of the officers and of the Executive Committee of the Section by Mr. Thomas B. Paton, the General Counsel of the American Bankers' Association, and it has been published in the last issue of *Trust Companies' Magazine*.

MR. U. H. McCARTER, of Newark, N. J.:

Is it the idea to have the law read in full and passed upon at this meeting, Mr. President?

THE PRESIDENT: I do not think so.

MR. McCARTER: If that is so, I do not believe that it is possible to have a meeting of this character properly determine and pass upon this law. The attendance here this afternoon is not as large as it should be, and I do not think it practicable to have an open meeting like this attempt to make a considerable conclusion of the merits of this particular law. The history of the bill is that it is prepared by the Legislative Committee and was suggested to the Legislative Committee at the Briarcliff meeting. Considerable discussion arose over the merits of the bill at that time, and much time was taken—so much time, in fact, that it could not be carefully considered at that time. Therefore, sir, I move that the discussion of the bill at the present time be postponed, and that the entire matter be re-

ferred back to the Executive Committee for such action as they may give it, and to report back to the Convention.

(The motion was seconded.)

THE PRESIDENT: Gentlemen, you have heard the motion. Are you ready for the question? If so, all in favor of the motion will say Aye; opposed, No. The motion seems to be carried, it is carried, and it is referred back.

We are now ready for any general discussion, which is the next item on our program.

MR. McCARTER: May I say one more word? As this model of a Trust Company law is the most important matter, I think, after the adjournment of this Convention, people may wish to study the proposed bill very thoroughly, and may wish to communicate to the Secretary of the Section their views in relation to it. I think they should be invited to do that.

THE PRESIDENT: That is a very good suggestion, and I hope that members will follow it.

W. J. COUSE, of New Jersey:

I think it is only fair, regarding Trust Company matters, that the American Bankers' Association only interfere or try to get laws passed in States where there is no State organization of bankers. If there is a State organization of bankers in any State, then I think the American Bankers' Association should leave the handling of legislative matters in such States to the State organization.

MR. I. H. ORR, of St. Louis, Mo.:

Having served on the Law Committee of the American Bankers' Association, I would say that it is the fixed policy of the Association and of its Council to not in any way influence or try to affect legislation in any State except through the State organization of bankers, and any suggestions that emanate from the American Bankers' Association for them to take action upon.

I might say that this proposed Model Trust Company law was gotten up in response to a general demand for it. Now, there are certain fundamental principles upon which it was thought the Trust Companies might agree as good things. For example, take the proposition of the investment of trust funds. There are perhaps not over one-third of the States of the Union that have laws governing the investment of trust funds. Then the same thing is true in regard to the deposit of trust funds. It is the law of the land, generally speaking, which all of us as laymen recognize, that a trustee cannot safely mingle trust funds with his own funds, and, if he does, his own funds are likely to suffer.

There are many fundamental principles which I think every intelligent Trust Company man understands, and yet the office gets inquiries in reference to them. Now, I think we had better not call this a model Trust Company law, but let us call it "a suggestion of principles governing the administration of trusts," or something of that sort.

I arose primarily to eradicate the idea that might exist in the minds of some people, that any one connected with a Trust Company was trying to prepare a law and have it passed in any particular State. That is not so. It was simply with the idea of endeavoring to ascertain if any help could be given in the form of a suggestive statute which would take account of these elementary principles which all good Trust Companies are now practising in the conduct of their business.

MR. F. H. GORR, of Cleveland, Ohio:

Mr. Chairman, for many years there has existed in this country an organization known as the "Commission on Uniform State Laws," whose province it is to deal particularly with all laws that it is thought best to make uniform in the various States. That Commission has recently held a conference at Montreal, in connection with the meeting of the American Bar Association in that city, and at that meeting one of the matters that was under consideration was the banking laws of the several States.

Now, we have spent much effort in trying to protect the use of the word "trust" in the corporate title of various concerns.

That goes merely to the form. The essence is the protective manner in which the business is conducted. As a result of all this the Commission to which I have referred has had passed in forty-eight States laws that they have recommended. Notable among these laws is the Negotiable Instruments Law, the Warehouse Act, the Bill of Lading Act.

Now, will it be just the thing for this Section, mindful of the responsibilities that come to us in the handling of long term trusts, to sit by without recommendation when the State that I come from, Ohio, has almost no legislation of a protective nature relating to the administration of trust business. Mr. McCarter thinks that he has got all the legislation in New Jersey that he wants. That may be so there, and possibly in some other States, but it is not so in Ohio. There is no law in Ohio prohibiting the mingling of trust funds with other assets, and there is no adequate control exercised in Ohio over the investment of trust funds. Mr. Orr conceived correctly, as I understood him, the purpose of the Executive Committee and of the Legislative Committee in this matter. It is not to go to the several States that a uniform act be adopted, but simply to suggest measures that might be helpful to the State organizations and to the authorities of the States that will set them thinking right on the duties and responsibilities of fidu-

ciary trustees and the way the business should be safeguarded.

I quite agree with Mr. McCarter that it is not desirable to pass this matter with haste. Any utterance that goes out from this Section must be well considered, but I do hope that the Executive Committee and the members of this Section in the interim between now and the next meeting will give the matter serious thought—not along the lines of drafting a bill for the purpose of urging its adoption in all States, but for the purpose of determining the fundamental principles as Mr. Orr has styled them, that should control the administration of trust affairs.

THE PRESIDENT: Mr. McCarter's motion has been approved by your vote and that subject is closed for the present.

I will say that in the Executive Council yesterday a resolution was passed which was aimed to produce uniformity of action on the part of the legislative committees of the various bodies of the American Bankers' Association so that they should work more in harmony and to the purpose. Now, with that in view, my understanding is that the Chairman of each of the Sections become in the future under the new constitution, which will doubtless be adopted, ex-officio members of the Legislative Committee of the American Bankers' Association.

MR. S. W. REYBURN, of Little Rock, Ark.:

It has been the general practice of the Legislative Committee, I understand, to work through the State Banking Associations.

THE PRESIDENT: The Chairman of the Executive Committee and your President conferred with members of the Committee on the Revision of the Constitution, and that committee will present to-morrow afternoon in the convention at the time when the report on the revised constitution is submitted, a report containing the changes which were referred to this morning. That has been done voluntarily. Indeed, they have even gone farther than the revised constitution as it stands, and are going to provide that any of our officers who may be ex-officio members of the Executive Council shall continue upon any particular committee to which they may be elected, until the end of their term of office in the Section.

MR. McCARTER: Gentlemen, I do not believe that the membership of this Section have any idea of the amount of work and the valuable service that the executive officers of this Section have rendered to the Section at large in this most delicate work connected with the revision of the constitution of the American Bankers' Association. I have had the opportunity of seeing the skilful manner in which they have performed their duties and have handled the matter, and I would move—and I ask the Secretary to put the question on the motion—that the Section expresses its appreciation to our executive officers for what they have done.

The motion was seconded.

THE SECRETARY: Gentlemen, you have heard the motion made by Mr. McCarter, and, as I am requested to put the question, I will ask all who are in favor of it to say aye; and those opposed no. The motion seems to be carried; it is carried.

THE PRESIDENT: Gentlemen, on behalf of my associates, as well as on my own behalf, I thank you.

The next order of business is the Roll Call of States, to be answered by the Vice-Presidents of the Section in brief written reports.

#### ROLL CALL OF STATES

##### ARKANSAS.

MR. W. L. HEMINGWAY, Vice-President of the Mercantile Trust Company of Little Rock.:

Business conditions throughout our State are sound. Bankers and business men are looking forward to a season of good business.

The increase in banking facilities continues at a good rate, and we are glad to be able to report that we have at last succeeded in securing the passage of a good banking law, which becomes effective January 1, 1914. A good man, who has had a number of years' experience as a banker, has been chosen to head the department of banking. Considering that we have had no banking law, the failures have been remarkably few, but the operation of a new law will, we hope, minimize the danger.

In 1908 there were twenty-five trust companies in Arkansas with a combined capital of \$4,118,000, and combined deposits of \$5,390,000. On May 1 of this year the number had increased to fifty-eight, with a total capital invested of \$6,180,000, and having total deposits of \$15,000,000. While the volume of banking business now transacted by trust companies in our State is not very large, the increase during the past five years has been satisfactory and the increase of wealth throughout the State will cause the public more and more to make use of the various facilities of the trust company.

##### ARIZONA.

MR. N. E. PLUMER, President of the Southern Arizona Bank & Trust Company of Tucson:

I believe that the year past has been a very profitable one for the trust companies in this State. I have understood that their business has increased rapidly, and the increase has been of a permanent character. We have had copious rains in our State, and accordingly the stock men are prosperous; and there never has been a time when the mining industries of the State have been operated more successfully than during the past year.

The high price of copper and the fact that the mountains have been well watered has enabled both the large corporations and the small operator to get out ore economically and to market the same with a very handsome profit.

Our valleys are being filled up by incoming settlers, and many por-

tions of the valleys heretofore not considered available for farming purposes are under a new dry farming system, which is being promulgated by our State Agricultural College, and are become fertile fields and orchards, thereby increasing the deposits of the local nearby financial institutions.

From the condensed statement issued by the Bank Comptroller in this State, it appears that the very much larger percentage of the deposits are in State institutions, showing the absolute confidence that our people have in the Trust Companies throughout the State.

## CONNECTICUT.

Mr. R. LAMOTTE RUSSELL, of South Manchester:

Mr. President and Gentlemen: While Connecticut answers to her name to report conditions which are healthy and show growth and strength in her trust companies, little of unusual importance has occurred during the past year to prove of peculiar interest to you or to warrant particular attention at this time save the passage by our State legislature of a general law governing the incorporation of trust companies and State banking institutions.

This general law has been brought about only through the efforts of our bankers, put forth through our State association and by individual work on the part of members. It marks the beginning of uniform charters and should prove the death knell of special charter privileges which fostered possibly dangerous banking conditions. This act in its essential features has been earnestly worked for in previous years without success, and it is with satisfaction that we can now point to its passage.

Business conditions are practically normal, with the usual flourishing trade among some of our manufacturing establishments and partially depressed trade among other lines. The uncertainty as to final tariff legislation has had its effect among many of the establishments.

Agriculturally, there is a marked advance, with fewer farms for sale and increased values among farming lands. This increased activity calls for better opportunities as to agricultural credits at the banks, and I am pleased to say that our State association has recognized and taken up the question.

The educational publicity campaign of the Trust Company section has had generous support, the entire series of thirty-three articles having been printed on the financial page of the *Hartford Times*, and I have personally heard many favorable comments from persons reading the articles and previously unacquainted with the many services which Trust Companies may render their clients.

## DELAWARE.

Mr. J. S. ROSSELL:

I have the honor to present the report signed by Mr. S. D. Townsend, Vice-President for our State, who is unavoidably absent from this meeting.

Mr. Townsend's report, which is under date of October 3, reads as follows:

During the past year all of the non-member companies of this State were circularized from the Home Office as to the advantage to be gained from a membership in our Association. A month later this was followed up by a letter from this office strongly urging them to join. Although these efforts have not been overproductive to date, I feel that considerable interest has been aroused, and we hope to get results later on.

During the year I succeeded in having published in the *Evening Journal*, one of our leading dailies, all of the articles sent out by your office in the Educational Publicity Campaign. These articles were widely read and very favorably commented upon, and I have had numerous requests that they be continued.

One item of interest to our Section is the taking over during the year, by the Wilmington Trust Company, of two of the oldest and largest national banks in the State, i. e., the National Bank of Wilmington and Brandywine, which began business in 1810, and had at the time of its liquidation "capital and surplus" of \$650,000, deposits around \$1,500,000, and The First National Bank of Wilmington, which began business in 1864, and which had at the time of its liquidation "capital and surplus" of \$900,000 and deposits of about \$1,400,000, and the taking over by the Farmers' Trust Company of Newark, the National Bank of Newark, which began business in 1865, and had at the time of its liquidation "capital and surplus" of \$105,000 and deposits of \$360,000.

As an evidence of the growing public confidence in Trust Companies, it is worthy of note that, in the above-mentioned changes, although the stock was held in eleven different States, every stockholder assented to the change, and over ninety-five per cent. of them accepted stock in the Trust Companies in lieu of cash.

The result of the absorption of the two national banks in Wilmington by the Wilmington Trust Company shows the total resources of the banks in that city have been reduced, practically, \$4,000,000, and the total resources of the Trust Companies have been increased by about the same amount.

In the movement to reorganize the Delaware Bankers' Association, which was recently very happily accomplished, the Trust Companies of the State took an active part and contributed largely to the success of the movement. In the Convention of the State Association, held in Wilmington on September 30, Mr. Charles H. Maull, of the Sussex Trust Company, was nominated for Vice-President of the Section for the ensuing year.

I may add to this report that we have carried on the Trust Company Publicity campaign very actively in Delaware, and the little State of Delaware is rather proud to appear before this Convention to-day in the person of your humble servant. We are beginning to feel that we are not as little as some of our neighbors think we are, for we are doing big things in the way of Trust Company banking. (Applause.)

## ILLINOIS.

Mr. LUCIUS TETER, President Chicago Savings Bank and Trust Company:

Mr. President and Gentlemen: Most of the Trust Companies are members of the Association, excepting a few that are associated with other institutions that are members.

We have had an exceedingly active publicity campaign in Illinois, and I think it is beginning to bear fruit.

Several of the companies that are members of this Section have either adopted or are studying the pension system of which Mr. Kent spoke to us to-day.

## INDIANA.

Mr. JOHN H. HOLLIDAY, President of the Union Trust Company of Indianapolis:

General business has been good in Indiana for the past year. The large crops, especially of corn and grass of 1912, produced favorable conditions in most sections of the State. In consequence trade has been active, and manufacturers as a rule have had a large volume of business. This has been disturbed to some extent by three untoward causes.

First: The unprecedented flood in April caused immense damage to certain towns and districts, destroying property to the extent of millions. Much of this damage will fall upon the general public for the restoration of roads and bridges, and much upon the railroads, who were heavy sufferers.

Second: The extreme drought that prevailed in a number of counties in the northern part of the State, whose severity was almost as unprecedented as that of the flood preceding it. This caused a partial or entire failure of crops over a large territory, and it is a question if the people in some localities will not be more distressed than those affected by the flood. In at least two-thirds of the State, however, the crops have been good. Oats produced less than usual; but the wheat crop was not only extraordinarily large, but of superior quality. Hay is reduced in volume, but rains were sufficient and well-timed so that corn has done finely, and the prospect for a bumper yield, as compared with most years, is excellent.

Third: The monetary condition has been strained all the year. Many banks have curtailed their credits entirely, and others have loaned with a sparing hand. There has been a feeling of anxiety and unrest and a general attempt to build up reserves. This in the main, however, has not interfered seriously with the general flow of business. It has been carried on with less ease than usual. Collections have been slow and jobbers and manufacturers are carrying heavily. Sacrifices have had to be made and contraction accomplished where possible; but there have been very few failures and very little serious embarrassment. Of course, there has been no money for new enterprises or enlargement, and the small supply of time money for mortgages has compelled many who contemplated building to put it off. There is evidence of improvement now, and with the full effect of the crop a decided betterment is expected by the end of the year. But, taken all through, 1913 has been a hard one for many people.

There are now 134 Trust Companies in the State, which is an increase of thirteen for the fiscal year ending September 30. In the last two years there have been organized in Indiana 118 State banks and Trust Companies, which would indicate that no communities are suffering for the lack of financial institutions. As a slight offset, however, two banks have liquidated in that time. The combined capital of the Trust Companies is \$12,767,000, with surplus and profits of \$5,150,000. Their deposits at the date of the last report, in August, were \$56,900,000. This whole business is the growth of twenty years, the first company having been organized in April of 1893. There never has been but one Trust Company failure in Indiana, that of a concern fraudulently organized, but which paid all its debts in full, only the stockholders losing. The cash reserve of the companies during the past year averaged twenty-seven per cent. Before this year no fixed reserve has been required, but a law passed last winter establishing fifteen per cent. on all demand obligations; it will be seen, therefore, that the companies have kept a strong position, a very desirable thing, as nearly all of them do a savings business.

## IOWA.

Mr. JAMES F. TOY, President Farmers' Loan & Trust Co. of Sioux City:

It gives me pleasure to state our last legislature amended our Trust Company laws so that Trust Companies in this State may now do a general Trust Company business, and the indications are that many new Trust Companies will, within the next twelve months, be organized.

It was necessary to compromise with the Savings and State Banks that each may perform the functions of a Trust Company. It is, however, provided that State and Savings Banks shall segregate their trust department and trust funds.

The great State of Iowa has again harvested nearly its normal crop, which means a very valuable crop, and our farmers and commercial interests are prospering, as usual, with the promise of a very successful year.

This city and Des Moines were designated by the Honorable Secretary of the Treasury the depository cities of this State FOR FUNDS TO MOVE THE CROPS; but there is no demand for such funds, as our banks and Trust Companies have available all the funds necessary to comfortably handle the business; in fact, we are buying eastern commercial paper.

## KENTUCKY.

Mr. JOHN STITES, Vice-President Louisville Trust Company:

As Vice-President from the State of Kentucky, I would respectfully report that, during the year just closed, we had no meeting of our Legislature, and so no change of laws affecting Trust Companies.

Crops in Kentucky are below the average and business conditions throughout the year unsatisfactory.

Considering what we had to contend with during the year, we are very well satisfied with the results.

## LOUISIANA.

Mr. L. M. POOL, Vice-President Hibernia Bank & Trust Company of New Orleans:

Louisiana has no Trust Companies which do an exclusively trust business, but they all operate under a State charter which permits them to do a general commercial and savings bank business, and in addition gives them the power to act in all trust capacities.

However, one of the most profitable fields of Trust Company work in other States—namely, the administration of estates over a long period of years—is prohibited under the laws of our State, because

no will is valid which attempts to tie up an estate for a longer time than five years, and, as a result, practically all estates which come into the hands of Trust Companies are wound up within a year.

On the other hand, our Trust Companies, especially in the city of New Orleans, do quite an extensive business as tutors for minors, curators for interdicts, trustees under mortgages, receivers, assignees, etc., besides conducting an active mortgage investment and bond business, which has developed very rapidly in the last two years.

The Trust Company business is a comparatively new development in banking in our State, but our people are gradually getting educated to the full value of such services, and the business of the Trust Companies is steadily increasing.

There has been no legislation during the past year, which has materially changed the conditions under which Trust Companies can do business in Louisiana, except that an act was passed, in 1912, which exempts Trust Companies organized for the sole purpose of lending money on mortgages on country property situated in Louisiana, at a rate of interest not exceeding six per cent. from taxation for twenty years from the date of the organization of such companies, provided they have not less than \$250,000 capital.

As a result of this act, at least one new Trust Company was organized in the city of New Orleans, which is doing exclusively a mortgage loan business, and it looks as if it will be successful, which, of course, means a good deal to our State, because the question of agricultural credit is closely interwoven with the prosperity of Louisiana.

## MARYLAND.

During the past year Trust Companies in Maryland made excellent progress, although the year was not a good one for Trust Companies in general, as the security market was down and very little business in the way of promotions and underwritings was taken up, and they were thus forced to depend mainly upon their banking business. Money was very tight during the whole year and rates were good, but deposits were somewhat lower owing to the heavy demand for funds. Corporations and individuals that usually carry very satisfactory balance drew very close rather than to increase their loans. Quite a number of the larger business houses and corporations in Baltimore usually go outside for accommodations, but they were unable to secure funds from these sources the last few months, and were thus compelled to fall back on their local banks and Trust Companies. This caused an extra heavy demand upon our local institutions.

Three new Trust Companies opened for business during the past year, one each in Baltimore, Frederick and Elkton. One Trust Company went into liquidation. For some time rumors have been current in Baltimore regarding a consolidation of several of our Trust Companies, but up to this time nothing definite has been done, and from information at hand this consolidation is not to take place.

Our banking bill, which went into effect three years ago, has been working out in a manner satisfactory to all institutions. Practically no change of any importance has been made in the bill since its passage; only a few minor changes took place at the last meeting of the State Legislature. These changes did not interfere with the general working of the bill, but had a tendency to provide for the better protection of depositors.

Trust Companies in Baltimore have never been direct members of the Clearing House, as the Clearing House rules and regulations have not been amended since Trust Companies have become so active in the banking business, and as they stand at present the privilege of becoming direct or full members is not given to Trust Companies. About four years ago the Trust Companies of Baltimore were given the privilege of becoming associate or non-members of the Clearing House. This privilege did not give them a vote in the management, but simply allowed them to select a bank through which to clear their items, and practically all the Trust Companies in Baltimore at that time took advantage of this invitation. Since that time, however, several new Trust Companies have been organized, and this special privilege has never been extended to them, although these new Trust Companies were anxious to become non-members the same as the older Trust Companies, but the Clearing House refused to grant them this privilege.

A few months ago a committee from the Baltimore Clearing House waited upon the Trust Companies with the view of ascertaining upon what terms it would be agreeable to them to enter the Baltimore Clearing House, stating that they were willing to change some of the rules and regulations permitting Trust Companies to enter if certain others were allowed to stand. The Trust Companies did not care to put themselves in the position of applying for membership, but suggested that the Clearing House change their rules and regulations allowing Trust Companies to become members and state upon what conditions they would be allowed to enter (as the present rules and regulations of the Clearing House do not give Trust Companies the privilege of becoming full members). It was agreed that if this were done the Trust Companies would seriously consider the proposition to enter as full members of the Clearing House. Several meetings were held and the matter thoroughly discussed, but no agreement was reached. One of the chief causes which kept the Trust Companies from entertaining the proposition of the Committee was the rule in regard to exchange. As the rule now stands, all members of the Baltimore Clearing House are compelled to charge exchange on all local accounts opened after the year 1897. On all accounts opened prior to this date, it is optional with the bank holding such accounts whether or not they shall charge exchange. As the majority of the Trust Companies in Baltimore were organized after 1897, these Trust Companies, should they become full members of the Clearing House under the present rule, would have to charge exchange to every local customer. This would give the older banks, who make up the majority of the present members of the Clearing House, a great advantage over Trust Companies, and they would not consider coming in on such terms. No doubt this fall some agreement will be reached whereby all the larger Trust Companies in Baltimore will become full members of the Clearing House upon terms agreeable to both parties. The total resources of the ten Trust Companies in Baltimore, which are not members and which clear through member banks, are almost equal to the resources of the sixteen banks which are members of the Clearing House.

A comparison of the growth of Trust Companies in Maryland for

the year 1912 with 1913 might be interesting. Comparing statements issued to the Bank Commissioner by the twenty-three Trust Companies at his call of September 4, 1912, with statements issued by the twenty-five Trust Companies at his call August 9, 1913, we have the following result:

## STATEMENT AT THE CLOSE OF BUSINESS SEPTEMBER 4, 1912.

RESOURCES.		
Loans and Discounts.....	\$25,666,675.20	
Overdrafts.....	22,937.75	
Stocks, Bonds, Securities, etc.....	26,323,352.54	
Banking House, Furniture and Fixtures.....	3,237,774.37	
Other Real Estate Owned.....	854,125.85	
Mortgages and Judgments of Record.....	1,519,811.50	
Cash Due from Trust Co.'s and Reserve Agents.....	14,859,194.51	
		\$72,473,871.72
LIABILITIES.		
Capital Stock.....	\$9,460,469.00	
Surplus Fund.....	10,303,224.58	
Undivided Profits.....	2,998,875.77	
Dividends Unpaid.....	2,444.20	
Bills Payable.....	137,800.00	
Deposits.....	49,437,373.12	
Other Liabilities.....	133,685.05	
		\$72,473,871.72

## STATEMENT AT THE CLOSE OF BUSINESS AUGUST 9, 1913.

RESOURCES.		
Loans and Discounts.....	\$27,437,704.27	
Overdrafts.....	19,116.98	
Stocks, Bonds, Securities, etc.....	27,452,716.67	
Premium Account.....	50,010.00	
Banking House, Furniture and Fixtures.....	3,311,640.30	
Other Real Estate Owned.....	1,173,007.07	
Mortgages and Judgments of Record.....	3,331,735.44	
Cash Due from Trust Co.'s and Reserve Agents.....	12,487,426.32	
		\$75,263,357.05
LIABILITIES.		
Capital Stock.....	\$10,970,430.00	
Surplus Fund.....	10,671,875.00	
Undivided Profits.....	3,250,842.27	
Dividends Unpaid.....	5,939.40	
Bills Payable.....	799,400.00	
Deposits.....	48,449,194.49	
Other Liabilities.....	1,115,675.89	
		\$75,263,357.05

This comparison shows an increase in total resources of about \$2,790,000, and this increase was made at a time when business conditions were not at all favorable, owing to the changes in the tariff, the new banking bill, which is now before Congress; the situation in Mexico, and the unsettled conditions in Europe. However, during the past few weeks a decidedly more healthful tone is noticeable in all lines of business, and most of our jobbing and commission houses are looking forward to an excellent business during the fall and winter, as the South will have a very good cotton crop this year, which will benefit our locality very much. The Trust Companies of Baltimore loan large sums of money through the South for the raising and financing of the cotton crop, and when cotton begins to move this money is returned for use in other branches of business.

The coming year should be a very prosperous one for Trust Companies in Baltimore, as well as throughout the State.

M. H. GRAPE,  
Vice-President for Maryland,  
Trust Company Section, A. B. A.

## NEW JERSEY.

MR. J. HERBERT CASE, Vice-President, Plainfield Trust Co.:

The following changes have occurred within the past year:

Nine new Trust Companies have been authorized to do business.

One national bank—The Farmers' National of Mount Holly—was converted into the Farmers' Trust Company.

One failure is reported—the Roseville Trust Company at Newark—the result of defalcation by its treasurer.

Liquidations—none.

Pursuant to Chapter 140, Laws of 1913, two Trust Companies have availed themselves of its privileges to establish branches, the New Jersey Title Guaranty and Trust Company of New Jersey, Hoboken, establishing three branch offices in Jersey City and one in the town of Union.

Three important bills affecting Trust Companies were passed by the Legislature during the year ending September 1, 1913. They are: Chapter 140—Permission to establish branches under certain conditions, subject to approval of Commissioner of Banking.

Chapter 171—Authorizing Commissioner of Banking to take possession of the assets of any unsafe or embarrassed Trust Company and liquidate it for the benefit of its creditors.

Making it a misdemeanor for any officer, director, employe or agent of any Trust Company to receive as a gift any property or thing as a commission or fee for loaning Trust Company funds.

In closing, it gives me pleasure to say that the total resources of our State Trust Companies have more than doubled during the past decade, and now exceed a quarter of a billion dollars.

## NEW YORK.

MR. WILLIAM B. CARDOZA, Vice-President Farmers' Loan & Trust Company of New York:

It gives me great pleasure to report that nothing connected with the operation and administration of Trust Companies in the Empire State during the past year has resulted in anything but the furthering of the confidence of our people in such institutions, designed originally to meet the necessities which so many years ago prompted the birth of the Trust Company idea in this State.

Some legislation of importance and interest has been enacted during the year, and in this connection I regard it as proper to mention first the bill providing for the creation of a commission to revise the banking law, which became a law May 24, 1913, and is now known as Chapter 705. Its purposes are described in Section No. 1, which in part reads as follows:

The Superintendent of Banks is hereby authorized to appoint a commission of five or more persons having a technical knowledge of the banking law and a practical knowledge of banking methods, to prepare and submit to the Legislature a complete revision of the banking law of this State, adapted to present banking conditions and based upon the experience of the banking department in the work of supervision and in the liquidation of failed institutions. Such commission will serve without pay.

Appointments on this commission have been accepted by men who are, without exception, well qualified by their knowledge and experience to serve the State in a very efficient manner and who are now considering the problems involved. It seems to be the belief that this commission will direct its attention primarily to codify existing laws, rather than the drafting of new statutes.

The enactment of an amendment to Section 23, Chapter 451, which went into effect May 8, 1913, is worthy of attention. It provides in its important parts as follows:

Books, papers and affairs to be examined. It shall be the duty of the board of directors of every bank and Trust Company, in the months of April and October in each year, to examine, or cause a committee of at least three of its members to examine, fully into the books, papers and affairs of the bank or Trust Company of which they were directors, into the loans and discounts thereof, and particularly into the loans or discounts made directly or indirectly to officers or directors thereof, or for the benefit of such officers or directors, or for the benefit of other corporations of which such officers and directors are also officers or directors, or in which they have a beneficial interest as shareholders, creditors, or otherwise, with the special view of ascertaining the value and security thereof, and of the collateral security, if any, given in connection therewith, and into such other matters as the Superintendent of Banks may require. On or before the 15th day of the month succeeding such examination, a report in writing thereof, sworn to by the directors making the same, shall be made to the board of directors of such bank or Trust Company; be placed on file in said bank or Trust Company, and a duplicate thereof filed in the banking department.

Chapter 103 was amended by the addition of Section 109 and provides the method of procedure on closing a Trust Company, and, in passing, it may be of sufficient general interest to warrant the space given to it here. In part, it reads as follows:

The stockholders of a Trust Company may at any time direct that it be closed for the purpose of winding up its affairs. Such direction may be given at a stockholders' meeting by a two-thirds vote of its stock after written notice by mail to each stockholder of record. . . . A copy of the proceeding of the stockholders' meeting, duly certified by the president and secretary of the Trust Company, must be filed in the banking department. The Supreme Court shall thereupon, in a proper case, after due notice to the Superintendent of Banks, make an order declaring the business of said Trust Company closed, and prescribing the notice to be given to creditors to present their claims to the Trust Company for payment. . . . Upon the granting of said order said Trust Company shall cease to do a banking business, but may wind up its affairs, pay its debts and distribute its assets among its stockholders.

I might call attention to the fact that at present there are seventy-seven Trust Companies in the State, with an aggregate capital, surplus and deposits, as shown by the latest available statistics, as follows:

Capital, \$77,500,000; surplus and undivided profits, \$175,810,944; deposits, \$1,346,360,987. While all financial institutions in general will be more or less affected by the new tariff legislation, Trust Companies will feel the drastic effects of the income tax feature of the Tariff Bill. The provision requiring the deduction of the tax at the source of the income will devolve endless detail work on the Trust Department, and will necessitate the employment of a corps of employees to perform the accounting work necessary in order to keep track of the amounts withheld to cover the tax and to obtain refunds in cases where the beneficiaries of trust funds are exempt.

#### NEBRASKA.

Mr. R. C. PETERS, President of the Peters Trust Company of Omaha:

In Nebraska a Trust Company with fiduciary powers is comparatively a new creation. Until 1911 we had no Trust Companies except in name. These acted as investment companies in lending money and in the care and management of properties.

Strong efforts had been made for some time to obtain the necessary legislation, but there was considerable influence brought to bear against it, and it was only two years ago—in 1911—that a bill was passed authorizing Trust Companies to act. This was only passed by a narrow margin of two votes in the lower House after strong efforts had been made to secure its passage, and this result was largely through the influence of one company.

Our law as it stands to-day gives Trust Companies full fiduciary powers under the following requirements:

A paid-up capital of \$200,000 in cities of 100,000 or more inhabitants; \$100,000 in cities of 50,000 and less than 100,000 inhabitants; \$50,000 in cities of more than 10,000 and less than 50,000, and \$25,000 in cities having 10,000 inhabitants or less. Deposit of securities amounting to approximately one-quarter of the capital stock with the State auditor.

Annual examination by the State auditor, and a newspaper publication of his report.

Restricts loans on real estate to forty per cent. of the appraised value thereof.

Forbids purchase of bonds on which interest has been in default for two years next preceding date of purchase.

Restricts purchase of stocks to those that have earned dividends

of at least four per cent. for at least three years just prior to date of purchase.

Forbids investment or loans on its own stock or loans to directors or officers.

Restricts indebtedness to two-thirds of the capital stock, and the cost of office building to forty per cent. of capital.

Forbids commercial and savings bank banking as defined in the State statute relating to banks.

It will be seen by the foregoing that we have a very strict trust law in the State, as I believe it should be. Trust Companies transact business for estates—which is a dormant business; practically a dead man's business—while a commercial bank transacts a going business or a live man's business. So a Trust Company should not do any commercial banking whatever, for in times of financial disturbance a Trust Company cannot be affected nor any of the estates for which it acts.

Personally, I should like to see in operation laws governing Trust Companies which would protect estates in every particular.

Twelve charters have been taken out under our law—four in Omaha, two in Lincoln, one in Beatrice, one in York, one in Fremont, one in Norfolk, one in Friend and one in Loop City.

I have seen to it that the articles sent out by the Trust Company Section have been printed and distributed. They have been favorably received, and I would recommend a continuance, if possible, of articles of a similar character.

#### NORTH CAROLINA.

MR. JOSEPH G. BROWN, of Raleigh:

There has been practically no change in the status of Trust Companies in North Carolina during the past year, except perhaps a continued growth and strengthening of the sentiment favoring the employment of Trust Companies rather than individuals as executors, administrators, guardians, trustees, etc.

The Trust Companies in the State are in many ways endeavoring to educate public sentiment along this line.

An effort was made to secure the passage of an act by the General Assembly forbidding the use of the name "Trust" by corporations other than those doing a distinctively trust business; but the bill was defeated because of the indisposition of the members of the Legislature to interfere with a number of corporations already in operation that were using the word "Trust" in their name, although not conducting a trust business.

A general-banking law was also before the Legislature, but was defeated. This was practically a codification of the present laws with some needed additions, among them a provision for the establishment of a distinctive banking department and a bank commissioner.

There is scarcely a company in North Carolina doing an exclusively trust business. All do commercial business and are under the supervision of the corporation commission, subject to the same regulations that govern the State banks.

These regulations are very helpful and healthful, and the general condition of our financial institutions is entirely satisfactory. They are characterized by the utmost conservatism; and the tendency is to throw about them every possible safeguard for the protection of the public without in any way hampering their general usefulness.

#### PENNSYLVANIA.

MR. GEORGE H. STUART, of Philadelphia:

On behalf of the Trust Companies of Pennsylvania, I beg to report that their condition, as shown by the following figures, displays continued growth and prosperity. For the year ending May 1, the date of their last reports, the deposits amounted to \$516,000,000—an increase of \$27,500,000; resources, \$784,000,000—an increase of \$37,000,000; trust funds, \$1,049,000,000—an increase of \$70,000,000.

It is gratifying to record that, while there has been no increase in the number of institutions, there have been no failures during the period. No important legislation was enacted by the Legislature affecting Trust Companies.

#### RHODE ISLAND.

ARAM J. POTHIER, Governor of the State of Rhode Island:

Mr. President, as Vice-President for my State in this Section it becomes my province to outline briefly the condition of Trust Companies in Rhode Island as compared with a year ago.

The increase in bank resources in general in the State is a constant indication and reminder of the large amount of wealth represented within Rhode Island and of the vast extent and activity of its varied manufacturing interests.

The total resources of all the banks in the State for the year ending June 30, 1913, aggregated \$270,000,000. Of this amount about \$50,000,000 is represented in national banks, while \$220,000,000 is found in the Trust Companies, State banks and savings banks.

In the Trust Companies alone resources were shown of about \$131,000,000. While there has been some depreciation in the market value of the securities held by the various financial institutions during the past year, yet, owing to the prevailing high rates of interest and the careful attention which has been given to all loans, the banks of the State on the whole have had a very successful year.

The deposits subject to check in Trust Companies show a falling off of about \$1,000,000 as compared with the previous year. Their participation—or savings accounts—on the other hand, show an increase, while the number of savings depositors in Trust Companies alone has increased 4,351 during the year.

The banks in Rhode Island are all in a very prosperous condition. Our Trust Companies, savings banks and State banks, which all come under State supervision, show an increase in deposits of about \$7,500,000 over 1912, and an increase of 8,730 in number of depositors.

#### TEXAS.

DALLAS, TEXAS, October 7, 1913.

Having been requested by your secretary to submit to this Convention a report dealing with the history of the Trust Companies of Texas during the preceding year, and the conditions under which they are now operating, I beg to submit the following as outlined, covering as best I can the information asked for, to wit:

On September 1, 1912, there had been organized and was in opera-

tion under the State Banking Law sixty Trust Companies. During the past year there have been twelve Trust Companies organized, making a total now in operation of seventy-three. The total deposits carried by Trust Companies on September 4, 1912, was \$20,142,000.00. On August 9, 1913, these deposits had been augmented by six million dollars. Their capital stock now aggregated thirteen and a half million, with four million undivided profits.

The total number of State banks in operation in Texas on August 9, 1913, was 736, with capital stock of eighteen million, surplus six million, and deposits fifty-three million—showing that the seventy-three Trust Companies carried practically fifty per cent. as much business as the 736 State banks.

The provisions under which the Trust Companies in Texas are now operating are very liberal, and include a great many items in addition to full banking privileges, such as acting as trustee, guardian, administrator, executor, etc. Up until very recently very few of the authorized functions of Trust Companies were performed by those operating in Texas, for the reason that the people of this State had not been educated to the fact that this was by far the most desirable means of having such functions performed. We are entering on a new era in Texas for Trust Companies, and we verily believe that within the next few years the capital, surplus and deposits of the Trust Companies in this State will equal those items carried by the State banks organized under the Texas laws. The majority of our Trust Companies are located in the larger cities, and have ample capital and other facilities to discharge their duties according to the laws of this State. Our examinations are made the same as those made by State banks. viz. Four times each year, and that, together with the close supervision of the department, insures to the public of Texas absolute safety and conservatism in the conduct of the affairs of our Trust Companies. Respectfully submitted,

EDWIN HOBBY,  
Vice-President, Trust Company Section,  
American Bankers' Association of Texas, Dallas, Texas.

## WASHINGTON.

MR. JAMES C. CUNNINGHAM, Vice-President and Manager of the Union Trust & Savings Bank of Spokane:

The greater portion of the present laws relating to Trust Companies in the State of Washington was enacted by the legislature of 1902-3, and there have been only a few changes or amendments made since the original act was passed.

The Washington law authorized Trust Companies to engage in a savings as well as a general banking business, and generally to transact all kinds of business pertaining to trust and fiduciary matters. The law contains a great many of the provisions of the Trust Company Act of New York, and may be said to be a fairly liberal statute.

In 1907 an amendment was passed requiring all duties and responsibilities relating to Trust Companies then imposed on the Secretary of State to be performed by the State Examiner, since which time this work has been performed by this officer; but in all of the Examiner's reports since then Trust Companies receiving deposits are not separated and are reported in the same class with State banks.

During the last legislature an amendment was made to the Trust Company Act providing that no Trust Company or other corporation organized under such act which advertised that it would furnish legal advice, prepare wills, or do other legal work for its customers should be permitted to act in the capacity of executor, trustee, or assignee, or otherwise serve in any fiduciary capacity.

It should be noted that the law does not prohibit Trust Companies from drafting wills, or from counselling with its clients on the subject of wills, but that it aims simply to prohibit soliciting or advertising of the fact that it does these things. This bit of legislation was introduced in common with a number of other bills at the eleventh hour of the last session and the Trust Companies had no opportunity to make objection to it. The bill was inspired by a few attorneys of somewhat questionable standing and ostensibly in retaliation of the aggressive advertising campaigns of Trust Companies offering their services in the writing of wills, and so on.

While this may be regarded as a vicious piece of "class legislation," its effect on the Trust Companies is not serious.

According to the 1906 reports there were twelve Trust Companies in Washington, with aggregate capital of \$2,129,000, surplus and undivided profits of \$777,000, and deposits of over \$4,000,000.

I am pleased to report that our State and Federal courts have recently appointed Trust Companies to act as receivers and trustees in bankruptcy proceedings. This is very satisfactory to us.

In conclusion, I may say that the campaign of education inaugurated by this Section has borne fruit in our State. We are of the opinion that this matter of education is more necessary in the West than in the older States of the Union.

## WISCONSIN.

MR. E. B. STEENSLAND, President Savings Loan & Trust Company, of Madison:

The Trust Company idea in Wisconsin is of slow, but healthy and continuous growth, one or two new companies being added each year until the list now numbers fourteen.

Trust Companies are considered by the banks as their special enemies and competitors. As there are 600 banks this feeling has resulted in legislation making the reserve requirement and taxation the same for Trust Companies as for the banks.

In the progressive spirit for which Wisconsin is justly famous, the State has gone into the farm loan business by providing for the investment of State trust funds in loans on farm lands, as well as by providing the machinery for establishing land mortgage associations on European models; but the Trust Companies will for a long time continue to be an important factor in developing the agricultural possibilities of the State.

A law has been enacted with the purpose of protecting the investing public against themselves, as well as against dealers in "blue sky," and it should operate to the benefit of the trust companies.

Directly affecting Trust Companies is a law recently passed giving to the chief beneficiary of an estate or the nearest of kin authority to name the person who shall act as the attorney for the executor or

administrator, whenever the executor or administrator is a firm or corporation.

The Trust Companies operate under State banking laws, and most of them are members of the Wisconsin Bankers' Association. However, feeling that the banks are somewhat out of sympathy with their aims and purposes, they have organized into a body called "The Associated Trust Companies," and hold annual meetings for mutual benefit as well as for social purposes.

THE PRESIDENT: Next in order is the Report of the Nominating Committee.

## REPORT OF NOMINATING COMMITTEE.

MR. OLIVER C. FULLER, of Milwaukee, Wis.:

Mr. President and Gentlemen: Your Committee begs to report that the following gentlemen have been selected after careful consideration of all the suggestions handed in by members with due regard to location and eligibility. Many names were of members located in sections already fully represented on the Executive Committee, and some of them now serving as officers and members of committees. Eliminating these, the gentlemen nominated by your Committee received the largest number of suggestions handed in by the members:

Mr. Philip Stockton, President of the Old Colony Trust Company, Boston, Mass.

Mr. Thornton Cook, Vice-President of the Fidelity Trust Company, Kansas City, Mo.

Mr. M. H. Grape, Vice-President of the Continental Trust Company, Baltimore, Md.

Mr. Frank W. Blair, President of the Union Trust Company, of Detroit, Mich.

Mr. A. A. Jackson, Vice-President of the Girard Trust Company, of Philadelphia, Pa.

THE PRESIDENT: Gentlemen, you have heard the report of the Committee. What is your pleasure in respect to it?

MR. LUCIUS TETER, of Chicago, Ill.:

I move that the Secretary of the Section cast one ballot for the election of the gentlemen named.

(The motion was seconded.)

THE PRESIDENT: The motion is carried, and the Secretary will cast the ballot.

THE SECRETARY: Mr. President, I have cast the ballot as directed.

THE PRESIDENT: I declare these gentlemen elected members of the Executive Committee for the term ending in 1916.

Nominations for President and for Vice-President should be made from the floor.

MR. F. H. FRIES, of Winston-Salem, North Carolina:

I rise to nominate for President of this Section for the ensuing year a gentleman with whom I have served and whom I have learned to love and appreciate. He is eminently fitted for this position not only by his attainments, but by his personality. I nominate for President of this Section Mr. F. H. Goff, President of the Cleveland Trust Company.

MR. I. H. ORR, of St. Louis, Mo.:

I crave the privilege, Mr. President, of seconding the nomination of Mr. Goff.

THE PRESIDENT: Are there any other nominations? If not, I declare the nominations closed.

(On motion, the Secretary cast one ballot for the election of Mr. F. H. Goff as President.)

I take great pleasure in declaring Mr. F. H. Goff duly elected President of this Section, and I appoint Mr. Fries, Mr. Fuller and Mr. Jackson as committee to escort Mr. Goff to the platform.

(The President-elect was escorted to the platform.)

Mr. Goff, this is one of the pleasantest duties that has ever devolved upon me, to congratulate you upon your well-deserved election to the Presidency of this Section, and I now confer upon you the badge representing your new office.

PRESIDENT GOFF: Mr. Poillon and Gentlemen: I want to express my deep appreciation of the honor conferred upon me and to thank you all.

MR. RALPH W. CUTLER, of Hartford, Conn.: Among the various duties of the Chairman of the Executive Committee, there is one supreme privilege that he has. During his short life of one year he sometimes rises with the sunshine and goes out with the shadows, but now in this last moment of his official life he is on a pinnacle of sunshine, so to speak, for to mention Mr. Poillon is like speaking of the ringing of a perfect silver bell.

During this year, Mr. Poillon, I have learned not only to respect you, but to love you; and now, on behalf of the Trust Company Section I have the privilege of presenting to you this cup of silver, and I assure you that with it goes the affection and the esteem of every member of the Section. (Presenting a silver loving cup.)

MR. POILLON: This beautiful token of your kindly feelings, Mr. Cutler, and gentlemen of the Trust Company Section, fills me with deep emotion, and I thank you sincerely for all the courtesies that you have extended to me during the period of connection with the Trust Company Section.

PRESIDENT GOFF: Nominations for Vice-President are now in order.

MR. OLIVER C. FULLER, of Milwaukee, Wis.:

I desire to nominate for Vice-President the gentleman whose

work as chairman of the Executive Committee during the past year speaks for itself—Mr. Ralph W. Cutler. (Applause.)

Mr. LYNN H. DINKENS, of New Orleans, La.:

I take great pleasure in seconding that nomination.

PRESIDENT GOFF: Are there any other nominations for this office?

(On motion, the nominations were declared closed, and the Secretary cast one ballot for the election of Mr. Ralph W. Cutler as Vice-President.)

PRESIDENT GOFF: I declare Mr. Cutler duly elected. I will ask Colonel Fries and Mr. Fuller to escort him to the platform. (The Vice-President was escorted to the platform.)

Mr. Cutler, I desire to express my feeling of satisfaction at the honor that has been conferred upon you, and now, sir, I take pleasure in handing to you the insignia of your office.

VICE-PRESIDENT CUTLER: Gentlemen, I assure you of my appreciation of the honor you have conferred upon me. Whatever I have been able to do for the Section in the past has been done because of your loyal and hearty support in every way.

PRESIDENT GOFF: The Secretary calls my attention to the fact that the Executive Committee has the power to fill vacancies in the ranks of the Vice-Presidents.

A meeting of the Executive Committee will be held immediately following the adjournment of this meeting.

Is there any further business?

MR. POILLON: Under the revised constitution as it will be presented to the convention, an officer of the Trust Company Section is to be nominated; this meeting as our second member upon the Executive Council. Of course, that constitution has not yet been adopted, but if we do not take action at this time we simply will not have a second representative upon that Council. I therefore move as follows:

That it is the sense of this meeting that the new Chairman of the Executive Committee be the nominee of this Convention to represent the Trust Company Section as the second officer upon the Executive Council of the American Bankers' Association under the revised constitution.

MR. A. A. JACKSON, of Philadelphia, Pa.:

I second that motion.

PRESIDENT GOFF: Gentlemen, you have heard the motion. Are you ready for the question? If so, all in favor of it will say aye; those opposed, no. The motion is carried.

MR. OLIVER C. FULLER:

I would like to offer a vote of thanks to the banks and bankers and to all others who have served on the committees of entertainments in this city of Boston for the hospitality extended to us and the complete preparations made for this Convention. I make that motion.

(The motion was seconded.)

PRESIDENT GOFF: All in favor of the motion will manifest it by rising. The motion is carried.

There has come to the attention of the Chair the fact that Mr. Hemphill, the President of the Guaranty Trust, of New York City, has had largely to do with the undertaking to secure some changes in the income tax feature of the tariff bill, especially in reference to lessening the difficulties with which the various Trust Companies will have to contend under its operation. Is it the desire of the meeting that Mr. Hemphill speak to us?

(Cries of Yes! Yes! Yes!)

#### THE NEW INCOME TAX LAW.

MR. A. J. HEMPHILL, President of the Guaranty Trust Company, of New York:

I was going to rise and make a motion to the effect that this Section resolve that it is the sense of this meeting that the Secretary of the Treasury be requested to take immediate action towards the preparation and promulgation of the regulations with respect to the collection of the source of the income tax, particularly as affecting coupons.

In explanation of that I desire to say that, after our failure to secure any important modification of the income tax feature of the tariff bill—we had it, I think, pretty nearly across, but we just failed because of not being able to catch one member of the Conference Committee—and then we felt that it was necessary to immediately have the regulations drafted in a way to make the collection of the income tax as little burdensome as possible. It is going to be burdensome at best. We thought that if the statements that could be filed with the collection agency for non-taxable persons—and the non-taxable individual is the person with whom we are going to have the most difficulty because they will not understand why they should be taxed and the time of our employees will be taken up in explaining to them why we have to make the deductions. The large income earner does not care whether he makes payment through a bank or through a Trust Company, or makes it direct. So we endeavored to effect that by sending our representative to Washington, but the Secretary of the Treasury ruled that there would be no oral conferences at all; that the matter would have to be handled in the way of briefs. Those who have been placed in charge of the preparation of the regulations admit that they are very ignorant of all the matters

affecting the collection of the tax. They do not even know really the procedure of collecting the coupons. Some of our suggestions, however, have been placed before the gentleman having that matter in charge, and he is in a receptive frame of mind.

I might say, also, that he sees no reason for haste, and he is going to have a conference with the internal revenue department officials so that by the 15th of this month he may have that conference. Well, if they have that conference and they delay in making the regulations you will see the position that we will be put in on the 1st of the month when the law goes into effect.

That is the reason why I would like to urge the adoption of the resolution that I have suggested. I have been informed over the long distance 'phone this afternoon that such action on the part of this Section of the American Bankers' Association will probably have great influence with the Secretary of the Treasury in calling to his attention the fact that the banking world, and especially as it comes from Boston and not from New York (Laughter)—is in favor of such action.

MR. JAMES F. TOY, President of the Farmers' Loan & Trust Company, of Sioux City, Iowa:

I second that motion, if it is a motion that Mr. Hemphill has made.

PRESIDENT GOFF: Mr. Hemphill, will you kindly restate your motion?

MR. HEMPHILL: My motion is that the Secretary of the Treasury be requested to have prepared and to promulgate as at earlier a date as possible a series of rules and regulations for the Revenue Department to govern it with respect to the collection of the income tax at its source, and particularly with reference to withholding the tax on coupons presented for payment.

PRESIDENT GOFF: Gentlemen, you have heard the motion. All in favor of this will say aye. Opposed, no. The motion is carried.

MR. CHAPIN: I would like to ask Mr. Hemphill a question. I have been postponing the study of this law until it was finally promulgated. But I was wondering whether Mr. Hemphill has made a study of it to such an extent that he could tell us his idea of the way the tax ought to be collected.

MR. HEMPHILL: The recommendations both of the committees appointed by the Trust Company Section and also of the Committee representing the New York Trust Companies is to the effect that the full purpose of the bill would be accomplished if we were to give information of the sources rather than of the collection of the tax. The regulations that we are suggesting contemplate a modification of that. For instance, we are suggesting that when a coupon is presented for collection that there should accompany that a statement from the person whether they are non-taxable, to the effect that they are non-taxable. They give the certificate that their income is less than \$3,000, and for that reason they are not liable for the tax. Now, if that is adopted by the Treasury Department, the Trust Companies then will be able to pay all those coupons in full. That has decided advantages, too: You know that practically 90 per cent. of all of the mortgages that have been created by corporations during the last 25 years have a covenant that they will pay any interest that they will be compelled to deduct. Now, they will be compelled to deduct this interest. So they will be compelled to pay it. They are not compelled to pay any interest, however, that is assessed against a non-taxable person.

One of the fears was that the corporations would probably have to pay over to the Collector of Internal Revenue the full 1 per cent. on the full amount of the funded debt that contained such a covenant, but under this feature the railroads will be saved money, many thousands of dollars, and, as they are among our best and most valuable clients, I think we should co-operate with them to enable them to save that amount of money.

The accounting charges, of course, that will be imposed upon the Trust Companies by this bill, unless we do get some such modification as that, will be simply enormous.

MR. FULLER: After November 1, will it be necessary for the Trust Companies to know the owner of every coupon that they pay?

MR. HEMPHILL: Yes, when a coupon is presented it will have to be accompanied by a statement that the person presenting it is so and so, and the Trust Company will have to certify to that signature and state whether he is exempt or not.

MR. H. A. MORSE: Will that be a sworn statement?

MR. HEMPHILL: No, sir.

MR. CHAPIN: How can they tell what that man's income is?

MR. HEMPHILL: Well, that is one of the moot questions, of course. I suppose a salaried person would know what his income was. Our lawyer in the conference raised that point, that if we were compelled to assume responsibility for those statements that it would be putting upon us a responsibility that we should not be asked to assume.

PRESIDENT GOFF: Gentlemen, are there any further questions? If not, the Chair will entertain a motion to adjourn.

On motion, adjourned *sine die*.



# SAVINGS BANK SECTION

## AMERICAN BANKERS' ASSOCIATION

Twelfth Annual Meeting, Held in Boston, Mass., October 7, 1913

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### *The Relation Between Fixed and Fluid Credit.*

BY EDMUND D. FISHER, Deputy Comptroller of the City of New York

Credit is the great problem of the day, made vital by the discussions relating to banking reform and stimulated by the "Glass-Owen" bill now pending before Congress. Credit is now recognized as an important factor in price movements and develops many questions which must be seriously considered by the savings banks of the country, because of the effect of these movements upon the market value of high-grade investments.

The difference in character between fixed and fluid credit makes it very necessary for good bankers to thoroughly understand the relations between the two forms and the ultimate effect of their use as instruments of banking upon all business enterprise.

Credit is the means by which the owner of available capital transfers it for the use of another, with confidence in the ultimate return of the amount advanced. The basis of credit may be actual value of a permanent nature, or actual value of a fluid or consumable kind. If money is loaned it may command either type of value. The great aggregation of fixed capital is expressed, or its ownership defined, by certain instruments, such as bonds of corporations, mortgages on real estate, while fluid capital is expressed by notes, bills of exchange and deposits.

Fixed forms of wealth, constantly fluctuate in value, and the fluctuations of the stock market are, in general, the automatic means of developing, over a period of time, an approximate relation of value between the shares and the credit forms and the actual capital which they represent. Fluid capital is transferred by means of actual money, checks drawn on deposit accounts and the credit instruments of commerce. The credit instruments are generally available for bank loans. Unlike fixed forms of credit, such fluid credit instruments do not alter in value, as they are drawn with a short maturity and the full amount is contracted to be paid when due. It will thus be seen that there is a great difference in the nature of fixed and fluid credit. The former has an uncertain value dependent upon the volume of supply, the varying demand and the presumed quality of the actual capital which supports it. The latter, on the contrary, represents goods sold or to be sold, with prices fixed, either through a closed transaction or seasonal

habit, and is supported by the makers' and endorsers' responsibility.

Credit is the chief element in modern exchange through the credit currency of banking. It is developed through the deposit of the proceeds of loans made upon both fixed and fluid credits. It is the medium through which commodities are virtually enabled to exchange themselves in the terms of actual money. Fluid credit bears a proper price relation to actual business and creates a stable medium of exchange without the elements of inflation. Recent banking practise, however, has developed large volumes of deposit currency based upon fixed forms of credit, and the use of this currency has disturbed price relations. As there is ability, under ordinary banking conditions, to exchange deposit credit for actual money, it is evident that in using the check drawn on these deposits, as well as money, we have a composite medium of exchange. Through the *loan, deposit and check* process of modern banking, the proceeds of loans on shares of corporate business and on dwelling houses and other evidences of fixed value are added to the volume of basic currency. This naturally tends to "bull" the market—either the stock market, the bond market or the commodity market, as the case may be. A large calling of loans, with the accompanying liquidation of securities and commodities, of course, brings about the reverse result.

The vast growth of the non-commercial forms of banking enterprise during the last fifteen years, manufacturing deposit-currency mainly through loans on the collateral security of new corporate enterprises, probably has been the chief element in price inflation. Business, in the aggregate, develops its own inequalities—varying profits, varying losses, under-production and over-production; so that, in connection with an unscientific credit relation, readjustments are inevitably necessary. Under the strain of a readjustment period and its forced liquidation, fluid credit stands the test and the bank usually collects one hundred cents on the dollar. Fixed credit, on the other hand, represented by securities is notoriously unstable and investments have to be sacrificed to meet *the obligations of fluid credit*.

Paul M. Warburg, in his "Discount System in Eu-

rope," gives this clear explanation of the basis of support of fluid credit:

"As a majority of discounts represents goods in process of production, or on the way to consumption, liquidation with them primarily expresses itself by a falling off in new production, while the consumer, on the other hand, cannot stop consuming and must, therefore, continue to pay. The brunt (of payment) is thus borne by the whole nation and adjustment follows (in European practice) without violent convulsion."

I might add that the savings banks in the United States, in the last analysis, have to stand behind the payment of fluid credit. They are, consequently, vitally interested in the stability which comes from sound banking. Bad banking, on the part of others, often has its immediate or ultimate effect on both the deposits and the investments of savings banks. It is thus evident that the lack of scientific relations between fixed and fluid credit in banking practise brings recurring periods of extreme inflation or deflation, with disastrous effects upon all forms of business enterprise.

The actual exchange of fixed credit, or fixed capital, such as bonds or real estate, is very properly effected through the medium of fluid capital. The man who buys a house has the free capital to do it. The seller redeposits the amount, and its use as fluid capital is not destroyed. The ownership of the fixed capital has merely been transferred. The control of the fluid capital has also been transferred. A large number of such transactions, as during a period of real estate speculation, particularly with a diversion of some of the fluid capital to real estate loans and construction work, tends to divert fluid capital to fixed forms. This is also true during periods of stock speculation, coincident with increasing loans on an advancing market. There are many such banking transactions, innocent enough in the individual case, but harmful in the aggregate. Such uses of fluid credit not only disturb the business and investment markets through the inflation of value and the increase of prices, but the actual labor of men, through the directing power of the dollar, is frequently diverted from productive to non-productive enterprises. One of the great panics of the last century grew out of the use of too much liquid capital in railroad building.

There is, of course, a normal amount of surplus capital which, each year, properly finds its way into fixed forms of investment. This business is largely directed by the investment banker, and should not be confused with the operations of a commercial bank.

Savings banks, in a broad sense, are doing a mutual investment business. The investments, securities and mortgages are offset by what, in the aggregate, are virtually time deposits, which are not actually used as currency to promote increase in prices. When trouble comes to the savings bank it is usually a reflex from the sins of other types of banking enterprises.

The problem of creating sound bank-note currency is a credit problem with which our legislators are now struggling. A sound currency may be merely a form of bank credit interchangeable with book credits. Our currency difficulties have grown out of the attempt to support, with what should have been a liquid asset base, a fixed form of credit base, such as government bonds, which are utterly unresponsive to trade requirements. Then, we have had the greenbacks, a fixed credit based upon government debt. There has been no attempt made by Congress to develop a fluid currency until recently, under the new measure for banking reform. Even this plan is encumbered by the dictum that the notes shall be "deemed to be obligations of the United States." Of course, nothing of a fiat nature is intended, but experience with government issues has been notoriously bad. Once depreciation, there is too apt to be repudiation, or

partial repudiation. Our own history tells us of notes that were ultimately worth "not a continental."

The September number of "Harper's" gives an interesting bit of experience with present day government currency. William Hurd Lawrence, in an article entitled "Cartagena the Ancient," says:

"\* \* \* When I paid eighty dollars to ride seventeen miles from Sabinilla to Barranquilla I was not guilty of such reckless extravagance as may at first appear; also that when the agent at the latter place charged me forty dollars for riding back the same way and in the same car, he merely suffered from an astonishing lapse of memory, forgetting for the moment that he needed the extra money.

"The fact is that the Colombian dollar, or peso, has depreciated until it is worth exactly one cent in United States currency, and there being no room left for the centavo of old it has vanished utterly from the reckoning of man. There are no silver coins whatever, and after a little bargaining one is apt to accumulate an astonishing number of yellowish bills—tens, twenties, fifties and hundreds. Then there steals insidiously over one the peculiar, exaltation of the wealthy, and it causes not a single pang to pay five dollars for a shine or toss away ten dollars for a bottle of ginger pop."

There is some justification for the desire to have the Government stand definitely behind any new issue of currency during the period of development of the new Federal reserve banks. But it must be remembered that they are planned to be semi-government banks and should have the full confidence of the people anyway. It might be well to substitute for the provision that the new notes "shall be obligations of the United States," a provision that the notes shall be supported by the assets and reserves of all the Federal reserve banks, instead of individual issues by individual banks; that the banks protect themselves by mutual examinations, as well as by examinations by the Federal Reserve Board. This plan would give the issues a desirable unity.

This plan would be even more logical if the suggestion of Professor Sprague of Harvard were adopted, that all member banks subscribe pro rata to the stock of all the Federal Reserve Banks.

The question of agricultural credit is exciting a widespread interest. The difficulties of its solution are those of the non-fluid credit. A special type of banking and investment market must be developed in this country before the question can be settled. The broad development of such credits must also await the establishment of an open money market. This will be accomplished through the acceptance principle of the Federal reserve bank plan under the "Glass-Owen" Bill. The farmers need loans of both a semi-liquid and a fixed credit nature. They are only partly served under our present banking system.

Properly speaking, agricultural credit may be divided into three classes:

First, agricultural-commercial credits that are reasonably liquid. They are acceptable by banks because paid at maturity and represent value already created. These should readily be rediscounted in a Federal reserve bank.

Second, that class of paper whose payment is not so certain and which it is desired to give the quality of commercial credit through some principle of coöperation such as is followed by the Mutual Credit Associations of Europe.

Third, credits that are based upon mortgages and available for general investment, more particularly through the coöperative principle of bond issues.

The first class mentioned, agricultural-commercial credits, is now generally available at the banks of the country and has a standing somewhat approximating that of commercial credits. It comprises notes given for produce sold, which will be paid at maturity, or notes

based upon advances for produce shipped, supported by bills of lading and duly accepted by the consignees. All of these are what the bankers call "two-name" paper. Of not quite as good standing with the bankers are notes based upon advances in anticipation of sale, secured by warehouse receipts, or upon personal credit where the farmer is responsible and where the banking experience of the past has been that his notes have been paid at maturity. Yet a less desirable type of note, from a strictly banking standpoint, is that given in payment for equipment, and although representing increased capital to the farmer, is generally based upon longer payments and not usually discounted as commercial paper until reaching a period within four months of maturity. Such notes bear two names, however, that of the farmer and that of the merchant, and are generally acceptable to bankers. Notes given in payment for seed and fertilizer may be regarded as in this same class, as they also bear two names, although they represent merely contingent capital.

In the descending scale of desirability of agricultural credit next comes the second class, the type of note which, in European experience, has to be supported by the cooperative principle. In such case the credit associations give it the quality of the "jointly and severally" principle, and not only the individual farmer, but the association itself becomes responsible. Such notes are usually given in anticipation of harvests, for wages and supplies, or represent advances for farm improvement running from one to a few years. In cases of extreme need advances are occasionally made to bridge over one or more seasons when there has been a failure of the crops.

The cooperative associations have thus attempted to give agricultural credit a commercial standing, but the growth of this principle has been slow, so that the mutual use of surplus funds has been the main support of their business. Credits of such associations available at banks for discount, or rediscount, necessarily depend upon a long history of experience. If a cooperative association has succeeded in developing a sufficient surplus or has maturing loans sufficient to meet all maturing obligations, and such experience has been constant, then such notes may safely be taken by the banks. Credit associations, as we now well know, have been successfully developed in most European countries, notably in Germany and France, as well as in the Dominion of Canada. Massachusetts has also recently passed laws providing for what are called "Credit Unions," but as yet there has hardly been sufficient experience in that state to determine their value. In France the development has been on such conservative lines, and particularly with the added help of governmental support, that the Bank of France will rediscount the notes of rural credit associations up to a certain limit.

The third class of credits is that developed by cooperative associations involving the principle of fixed capital investment. The most successful of that nature are the *Landschaften* of Germany and the *Crédit Foncier* of France. The plan is a simple one—that of periodical sales of bonds supported by a series of mortgages, largely running for long periods and reduced automatically by small partial payments. The bonds thus issued have become very popular with the investing classes and are readily sold in the money markets of their respective countries.

From the standpoint of our present problem in the United States the farmer needs the same help as the merchant and manufacturer, in that his credits, of a strictly liquid type, may be freely taken by the banks of the country and he may have the added credit and currency which the volume of his business and his responsibilities warrant. The proper expansion and contraction of the credits for all this business, necessarily, can only be made possible by the development of the principle of central reserves. From the mortgage stand-

point, present help to the farmer comes only from the occasional investor who is willing to take a conservative mortgage, as well as from the mortgage companies, but at high rates of interest. The farmer is entitled to legislative consideration of his long-time credit problem.

The new banking plan develops the acceptance principle, as has been stated, which is the basis upon which the new "open money market" will be established. In European practice the *acceptance* is the highest type of liquid credit. It is usually drawn on a bank simultaneously with the sale and shipment of actual goods, supported by bills of lading and insurance policies, and accepted for definite payment at maturity by the bank on which it is drawn. Not quite so desirable is the acceptance based upon a commercial credit without "documents." Least desirable from an economic standpoint, though still good, is the finance bill, based upon the deposit of securities. The European banker, however, recognizes the necessity of discrimination against the finance bill form. In ordinary times the finance bill is discounted at a higher rate than the commercial bill; in times of acute money stringency, discount is refused. The basis for self-payment of these finance bills, in the aggregate, does not exist without sale of the supporting securities. Sales in volume cause depreciation; loans in volume cause inflation; and both cause a general disturbance of business and banking relations.

Notwithstanding that fixed forms of credit must not be confused in commercial banking with fluid forms, they are very necessary for the development of productive enterprises in business life and for the establishment of adequate public improvements. Surplus capital must find such means of investment.

In considering the individual investment, however, it must be understood that the use of capital for current purposes tends to lessen the value of the credit and thus endangers its ultimate payment. Fixed capital should be expended for fixed values. Without the taxing power behind them, the bonds of some of the great European nations would be worth less than the centavo of Colombia, where the proceeds of sale have been expended for war purposes or for building battleships. The premier position of such bonds as those issued by the City of New York comes, not alone from the great taxing power of the city, of say \$150,000,000 annually, but also from the fact that the money goes into definite values which are largely revenue producing, such as water works, docks and rapid transit railways. All expenditures for public improvements, properly applied, bring added taxing power.

The confusion which has developed in banking and business life from the lack of scientific relation between the aggregate volume of fixed and fluid credits naturally suggests some form of regulation. Even Europe has no means of controlling the undue expansion of credit based upon fixed capital, except the general practice of charging a higher rate on "finance bills." In this country there has been a growing force of what may be characterized as "economic criticism" of the practice of so freely making advances on collateral security. Criticism is also directed against the rather free practice of loaning on single-name paper without discrimination as to its fixed or fluid quality. The whole problem is inherently difficult. Theoretically, fixed capital investments should grow exclusively out of surplus not necessary for current purposes. The volume of such fixed capital, however, is hard to even approximate, owing to lack of sufficient data. Even if the basis were known at any given time it would be immediately changed by constant price fluctuations.

The most recent attempt to plan for credit control is embodied in the "Glass-Owen" Bill. Rediscounts are to be made only upon fluid credits, with some question, perhaps, as to what are fluid credits. Loans on commodities awaiting sale, which in some cases may never be sold, are regarded by some as not the best possible basis

for fluid credits. Loans thus freely granted on such a basis might result in the holding of commodities for an increase in price, with the ultimate result, through possible lack of demand, of enforced liquidation at lower prices. The general plan of rediscounts is developed in section 14 of the "Glass-Owen" Bill, which states in part:

"Sec. 14. \* \* \* Upon the indorsement of any member bank any Federal reserve bank may discount notes and bills of exchange arising out of commercial transactions; that is, notes and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, or the proceeds of which have been used, or may be used, for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this Act; but such definition shall not include notes or bills issued or drawn for the purpose of carrying or trading in stocks, bonds or other investment securities; nor shall anything herein contained be construed to prohibit such notes and bills of exchange, secured by staple agricultural products, or other goods, wares or merchandise from being eligible for such discount. Notes and bills admitted to discount under the terms of this paragraph must have a maturity of not more than ninety days."

It will be particularly noted that permission is thus granted for the rediscount of notes "secured by staple agricultural products or other goods, wares or merchandise." This, of course, virtually means that warehouse loans are permitted, with the single restriction that they have a maturity of not more than ninety days. Good banking, however, never can be developed by legislation: It grows out of experience. The actual practise in relation to warehouse loans must inevitably be controlled by general trade conditions.

The new banking measure further plans for the regulation of credit by the control of discount rates through the medium of the Federal reserve banks.

The plan of control is generally sound, and as it includes a new policy in relation to collateral loans will probably bring the following results:

A healthy restriction of the present tendency to expand security prices through excessive collateral loans.

A weekly, or bi-monthly, instead of a daily settlement of stock exchange transactions, curtailing the operations of the "call money" market.

The establishment of an "open money market" for commercial bills which will prepare the way for a separate investment market for long time mortgage credits.

All of these will tend to the establishment of proper scientific relations between fixed and fluid credit. There will then be, first, an open market for acceptances which are strictly fluid credit; second, a market for securities restricting speculation and supported by a legitimate investment demand; and, third, a market for mortgage bonds (to be developed by a bill not yet before Congress), including agricultural credits, probably less active than the security market, but again supported by the investment demand. As the only open market today is virtually that for securities supported by loans "on call," there is too frequently a distinct invitation to inflation of security values with its inevitable reflex, through bank deposits, on commodity prices. The worst result of this practise is that, in crisis periods, it approximates a definite discrimination against legitimate commercial loans. The banker is too apt to consider his business from the standpoint of the individual security. He knows that certain stocks and bonds are gilt edge, and that the loan which he makes on them is safe, overlooking the broad significance of the fact that a large volume of such loans throughout the country will ultimately disturb the very business community that he is endeavoring to serve.

The value of the regional Federal reserve bank control, from the standpoint of credit regulation, is probably greater than if one central banking organization was established. The statements of the individual banks will be before the country. Inflation can be easily detected in its initiation in the section of the country where it develops. The broad aspects of the credit problem will be made definite in the consolidated statement of all the Federal reserve banks published by the Federal Reserve Board. A check will be applied, through the medium of discount rates, in the individual sections.

The opinion was expressed at one of the recent hearings before the Senate Committee that it might be dangerous to give this control of credit to the Federal Reserve Banks and Federal Reserve Board. On the contrary, it would seem to be dangerous not to confer this power. Both the expansion and contraction of credit should have reasonable limits. There will be times when it should be stimulated, and times when it should be restricted. Under the new plan, as in present practise, the individual banker may extend credit to the limit of his ability. He need make no distinctions between loans on fixed and fluid credit, but the new plan will at least develop a tendency in the right direction. He can only rediscount the fluid credit. No Federal reserve bank will go to the limit of its ability. It must preserve a safe margin while granting needed accommodation. This it will do by advancing its rate of discount. The lessening reserves will be a guide and a warning both to itself and the business world. It should be borne in mind that the power vested in these banks and in the central board, while new, is one of helpfulness. No type of credit control, however, can be effective until a unification of the statements of all banking institutions in the country gives the essential figures for that control. When this has been accomplished it may be possible to watch the development of credit in its various forms and formulate some general method of securing a scientific relation.

Even Europe, with its long years of experience with central banking, has not solved the question. Occasional liquidation is still necessary to bring about the natural readjustment of relations between fixed and fluid credit.

It has been shown that under our present form of banking fixed credit may be transmuted into the dollar of exchange and in volume develop serious inflation, with the resultant increase in security and commodity prices. This reacts on the value of even gilt-edge securities, as high commodity prices bring diminished purchasing power from the returns of fixed interest. Thus the entire price problem becomes a vital one to savings banks because of its relation, indirect but potent, to the stability of investment values. It is not merely the question of the value of the individual bond and its ultimate payment, but the effect of the broad movements of security values upon the surplus account of the bank. In some States, in order to maintain a self-respecting surplus, it has been found necessary to establish a book value for bonds based upon an amortization relative to the par of ultimate payment. The market value has been entirely ignored. The big savings banks with large surplus accounts naturally frown upon such practise. Then, again, high prices tend to restrict the growth of deposits by curtailing the saving power of the wage earner.

All of this means that those active in savings bank management, as well as those in all other forms of enterprise, cannot afford to be indifferent to pending banking legislation. It affects them just as vitally as the commercial banker or the merchant. The provisions of the bill should be analyzed, its defects corrected and its passage assured. When this has been accomplished there will come into existence a new credit system which will ultimately serve all the people by the estab-

ishment of more equitable banking relations. This will give a fairer opportunity for the development of business enterprise and a consequent production of more wealth, with its greater investment ability. It will min-

imize those subtle yet actual losses that come to so many through the insidious price movements which, in a large measure, result from the confusion of fixed and fluid credits.

## *The Postal Savings System.*

BY CARTER B. KEENE, Director Postal Savings System of the United States.

*Mr. President and Gentlemen:*

The Postal Savings System does not represent the ill-considered agitation of a day. The journey from ripened demand to statutory sanction was long and difficult. For forty years the subject was before the people in varying degrees of prominence, and a hundred bills were introduced before one succeeded. The call for it had been written into the platform of every political party, but not until June 25, 1910, did it become an accomplished fact. The service is now permanently established, so in the few minutes that I shall speak you will be told something of what it has done, and is doing, for happily we are now in a position to deal with results and need no longer theorize.

The service was installed in a limited way in January, 1911, and you are familiar with the important features of its progress so far as figures can tell the story. But you, gentlemen, are fully aware that the happiest hours of your banking experiences are not reflected in the cold array of resources against liabilities. They come from the consciousness of having done some worthy man or woman a good turn just when a few dollars might shape the course of an entire life. So I shall deal chiefly with what the Postal Savings System is doing along lines that cannot be measured in dollars and cents.

The divergence of opinion regarding the service is always traceable to different standards of measurement, and it may be well, early in this discourse, to state briefly what the Postal Savings System is designed to accomplish and what it is not expected to do: It is not a money-making adjunct to the Post Office Department, nor was it intended as such. Its aim is infinitely higher and more important. Its mission is to encourage thrift and economy among all classes of citizens. It stands for good citizenship and tends to diminish crime. It places savings facilities at the very doors of those living in remote sections, and it also affords opportunity for safeguarding the savings of thousands who have absolute confidence in the Government and will trust no other institution. It turns back into channels of trade millions of dollars which otherwise would be hoarded or sent abroad. It quiets commercial unrest and stimulates legitimate business. Its field is distinct and well defined. It has no competitor. I can think of no other effective activity of the postal service that does not, in some slight degree at least, interfere with private enterprise. But I know of no instance and can conceive of none in which any private enterprise has been affected injuriously by the Postal Savings System. Experience has proved to a mathematical certainty that the service has been a positive advantage to the banks, which were the only institutions which it was even hinted could be impaired by its establishment. A systematic canvass was once made by the Department to ascertain where the postal savings deposits were coming from, and no depositor was found who had transferred his account under normal conditions from a bank to the post office. On the contrary, our files are full of reports from postmasters who explain the falling off of deposits by the fact that accounts are being transferred to local banks, and letters from bankers urging the extension of the service to points where they are unable

to reach hoarded savings are now too frequent to occasion comment. The Postal Savings System is a fitting school for other savings institutions. Our depositors are at first more concerned for the security of their savings than in what they may earn. They are thinking of the principal, not the interest, and it is only after they have learned the rudiments of saving that the interest feature attracts them. We teach them to save, and they soon want larger returns for their savings. The banks then get the accounts.

Having thus outlined the purposes of the service, I will now point out some of the results attained that you may see the effect of the service in its actual application to the affairs of our time.

No class of men know better than you that hundreds of thousands of our newly-made citizens distrust the banks and will not patronize them. They have absolute confidence in the Government, and know what postal savings banks are, for they have had the benefit of them at home. The one thing that has done most to shatter their faith in our reputable financial institutions and close their pockets to all, save the Government, is the educated scoundrel of their own tongue who, under the guise of a banker, has mercilessly preyed on his confiding countrymen. It is nothing less than a public scandal that so many bogus private banks, officered by unblushing swindlers, are suffered to exist, and if some of our societies, which are endeavoring to better the condition of our newly-arrived immigrants, would first direct their attention to bringing these heartless crooks to swift and certain punishment, the other task would be wonderfully lightened and simplified.

I am not going to burden you unduly with statistics, but some of my contentions are so capable of positive proof that I must draw upon them.

On June 30 last, the end of the fiscal year, we had on deposit, in round numbers, \$33,800,000 standing to the credit of 338,000 depositors. Nor is this all, for \$3,500,000 has been withdrawn from postal savings depositories for the purchase of Government bonds. By an actual poll of the depositors last year, and there is no reason for believing the ratios have changed, it was ascertained that 36 2-10 per cent. of all our depositors were foreign born Caucasians, and that they owned 51 per cent. of all the deposits. These figures are the more significant since the United States Census of 1910 places foreign born Caucasians at only 16 3-10 per cent. of our entire population. A large percentage of the postal savings depositors are in cities or in communities where the larger industries are carried chiefly by foreign or transient labor. Sixty-five per cent. of the postal savings depositors in New York City are foreign born and 82 per cent. of the deposits belong to them. Two-thirds of the depositors at Butte, Mont., are foreign born, and three-fourths of the deposits are in their names. One-half of the depositors in Chicago are foreign born, and to their credit stand three-fifths of the deposits. Here in Boston, more than half of the depositors are foreign born, and three-fourths of the deposits are in their names. Other cities maintain these percentages.

The prediction that the Postal Savings System would keep on this side of the Atlantic enormous sums which

had hitherto gone abroad has been fulfilled. The amount of money orders payable in foreign countries showed a rapid annual increase until June 30, 1911, when it aggregated for the year \$109,800,000. A limited number of post offices were made depositories in January, 1911, but no substantial progress was made in deposits until the fall of that year, when the service was extended to the large cities. During the year ended June 30, 1912, the amount of foreign money orders dropped to \$97,500,000, or \$12,300,000 less than the previous year, and in the same period postal savings deposits leaped from \$667,000 to \$20,200,000. The falling off in foreign money orders during the last fiscal year over 1911 was \$7,300,000. At first blush these latter figures are less encouraging, but explanation lies in the fact that thousands of depositors sent their savings home last year to assist their countrymen in carrying on the Balkan War. The war also affected the number and amount of deposits, for thousands of depositors went home to fight. More than three hundred Greeks closed their accounts at one time in a small Middle West city and started on their journey to the front.

So I feel that it may be fairly said that the Postal Savings System has checked the flow of American money to foreign countries, and has called from bootleg and mattress depositories millions of dollars, which have been returned to legitimate business from which they were drawn.

The provisions of the Postal Savings Act, which particularly stand forth as a monument to the wisdom of Congress are that funds amassed in any city or community shall be deposited forthwith in the qualified banks of that city or community, and that any solvent bank under Federal or State supervision may qualify as a postal savings depository, and receive its share of the funds deposited in its locality. So it is that savings funds are handled automatically, thus removing their disposition from considerations of personal or political favor, and effectually preventing the depletion of one section of the country for the benefit of another.

A curious but inexplicable feature of our business is that the population of cities is but little index of the postal savings business done in them, except that New York and Chicago lead both in population and in savings deposits. The next ten cities, named in order of savings receipts, are: Brooklyn, Boston, Portland, Oregon, San Francisco, St. Paul, Cincinnati, Kansas City, Columbus, St. Louis, and Philadelphia.

Our greatest activity at present is in the Far West, where the growth of the service has been phenomenal. We have a score of cities there of less than 25,000 population, each of which has more than \$100,000 on deposit. If the postal savings funds were divided according to the population as shown by the last census reports, every citizen of Leadville, Colo., would have to his credit \$23; Goldfield, Nev., \$20; Tonopah, Nev., \$17; Astoria, Ore., \$13; Bisbee, Ariz., \$12; Ironwood, Mich., \$10; Butte, Mont., \$9; Anaconda, Mont., \$7.

Many things have been done in the last seven months to simplify the administration of the service and extend its usefulness and reference to the more important ones may prove of interest and value. Postmaster-General Burleson, early in his administration, appointed a committee to revive thoroughly the regulations applicable to the service, not with respect alone to accounting and administration methods, but also with a view to improving business methods in dealing with the 7,000 depository banks. The new regulations, which were approved by the Board of Trustees and went into effect on July 1, have eliminated many annoying and complex details, and made the transaction of business more economical and expeditious without impairing the safeguards thrown about the service.

The emergency credit accounts of postmasters have been abolished, which means that 13,000 accounts with postmasters, involving endless correspondence, book-

keeping, and interest computing details, have been done away with. Under the old plan, each postmaster maintained in a designated bank an emergency credit account to meet withdrawals. The account was replenished from time to time to maintain it at an authorized maximum. All other postal savings funds, representing about 7,000 accounts, were deposited to the credit of the Board of Trustees. The new regulations require that all postal savings funds be deposited to the credit of the Board of Trustees, and to meet withdrawals a designated bank in each city is now authorized to honor the official checks of the local postmaster drawn against this account, up to a specified monthly amount. Postmasters, at offices which have no local depository banks now, remit by mail to the nearest postmaster where a qualified bank is located, and their remittances are included in a single daily deposit by the postmaster at the banking point. This, too, eliminates much expense and annoyance to the banks in acknowledging deposits from these numerous non-banking points. The postmasters at non-banking offices now secure funds for withdrawals by means of drafts on the postmasters to whom their remittances are made. The drafts incident to this practise are a new form of government paper.

A higher collateral value is now given certain classes of security deposited by banks. Bonds of any State and of the Territory of Hawaii are accepted at their market value, not to exceed par, as against 90 per cent. of their market value under the former regulations, such market value not to be considered as exceeding par. Acceptable municipal bonds of any city in the United States having a population of over 30,000, are received at 90 per cent. of their market value, not to exceed par. Formerly they were accepted at only 75 per cent. of their market value, such value not to be considered as exceeding par. Many banks are, therefore, happily surprised to find a liberal margin of collateral just when increasing deposits would have called for additional security under former valuations.

I desire to call special attention to one important change in practise, the full import of which some banks and bond houses at first failed to grasp. The Assistant Attorney-General for the Post Office Department now passes upon the legal acceptability of bonds tendered as security for deposits of postal savings funds. His examination involves the determination of whether they are validly issued, and whether they are "supported by the taxing power" as required by the Postal Savings Act. Under the first head examination by the law office will be greatly expedited if the banks, in tendering bonds either as original or supplemental security, forward with them certified copies of legal opinions of reputable attorneys to the effect that, on examination of the recorded proceedings leading up to the issue of the bonds, it was found that all the requirements of the Constitution, statutes, ordinances, and resolutions authorizing their issue have been fully complied with, and that the bond is a valid obligation of the State or municipality issuing it. In the absence of such opinions, certified transcripts of the recorded proceedings are necessary for an intelligent legal examination by the law office.

Great assistance will be rendered in the determination of the second question, if attorneys' opinions furnished show that the bond is a charge upon the general taxing power of the municipality with the citation of authorities that may be pertinent.

In other words, the Department desires the same character of evidence that would be required by a reputable bond house or a prudent bank as to the validity of bonds before purchasing them, and in addition to this a showing that the securities are of the kind which the Postal Savings Act authorizes as Board of Trustees to accept.

In a majority of instances, opinions have been rendered by attorneys acting for bond houses or banks on

the validity of bonds tendered as security and certified copies of such opinions are usually sufficient to satisfy the Department upon the point. Such copies will be retained for the files of the Department, as will also the certified transcripts of proceedings where no opinions are furnished. If, however, it is possible for a bank or bond house to furnish only the original documents, they will be preserved, and, if necessary, will be returned after the legal examination has been completed. If the banks do not have the evidence just described, it is suggested that they take up the matter with the bond houses which sold them the securities, with a view to procuring the loan of the original documents or copies of them.

Bond houses sometimes ask for an advance decision as to the acceptability of certain securities. Our uniform reply is that the securities must be actually tendered before a decision will be announced. With the large number and variety of bonds before the Department for approval, requiring in many cases exhaustive examinations, it would be impracticable to attempt to pass upon bonds not regularly before the Department. Furthermore, an advance opinion might be asked for speculative purposes, and, if the Department were to rule in advance that a certain issue of bonds would be accepted, an unwarranted advance in price might result, when other and less expensive issues upon which there had been no advance ruling would be equally acceptable. The class of bonds that we can accept are well defined by statute and regulations, and there appears to be no valid reason for advance decisions on specific issues, which have not been and may not be offered.

In thirty-three months, postal savings facilities have been extended to 12,151 post offices and to 667 branches and stations. All Presidential offices are savings depositories, also 3,965 offices of the fourth class. Extensions of the service will be made as rapidly as substantial demand for it develops, but it is not the policy of the Department to install the service automatically, regardless of promised usefulness. It is infinitely more important to develop and expand postal savings facilities in places which have been but partially covered, and where there is a known demand for the advantages they afford, and to this end a carefully thought out campaign of education and publicity has been begun. A leaflet of condensed information on the service, printed in all of the leading foreign languages, is now being prepared for general distribution.

The Postmaster-General recently directed the installation of postal savings banks in Hawaii. No section of our domain was more in need of the service or will ap-

preciate it more highly. Hawaii had postal savings banks of her own from 1886 to 1900, and when annexation to the United States compelled the discontinuance of them, 7,494 persons had \$730,356 on deposit. The population of the Islands has almost doubled since then, and the outflow of money to foreign countries has kept pace with the tide of immigration. Last year \$1,000,000 went out from Hawaii in foreign money orders, while only \$15,000 came in through the same channel.

Our postal savings system is distinctly an American institution, fashioned to meet American conditions and requirements, and I want to assure you that only those actively identified with its birth and its building can form any adequate conception of the enormous task which was imposed upon a corps of officials totally inexperienced in a service of this character. Policies were speedily adopted, and innumerable details worked out with no chart or compass. But experience has proved that the general plan of operation is sound in principle and practical in application. Improvements have been made as defects and deficiencies have become apparent. The formative period with its confusion and uncertainties has passed, and the time is now ripe for still further improving its administration and for enlarging its usefulness. And I consider that the service is particularly fortunate in being directly attached to the Bureau of the Third Assistant Postmaster-General, which also has supervision of the fiscal affairs of the entire postal service, now aggregating more than \$300,000,000 annually. At the head of this great bureau is Governor Dockery, of Missouri, who brings to his new post a wealth of experience and executive force seldom seen in official life—many years a banker, sixteen years a Member of Congress, four years the executive head of his State, and with it all in constant touch and sympathetic accord with the people whose untiring servant he has been. The Postal Savings System appeals to him strongly. He sees what it means to the happiness and prosperity of our people, and is putting into its upbuilding and strengthening the same thought and enthusiasm that has characterized his entire life.

After all, the Government can go so far and no further in advancing the abiding welfare of our people. The larger responsibility rests with the people themselves. Is it too much to hope and expect that there will be a greater awakening to the opportunities which this service brings to millions in unconscious need of it, and that in our crusade against waste and improvidence, we shall have, at least, the moral support of all who are concerned in our national progress.

# Detailed Report of Proceedings.

Twelfth Annual Meeting SAVINGS BANK SECTION, Held at Boston, October 7, 1913.

COPLEY HALL, BOSTON, October 7, 1913.

The Savings Bank Section of the American Bankers' Association convened in Copley Hall on Tuesday, October 7, 1913, at 10 a.m., and was called to order by the President, R. C. Stephenson, Vice-President St. Joseph County Savings Bank, of South Bend, Ind.

**PRESIDENT STEPHENSON:** In opening the proceedings of the Savings Bank Section of the American Bankers' Association this morning we will first listen to a prayer by the Rev. William Herbert Dewart of the Episcopal Church.

Invocation by Rev. William Herbert Dewart.

We ask, O Lord, in all our doings this day that we have Thy most gracious favor; that in all our works and consultations begun, continued and ended in this day that we may glorify your high name, and finally through Thy mercy obtain everlasting life.

O God, our creator and ruler, who has provided the day for labor and the night for rest, give us obedient hearts for Thy service that we may cheerfully accomplish what Thou givest us to do. Bless all upright employers and all they employ; secure to them the just recompense of reward; defeat the schemes of dishonesty, extortion and fraud, and save our country from the tyranny of wealth; reckless waste of treasure and from all covetousness, from unrighteous discrimination between man and man, and the distinctions which promote antagonism between the rich and the poor.

Have mercy upon those who struggle for existence, and grant unto them relief. Change the hearts of those who deal unjustly with their fellow men and deliver him with his spoil out of the hand of the spoiler. Keep us and all these children from greed, from extortion, from envy and malice, and let us not make gold our hope nor trust in uncertain riches, but in Thee, the living God.

Supply our temporal needs, and let us not fail to lay up an abiding treasure with Thee. And, O Lord, support us all the day long of this troublous life until the shadows lengthen and the evening comes and the busy world is hushed and the fever of life is over and our work is done. Then, in Thy mercy, grant us safe lodging and holy rest and peace at the last, through Jesus Christ our Lord.

May the grace of our Lord Jesus Christ and the love of God and the fellowship of the Holy Ghost be with us all, forevermore. Amen.

**THE PRESIDENT:** Mr. Charles S. Norris, of the Home Savings Bank of this city, and who is president of the Massachusetts Treasurers' Club of the Savings Banks of the State, is here, and will give us the glad hand and a short address of welcome. (Applause.)

## Address of Welcome, by Charles S. Norris.

**MR. PRESIDENT, AND LADIES AND GENTLEMEN:** As president of the Massachusetts Savings Banks Treasurers' Club the very pleasant duty has devolved upon me to welcome you to Massachusetts and to the city of Boston.

Massachusetts is the home of Savings Banks, and we have the honor and distinction of having in our borders the oldest incorporated Savings Bank in the United States, the Provident Institution for Savings, here in Boston; and all the Savings Banks in Massachusetts, as perhaps some of you know, are Mutual Savings Banks.

There has been placed in your hands as you entered an invitation from the Massachusetts Savings Banks Treasurers' Club to visit the banks in the immediate vicinity of your headquarters in Boston, and I hope that all of you who can will avail yourselves of the invitation to call upon one or more of these banks where you will receive a cordial welcome.

I want to express the hope that the clerk of the weather will be more kind to you the rest of the week than he has the first two days of your stay, and that your sojourn here will be a very pleasant one. In behalf of the banks of Massachusetts we welcome you.

**THE PRESIDENT:** There is a gentleman present this morning who for a number of years has been closely identified with the Savings Bank Section. He has served upon the Executive Committee, and he has also been president of the Savings Bank Section, and his time will expire this year as a member ex-officio of the Executive Committee; therefore I request that he respond to the address of welcome. We will be glad to hear from Mr. William R. Creer, of Cleveland, Ohio. Mr. Creer needs no introduction to this audience, as those accustomed to attend meetings of the Savings Banks Association know him.

## Reply of William R. Creer to Address of Welcome.

Mr. President, Ladies and Gentlemen, and Mr. Norris: On behalf of the Savings Bank Section it gives me great pleasure to respond to the hearty welcome which has come to us through Mr. Norris from the Savings Banks of Boston and Massachusetts.

We of the Central and Middle West look to Massachusetts

for guidance; she is the mother of good laws touching savings bank institutions and life insurance and other things that make for economic uplift in the world. It is a matter of fact that the reserve laws of the standard insurance companies of the United States are based upon that which has been worked out and incorporated into the laws of Massachusetts.

We further wish to do not have many mutual Savings Banks. These are self-perpetuating organizations, and they are based upon the central thought of service to the community. Possibly we haven't so many men of rounded years and experience and leisure as you have here in the East, and that is one reason why out there we have the feeling that after all interested benevolence possibly is just as an important a factor in Savings Bank institutions as disinterested benevolence. I mean that where a man's treasure is, his heart is liable to be also, and you know the trustees of the mutual Savings Banks of Massachusetts own no stock in their institutions. The thought, however, underlying the mutual Savings Banks should be the dominating element in the minds of all of us who act in a trustee capacity for the Savings Banks—of the thrift of the people, that it is not one for profit but one of service; and as we grow older we realize the truth of Scripture, that if a man would find his life he must lose it, and that is just as true in savings institutions as in anything else. If greed is predominant, if seeking for profit is the only thing, it is not going to rebound to the benefit of your institution or my institution; but when we lose ourselves in the thought that the thrift, the economy, the savings of the people are after all to be the bulwark of character, that that thought should begin in the school, should be fastened by the savings habit, because what good is industry unless it is coupled with economy, just as what good is intelligence in the world if it is not coupled with morality.

And so the thought we want to get from these great, strong, old and enduring institutions in Massachusetts is that whatever the form of the institution, whether it be capitalized or trustee, whether it be a trust company or a State bank, in our Savings Bank department, that as we serve the people so shall we serve ourselves. Give and it shall be given unto you again, good measure, pressed down, shaken together and running over; and that is just as true, fellows, of deposits as it is of anything else.

We thank you for your cordial welcome, Mr. Norris, and trust in our deliberations here we shall be broadened and bettered and made more sympathetic and useful in the various vocations to which we have been called in Savings Bank work. I thank you.

**THE PRESIDENT:** It has been the custom for a number of years for the President to prepare a brief address covering the work of the past year, and such an address I will now read to you.

## Annual Address of the President, Rome C. Stephenson.

In the city of New Orleans in the year 1902—during the annual convention of the American Bankers' Association—a comparatively small number of men, representing Savings Banks of this country, met, and, with the approval of the Executive Council, organized the Savings Bank Section. One of the most energetic and enthusiastic advocates of the Section was our former secretary, William Hanhart; and the members of the Section will remember him always as an untiring worker for its success and advancement. When a retrospect is made of the various activities and the constructive work that has been carried on by the Section, it becomes apparent that the originators of the movement were fully justified by the results that have been accomplished. It has not been so many years ago that the payment of interest on deposits was limited to the Savings Banks and the commercial banks that operated a savings department was an exception; but now the conditions have become reversed, and, outside the larger cities, nearly all the commercial banks and Trust Companies operate savings departments for the benefit of their customers. The Savings Bank Section very soon after its birth found that it could be useful to both Savings Banks, Trust Companies and Commercial Banks—operating savings departments; and immediately the scope of its work and activities were enlarged and invitation was given to all the financial institutions that received savings deposits to become members of the Savings Bank Section. The result is that the membership in this Section is constantly increasing, and, to-day, finds our Section the largest, in point of membership, in the Association, and each year shows a satisfactory and substantial growth. It has been said of political officeholders that "few die and none resign;" and this is equally applicable to the membership of our Section, as the benefits derived are so obvious that we lose no members by resignation.

There has been a tendency on the part of the members of the various committees, and of the officers of the Section, to take up one subject after another of interest to the members; to make a thorough and painstaking exhaustion of each subject; to present the facts and practical information connected therewith to the members, and then pass on to other subjects. To enable the members to get the



full benefit of the work that has already been done, the book of proceedings of the Savings Bank Section should be kept where it can be used for reference, and great benefit will be derived by an occasional review of the various reports that have heretofore been made and by the study of some of the excellent addresses that have been made to the Section by men who are experts and thoroughly informed upon the subjects treated. During the past few weeks I have made a review of the reports and addresses referred to, and I have been both surprised and gratified to find that so many subjects of interest to our members have been presented, and that they contain so many suggestions of merit and helpfulness.

During the lifetime of Mr. Hanhart, and while he was the secretary of the Section, he conceived the idea of obtaining the blanks and forms used by the Savings Banks in every part of the country, and a very large collection thereof was obtained. A committee was created to carefully examine these forms and to make a selection of those that were approved for use in the Savings Banks. Subsequently these forms and blanks were reproduced in book form by the Section and sold to the banks at the actual cost of production. This work was appreciated by the banks, and many of the books were sold. The edition is nearly exhausted, and the suggestion has been frequently made that it would be well to revise the former publication and obtain a second edition. If the matter was properly presented to the banks, so that they could be informed of the value and usefulness of the books of forms, there is no doubt but that there would be a very large sale thereof. There are many of the banks that have found the book indispensable.

The subject of the segregation of savings deposits by the banks that are not strictly mutual Savings Banks is one that has received considerable attention, not only by this Section, but it has occasioned a great deal of animated discussion in the deliberations of our parent organization. The bankers who have advocated such segregation have done so from a purely unselfish standpoint—as all the arguments and reasons therefor arise from the viewpoint of the depositor; but there seemed to be such diversity of opinion upon the subject that it was thought prudent for this Section to cease pressing the matter. Laws in the different States will, in time, be enacted to adequately provide for the investment and segregation of savings deposits, and this will come to pass when the general public mind is aroused to the necessity thereof, by further development and extension of the savings departments of the State institutions.

It was thought for a number of years that the establishment of Postal Savings Banks would be a menace to the banks of the country generally, and to the Savings Banks in particular, and strenuous efforts were made to prevent the enactment of laws for the creation of the post office banks. There was never any real demand therefor on the part of the public; but the scheme was pressed and fostered by a few persons who were in favor of the adoption of the plan that had been operated successfully by some of the parental governments of Europe. Bankers generally were, and still are, of the opinion that there was no occasion for the government of the United States to go into the banking business in opposition to the large number of financial institutions that were being operated by its citizens in every nook and corner of the country; and, although the opposition was unsuccessful in defeating the bill, the results obtained, and the amount of deposits received, by the Postal Savings System has been a great disappointment to those who worked so ardently and continuously for the passage thereof. It is also gratifying to the bankers to know that the system has not interfered with the banking interests, and there has been no complaint in any portion of the country that would tend to show that any considerable amount of money has been deposited with the government that would have gone into the banks—had the system not been in existence. The belief, however, is general that the law passed was a very reasonable one—that it should be satisfactory to its sponsors, and that it would be unwise and unjustifiable to continue further agitation of the subject by attempting to make additions and amendments thereto.

The manner of dealing with illiterate depositors was formerly an enigma and puzzle to the banks, and in many localities the accounts of persons who could not sign their names were not received, owing to the uncertainty of getting the proper receipt for money paid out to such depositors. This condition led to the investigation of the finger-print method of identification by the officers of the Section; and, when it was determined that the banks could safely deal with illiterates by using that method, the attention of bankers was called thereto, and they were earnestly recommended to adopt it. Many of the banks commenced using this method, but others found that the expense of obtaining the necessary instruction and initial apparatus was apparently excessive, and in many instances impracticable. Recently, however, one or two of the large stationary establishments have issued booklets giving complete instructions for taking and making comparison of finger prints, which are being sold in connection with the apparatus for taking the prints, at very reasonable prices. The banks are now rapidly adopting the system, and no longer is the account of the illiterate undesirable. The signature cannot possibly be forged, as the finger prints of two persons are never alike, and an attempted fraud thereby is promptly detected.

Mr. William H. Kniffin, Jr., who was formerly secretary of our Section, made the suggestion for the proper celebration of the Savings Bank centennial in 1916, for which due provision should be made by inviting the participation of the mutual Savings Banks, both in furnishing historical matter and in the necessary expenses attending such a gathering. While it is probably too early to prepare now for this celebration, it should be borne in mind, and within the coming year definite plans should be made to fitly celebrate this important event in an appropriate manner by our savings institutions. Heretofore there has been very little literature published bearing upon the Savings Banks, and the bankers interested therein owe a debt of gratitude to Mr. Kniffin for that comprehensive book of which he is the author, entitled "THE SAVINGS BANK AND ITS PRACTICAL WORK," which was recently published. It is rich in interest from a historical standpoint, and the real work of the institutions is exemplified from every angle.

The members of the Savings Bank Section have found pleasure in working harmoniously, at all times, in connection with the general plans of the Association; and this attitude upon the part of the Section has been emphasized in the earnest effort that has been made to

co-operate and assist in the effort to obtain reasonable, fair and practical currency legislation. Our members have not been in sympathy with the feeling that the bankers were asking for the enactment of laws that would operate in their favor while proving a burden to the commercial interests; nor have we believed that the bankers of one Section were in favor of laws that would be beneficial to them while being detrimental to the bankers in other localities; but we have advocated the passage of laws that would give us a sound and elastic currency, with full knowledge of the fact that the banks could not be prosperous unless the manufacturing, agricultural, mining and commercial interests should first be enabled to thrive, expand and make progress. It is hoped that the effort that is now being made in Congress to pass a currency bill will result in a law that will meet with the approval of our leading financiers and bankers throughout the United States.

The present secretary of our Section, Mr. E. G. McWilliam, has shown that he is industrious, original and intelligent in connection with the discharge of his duties, and the Section is to be congratulated in having found such a capable and valuable man for the position. In his report he will give you in detail an account of his activities; but it is the opinion of many that the Section never enlisted in a more important and far-reaching plan than the endeavor to educate the people upon the subject of thrift and economy. The attention of many persons, who had become spendthrifts, has been arrested through the efforts of Mr. McWilliam, and a start made to a competence by the opening of savings accounts. The result of this work will continue to show for years. Every banker realizes that if the child is taught to save, it will form habits that will last through life, and, while the amounts of money saved by the school children in some localities is small, yet in time the banks will be amazed at the results of the school-savings scheme. In many of the savings institutions, the largest accounts to-day are in the names of persons who started small accounts when they were children.

The announcement of the death of Charles H. Huttig, of St. Louis, the president of the American Bankers' Association, occasioned universal sorrow among the great army of friends and acquaintances. He had been for a long time an active member of the Association, and by his warm, genial and sociable temperament he had attracted all with whom he came in contact. He was a man of unusual executive ability and intelligence, and his efforts in behalf of the Association were always upon a high plane and unselfish.

The officers of the parent Association, the executive officers of the Section, the members of the executive and special committees, the vice-presidents in many of the States, and various members of the Section, have all rendered efficient and helpful service in connection with the work of the Section during the past year, and I extend my heartfelt thanks to all who have made such contribution of their time and assistance. When my duties as an official of the Section are concluded, I shall always have a keen interest in the affairs of the Section, and shall be glad to aid in its advancement and success in the future.

We will now hear the report of Mr. William E. Knox, Chairman of the Executive Committee of the Savings Bank Section, and who also occupies the important position of Comptroller of the Bowery Savings Bank of the City of New York.

#### ADDRESS OF WILLIAM E. KNOX.

Mr. Chairman and Gentlemen of the Savings Bank Section: It is largely unnecessary for the Chairman of the Executive Committee to make much of a report, because in the nature of things what he has to say is covered very considerably by what the Secretary has to say in his report giving the detail work of the Section. But, as is customary, I have prepared the usual report.

#### Report of Executive Committee, by William E. Knox.

[Mr. Knox's report will be found on page 208 of this publication.]

THE PRESIDENT: We will now listen to the report of Mr. E. G. McWilliam, Secretary of the Savings Bank Section.

#### Report of the Secretary, E. G. McWilliam.

[We print Secretary McWilliam's report on page 209.]

THE PRESIDENT: In behalf of the Membership Committee, a report will be made by George E. Edwards.

#### Report of Membership Committee, by George E. Edwards.

[The report of the Membership Committee appears on page 209.]

THE PRESIDENT: One of the busy men connected with the financial affairs of the City of New York, and one of the most valuable, is Mr. Edmund D. Fisher, Deputy Comptroller of the city, and he is present this morning and has kindly consented to address us upon the question, "The Relation Between Fixed and Fluid Credit."

MR. FISHER: Mr. President, and Ladies and Gentlemen, the question, I suppose, which will arise in your minds is, what has this subject to do with Savings Banks, so I want to tell you why I have chosen it. When I was asked to speak before the House Committee on Banks and Currency in the early part of the year I was almost stunned by the dense ignorance expressed upon some of the simple principles of banking. I have since read the minutes of the Senate Committee, and when you find a prominent Senator continually reiterating the fact that he believes the best basis for currency in this country are good mortgages on real estate, you can see there is some need of education in relation to this particular subject.

Then, again, I understand that yesterday afternoon some of

our country bankers went back into the dim and distant past in taking the stand that the way to cash checks was by the direct collection principle of making charges for the service, and that clearings was really out of date. That is very much the position taken by the laboring men in England when machinery was first invented; they were afraid that their ability to earn money was assailed, so they had meetings all over England in opposition to the introduction of labor-saving machinery.

To-day your President has voiced the real vital point in relation to this subject, that the savings banks of the country are and must be fundamentally interested in any of the broad movements which affect banking and business enterprise. I am almost prepared to say that the savings banks of the country are more vitally interested in currency reform, and in this subject because the two go together, than those that are directly interested, because there is more of a subtle influence that comes through indirection than that which comes directly. The man directly assailed can protect himself because he knows how—he has the logical basis—the business that is indirectly assailed suffers through those subtle influences that frequently are not analyzed which come through this principle of indirection.

So, then, I have chosen as my subject what I call a price problem, "The Relation Between Fixed and Fluid Credit." This address will take approximately thirty minutes to read, but I have got to lay down a few academic principles that to you as bankers may seem very simple, but it is necessarily to provide for the logical evolution of the subject.

#### The Relation Between Fixed and Fluid Credit, by Edmund D. Fisher.

[The complete address of Mr. Fisher is printed on page 191.]

THE PRESIDENT: I am sure you will agree with me that Mr. Fisher has presented a very able and scholarly paper, and that I voice the sentiments of this audience when I present to Mr. Fisher our thanks for the paper and for his presence here today to deliver this address.

Mr. Sturgis, of this city, is Chairman of the Law Committee—Mr. John H. Sturgis, Chairman of the Law Committee of the Savings Bank Section, and we will now listen to his report.

#### Report of the Law Committee, by John H. Sturgis.

Mr. President, Ladies and Gentlemen: In view of the fact that at the Convention last year the standing committee of the Savings Bank Section was appointed to further the idea of segregation of savings deposits, to be known as the Segregation Committee, your Law Committee has taken no active steps in that direction the past year.

[We print the report of the Law Committee on page 210.]

Mr. STURGIS: Now this report as printed will contain here a copy of the Savings Bank Section of the proposed Currency Bill, and it seems unnecessary to read it at this time, because this short report is to be followed by a discussion of this section, and perhaps it may be then read section by section for discussion.

THE PRESIDENT: Before passing on to the discussion of the Savings Bank Department clause in the new Currency Bill, I want to simply make an explanation to the audience that W. J. Burns, of the W. J. Burns Detective Agency, had arranged to be present and make an address to us at this Convention, but he has been in Europe during the last few months, and within the last few days found it was impossible to sail for this country owing to the illness of Mrs. Burns, and he has sent word to us that he regrets very much on that account he could not be present and fulfill his engagement.

This afternoon we shall have an exceedingly interesting program for all those present interested in the Savings Bank Section, and Mr. Keene, of Washington, will deliver an address upon the subject of Postal Savings Banks. He is the new director of the Postal Savings Banks of this country. And we shall have a report from Mr. Robinson, who has had the Postal Savings Bank of the Association work in hand. And that will be followed by discussion of the proposed law that has been introduced in Congress regarding the raising of the limit of the maximum amount of deposits that may be deposited by depositors in the Postal Savings Banks. I hope you will all be here promptly at 2.30 o'clock, so that we may proceed with the afternoon session.

#### THE SAVINGS DEPARTMENT CLAUSE IN THE CURRENCY BILL.

With respect to this discussion upon the Savings Bank clause of the Currency Bill, I would say that we want to give everybody an opportunity to be heard on this subject, and we will call upon Mr. J. F. Sartori, the First Vice-President of the Savings Bank Section, and who is a member of the Monetary Commission and of the Federal Law Committee of the Association, to open the discussion.

Remarks of Mr. J. F. Sartori.

Gentlemen, as I was expecting to read the report of the Law

Committee, or was asked to in case Mr. Sturgis could not be present, I made a notation of some personal suggestions in regard to this section, 27, and will try to be as brief as possible. This Savings Bank Section has for years advocated the segregation of savings deposits. Whenever the subject has by report or in any other manner been submitted to the Executive Council of the American Bankers' Association it has been voted down. It was voted against in the late Chicago Conference. This Section has therefore refrained from officially urging the incorporation in the reserve bank act of this section, 27, which provides for savings departments.

Individual savings bankers have undoubtedly urged it or it would not be there. Since it is there it would seem proper and pertinent to suggest improvements and modifications.

While we have been advocating this idea of segregation for years, we think that it would be improper, in view of the fact that the suggestion and idea has never been endorsed by the American Bankers' Association in any official way, to interfere or suggest this proposed legislation, and I am quite sure that none of the committees of this Section, either the Committee on Segregation as such or the Law Committee—as had been charged—in any way suggested these provisions in the reserve act. The provision that the capital set apart shall in no case be less than \$15,000 is faulty, we think. This is too large an amount for the many small country banks. The alternative provision is better—20 per cent. of the capital.

The California banking act, for instance, provides for complete segregation in departmental banking. This section, 27, closely follows it, except in two respects—first, that each department may transfer securities and loans to another department upon receipt of the actual value thereof, providing such securities for loans are a legal investment for the purchasing department. This provision is put in there so in case a departmental bank cash in one department should fall and in another department should increase, that securities can be transferred from one department to another, and it is essential in departmental banking.

Second, that the by-laws shall provide that notice of at least thirty days, at the option of the bank, be required to be given of intention to withdraw. This section, 27, if made the law, should be amended to meet these requirements. That all deposits placed in the savings department should be subject to notice to withdraw. That is one of the distinctive features between commercial deposits and the savings deposits. The fact that a savings bank has the right to ask notice to withdraw, either 60, 90 days, or six months, is necessary in California. And if the savings department should take a checking account and should promise to pay it on demand it is in fact a deposit that is subject to notice to withdraw because the by-laws and State law provide that. This section, 27, if made a law, should be amended to meet these requirements, as I have above stated.

If section 27, which covers the subject of segregation quite fully as to the National Banks, is retained in the act, the question will be, what to do with section 10, which provides the method under which State banks and Trust Companies may become members of the reserve bank. Must they also segregate and organize a savings department under the provisions of section 27? And can many of them do so without suitable State legislation? Would it be just and equitable to compel National Bank members to segregate and permit State institutions who are members to become such without segregating? Manifestly not. This will therefore be a vexatious question which must be solved and adjusted. The bank which I represent is operating under the California departmental provision, and I can say it works well. All large banks are departmental. Our law provides for the apportionment of capital for the segregation of assets—all the assets of the savings department are segregated from the assets of the commercial department—cash, loans and investments, bank accounts, and our law provides that the creditors of each department shall have a first lien on its assets. Each department is run as a separate bank. For instance, when I come down to the bank in the morning I take the statement—there is one column for the savings department and one column for the commercial department, and in our State we also have a trust department. The three columns together make the combined statements.

Now, I can tell every morning just exactly how our business is running, whether the commercial or the savings department are increasing or decreasing, and I can compare the statement of any day with any other day of the year and the exact day of the year before, to see how our business is running.

There is a good deal of objection on the part of bankers to this segregation-departmental idea. I think the objection comes from those mostly who do not understand how it works.

There are numerous segregation laws in the State, and I have not yet found a man who has operated under a good segregation law as a banker who does not approve. The objection to it comes mostly from bankers who have not carefully studied it and who do not really understand it. The objection has been made by country banks that segregation would cause them to send savings deposits out of the community. It does not operate in this way, but quite the contrary. Many country banks now have savings deposits and Savings Banks on the side; they are all investing their funds at home. As I stated

in a meeting of the Executive Council one day a year or so ago, when this segregation idea was violently opposed, I said it did not make any difference how they voted on it, it was bound to come; it was one of the movements which could not be stopped by votes. I thank you.

**THE PRESIDENT:** Is there any one else who would like to be heard upon the subject? If not, before adjournment—I think the Nominating Committee is to report this afternoon, and I will name Mr. W. F. McLane, of Minneapolis; Mr. J. H. Johnson, of Detroit, and Mr. George E. Edwards, of New York City.

A motion to adjourn will be in order, and I hope you will all be back at 2.30 o'clock. Just one word. There is one matter I want to speak of, and that is a number of gentlemen who are present at this meeting, and members of the Savings Bank Section, have not registered as from this section, and we want all the names of the Savings Bank men registered at the Savings Bank Section at the Copley Plaza Hotel.

(The morning session adjourned.)

#### AFTERNOON SESSION.

**THE PRESIDENT:** Gentlemen, please come forward and take seats and we will open our afternoon session.

#### THE SAVINGS DEPARTMENT CLAUSE IN THE CURRENCY BILL.

Just before adjournment this morning we had the report of the Law Committee, and in that report you recollect some reference was made to pending legislation and to the clause providing for the savings department in the national banks; and down on the program this morning there was a place for discussion on that clause, but owing to the fact that our meeting had continued until after 12 o'clock, and no one responded readily, the meeting was adjourned.

I have thought that possibly some of you might want to make remarks upon the clause referred to, and at this time if there is any one that wants to be heard in the expression of his views we would be glad to hear him.

**MR. N. F. HAWLEY, of Minneapolis:**

Mr. President, I would like to say a few words. I think that the Savings Bank men were quite as surprised as anybody else to find that section when it did appear in that bill; at least I was. I do not feel responsible at all for its appearance, but now it is there and seems somewhat persistent in staying there, I think our attitude and our endeavors should be to make it as good as it can be made with friendly suggestions. I think when trying to suggest in reference to this legislation we should endeavor to get at the point of view of the people who have suggested it and who are endeavoring to put it into force. That in endeavoring to do this there should be legislation, and if we make the effort we should try to look at the point of view from which this legislation comes.

Now, I regard that point of view as this, that banks are no longer in that class of institutions in which they make money simply for their stockholders or depositors even. Banks are primarily now public servants; they are here to serve the people. If that view is correct, then it is proper that the public should to a proper extent take over the control in a public way all supervision of its functions. If our function is that of public servants, then it is not improper that the Government should endeavor in a proper way to control that service. If that is the right view, then this bill is framed properly; then it is framed from the standpoint of control of public servants.

Look into it from that point of view. That comes to the question whether banks throughout the country of one kind and another can possibly serve the public by not having Savings Bank departments.

Now, the great need we have in the West is a proper place for savings to be deposited, and it is true in the savings and national banks that such plans should be made so as to invite saving, increase the amount of savings, and to properly use those savings. One of the greatest objections made, and it is just to that point I am only really going to speak, is this—that the banks of the West, the national banks, generally fear if they are to be made Savings Banks that they must invest those deposits if they are segregated in certain slow, fixed securities like bonds and mortgages.

I think that is not the spirit of this bill, and in evidence of that I would like to read a sentence to show that this bill as now drafted does not support the idea—namely, that all assets segregated for Savings Bank purposes must be invested solely in mortgages and bonds. I will read only two clauses: "The savings department of such a national bank shall be authorized to purchase securities authorized by the Federal Reserve Board"—and turning over further along in the bill, "The Federal Board shall make and publish at its discretion lists of securities, paper and other forms of investment, which the savings department of the national bank shall be authorized to buy and loan upon; and such a list need not be uniform through the United States, but shall be adapted to the business in the different sections of the country."

In other words, in my part of the country they should not be solely limited to mortgages and bonds, but also include investments proper for Savings Banks that are safe and good paper for any kind of bank, including the savings department. The

great thing is that the security shall be safe, but the other important thing is segregation. Now, I think that is the main point of this whole matter of segregation. There should be segregation for the safety and protection of savings depositors throughout the whole country, but I think in our consideration of the matter and in our discretion there should be emphasis laid on the fact that the investment does not necessarily have to be in slow, fixed securities, such as mortgages and bonds, but can be in any sort of securities. That having been done, the funds that are secured by any community in the savings department may not be sent across the country, but invested right at home in the kind of securities that are there safe to invest in.

**THE PRESIDENT:** Now that this matter is open for discussion, I want anybody to feel free to express himself upon the matter. We shall be glad to hear from any who want to be heard before taking up the next matter on the program. Is there any one else who would like to be heard upon the subject?

**EDWARD L. ROBINSON, of Baltimore:**

Mr. Chairman, I think most of us do not fully understand just what the provision may be concerning these savings departments. Mr. Hawley read a few extracts, but I think it would enlighten us all if that paragraph was read in its entirety. I was under the impression, and some of my friends were also, that the clause relating to savings departments of the national banks was eliminated entirely from the bill last November. I have since been informed such is not the case, but the provision was made to apply to all the savings departments in all the national banks. If some one has the bill here it would enlighten us all if that paragraph be read.

**THE PRESIDENT:** I believe Mr. Hawley has a copy of the bill there, and you may pass it up and the Secretary will read the clause.

**MR. ROBINSON:** This is dated September 18, and it has been much amended from the issue of September 9.

[The Secretary read the bill.]

**MR. ROBINSON [Continuing]:** The feature of the bill just read by Secretary Williams is a recognition of the principle we have so long contended, and that is the principle of segregation, and that is of far more importance to us as savings bank men, the fact that these departments shall be allowed to invest amounts within the law with respect to savings funds. I do not know the attitude of the National Bank people towards this particular law, but I think it merits the approbation of this Section, and as a savings bank man I would like to commend very highly the principles of this act just read.

**J. M. DINWIDDIE, of Cedar Rapids, Iowa:** Mr. Chairman, I would like to get an expression—is this bill as read the equivalent of a savings bank within a national bank? This money is segregated; it may set aside a certain amount of its capital, and isn't that the equivalent of permitting the organization of a savings bank within a national bank? If it is, what would be the effect on the State law? Will that supersede the State law? Our State is not a mutual State—that is, the law is not a mutual law—but we have savings banks with stockholders. In a town the size of Cedar Rapids we must have at least a \$50,000 bill. Can a National Bank in our town set aside \$15,000 and run a Savings Bank in opposition to us? If it can, can it, and does it, set aside the State law in doing that?

I don't know whether that has been discussed or not; it is a query in mind at least. It seems to me in these days, when National Banks want everything—they have not even a Section—there is no more reason why there should be a National Bank Section of the American Bankers' Association than there should be a Savings Bank Section.

**THE PRESIDENT:** It is provided in the constitution.

**MR. DINWIDDIE [Continuing]:** It has been an eyesore to us. The National Banks want everything; they want to be National Banks and do a savings bank business. Even the Government is in competition with us in the Postal Savings Bank. It seems to me that the Savings Banks should argue for it and fight for the segregation of savings bank business, but I believe that some consideration should be given to the idea I spoke of, that of permitting the enactment of a law which, in fact, creates competition with the banks that organized under the law of the State—permit them to do it with less capital. In our country—I don't know how it is here, but we were not to lose funds because it was a postal savings bank except in territory from which it comes; our bank was a postal savings bank depository. We have received in the time we have been in our business—

**THE PRESIDENT:** There will be a discussion later on the subject of Postal Savings Banks.

**MR. DINWIDDIE:** That is just one more reason why we want to be careful on this question.

**MR. SARTORI:** Mr. Chairman, I want to ask a question. Most banks do a commercial and savings bank business; say, a national bank with a capital of 50,000 under this act would probably do the same business you are now doing.

**MR. DINWIDDIE:** There are few banks in Iowa that do nothing but a savings bank business. Ours is one of them. A man can do anything he wants to, and the law allows him to do it.

**MR. SARTORI:** Assuming that this Reserve Bank Act becomes

a law, of course, we all have our opinions on that subject, and assuming that this section 27 is incorporated in the act finally—in California—and I always like to refer to the California Bank Act, we have anticipated that condition, and the Federal Reserve Bank is so constructed that State banks will find it convenient or profitable or desirable to join the system which is the ultimate object of the Federal Reserve Act. We have anticipated that condition in California by securing the passage of a Section in the Bank Act, which reads as follows:

Section 56. [California Bank Act.] Any bank organized and existing under the laws of this State is hereby authorized and empowered to join or associate itself with any "National Reserve Association of the United States" or branch thereof, or any plan now or hereafter created or established by Act of Congress, whether such banking or currency association or plan be created by Congress under the above or any other name. Nothing in this Act shall prohibit any such bank from joining or associating itself with any such association or plan or branch thereof, nor from investing any part of its capital or surplus in the stock of such association, plan or branch thereof in accordance with the terms and provisions of such Act of Congress; provided, however, that such investment shall in no case exceed the minimum amount required to join or associate itself with such association, plan or branch thereof. Any bank joining or associating itself with such association, plan or branch thereof shall be permitted to conform to and transact its business in accordance with the terms and provisions of such act of Congress creating the same and rules and regulations of such association, plan or branch thereof, anything in this act to the contrary notwithstanding.

That, for instance, puts the banks of California in this condition of safety. If this Federal Reserve Act should become a law, if it should become desirable on the part of the State banks to take stock in it and avail themselves of these benefits, our State banks can subscribe for capital and transact business with it in accordance with the terms and conditions of the Federal Reserve Act.

And I think that all the States will have to—the legislatures of all the States—will have to make some such provision as this in order to enable their State banks to join this Federal Reserve Bank, if the legislature or the bankers of the State think it desirable for other State bankers to enter the system.

J. H. JOHNSON, of Detroit: As one of the original advocates of segregation—that method of handling deposits—I would like to ask my good friend from Iowa what objection there is to letting the National Banks do legally under a prescribed rule what we are doing now without rule. I have received dozens of folders in which the public advertise for saving deposits, but do not invest those saving deposits in the building up of their respective districts because they are restricted, and I am heartily in favor not only of allowing the National Banks to do a Savings Bank business, but in the charter and constitution under proper supervision. We must occupy our own ground. Segregation is inevitable; it is the proper method of handling savings deposits. We have tested it in fair and stormy weather, and we want to show you that in actual experience it is the only way of handling savings. I said some years ago—suggested the very thing that has come up in this bill, but I was told it could not be done, and they would not listen to it being done, and I am heartily in favor of segregation, no matter how much competition it gives us—the more the merrier.

Mr. J. M. DINWIDDIE: I should agree with Mr. Johnson that, if done at all, it ought to be done under proper supervision and under the sanction of the law. I believe in segregation also: I believe that the American Bankers' Association will come to that climax. I remember a few years ago the American Bankers' Association didn't even want to consider State Savings Banks when they started to make the currency law, and the president of one of the banks said it could not be done. It is being done.

Mr. A. C. SCHMITT, Albany, Ore.: I wish to ask a question. Do you understand that under this act a Savings Bank can be organized separate from a National Bank and go by the name of a National Savings Bank? Or would it be possible for a bank to organize as a National Bank and not do a commercial business, but do a strictly Savings Bank business, and not be known as a Savings bank?

We have the First National Bank and the First Savings Bank, and we have tried to use the name National in connection with the Savings Bank and could not do so. I wonder if under this act it would be possible to have a National and a Savings Bank governed by the act?

Mr. SARTORI: I should say not. I should say that the act as it now stands simply provides for the regularly organized National Bank, and, as I intimated this morning, if they retain that section in the act the whole subject will have to be gone into very carefully, and I have now some communications in my pockets handed to me by Mr. George W. Reynolds which indicate that the State bankers in Chicago are considering that feature of the act and going through it very carefully, with the idea that if it is going to stay there they will make suggestions in regard to the amendment section which provides how State banks shall come in; and some of these questions will arise in that suggestion and recommendation to Congress—whether or not the section should be so amended that the National Savings Banks will be allowed, but up to the present there is no provision for anything of that kind.

Mr. KNOX: Under the laws of the State of New York our savings banks are mutual, having no stockholders and all deposits belonging ultimately to the depositors. Alongside of the mutual Savings Banks we have commercial banks, which are prohibited by the law of the State of New York from using the word "savings" in so-called interest departments which are savings departments.

A good many of us in New York for a good many years have been advocating this matter of segregation for the sole and simple reason we think it is only fair for the class of people who deposit money in savings banks that they should have the greatest possible protection. In the large cities of the East depositors are people who know very little about business methods and very little about banks, and yet gradually have been educated up to the idea that a bank with the word "savings" over its doors is under special supervision, which it is, and their money is under the protection of very special laws; but here and there we find in the city of New York that the commercial banks with interest departments under the guise of those interest departments are cutting in on the legitimate business of Savings Banks. We haven't any objection whatever—many of us haven't, anyhow—many of us have no objection to any bank that wants to go into the Savings Bank business if they will do just what this act proposes to do—segregate the savings deposits and keep them absolutely separate and apart and invest the money of those savings departments in the same class of securities.

In New York, of course, there are no profits for the trustees of a Savings Bank, and we think if the commercial bank operating similar departments invests in the same securities they would find not much profit, and I don't think the competition would amount to a great deal.

We have in our city a very flagrant case of a bank similar in name to a savings bank next door, and having an interest department, having a sort of series of pass-books that number into the thousands, and people walking into the bank with some money seeing the same name over the door deposits are tendered and received, and many times they go away thinking their money is in an old bank established for three-quarters of a century; and are very much surprised when they walk into a savings institution next door that has pass-books with precisely a similar character of get-up, color and in every respect, and many a man said he wouldn't sleep a wink if he knew that his money was in such a bank and thought it was all the time in the other. I think perhaps the law is good and I have no objection to it. I think it might be improved by saying that the funds of the segregated department should be invested as directed by the Federal board if directed in the same way and in the same manner as savings banks in a particular State.

Mr. L. H. DINKINS, of New Orleans:

It seems to me that this legislation could only apply to National Banks. Every State has its own banking laws; the directors and stockholders of a national bank are just as much entitled to the right to establish the savings banks as any other corporations could be entitled to do so. In other words, there are numerous savings banks throughout the country that are absolutely branches of the National Banks; they are owned and controlled by the National Banks.

Now, I do not see how you can apply segregation to the State Banks if you want to adopt segregation with the savings banks which ought to be formed from the National Banks, the Government can unquestionably do that, but you cannot control savings banks already in existence unless with the consent of the State. Now it does seem to me that we are getting along pretty well. This savings system has grown from a membership of twelve—I originated this savings system—I was the first man who ever proposed it; I was the Chairman of the meeting and Mr. William Hanhart was the Secretary, and was subsequently elected the National Secretary. We organized in New Orleans with twelve men in 1902. I never dreamed it would ever develop into such a magnificent body as we have to-day.

It seems to me, therefore, that we are getting along so nicely that if the National Banks want legislation let them have it. I am satisfied with the situation in my State; we are doing well and I don't want any segregation. We have the habit there of allowing people to withdraw their account whenever they see fit. An old woman will come in and deposit \$20 and say she will never draw it out, is going to live on the interest and two or three weeks after she will begin to draw it out a dollar at a time. How in Kingdom Come can you apply that money in any investments? I suppose we could conform to any law or accommodation as other people could do, but it seems to me the Government and the National Banks are going to work out their own proposition.

THE PRESIDENT: We are honored by the presence of the Acting President of the American Bankers' Association, Mr. Arthur Reynolds, and it would be very gratifying at this time to have a few words from Mr. Reynolds.

#### REMARKS OF ARTHUR REYNOLDS.

MR. ARTHUR REYNOLDS: Gentlemen of the Savings Bank Section, I didn't anticipate when I came into the hall a while ago I was going to be called upon to address you. I assure you

that I regard it a very great honor to have that pleasure, although I didn't think at this time of making any extended remarks.

I have watched the growth and development of this great body, and I realize it is an important force in the affairs of the Association, as are all the Sections. I realize you gentlemen have many things in common that are not of so great importance to the other Sections of the Association, and I realize the importance of segregating the work of the Association in different bodies of this kind, and so far as I am personally concerned, and so far as the officers of the Association are concerned, as it has come to my attention, they are heartily in accord with all the work which you gentlemen have been promoting.

I was much interested just now in the discussion of Mr. Knox, Mr. Johnson and others here upon this question of segregating savings deposits. That is a question in which I have had a very great interest for a long time. I believe it is one of the coming questions to be solved, and I realize it can be solved first in a body of your own kind, where the men most deeply interested are on it, and it will probably spread to every Section of the Association and to every bank in the Association.

Gentlemen, if there is anything that the officers can do to promote the interest of this Section of the Association I assure you they will be very happy, indeed, to have an expression from you at any time. I thank you.

THE PRESIDENT: We are very glad, Mr. Reynolds, you came in and have taken the interest you have in the work of this Section.

The next on the programme will be the report of the Chairman of the Committee on School Savings Banks, Mr. N. F. Hawley, of Minneapolis.

#### Report of Committee on School Savings Banks, by N. F. Hawley.

MR. N. F. HAWLEY: Mr. President, on the recommendation of our committee the work of the School Savings Committee has been, in fact, merged in that of the Methods and Systems Committee. We were finding that the work overlapped to a certain extent, it was practically a duplication of the work, and this was done at the recommendation or upon the approval of your Executive Committee about six months ago. Therefore this report is practically a report of that date rather than of this.

[We print the report of the Committee on School Savings Banks on page 209.]

THE PRESIDENT: Gentlemen, Mr. Hawley is thoroughly familiar with the methods that have been used in school savings in the various portions of the country, and if any of you would like to ask any questions upon the subject we will pause to give you that opportunity. If anything occurs that you would like information on those lines I am quite sure he would be glad to give it to you.

MR. J. D. RADFORD: Mr. President, I move you the report be accepted and the recommendations carried out. I am sorry that it legislates itself out of existence. If the other committee could be made larger so as to take in this committee I would be well pleased.

THE PRESIDENT: You have heard the motion of Mr. Radford. MR. EDWARD L. ROBINSON, of Baltimore: I would say that some progress has been made in Maryland. We are a little slow for innovations in our State, we are rather conservative, and when they prove themselves good we finally adopt them. I would state that the school savings system has made a little progress in our State. A lady came into our bank a few months ago and asked if we had some furniture that belonged to the old banking institution that looked something like a bank to use in establishing a savings bank in the school she was the mistress of. I directed her to a place where she found a suitable screen and counter, and in a very few days she reported the gratifying news that they had set up this screen and counter in a corner of the schoolroom and had already taken thirty or forty of the children. It seems to me that the children were those given over to some sort of manual training whereby they were earning extra money. They were children we call deficient—I don't know to what extent the deficiency went, but they became adepts in the caning of chairs, etc., and were able to earn as much as four, five and six dollars. I have forgotten just the number of accounts started, but very gratifying progress was made in this little school in the corner of our city; and the school board has since invited us to extend the system through the city wherever there was sufficient demand for it.

I believe the school savings system will succeed even though started in a humble way like this, if there is sufficient influence over your school board, and suggestions on their part will be beneficial. I second the motion.

THE PRESIDENT: In all these reports made at this time, if there is no objection they are placed on file and follow the usual course and disposition is made of them in that way.

MR. HAWLEY: In this case there is the recommendation that the work of this committee be taken over by the other committee, and it meets the approval of the convention.

THE PRESIDENT: I will give you an opportunity to vote on this, and all in favor of the motion will say aye.

[This vote was carried in the affirmative.]

THE PRESIDENT: We will now hear the report on Methods and Systems, by Mr. V. A. Lersner, of Brooklyn, New York, assistant cashier of the Williamsburgh Savings Bank.

#### Report of Committee on Methods and Systems, by V. A. Lersner.

[The reader will refer to page 208 for the report of the Committee on Methods and Systems.]

THE PRESIDENT: This report certainly shows the fact that this committee has been engaged in a work very promising and of great value to the Savings Bank Section, and during all the time I have been connected with this Section the chairman of that committee has been one of our most valuable and efficient workers, and I know that the results of the activities of that committee will be very beneficial, not only to the members of this Section but to the general public.

There is a correction that should be made in the report where he speaks of the fact that in the city of South Bend, Indiana, the school savings idea is under promising consideration. It should be changed to the words "under satisfactory operation."

MR. A. C. SCHMITT: The same may be said of Portland, Ore.

MR. LERSNER: I might amend the report from New York as a matter of fact, because I learned a few days ago that the Board of Education has sent to the principals of different schools reference to the school savings system there and has made it obligatory on the whole department to establish that.

#### The Postal Savings System, by Carter B. Keene.

THE PRESIDENT: A subject in which all the members of the Savings Bank Section are always interested is the matter of the Postal Savings system, and we have succeeded in inducing Mr. Carter D. Keene, the Director of the Postal Savings system at Washington, D. C., to be here and address you upon the principles of that system. I have the pleasure of introducing to you, gentlemen, Mr. Carter B. Keene, of Washington, D. C. [Mr. Keene's address is printed in full on page 195.]

MR. LYNN H. DINKINS, of New Orleans: Mr. President, I move that a vote of thanks be tendered to Mr. Keene.

[This motion was seconded and passed.]

THE PRESIDENT: This is evidence of the high appreciation for this very excellent address. Mr. Keene has given some very interesting facts in regard to the Postal Savings system in which every member of this Section is vitally interested.

We will now hear the report of the Chairman of the Committee on Postal Savings Banks, Mr. E. L. Robinson, of Baltimore, Maryland.

#### Report of Committee on Postal Savings Banks by E. L. Robinson.

Mr. President, Gentlemen and Ladies: I have no formal report to make to this body, as you probably are aware of the fact that I was with—or rather that this committee was the creature of the Executive Committee, and my formal report was made to that body yesterday. I may say, however, for your guidance, that when I was appointed a special committee to wait upon the Department for certain information, and to keep in touch with the progress of Postal Savings Bank work, in accordance with that commission I called upon Mr. Weed, the then director of the Postal Savings system in Washington, last February, and ascertained from him that the figures at that time were something like \$33,000,000, and probably 300,000 accounts.

I am advised that those figures were approximate, as it is quite difficult to find figures of a given date until several weeks have expired for the purpose of getting together the data. Since February the system has grown, and Mr. Keene has just furnished us with the figures as of this date.

The calculation furnished by the Third Assistant Postmaster General is that we have probably now in the Postal Savings system \$38,000,000, divided among 380,000 depositors, showing an approximate balance of \$100 to each depositor. I think Mr. Keene has said we have a little over 12,000 post-offices, and that the average for each throughout the country is something less than \$3,000—2,600 and some odd dollars.

The remarks of Mr. Keene in his opening address were so very amiable that I felt it would be exceedingly difficult to find it in my heart to say a hard word concerning the Postal Savings system. All of you know that as an organization we were opposed to the establishment of the Postal Savings system fundamentally, and many of us still believe that it was an economic mistake. That is a matter of opinion. Mr. Keene and I do not agree on that point, but we have absolutely no quarrel between us because I have felt, and many of us still feel here, that the Government should not enter the banking business; but if the interests of our people are better served in that way, I should be bound to forego the conclusions I have reached in my own mind concerning that proposition.

The matter, however, that has agitated us is not the Postal

Savings Bill as it exists at present, but as it may be amended by successive Congresses. I do not know that many of you have kept pace with the progress of legislation concerning that system. At the present time I think the law is unamended as originally passed.

MR. KEENE [Interrupting] Except as to minor details of administration.

MR. ROBINSON [Continuing]: Except as to minor details of administration. You know that 95 per cent. of the funds deposited in any one community are kept in that particular community and deposited in banks of that particular community. There are bills pending in Congress now for the purpose of changing this. One bill would say that 65 per cent. of this 95 per cent. deposited in banks of various local cities should be invested in municipal bonds or other kinds of fixed investments; another bill would alter the rate of interest of the depositories; and other bills alter the measure in other minor respects. But the matter that has troubled us more than anything else is the bill introduced by Senator Bankhead, desiring to remove the limit entirely in the amount which may be deposited by a single depositor. At present no one can deposit more than \$500, I think, \$100 a month; and in the aggregate no one can have more than \$500.

The intent of this bill is to remove that limit entirely and permit postmasters to receive any sum up to \$1,000, upon which interest will be allowed, and beyond \$1,000 any sum that may be tendered. As you are aware this is contrary to the practise of savings banks everywhere, at least wherever there are savings bank laws. In the State of New York I think the limit is something like \$3,000; in Massachusetts, \$1,000; and in England, in connection with the Postal Savings Bank Bill, I think the maximum amount allowed by law there is something like \$1,000.

And so we feel that the removal of the limit absolutely would be something that would be harmful and detrimental to the interest of perhaps the local banks, and be against the principles—savings bank principles as at present recognized in most communities.

Now, in order to ascertain from the department just how it stood, I directed a letter to Governor Dockery and have his letter in reply before me, and would be glad to read it at this time in your hearing.

[Reads letters of Governor Dockery, but retains copy of same.]

MR. ROBINSON [Continuing]: A copy of the bill in question was enclosed, but I think many of you have seen a copy of this bill in which the limit is absolutely removed, and saying that postmasters are clothed with the power of receiving any sum that may be tendered.

Now, it is just in respect to that particular matter that this discussion has come up, and for the purpose of opening the discussion upon that point I would like you all to know just how the department views that particular measure. I think both sides of the question should be presented, and would like to assure Mr. Keene that the system that he represents is not a system we are going to oppose in any active manner if it can be possibly avoided, and are perfectly willing that all ammunition in our possession should be at his disposal. So with that in mind we sent to Pittsburg for something about the operation of the Savings Bank Law there when the recent financial disturbance took place. That city has a very large foreign population, and it was supposed it would be a critical test of the postal savings system and the attitude of foreign depositors manifested towards postal savings banks. I have knowledge gained to some extent through official sources, and gained in other ways from local sources, that the postal savings deposits almost doubled in Pittsburg during the time of that distress. That would indicate that the people did become frightened and did withdraw from other institutions and placed their deposits with the postal savings banks.

On the other hand, it may be argued that the very fact they had a channel for the deposit of their funds operated to the advantage of that particular community, otherwise the money might have been removed and hoarded permanently, while in this case it found its way immediately through channels of trade. So I asked Mr. McWilliams to direct a few inquiries to the banks of Pittsburg and ask them to outline their experience in this matter.

[Mr. Robinson then read from a series of letters, which were not handed to the reporter.]

I think it safe to say, gentlemen, that the experience of all of us will bear out the theory that the money now on deposit in the postal savings bank system is money that has not come from our banks. It is not hard to establish, but, on the contrary, every community where postal savings banks are thriving has benefited by money put in their care by local postmasters, and, so far as I am concerned as the Chairman of this Committee, my mind is entirely open. I don't know as we will have the right—I cannot do it at least—to oppose the passage of the Bankhead bill on the ground that it might in times of financial stress prove a burden to existing agencies for savings. In view of the fact, it certainly would probably double the amount, due to the credit of the postal savings system in a short while.

I presented to the meeting in May certain estimates that

were furnished by Mr. Weed, then director of the postal savings system, that at least \$38,000,000 or \$40,000,000 had been turned away by local postmasters because of the fact that the Government would receive only \$500. I have been credibly informed that in a certain city a man of considerable supposed business sagacity, but unwilling to trust the agencies at his disposal for taking care of savings, has tendered a large sum to the local postmaster which under the law must be declined. This money, I am frank to say, I believe would be now circulating in the banks of this particular city if his request had been granted. So with this unprejudiced statement of the case I leave the matter to your further discretion.

THE PRESIDENT: I would be very glad, gentlemen, to hear from any of you who would like to make some remarks.

MR. JOHN C. GRISWOLD, of New York:

Mr. President, I simply wanted to ask you if it would be well in Mr. Robinson's case to take special note of its acceptance, and also to hand with it an approval of his sentiments, or not. I would like a discussion, if you please.

THE PRESIDENT: The Chair recognizes Mr. W. R. Creer, of Cleveland.

MR. CREER: Mr. President, Ladies and Gentlemen.—A Sunday school teacher was talking to his class about the parable of the prodigal son, and wishing to draw out the fact that the elder brother who stayed at home wasn't hilarious in his joy over the return of the prodigal, the teacher said to his class, "My dear children, there was some one who wasn't happy during that time, and who was it?" After awhile one boy held up his hand, and the teacher says, "Tommy, who was it?" And Tommy replied, "The fatted calf."

It may be a grand thing in surgery to know that from the brains of the rabbit or the cat a man or woman's life may be saved, but it is rather tough on the cat or rabbit, and that is one of the phases of this postal savings question. We haven't met it yet, but in times of peace it is well to prepare for war.

Now, in the letter that has been read here from the city of Pittsburg it would seem to be a confirmation of the whole plan of postal savings, but it is not a representative communication, it seems, because it is not from a strictly Savings Bank district. You say for forty years, sir, this question has been passed up and down, and hundreds of bills have been introduced before this was instigated, but for sixty more before the beginning of that forty years there was a mutual savings bank in the city of Boston, and it has been carrying out its functions, and has in its possession to-day more than \$50,000,000 of the savings of the people, a sum much greater than has yet been entrusted to the United States Government in the postal savings department. What would happen to that institution if there was a run made upon it by a panic, and a panic comes, gentlemen, not from cause so much as from fear—the strongest financial institution in the city of Boston, the oldest financial institution in the city of Boston, may be made the subject of a psychological mania; that is what a panic is. This bank receives no money that comes back from the Government; it cannot accept postal savings from the Government. Your bank, brother Robinson, does not get any money from the postal savings of Baltimore; my institution in Cleveland could not get a dollar from postal savings there, and it might bolster up the national bank, and it might be of advantage to the city banks, but it would be very tough on the calf, and you and I would be the calf.

MR. DIXWIDDIE: I certainly enjoyed the paper read by Mr. Keene and the report made by Mr. Robinson. I do not want to criticize Mr. Robinson's report, but I would rather see a report which takes a stand somewhere. The report gives just what we have felt may be right, but it may be wrong. If it is right it's right, and if it's wrong I cannot help it. The letters read have been from people who have told their experiences with foreigners. The postal savings bank is not limited to places where foreigners only live, and the gentleman says we have not made a test yet.

Mr. Keene says the postal savings bank is an established fact, but we have yet to establish the fact, because you have got to listen and reckon with the great American depositing public; it is not the foreigner alone, but it is the man who gets scared, and you have got to reckon a man cannot put deposits back into a bank until after the bank has paid out, and in a run the postal savings bank is not going to be of advantage.

And that is what I fear—the time coming when through fear and other ill action the people will flock to the banks without reasons and draw money which is perfectly safe and put it over to postal savings. I know from talking with farmers, who are not foreigners either; they may have been two or three generations back, but are not now; they are the American depositing public, and the very moment the limit is taken off and they see a place to put money for their descendants, they will do it, with interest or without. It is safety they look for, and they trust the Government as being the safest that there is. A bank, no matter how carefully it is supervised, is not safe in time of panic.

Now, after you have a panic and you have met that, if it operates where foreigners live, I am going to be altogether in favor of postal savings, but until that time comes I think I have got to look out for the reserve national.

THE PRESIDENT: I think the discussion should be strictly

confined to the proposed act that is pending to remove the limit from postal savings deposits, and I am sure that Mr. Keene will be very glad indeed to hear expressions coming from gentlemen acquainted with the Savings Bank Section in all portions of the United States, but I think it should be confined to that.

MR. CREER: That is just the very thought I want to express, and I want Mr. Keene to get what I say. These institutions have been established for a hundred years; they have done valiant work in building up thrift and economy in this country, and there is no possible avenue by which money withdrawn from their vaults in time of panic can come back to it again through the operation of the Post Office Department. They would be drained, and the postal system of the United States, successful as it may be, achieving the highest place in this present administration, or the administration that started it on its journey—its highest achievement would be dearly bought if in accomplishing that fact it strewed along its way the wrecks of the mutual savings banks of this country, even in a few instances.

THE PRESIDENT: The Chair recognizes Mr Radford, of the Hibernian Bank of Los Angeles, Cal.

MR. J. D. RADFORD: When this matter was under discussion, the organization of the postal savings bank, it happened to be at a time I was at the head of the State Bank Association of California, and I made the statement then that I believed that the organization of postal savings banks would bring into existence money which wasn't now deposited in the savings banks.

I prophesied better than I knew. Statistics show that the larger deposits are where the foreign-born population is the largest. I can look back now over two years of its existence and I cannot see a single wreck strewing the sands of time where any money has been taken out of the banks already existing and put into the postal savings bank. I believe it is bringing out into the daylight and into use a great deal of money which would otherwise be hoarded, and I am most heartily in favor extending the limits, or in taking off the limit entirely. So be it—so that any foreigner—anybody who wants to can deposit any amount of money they want to, and if they are willing to accept 2 per cent. on \$1,000 and let the rest of it lay there, well and good. I don't believe there will be a single wreck strewing the sands of time.

MR. CREER: I hate to think my friend Radford is either unable to understand what I have said, or that I am incapable of making him understand, the idea that I am trying to convey.

Now, I have not any objection to the postal savings bank. That is No. 1. I welcome it now as an instructor and educator in thrift. I am in favor of the State Bank having a savings bank department; I am in favor of the National Bank having a savings department; I am in favor of any bank being of the greatest possible service to the community, but I am talking about the lifting of the limit of these postal savings banks.

Mr. Weed told us of somebody coming with \$20,000 and wanting to deposit it in the postal savings bank. Is that a savings deposit?—I say it is not. The average savings deposit in the United States is less than \$500.

When we are catering to savings banks twice that amount ought to take care of the legitimate savers of the United States. When a man brings \$20,000 to the postal savings bank, he is one of two things: he is either a crook or crazy. He is a crook because he wants to put money where it is beyond the process of law; he wants to cheat his wife or his creditors. That is one reason, and a man living in a town like Boston or Cleveland, where everything is being done for a financial institution, and they are unable to take care of his money, there must be something the matter with his works up here [indicating head].

We don't have any wrecks until after a storm, and the storm has not struck us yet [great applause].

MR. KNOX: I had the pleasure a few weeks ago of having a call from Mr. Keene. I didn't know at the time he was going to address us here to-day, and I think he will bear me out in the statement I make that I said the institution I represented, as most of the institutions of the same class—the Mutual Savings Bank of New York—didn't oppose the postal savings bank. We welcome any agency that will work for the betterment of the people, and if the National banks want to have savings bank departments we are very glad to have them come.

The attitude that postal savings will act as a feeder to the Mutual Savings Bank, that has been its history in countries on the other side of the world where they have postal savings banks. That is absolutely the fact, and the same fact has been demonstrated here; money comes into the postal banks that would never get into a mutual bank.

So far so good. If they pass a law raising absolutely the limit that a man may have on deposit in a postal savings bank, and if we have such a panic as struck us with more or less severity in different parts of the country in 1907, it is quite possible for us to imagine large numbers of depositors going to a mutual bank and drawing their money and depositing it in the postal. That would not be an unmitigated evil if it was

possible for that money to come back into the vaults of the mutual banks to meet the demands of their depositors, but there is absolutely no way for that money to come back. In New York, even if the mutual savings banks were disposed to become the depositories of postal savings money, we could not do it. Take my own bank with deposits of a hundred million, we have seen in times of panic long lines of depositors coming to withdraw their money, and we could very readily pay out all the money we had in sight and all on deposit in other banks if we could get it. We could apply our sixty-day clause, but at the end of that sixty days, unless the panic had subsided, we would still be confronted with the possibility that people, knowing the absolute safety of the Government, might come to us in spite of our long career and reputation, and say that they would rather take away their money and put it into the postal savings bank. That particular thing might be a menace to the Savings Bank.

There has not been any time during the panics when the application of the sixty-day law has not quieted people down, so that when the time came they were given notice they could withdraw their money, they did not come.

In insurance, when the withdrawal clause was applied and we asked for time, the people who gave us notice on the first afternoon when that law was put into effect—that they wanted sixty-days and would withdraw something in the neighborhood of a hundred thousand dollars, there was exactly \$10,000 of that money withdrawn at the expiration of that sixty days.

But if there were no other places that people could see that was a little bit safer than the one old established Eastern Savings Bank which the people have confidence in, they might withdraw and put their money into the postal savings bank. Not because we are opposed to postal savings, but we are opposed to that particular clause which might be a menace to ourselves, we ought to put ourselves on record as not in favor of that particular clause. [Applause.]

MR. J. H. JOHNSON, Detroit: In connection with the deposits of Postal Savings Banks, in order to bring the matter to some definite point, I would call attention to the fact that it is our experience everywhere with postal savings—the mutual Savings Banks are not opposed to it, but see a danger point.

I would call attention to the fact that the Government is willing to work with us, and in turn we should work with them. We found the \$500 limit didn't hurt us, and I am, in favor of letting them take the \$1,000 limit—with this suggestion, that instead of giving the people the unlimited right to deposit, that, as a test to prove or disprove the theories advanced, that they be given an additional \$1,000 without interest, but not an unlimited amount. I would also suggest that the mutual Savings Banks in conference with the postmaster-General evolve some form by which the mutual bank can be protected because of the danger which exists at the moment under the present law. With the limit of \$1,000 additional without interest, and with the protection that is necessary or should be given to the mutual Savings Bank, I feel quite sure we will have very little feeling against the extension that they ask us for.

THE PRESIDENT: Will you make a motion? Are we to consider that as a motion you were making on the suggestion?

MR. JOHNSON: I would like to test the meeting, and if it approves will offer a resolution.

MR. C. P. SMITH, of Burlington, Vermont: I just want to say that I have been in the active management of Savings Banks for twenty-five years. We had when I commenced a million and a half of money and we had between 1,500 and 1,800 depositors. We have about \$15,000,000 on deposit and 30,000 depositors now; and when the Postal Savings Banks were being agitated and the bill was in the Senate I read it very carefully and with a great deal of interest.

And I wrote at that time to the Senator who had the matter in charge, advocating Postal Savings Banks, very much in opposition to the feelings of my banking friends both in Boston and New York. I believed then as the result of my business connection with the West, particularly in the smaller towns, and my knowledge of the South, where mutual Savings Banks did not prevail, that the postal savings would be just what it has come to be; it seemed to me it was just what this country needed.

I believe it would be perfectly safe to make the limit \$2,000, for I believe there are a large number of people who will not deposit their money in the banks but will deposit in postal savings, and it is better to have it there than it is to have it in their stockings or in other places of hiding. It goes back into the bank and in that way comes back into the mutual Savings Banks.

I have been through two severe panics when we had rather dry times, but I never had any trouble in getting all the money I wanted if the other banks had the money and I had the securities. I don't believe there is any trouble; I believe the fear that Savings Banks now have is the same fear they had when they were opposed to the establishment of Postal Savings at first. I believe it is perfectly safe to have the \$2,000 limit, and I believe the time will come when the Government can safely increase that. The same reason does not hold good with the Government that would apply to a State or a mutual Savings Bank. The reason I never have wanted the privilege of taking large amounts in our institutions has been that I didn't want to take

care of it in the time of panic. It is not the purpose of mutual Savings Banks—

A MEMBER: What is your limit?

MR. SMITH: Our limit in the State of Vermont—our own institution is \$2,500, at my suggestion. We made the limit at \$2,000 when our State had no limit. Then the State made a limit of \$2,500, which I think was unwise, but we then made the limit \$2,500, which we hold to strictly.

A MEMBER: What is your average deposit?

MR. SMITH: Our average deposit is a little less than \$500.

I have listened with a great deal of interest to this discussion here this afternoon. I believe, as I have already said, that the mutual Savings Banks are more scared than is necessary; I really believe that the same principle applies to mutual savings interests and to every man who has anything to do with them and has been able to watch them and go from the community where he has had to do with them—I believe the same thing will apply to the whole country. We are encouraging thrift and doing it safely and not injuring any banking institution at all.

MR. SARTORI: Mr. President, in view of the fact that this is a great question and that it cannot possibly be boiled down into a small resolution, and in view of the fact also that on that subject there is so much diversity of opinion, and in view of the fact that our Executive Committee is to meet at the close of this session, I move that this resolution of Mr. Johnson's be referred to the Executive Committee for action and report.

[This motion was seconded.]

#### ACTION ON RESOLUTION TO EXTEND LIMIT ON POSTAL SAVINGS DEPOSITS

THE PRESIDENT: Are you ready for the question? The motion is that made by Mr. Johnson—that it would be the sense of this meeting that this Section would approve of the Government's raising the maximum amount that may be deposited by a depositor in a postal savings bank to \$2,000, \$1,000 thereof to draw interest the same as the \$500 now draws, and the other \$1,000 not to draw interest. That was the motion made by Mr. Johnson, but the motion now made by Mr. Sartori is to refer the whole matter to the Executive Committee of the Savings Bank Section, and have them take such action and take it up with the department and express such views as may finally be determined upon by a thorough examination.

MR. DINWIDDIE: Do we know we are going to have that expression? I think we ought to have the Executive Committee express themselves first.

THE PRESIDENT: It would not be possible to get an expression from the Executive Committee until they have had an opportunity to get together and consider the matter, but I think that the action of the Executive Committee would be entirely satisfactory to the members of this Section, and that it would fitly represent the sentiments that have been expressed at this meeting.

MR. JOHNSON: I would like to correct one word. I didn't say we approved of the move, although I personally do. So many of my brothers have opposed me from the start that I am willing to concede to them and say we do not oppose the change. I think that would be better; we cannot consistently—although I have fought it all alone in the Denver Convention, and a majority of the members didn't agree with me.

I say now this resolution should read that we do not oppose the change to \$1,000, and I am quite willing to accept the amendment of friend Schmitt that the limitation shall be increased to even two or three thousand dollars. But I want it tested out that the creation of the postal savings bank is not going to hurt our business.

I may confess that I helped draft that portion of the postal savings bank bill, and I think in drafting that bill I did you a good turn, because the bill as originally drafted was very harmful; and in giving the ideas of myself and a great many of us I helped shape that early so it didn't do you any harm.

I think we want to help along and give the Government our ideas and experience, and I am sure they will meet us. That is why I offer the resolution. I think, as my friend from Iowa said, that we want an expression from that Executive Committee before committing ourselves into their hands. I think this body should govern itself; the committee should at least have an expression from the body present as to what they think of it. [Applause.]

MR. GRISWOLD: Mr. Sartori, I believe, moved that the resolution offered by the gentleman from Detroit should be placed before the Executive Committee, and that they were to report to this meeting—I wasn't sure whether to report to this meeting or act with power.

THE PRESIDENT: I understood the motion of Mr. Sartori was that the matter should be referred to the Executive Committee with power for consideration and a report.

MR. DINWIDDIE: Report when?

THE PRESIDENT: At the next meeting of this Section.

MR. DINWIDDIE: I want to second the motion to get it before the house.

MR. SARTORI: I do not imagine there is any savings banker who will object seriously to raising the limit \$1,000, as the

next step, but when it comes to the question of taking out the limit, or making it \$2,000 or \$3,000, or no limit at all, that is a serious question, and that is a question that should be considered very thoroughly and on which we should not go off at half-cock. It is the non-limit part of Mr. Johnson's motion that I personally object to. The \$1,000 limit, or any other reasonable limit, say \$1,500—whatever the Government considers the proper amount—I personally would have no objection to; I am in favor of the postal savings system, provided it is held within reasonable bounds, as far as the limit is concerned, and on the question of limit there is much divergence of opinion.

MR. JOHNSON: We do not oppose the raising of the interest bearing deposit to \$1,000. We do not oppose raising the non-interest bearing deposit if the same does not exceed \$2,000; the latter, to be distinct for our benefit as well as the Government's, I would make that clear.

[The motion is seconded.]

THE PRESIDENT: That is open to discussion, and the Chair recognizes B. F. Saul, of Washington, D. C.

MR. B. F. SAUL: I think the bankers want to act with the Government in this matter and try to make the postal savings system a greater success than it is. It has worked out so well and has done no harm from the fact that it is under proper regulations.

Now, if it is working well we do not want to make a change in those regulations and make it harmful. Very likely the increasing of the amount from \$500 to \$1,000 under the present regulations of taking not more than \$100 in one month I think will do no harm. It may take a little money out of the bank, but if it does it will be so small as not to be felt. To increase the amount two or three thousand dollars is entirely unnecessary, and we know in many communities where some institutions pay 4 per cent. and some less they get very little deposits because of the confidence people have in institutions paying the less rate. If that applies even among institutions, how much more would it apply to the Government, and if the postal savings banks will accept two or three thousand dollars it will drive a great deal of money out of the savings banks, I am sure.

But the bill as submitted, which is now before Congress, increasing the amount to \$1,000, I believe will be approved by bankers here if you remove the unlimited part of it; that is, limit the deposit to \$1,000. If that should lead to the putting of an amount of money in the Postal Savings Bank in the time of panic it is undoubtedly a fact that a great many will withdraw their deposits from the banks at such times, because they have less confidence in the bank in which they have savings than they have in other banks in the community; but in time of panic if they can take a limited amount to the Postal Savings Banks they will undoubtedly do so.

I believe that the members here present will probably approve an increase of the amount now accepted by the Postal Savings Banks from \$500 to \$1,000, and the same amount per month, but I do not think that we should suggest any increase over that.

THE PRESIDENT: This pending bill removes the limit altogether. A man could deposit \$50,000 in a minute if he wanted to. The limit of \$100 a month and the limit of depositing any specific amount—he can deposit as much as he wants to with the Government.

MR. ALFRED L. AIKEN, of Worcester, Mass.: I cannot see the advantage derived from the passage of such a resolution as offered by Mr. Johnson, and I cannot conceive of the authorities at Washington accepting it as of great weight. It seems to me that such an organization as this should go very slowly before it formally passed any resolutions, either of approval or disapproval, of what is being done in Congress. It seems to me this matter has not had sufficient consideration, and it would be very unwise at this time to pass a resolution commending an increase in the limit of deposits in Postal Savings Banks. I can see no advantage to be derived from it whatever.

MR. GRISWOLD: I approve of the opinion of the gentleman from Worcester. It is a great question and cannot be settled by a resolution given off-hand. I recommend, if it be the sense of the meeting, that it approve of any change in the laws affecting Postal Savings Banks toward the end of an increase in the amount allowed to be on deposit with them, and that a committee be appointed by yourself [the President] of three capable men to prepare a properly worded resolution which will set forth the sentiments of this meeting toward the end that perhaps it approves of the limit of interest-bearing deposits in the Postal Savings Banks being \$1,000, and that they may receive an added thousand dollars which shall bear no interest; and particularly to express its disbelief or disapproval in any unlimited deposit being permitted to be placed in the Postal Savings Banks of the United States.

MR. RADFORD: Isn't that the purport of Mr. Sartori's amendment except that he names the Executive Committee?

MR. LUCIUS TETER: There is a principle involved here. May I digress to say that in the light of history perhaps we should remember a thing or two? I happened to be a member of this Section that carried on the campaign among ourselves with reference to the present law. The banks were misunderstood



then, as they are now, by the people interested in currency reform. As a matter of fact, Mr. Johnson went down to Washington to help draw this present bill, which he would not have done if it hadn't been for happenings then.

We were opposed to the Postal Savings Bank on principle, and it was very largely due to the co-operation that this Section gave that the members of Congress acted in forming the present bill.

Now, as a matter of fact, the attitude of this Section, and the attitude of bankers generally, is co-operative. I repeat that they always were misunderstood, and probably will be always. The particular principle involved here is this: that at the time the bill making the present law was put before the country, thousands of dollars of free publicity was given in literature from Washington setting forth the great need of the postal savings system. As an educational influence in the United States members of Congress make representations without any limitation whatever and at all times that the postal saving was primarily for an educational influence and to take care of the funds of those people of humble means unable to take care of the larger sums; and that was the thought running through the whole thing. And the suggestion that the money that came into postal savings be returned to the community from which it originated through the channels of the various banks originated in this way.

Now, the question simply is this: Do we believe that the Government should go further? There is not any question at all, but you can conceive of the Government taking care of the money of all of us, but the question principally involved is as to whether having started an educational campaign of caring for this and returning the money to the community, the amount should be raised to an unlimited amount.

My own personal feeling in this matter, not even representing my fellow bankers in Chicago, is that if the Government is finding this amount should be raised—the small amount to continue to take care of the same people and for the same education purpose for which this law was passed, then that is the proper matter for consideration. But that the entire limit should be taken off, and these postal savings banks be used for caring for large sums of money, seems to be contrary to the theory of the law as first promulgated and which was represented to us. And while it has not as much weight these days as it used to have, it is putting an additional burden upon the Federal Government, which is already being burdened excessively with the Federal income tax and other things for carrying on these eleemosynary features of our Government. [Applause.]

MR. BEEBE, of Salt Lake City: I desire to say a few words. When this bill was agitated I received it with all my heart and received any legislation which would encourage the people to save up their means.

I think the bill has well fulfilled the purpose for which it was intended, and I think when we raise the limit to an excessive amount we lose sight of our neighbors, the commercial bankers. I know full well that those who represent this Government at Washington have no desire to do anything to interfere with the industries of this country; they wish to legislate for them and in their favor; but it seems to me that this measure is going through a period of evolution; that we should advance carefully and not go to great excesses in granting without opposition or at least without a pronounced and well defined feeling that the savings banks have wishes in the matter according to their lights as they see them.

There has been much good said here to-day, but we are getting away from a very important thing when we look over our brothers, the commercial bankers, and we are going too far when we take the lead and give our Government the right to enter into a banking business in a manner like this.

As far as my institution is concerned, we have about \$7,000,000 distributed among 27,000 people, with an average of \$240, and we like deposits when we can get them. My friend Creer said we have had no storms of late, which is very true. Personally I would like to see this amount received by the postal savings banks increased possibly to \$2,000; I have had this thought all through the discussion, but I see no reason why any further amount should be received by the Government at this time. It seems to me they are covering the ground very well when the amount they shall receive is limited to \$1,000.

Now we get about 25 per cent. of the postal savings, and people in Salt Lake City haven't done very well to the Postal Savings Bank, and I don't think more than \$100,000 are in the Postal Savings Banks in that city. I see this danger in a time of stress, that they will take it from one place and put it in a place of safety, even if it be a tin can—and in times of stringency they will withdraw their money.

#### POSTAL SAVINGS RESOLUTION TABLED.

MR. AIKEN: It seems to me we are so far apart in our discussion of this matter we are not likely to arrive at any definite conclusion; therefore I move that the whole subject be laid on the table.

[This motion was seconded by Mr. Radford, and was put to vote and carried.]

THE PRESIDENT: It will take but a few moments, gentlemen,

and I will be glad if you will stay until adjournment. You will now hear the report of the Nominating Committee appointed this morning.

#### NOMINATIONS AND ELECTIONS.

MR. W. M. McLANE: Mr. President.  
THE PRESIDENT: Mr. McLane, of Minneapolis.

#### REPORT OF NOMINATING COMMITTEE.

BOSTON, MASS., October 7, 1913.

Mr. President and Members of the Savings Bank Section:  
Your nominating committee take pleasure in offering to you their report, believing that the men we recommend will serve you well.

For Vice-President: J. F. Sartori, President Security Trust & Savings Bank, Los Angeles, Cal.

For Vice-President: William E. Knox, Comptroller Bowery Savings Bank, New York.

For members of the Executive Committee, to serve three years: Charles S. Norris, Treasurer Home Savings Bank, Boston, Mass.; V. A. Lersner, Assistant Cashier Williamsburg Savings Bank, Brooklyn, N. Y.; Henry Schachte, President Germania Savings Bank, Charleston, S. C.

In so short a time it is not possible for this committee to ascertain the desires of the several States as to State vice-presidents. We therefore recommend that the president be asked to make such appointments.

Respectfully submitted,

GEO. E. EDWARDS,

J. H. JOHNSON,

W. F. McLANE,

Chairman.

THE PRESIDENT: If any of the delegates will mention to the President the names of members they would nominate for Vice-President of their respective States I am sure I will appreciate it.

MR. RADFORD: I move the acceptance of the report as read.

THE PRESIDENT: I think a motion would be in order that the Secretary be instructed to cast the vote of the Section.

[This motion was seconded and put to vote and carried.]

THE PRESIDENT: I would like to have Mr. Sartori and Mr. Knox come up on the platform.

Gentlemen, I am very glad indeed to present to you your new officers, Mr. Joseph F. Sartori, President of the Security Trust & Savings Bank, of Los Angeles, Cal., and Mr. William E. Knox, Comptroller of the Bowery Savings Bank, of New York City. I think these gentlemen can rightly be named the Napoleons of finance of the Atlantic and the Pacific Coasts, respectively, one being President of the largest savings bank and trust company in Los Angeles, and Mr. Knox has a fine position as Comptroller of the largest savings bank in the City of New York. In addition to that, they are members of the Savings Bank Section of this Association, and they have been efficient as members of the Executive Committee, and I believe, gentlemen, they will give very satisfactory and efficient service in the offices to which you have elected them. Mr. Sartori, I have the pleasure of presenting to you your badge as President of the Savings Bank Section of the American Bankers' Association.

MR. SARTORI: Mr. President and Gentlemen: I appreciate fully the very complimentary remarks of Mr. Stephenson. When you were elected President of this Section we were all very proud and happy; you have won our esteem and our permanent friendship, and I am sure that all the members regret with me that you are now laying down the duties of your office.

In electing me President you have shown, gentlemen, not only great consideration to me, but the section of the country and the State in which I live. I pledge you, under the circumstances, considering the distance and all that, that I will perform my duties to the best of my ability, and I want to sincerely thank you for the honor.

THE PRESIDENT [Addressing Mr. Knox]: My first important duty is to pin this emblem on your manly bosom, which signifies you are now the Vice-President, and I congratulate you, Mr. Knox.

MR. KNOX: I thank you very much, Mr. President. Gentlemen of the Section, and Mr. Retiring Chairman and Mr. President: It has been a very great pleasure to work for the Section with such men as Mr. Sartori and Mr. Stephenson. Our relations have been harmonious and we have been friends. I can very cheerfully say that in the time I have worked with them I have always found the interests of the Savings Banks of the country was their first aim and effort, and not so much the interests of the Savings Banks themselves as the Savings Bank idea. They have it very firmly fixed in their minds, both of them, although coming from different parts of the country, and serving Savings Banks not the same as we have in the East, that it is our duty as men engaged in the Savings Banks business to encourage among the people of the country in every way we possibly can the principle of thrift.

I promise that I will do the best I can to further Mr. Sartori's efforts as President of the Association, and will do all I can to further the Association itself, and, so far as in me lies, to serve the Section to the best of my ability.

THE PRESIDENT: I want personally to thank the ladies and gentlemen for their attendance here to-day, and for the interest they have manifested in the proceedings of the Savings Bank Section. And also I want to again thank all those who have contributed to the meeting, and especially to the gentlemen who have been the representatives of the press and who have been with us most of the day, and to thank all who have had any connection with the meeting and have assisted us in making this Section one of interest and one of success.

I think now, gentlemen, that if there is nothing further to come before the meeting, a motion to adjourn would be in order.

MR. AIKEN: I move that the Savings Bank Section pass a rising vote of thanks to the retiring officers of the Section for their faithful and efficient services during the past year, as a mark of appreciation, and I ask the incoming President to put the motion.

[Motion seconded.]

MR. SARTORI: You have heard the motion, and those in favor will please say aye.

[The motion was unanimously carried and the session adjourned, to be followed by a meeting of the Executive Committee.]

# Committee Reports—Savings Bank Section.

## Report of Executive Committee to Boston Convention, by Wm. E. Knox, Chairman.

### *Mr. President and Members of the Savings Bank Section:*

I have been in close touch with the affairs of our Section during the past year, and it is a pleasure for me to report that I believe this has been a year of great benefit to our members.

Two meetings of the Executive Committee have been held since the last meeting of our Section in Detroit, September 12, 1912, one immediately following that session and the other at Briarcliff Lodge, Briarcliff Manor, New York, on May 5, 1913. At the first of these meetings the Secretary was re-elected to office for one year, and the resolutions offered by Mr. Briggs relative to the Postal Savings System, which were referred to the Executive Committee for action by the Section, were taken up. After mature deliberation Mr. Robinson was appointed a committee of one to wait upon the Director of the Postal Savings System and acquaint him with the fact that it was the sentiment of the Section that Congress should not raise the limit, as expressed in the present law, of the maximum amount of deposits which may be received from any one individual.

The second meeting of the Executive Committee was a most interesting one. Only two members of the committee were absent, and, by invitation, the Chairmen of the Methods and Systems Committee and Membership Committee were present, together with Mr. J. J. Reynolds, Principal of Public School 122, of Brooklyn, New York City. At this meeting reports were received from all committees showing unusual activity in all departments. Mr. Robinson reported that he had seen the Director of the Postal Savings System as requested and found him very willing to co-operate with the banks and having no desire to do anything which would conflict with their interests. Mr. Robinson was continued as a special committee and was requested to express to the Director of the Postal Savings System that it was the sentiment of the Committee that until Congress passed a satisfactory Currency Law, nothing should be done with the Postal Savings Bank Law.

Mr. Reynolds of Brooklyn spoke upon the School Savings System from the standpoint of an educator, and Mr. Toepel, as a committee, reported that the books of the Section had been audited and found correct.

On motion of the Chairman of the School Savings Bank Committee, it was voted that it be recommended to the Section at its next annual meeting that the work of the School Savings Bank Committee be combined with that of the Methods and Systems Committee.

The committee was especially fortunate in receiving a call from Mr. Arthur Reynolds, Vice-President American Bankers' Association, who addressed it, in course of which he took occasion to compliment the Section upon its work.

This has undoubtedly been the best year of our history thus far, measured either by what we have done for our members or what we have done for the American Bankers' Association.

The Campaign of Education in Thrift has attracted attention not merely throughout this Country but also in other countries, and besides being of great benefit to banks and communities, has reflected credit upon the American Bankers' Association as a whole. Also, the efforts of our Membership Committee have not been confined to savings banks alone, but through its efforts many other banks have been brought into the general association.

I have seen many letters which have come into the office addressed to our Secretary, and quote from one which indicates the manner in which that office has been conducted. This is from the manager of the savings department of a St. Louis trust company, who says:

"The data which you sent is just what we wanted, and as it is prepared in such practical shape, let us say that we feel that your department is performing a real service to the banks of this country."

This has been, and I trust will continue to be, the policy of the Savings Bank Section—to work not alone for our own members, but for the entire membership of the American Bankers' Association as well. Let us continue on in this manner, for it is only by the hearty co-operation of all that desired results may be obtained.

Respectfully submitted,

W. E. KNOX,

*Chairman Executive Committee.*

September 1, 1913.

## Report of Committees on Methods and Systems, By V. A. Lersner.

### *Mr. Chairman, and Members of the Savings Bank Section:*

During the past year your Methods and Systems Committee has been entirely occupied with the Campaign of Education in Savings and Thrift, which was suggested by our Secretary at a

meeting of the Executive Committee in May, 1912. You may recall that at the Detroit meeting our Committee requested enlarged powers in order to properly handle this matter in all parts of the country. These were granted, and in accordance therewith the Vice-President in each State was requested to organize an Educational Committee from among those who had manifested an interest in the work, to carry forward same in his State. Several of these committees have been organized, although the activities have not been confined to such committees—bankers in all parts of the country having evidenced a lively interest in the work and taken it up in many sections.

After some experiment our efforts have finally been concentrated upon three principal channels—namely, the school savings system, lectures by financial men to the people, and thrift articles in newspapers and other publications—which we regard as the three most effective methods of directly reaching all classes.

In this work we have necessarily overlapped that of the Committee on School Savings Banks. For instance, directly due to the efforts of our Vice-Presidents, the school savings system has been legalized in California and New Jersey, and has been adopted in Phoenix, Arizona, where it is in successful operation. It is also under favorable consideration in various sections of Arkansas, Illinois, Indiana, New Mexico, New York, North Dakota, Ohio and Oregon. Particularly in Chicago has good work been done by Joseph R. Noel, President North West State Bank, and our Vice-President for Illinois, through whose efforts about fifty representative bankers and members of the Board of Education invited our Secretary and Mr. J. J. Reynolds, of Brooklyn, to confer with them upon the matter, and it is now in the hands of a committee of the Board of Education of Chicago for special consideration. The Secretary also visited South Bend, Ind., where the school savings bank is under promising consideration.

In Delaware they have deemed it wise to defer action until the State Association is reorganized, and in Florida and Mississippi it was planned to bring our work to the attention of the Bankers' Associations at conventions. Great co-operation has been apparent in Connecticut, Vermont and New Jersey, and the Secretary has presented our work at bankers' association conventions in each of these States. In the District of Columbia, Georgia, Iowa, Kentucky, Louisiana, Maryland, Massachusetts, Minnesota, Missouri, North Carolina, South Carolina and Wisconsin, definite work is under consideration, and in forty States our Thrift articles are being published, which is especially gratifying, as we are entirely dependent upon the generosity of the press in this matter. We are sending these articles at the present time to over four hundred and fifty publications monthly, limiting them to one in any community, and endeavor to show our appreciation by writing the banks in such community, calling attention to the fact that such paper is co-operating with us.

A number of these articles, entitled "Thrift Talks," have recently been revised and issued in book form. This book has been sent to every member, besides being handed to all who have registered in the Savings Bank Section at this meeting, and we trust will furnish some new thoughts along publicity lines. The Secretary will be glad to supply a copy to any who have not received one.

In New York, through co-operation with the Board of Education, we arranged a course of eight lectures upon Thrift, which were presented at Cooper Institute, and attended by over four thousand people, and two lectures in Brooklyn were given upon the same subject. Great interest was displayed in these lectures, the object of which was to tell the people, in terms they might comprehend, something of our financial institutions, and permit them to ask questions relative thereto. These lectures were printed and have been mailed in pamphlet form to our members. We believe this to be the most effective way of reaching our adult population, and urge its adoption in other cities.

In support of this belief it is very gratifying to announce that the Board of Education of the City of New York has asked us to arrange a Thrift course for each of the five boroughs of the city, during the season just beginning, and the first of these courses will begin on Thursday evening of this week at the Commercial High School of Brooklyn.

That some progress has been made and the seed which has been planted beginning to bear fruit is evidenced by the numerous requests for the Thrift Talks from bankers, who desire to use them in their publicity work, from bankers and educators seeking information relative to the school savings system and from bankers here and there, stating that they have undertaken a local campaign of education in Thrift and desire advice.

This, gentlemen, is the work we have been doing in your name, and we feel that no better work has ever been attempted by any department of this Association, seeking as it does to strengthen the very foundations upon which our economic struc-

ture is reared; and we feel, further, that while it may take years for definite results to become obvious, we may report a gratifying progress in that, besides the practical evidence mentioned above, in at least forty different sections of our country thought is being directed toward thrift. However, we need the co-operation, advice and suggestion of all in order that mistakes may be avoided and the greatest degree of efficiency obtained, and we sincerely hope that none will be restrained from offering their aid because not officially connected with the work.

Respectfully submitted,

V. A. LERSNER,  
Chairman Methods and Systems Committee.

September 1, 1913.

#### Report of School Savings Bank Committee.

Mr. Chairman and Gentlemen:

As the work of securing the adoption of the school savings system throughout the country has largely devolved upon the Methods and Systems Committee in connection with the Campaign of Education in Saving and Thrift, we have given our attention since last September more to the legal phases of this system, and have directed our efforts toward securing its legalization by various State Legislatures.

In order to ascertain in what States the system is officially recognized, the following inquiry was addressed to each of our vice-presidents:

"Does the law of your State mention the school savings system, either authorizing same or implying its legality? If so, will you kindly send a copy of the paragraph referring thereto?"

From the replies received it appears that in but two States, New York and Massachusetts, does the law take cognizance of this system. However, as you have heard from the Methods and Systems Committee, the vice-presidents of California and New Jersey have secured its recognition by their legislatures, and through the direct efforts of our Committee, a bill dealing especially with school savings banks has been introduced in the Legislature of Minnesota and will be introduced in the legislatures of neighboring States as well.

Last May we recommended that forms of school savings laws, adapted to the different methods and conditions of the country, be framed and distributed as bases for legislation upon the subject in the States where legislation, if any, may be needed. This has been done in a new edition of our school savings bank pamphlet, which may be had upon application to the Secretary.

Through our Secretary we have secured from the office of the Comptroller of the Currency at Washington the promise of a close co-operation this coming year in the matter of gathering statistics of the School Savings System, and through the same agency have sought the co-operation of Mrs. S. L. Oberholtzer of Philadelphia, who has been carrying on the work of the late John H. Thiry, founder of school savings banks in this country.

We earnestly second the commendation of the Methods and Systems Committee regarding the importance of the school savings bank as a thrift agency, and believe it to be second to none in its influence upon the future thrift of the country.

The Chairman recommends that, inasmuch as much of the work regarding school savings is being done by the Methods and Systems Committee, the whole of such work hereafter be taken over by that Committee.

Respectfully submitted,

(Signed) N. F. HAWLEY,  
Chairman School Savings Bank Committee.

#### Report of Secretary, by E. G. McWilliam.

Mr. President and Gentlemen:

The work of your Secretary during the past year will be illustrated largely by the reports of your committees, for I conceive the Secretary's duties to embody those of servant to these committees, and at the beginning of the year placed myself entirely at their disposal, to care for any of the detail which might accrue from the work under their direction. Hence the work of the Methods and Systems Committee, embracing as it does the most important work this Section has ever undertaken, namely, the Thrift Campaign, and the work of the Membership Committee, who have been very active this year obtaining large results not merely for our Section but also for the general organization of the American Bankers' Association, has occupied a large portion of my time.

I have represented our Section at the conventions of the Bankers' Associations of Vermont and New Jersey, and the Savings Banks Associations of Connecticut and New Jersey, all of whom I addressed, and have made trips to Chicago, South Bend, Boston and Washington, in the interests of our various committees.

Our office correspondence has been very large, which is most gratifying, as indicative of a spirit of cordial co-operation between the members and the Secretary. It has been my earnest endeavor to be of service to all, and I trust that our members will use me in the future to a larger extent than ever before.

On June first last I was advised by the General Secretary that from said date all bills of the Section would be paid by

him upon my O. K. instead of direct from our office as previously. This method is now in force, and the financial statement which is appended hereto shows that despite the large constructive work undertaken, involving large expenditures for postage and printing, we have kept within our appropriation, which was \$500 less than last year. Of its own funds the Section now holds on deposit with the Irving National Bank \$1,000, and with the Union Dime Savings Bank \$1,308.64, a total of \$2,308.64. Our clipping service has been discontinued, as it was found impossible to get full value in clippings upon savings bank matters alone, and our library secures all clippings of general banking information.

In all things there has been a close co-operation between the General Secretary and myself, and I desire at this time to express my deep appreciation of the many courtesies which have been mine at his hands.

I trust that the matter of properly celebrating the one hundredth anniversary of the establishment of savings banks in this country will not be lost sight of, and that a committee to arrange for same in 1916 will be appointed at this meeting.

The last edition of our book of Printed Forms is practically exhausted. I would therefore respectfully recommend that the Secretary be authorized to revise this book, bringing it thoroughly up to date and that a new edition be printed.

At the recent convention of the American Institute of Banking, held in Richmond, Va., the following resolution was unanimously adopted:

"Realizing the importance of inculcating in the minds of the young the precepts of thrift, to the end that the people of our own generation and our posterity may understand more clearly the earning power of money and the responsibilities of citizenship, it is

*Resolved*, That the endorsement of this Institute is given to movements having for their object the teaching of economy, prudence and thrift."

Through the endorsement of this great body of bank men, who realize the importance of education in thrift as well as financial matters, it is hoped that our work will receive a renewed impetus and the co-operation of the various Chapters of the Institute throughout the country. I desire also to express my very deep appreciation of the kindness and courtesy of the officers and members of the Executive Committee to me during the past year.

I feel that the past year has been one of effort rather than achievement in the work of the Savings Bank Section, but that the effort has been worth while is evidenced by appreciative letters received from time to time which would lead to the conviction that if the effort be persisted in the years of achievement will not be far removed.

Respectfully submitted,

E. G. McWILLIAM,  
Secretary.

#### FINANCIAL STATEMENT, SAVINGS BANK SECTION.

SEPTEMBER 1, 1912, TO AUGUST 30, 1913, INCLUSIVE.

##### CREDITS.

September 12, 1912.		
By appropriation of Executive Council.....	\$5,000.00	
May 7, 1913.		
By appropriation of Executive Council.....	1,000.00	\$9,000.00

##### DISBURSEMENTS.

Rent.....	\$ 655.33	
Salaries.....	3,895.13	
Postage, stationery and printing.....	1,943.09	
Proceedings 1912.....	1,307.36	
Committee expenses.....	889.08	
Convention expenses.....	255.25	
Express.....	11.94	
Press clippings.....	4.78	
Sundries.....	36.60	
		\$8,998.65

Credit Balance..... \$1.35

#### Report of Membership Committee, by G. E. Edwards, Chairman.

Mr. President and Members of the Savings Bank Section:

During the year ending September 1, 1913, the Membership Committee has been active in its efforts to secure members for the American Bankers' Association, as well as additional enrollments in the Savings Bank Section.

After conference with General Secretary Farnsworth and Secretary McWilliam, your Committee adopted a plan to solicit applications for membership from banking institutions of all classes throughout the United States.

Acting upon the suggestion made at the Detroit meeting, the State Vice-Presidents were invited to co-operate, and it is through their efforts the gratifying results we report have been obtained.

To illustrate the volume of work connected with this undertaking, is to point to the fact that twenty-three vice-presidents have distributed 9,089 personal letters, and it may be said to their credit that several others stood ready to press the campaign further had funds been available for that purpose.

The following exhibits the various classes of membership of this Section in each State, also the net increase in membership for the year:

	Trust &			Natl.	Trust		Delin- quent.	
	Mutual.	Stock.	Savings.		State.	Cos.		Total.
Alabama.....	7	7	5	1	1	21	..	
Arizona.....	2	1	2	2	5	12	..	
Arkansas.....	3	6	10	3	6	28	1	
California.....	1	81	18	43	16	7	166	
Colorado.....	5	5	1	4	3	18	..	
Connecticut.....	48	..	..	1	3	57	..	
Delaware.....	2	..	..	1	3	6	..	
District of Columbia ..	13	..	1	..	6	20	2	
Florida.....	4	2	6	8	2	22	..	
Georgia.....	14	3	10	5	4	36	..	
Idaho.....	1	2	4	3	2	12	..	
Illinois.....	35	48	37	29	10	159	1	
Indiana.....	1	1	21	28	22	21	94	
Iowa.....	181	8	9	10	2	210	5	
Kansas.....	6	..	5	6	1	18	2	
Kentucky.....	3	5	2	3	3	16	1	
Louisiana.....	5	14	2	6	5	32	..	
Maine.....	21	..	..	4	5	30	..	
Maryland.....	17	9	..	12	4	45	1	
Massachusetts.....	91	..	..	4	..	95	..	
Michigan.....	147	2	61	13	..	223	2	
Minnesota.....	4	..	10	9	1	26	..	
Mississippi.....	6	1	7	5	..	19	2	
Missouri.....	30	3	5	1	10	49	..	
Montana.....	2	5	8	4	2	21	..	
Nebraska.....	2	2	..	1	..	5	..	
Nevada.....	..	..	1	1	..	2	..	
New Hampshire.....	11	3	..	1	1	16	..	
New Jersey.....	16	1	1	25	15	58	..	
New Mexico.....	4	4	..	2	2	12	4	
New York.....	91	..	3	22	8	124	1	
North Carolina.....	4	6	8	2	4	24	1	
North Dakota.....	1	2	6	4	3	16	1	
Ohio.....	8	97	36	15	8	6	170	
Oklahoma.....	1	1	2	2	..	6	..	
Oregon.....	5	4	8	5	2	24	..	
Pennsylvania.....	9	26	31	16	43	23	148	
Rhode Island.....	6	..	..	1	1	8	..	
South Carolina.....	12	2	10	6	3	33	2	
South Dakota.....	7	2	8	8	..	25	1	
Tennessee.....	10	18	3	2	7	40	..	
Texas.....	1	2	4	2	5	14	..	
Utah.....	6	3	5	7	..	21	..	
Vermont.....	14	..	13	2	1	30	1	
Virginia.....	7	3	8	11	1	30	1	
Washington.....	7	10	15	10	3	45	1	
West Virginia.....	1	4	2	5	7	4	23	
Wisconsin.....	1	16	3	22	21	2	65	
Wyoming.....	..	3	..	1	..	4	..	
Canada.....	..	..	31	..	..	31	..	
Cuba.....	..	..	..	1	..	1	..	
Hawaii.....	..	..	3	2	..	5	..	
Total.....	343	769	299	443	363	198	2,415	
Total membership September 1, 1913.....								2,415
Lost by failures, liquidations, mergers, etc.....								37
Net membership September 1, 1913.....								2,378
Net membership September 1, 1912.....								2,060
Gain for the year ending September 1, 1913.....								318

The Committee submitted a preliminary report to the Executive Committee at its spring meeting at Briarcliff Manor on May 5, 1913.

We desire at this time to express our thanks for the generous support we have received at the hands of the State Vice-Presidents and the valuable assistance rendered by Secretary McWilliam and his office associates in the handling of detail.

Respectfully submitted,

GEORGE E. EDWARDS, *Chairman*;  
H. P. BECKWITH,  
GEORGE W. FELTER,  
HENRY SAYLER,  
WILMER PALMER,  
*Membership Committee.*

BOSTON, MASS., October 7, 1913.

**Report of the Law Committee, by John H. Sturgis.**

*Mr. President, Ladies and Gentlemen:*

In view of the fact that at the Convention last year a standing Committee of the Saving Banks Section was appointed to further the idea of segregation of savings deposits, to be known as the "Committee on Segregation," your law committee has taken no active steps in that direction during the past year.

On the other hand, as we believe in the propriety of separating savings deposits from commercial deposits and that their investment be prescribed within reasonable limits by public authority, we have noted with interest that the bill before Congress for reforming our banking system, while still in committee of the House and Senate, was made to include a section providing for the segregation of savings deposits in National banks and their separate investment.

One of the recommendations of the Chicago conference of this Association was that this section should be withdrawn. The Committee of the House of Representatives did not adopt the recommendation.

While the bill as first reported by the Committee of the House provided that savings departments might not purchase or invest in bonds or securities public or private, except in certain carefully described bonds and mortgages, the bill as finally passed by the House omitted these specific provisions and prescribed instead that the Federal Reserve Board should issue lists of investments available for savings departments, and added the explicit statement that "such lists need not be uniform throughout the United States, but shall be adapted to the conditions of business in different sections of the country."

In this connection the following statistics from the reports of the Comptroller of the Currency may be of interest as showing to what extent National Banks are already handling savings deposits. In the spring of 1911 more than half (51 per cent) of the National Banks reported savings deposits:

	Number of Savings Depositors.	Amount of Savings Deposits.
Nov. 10, 1910.....	2,205,149	\$587,886,496
Sept. 1, 1911.....	2,340,226	659,501,543
Sept. 4, 1912.....	2,709,048	748,247,183

These figures do not include certificates of deposit.

In a report by Mr. Glass to the House of Representatives in connection with the reserve bill he gives savings deposits in National Banks June 4, 1913, at about \$829,000,000.

Respectfully submitted,

JOHN H. STURGIS, *Chairman.*  
JOS. F. SARTORI,  
WM. E. KNOX.

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UZAL H. McCARTER  
President