THE LONGER FINANCIAL OUTLOOK OF THIS COUNTRY

For obvious reasons, nothing could be more difficult than to elicit, from bankers at such a gathering as the National Convention, clear, positive and unanimous views of the financial future. The hesitation of experienced men in making such predictions has had another illustration in the report lately compiled from the views of 6300 business correspondents by the Continental & Commercial Bank of Chicago, of which the summary issued by that institution declares a noticeable feature of the replies to be "the absence of anything that can be interpreted as prediction of what is to come, should the war be prolonged, or of what is to follow the restoration of peace." This attitude characterizes all exchange of views in competent business circles.

Tentative opinion, encountered in everyday conversation, ranges all the way from predictions of desperately hard times immediately after the war, with us involved in them, to a movement of immense prosperity in the United States when called on to repair the waste and ruin of the old world.

President William A. Law of the First National Bank of Philadelphia, in his presidential address to the National Convention, grappled courageously with this problem. He, too, was cautious about specific prediction; but his diagnosis of the situation which actually exists, and his suggestions regarding the longer results, provide interesting basis for reflection. Mr. Law points out, as any one who discusses the situation must do, the extent to which previous predictions have already been upset:

"Several of our strongest assumptions have proven erroneous. Our stock of gold was not exhausted by foreign shipments; in... of distressed American securities sold at sacrifice prices by European holders, but we have readily absorbed all offerings."

These unexpected results naturally tend to make experienced men more careful in committing themselves to judgment on what is to happen next. Mr. Law suggests the complications—economy so severely practiced as to injure the country's retail trade; manufacturers handicapped by the war fluctuations in price of raw material and of finished products; dearth of labor in many quarters through cessation of immigration, and difficulties of the railways through their low freight rates and high cost of labor and money. Yet against this is placed the extraordinary position of the United States in relation to the markets of the outside world; our record-breaking wheat crop at an hour when Europe's harvest had run short and when some of the world's largest producers were blockaded; the astonishing balance of outward trade created by this and other causes, and the consequent unprecedented fall in exchange and flow of gold from...
Europe to our markets. The presidential speech recognized that much of this export excess must be ascribed to reduction of import of raw material, which itself was due to retarded industrial activity in this country. But the situation on international exchange remains, and is of a character which, at ordinary times, would be assumed unhesitatingly as the sure forerunner of prolonged industrial and financial prosperity.

What then is the prediction for the future? Mr. Law has this to say:

"A few words about the near future. We have reasons to believe that our financial position will strengthen steadily as the European war progresses; that our devoted President will be successful in preserving neutrality. When war ends, what will it mean to us as a nation? We shall be rich enough and generous enough to contribute liberally toward the help of the needy; to assist in the reconstruction of some of the ruined nations; to give employment to the mass of emigrants who will probably rush to our shores; to compete vigorously with the stronger nations in seeking foreign trade."

Perhaps this is as specific as any such prediction can safely be made to-day. Undoubtedly, the really baffling problem of our own financial future lies in the question whether we can escape the influence of the period of reaction and poverty which in Europe must inevitably follow this devastating war. The forecast even of Europe's own conditions is difficult enough. There is no precedent for the enormous structure of emergency credit expedients which was built up on the outbreak of the war, which has been perpetuated and enlarged during the conflict, yet which must be dismantled when peace returns. Many, perhaps all, of the great belligerent states will then be paying in interest on their public debt as much as their entire public revenue in the year before the war. What will be the effect of this the inevitable burden of taxation? If all Europe is to be poor, how will that affect its imports from us, and its competition with our producers through its export trade?

These are questions which cannot be answered confidently. It is not unreasonable to say that the failure in the fulfillment of so many dismal predictions of a year ago, regarding the immediate financial effect of war, gives at least some encouragement to the idea that similarly gloomy predictions of to-day, for the period after war, may not be realized in full. Back of all other considerations, moreover, stand certain notable and evident facts regarding our own situation. The United States has become the central market of the world, with the privileges as well as the burdens of that office. The capital of outside communities is more and more gravitating to our markets. Our own energies have probably been stimulated by war, without having been expanded to an unhealthy basis, with the possible exception of production of war material. Our wealth is increasing rapidly, and our productive facilities have not been impaired through participation of our own in the ruinous conflict.

However severe the immediate industrial setback, the world's industrial and financial progress will continue, and it would seem that the United States must on return of peace assume the leadership in the forward movement. England after Waterloo, though she herself had been bearing a heavy financial burden, resumed very promptly her career of industrial and financial extension. Her international prestige and her financial power were certainly far greater a decade after the Napoleonic wars than a decade before them. But any such result, in the case of a European nation, must at least be shared on this occasion with the United States, and therein lies the question of largest economic interest for our own future.

THE RAILROADS AND THE PEOPLE.

Very appropriately one of the topics which was made the subject of a symposium at the meeting of the bankers—in the Savings Bank Section—was that which forms the caption of this article. Two interesting and instructive addresses were delivered on the subject, one by William Sproul, president of the Southern Pacific Company, and the other by Dr. John Wesley Hill, President of the International Peace Forum. Both speakers dealt extensively in the use of figures to indicate the closeness of the relations existing between the railroads and the people, but we shall not quote any of those statistics since the addresses are printed in full on subsequent pages. Some of the figures have been often in print, and hence ought to be quite familiar. Yet they are not familiar, and the need of appreciation and justice for the railroads must be reiterated somewhat further upon the people until they really feel it.

To present the railroad as standing in the dock, pleading for justice, is a personification rhetorically attractive though not much helpful to the case. The railroad has no natural body to be wounded, and no feelings to be hurt. If assailed or merely neglected and overworked, its revenge is the same as the horse's under like treatment; its ability of service dwindles, and it can be reduced even to two streaks of rust and a right of way, a state corresponding to that of the horse which has gone to the crows or the rendering plant. The railroad is not a mendicant. It "asks" nothing. It repays maltreatment by inefficiency. If the public, as a workman abuses too far this most comprehensive of tools, the workman can fall back upon the tools he had before this one; here is the alternative, expressed in the simplest terms.

Very few pause to even know what this wonderful tool has wrought. The railroads of this country (and of the world, we might say) substantially began about the middle of the last century. Some of the school geographies of that day (possibly not the most brought down to date) had maps with names of Indian tribes upon what is now the Middle West. The Great American Desert of our schooldays has disappeared, partly because men know more about irrigation, but largely because travellers' tales and
legends had been accepted without knowledge. When the first transcontinental railroad was opened ceremonially, a few years after the Civil War (its construction having been accelerated and emphasized by that war, just as the Isthmian Canal was by the war with Spain) a train on each road came to the mid-point and halted for the ceremony. Bret Harte's verses for the occasion began:

"What was it the engines said,

Frosts touching, head to head."

The engine from the States began with a proud and half-patronizing discourse of how it was bringing the East into communication with the lonely and inaccessible Coast, and the machine which stood headed eastward could not stand this:

"Said the Western engine, 'Whew!

Why I bring the East to you!'"

And did it not, figuratively speaking? Has not the opening of the country which is now the great States of the trans-Rockies and the Pacific Coast really brought the Occident into touch with the center and with the Atlantic slope, notwithstanding a temporary interruption by the Furuseth-La Follette folly which nominally takes effect soon but must be as speedily and fully undone as possible? The lines from coast to coast are several now, and the most unique road on the globe joins Florida to Key West, permitting us to indulge the pleasant conjecture whether it will ever push on to Havana and whether the little gap at the extreme northwest will ever be so treated as to allow an all-rail route from Boston to Pekin and Paris.

Speaking to bankers assembled on Puget Sound and the majority of them coming from States which in the political and industrial sense have been made by the railroad, Dr. Hill appropriately dwelt upon the indispensableness of the service, the impossibility of joining starvation with efficiency; the public and the weeds. In fact, as Dr. Hill points out for the thousandth time, railroad ownership is widely scattered and continues to scatter, notwithstanding the outlook; taking together the direct and the indirect ownerships, it is strictly true that there is no property so truly belonging to the common people.

The error of the regulative Commission has been in its misconception of its own function; this has been repeatedly pointed out, yet it continues unmitigated. The members of that body are not intentionally or consciously unfair; they take the attitude of defending shippers, without any apparent idea that to defend investors also comes within their purview. They take the negative position at once; they are critics who have eyes for faults alone. Saying this is mere repetition, certainly, but these gentlemen take the attitude which they suppose the people want, they attempt to do what even experts could not do, because they suppose this is what they are set up to do and what the people want of them.

Their attitude will change and correct itself when that of the people does so. That will come about when the people realize the real nature of the case: the indispensableness of the service, the impossibility of joining starvation with efficiency; the public ownership of the means of transportation. Some progress is making toward this, and Dr. Hill's address and also the addresses of Mr. Sproule and Mr. Taft are one more bit of push towards this slow awakening.
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**Economic and Political Summary of the Generation Past**

*By Hon. William H. Taft, Ex-President of the United States; Kent Professor of Law, Yale University, New Haven, Conn.*

It has seemed to me appropriate this morning to invite your attention to the consideration of some of the important political and social currents since the Civil War. That struggle was the climax of a controversy that rent the country over the moral issue of slavery, and we did not really recover from its effect for more than a decade after peace was declared. The pseudo-prosperity that the currency inflation gave us, and the panic and depression of 1873, were sequels of the war and were part of its cost. When specie payments were resumed in 1878 the country was restored to a normal condition, and from that day the subsequent business growth on a sound basis of our country began. From that time, for more than a quarter of a century, our material expansion has exceeded anything in history.

The settlement of the unoccupied lands of the West, the spread of agriculture, the construction of railroads, the growth of industries and the development of all our national resources have doubled and redoubled our wealth until its statistical description is monotonous. One of the important elements in this progress has been that of combination and organization. The field of invention in the industrial arts has been a great one, and the combination of mechanical elements into complicated devices has often added a hundred-fold or more to the power of production of a single laborer. In no field has the ingenuity of the American shown its exceptional character so much as in fields of invention and discovery.

In the use of capital, too, the possibility of saving by enlargement and organization of equipment and plant has been demonstrated. The little rills and streams of the savings of the wage earners and those of moderate means have been directed into reservoirs of immense capital funds, which under the management of men of executive genius have metamorphosed our manufacturing industries and our transportation systems, and have reduced in a way we hardly realize the cost of production. By this principle of combination our citizens have been given a larger power per capita of producing wealth than ever before in the history of the world.

**USE AND ABUSC OF CAPITAL**

In the progress that civilization makes, however, new evils appear as concomitants of our advance, and new problems are presented and new remedies are made a necessity. The tremendous power which the combination of capital gives to the comparatively few persons who must control its use, if that use is to be effective, tempts them to an abuse of the power. The rapid growth of wealth between 1880 and 1900 absorbed the attention of all our people. Material development became the cry, and the settlement and expansion of the country became a necessity. The tremendous power which the combination of capital gives to the comparatively few persons who must control its use, if that use is to be effective, tempts them to an abuse of the power. The rapid growth of wealth between 1880 and 1900 absorbed the attention of all our people. Material development became the cry, and the settlement and expansion of the country became a necessity.

In the newer country, to induce rapid development, legislatures and municipal bodies parted with special privileges and did not guard their use or their retention with any care as to the future public weal. This principle of combination was found quite as applicable to politics and party government as to machinery and capital. By the use of patronage and the use of money bosses established their power and created machines that worked with the same force and accuracy and smoothness as a Corliss engine or a Standard Oil Trust.

The great corporations found it useful first to restrain hostile legislation and then to secure affirmative legis-
lation giving them undue advantage in the conduct of their business. The time came when it was possible in some great cases for the officers and directors to issue, with the same nonchalance and certainty of their being compelled with, orders for steel rails or industrial equipment on the one hand, or for the delivery of delegates to a state, county or national political convention on the other.

In the early years of this century the people became fully aroused to the fact that they were almost in the grasp of a plutocracy. Warning had come to them in the decade before, and effort had been made by legislation of a tentative character to meet the anticipated danger, but it was not until the decade between 1890 and 1900 that the full force of the threatened control over our government and our policies and our business became clear to them. The agitation grew to be nation-wide, the indignation of the people became acute, the demand for appropriate legislative and executive action became imperative, and the effect upon our politics and our business was made manifest.

The Interstate Commerce Law

The interstate commerce law passed in 1887 was the first legislation in any history in which Congress had exercised in any full measure the control that the Constitution gave it over our interstate railroad system. It was seen that the arterial circulation of our Interstate transportation was tainted with unjust discrimination in favor of the larger shippers, who were able to use this unlawful preference to suppress their less powerful competitors and to enrich their coffers with unlawful gains. The law did not, however, intrust sufficiently broad and direct powers to the Interstate Commerce Commission which it created, and the railroads, blown with pride, treated the commission with decision and flouted their defiance of its orders in the face of the people. Amendment after amendment followed, and for more than two decades the controversy went on between the railroads and the executive, legislative and judicial branches of the government until the weakling board of 1887 grew into the powerful tribunal of 1910, and the railroads found themselves brought under complete governmental control.

This history of the interstate commerce law and its enforcement contains one of the most useful lessons to those who would defy the people in the pride of their business. The time came when it was possible in some great cases for the officers and directors to issue, with the same nonchalance and certainty of their being compelled with, orders for steel rails or industrial equipment on the one hand, or for the delivery of delegates to a state, county or national political convention on the other.

In politics the name of the machine has become anathema. The cry that a candidate is supported by the bosses has been in the last decade often sufficient to carry the popular vote against him. There has been a tremendous raising of the public opinion and popular political action. Corporations have been driven out of politics, and while, of course, corruption is not ever absent, the danger of plutocracy has disappeared and the purification of politics has constituted a real reform for which all good citizens must be grateful.

Popular indignation cannot be really roused or the levitation of the people stirred to action such as they have just taken and stop short at the line of wise moderation. Part of the cost of the original disease is in the incidental damage from the inevitable excess of remedy. The hostility of legislators and of Congress, consciously or unconsciously, has come to be directed against all successful investment of capital without discrimination. The inquisitorial and nagging character of the powers of commissions created for the close supervision of corporate activities have so frightened capital as to shrink investments and stop normal expansion in the business of the country. Nothing is so timid as capital, and nothing is so easily able to take care of what it has. A hostile spirit manifested in legislation buttons up the pockets of those who control wealth that would otherwise be invested.

Effect on Wage Earners

The sad feature of such excess of remedy, however well intended, is that the persons who suffer most are those who are least able to bear suffering, the wage earners whose comfort and living are dependent upon regular employment. In times of great prosperity, when wages are good and employment constant, everybody is comfortable and snug with a consciousness of power. But the people of the United States are intelligent. They are all in the same boat. The prosperity of each class is largely dependent on the prosperity of all. The bad conditions of one class react upon that of all the others. This is no reason why we should not repress injustice and punish abuse of power. But it is a reason why we should not indulge in excess and injure all classes by injustice to one.

But the people of the United States are intelligent. When they suffer in the discipline of adversity brought on by their own mistakes they are quick to see them and to remedy them, and such excesses as I have described are only the natural outcome of the just indignation that was excited by excessive power, and we must look now to a retracing of our steps to the line of moderation and justice.

We must grant increased rates to the railroads when the conditions require it, and grant them quickly. Their prosperity is important to the prosperity of the country,
Their needs constitute a substantial per cent. of the demand for our manufactured goods. Millions own their stock. They employ millions of men.

THE CASE OF THE RAILROADS.

We must not allow the outrageous injustice to continue by which we inaugurate the real reform of processes post, and do it at the cost of the railroads by compelling them to carry the enormous increase of traffic for nothing.

We should repeal the full crew bills that impose upon the railroad companies the burden of employing unnecessary labor.

In retracing our steps to cure these excesses there is no reason why we should not maintain the real progress which we have made in disinheriting plutocrats and in making those who choose to exercise public franchises serve the public for not more than a reasonable profit.

Another most successful instance of the application of the principle of combination has been seen in the development of trades unions. Wage earners, especially those engaged in skilled manual labor, have united in a common cause, have organized, have appointed leaders to represent them in the inevitable friction of interests between labor and employers as to the terms and conditions of employment. No change in our social condition, it seems to me, has been more beneficial on the whole to the workingmen than has this resort to the power of combination among them. There is no doubt that at common law the rules governing the relation of the employee and the employer were framed in the interest of the employer. The single employee was at great disadvantage in seeking favorable terms of employment or in maintaining them. By union, however, the wage earners have been able to place themselves upon an equality of dealing with their employers. By joint contributions they create funds which maintain them pending disputes over terms. Their quitting employment in masses that such withdrawal from employment and combination can ultimately avoid an adjustment in accord with that economic law. But in the meantime trades unions can protect the workman against the undue haste and greed of employers.

POLITICAL POWER OF TRADES UNIONS.

The trades unions have secured great benefit to their members because of the political power they have exercised. This they have been able to wield, not always has been. They may use the normal inconvenience that such withdrawal from employment and combination can ultimately avoid an adjustment in accord with that economic law. But in the meantime trades unions can protect the workman against the undue haste and greed of employers.

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damages to both C and A, and was a criminal conspiracy punishable as a misdemeanor. Its evil is in the opportunity by moral duress it gives the striking and boycotting workmen to involve the whole community in the right and array them against A.

The Supreme Court of the United States has held that such a compound boycott used to destroy the interstate trade of a local manufacturer in Danbury, Conn., was a violation of the Anti-Trust Act and has sustained a judgment for $225,000 against members of the trade union which carried on the boycott. In my judgment there is nothing in the Clayton Act passed last year which would prevent a similar judgment for similar acts in the future.

UNDESiRE STAYSTST. 91

We in the past found corporations exercising undue privileges to the disadvantage of the people which the people in the enthusiasm of material expansion had unwisely granted them, and now in the reaction we find that the movement toward the curtailing of their powers has gone beyond the median line, has resulted in injustice to them and injury to the community. On the other hand, we have found that the wage-earner class was suffering from a fundamental and unjust disadvantage in dealing individually with capital. In order to put them on an equality with their employers, so that they might secure a proper share of the joint product of labor and capital, it was necessary to recognize the legality of collective action among them. In the encouragement which they have been given and the power that they have been exercising they now seek to obtain privileges through their political influence.

We are now halting in business and progress and are learning the unwise steps we have taken that need retracting. We need not go back to the conditions that led to the great reform, and we shall not do so. But we should go back to the line of justice and equity.

ATTACKS ON REPRESENTATIVE GOVERNMENT.

Another most important development in this country has been an attack upon our representative system of government as a cause of the corporate and corrupt control of politics. It was said that the system involved the selection of agents by the people to act for them in executive and legislative work who too often proved faithless, and that the only method of exercising control over the government safely was to dispense with legislative agents and let the people legislate directly. A most formidable wave of public opinion in favor of such a change has swept the country and has found expression in the initiative which they have been exercising they now seek to obtain privileges through their political influence.

The business of legislation is an expert matter. It is something that requires a knowledge of the meaning of legal terms. It often requires the taking of evidence in order to determine what the result shall be remedied and how such a remedy can be formulated. Legislators, even if they are not trained lawyers, acquire excellent judgment as to the merits of bills by reason of their experience and the full opportunity and time they have to study the bills, and from the calm and informed discussion of their details. This is impossible with the general public. It is just as absurd to propose to build a bridge without engineers, to build a house without an architect or a competent contractor as to propose detailed legislation by votes at a popular election. This is not to impeach the intelligence of the electorate, it is only to recognize the limitations upon men, however, in doing something under the conditions no intelligence will enable them to do.

The pure democracy attempted in Athens proved to be a failure, and government in those days was so much simpler and less important than in such a community now that the government would not justify a resort to the same method now. The town meeting in our New England states was a form of direct government adopted when the necessities of village and town government were few and when almost anybody could discharge the duties of any office. For those Puritan ancestors of ours, the moment their villages became three or four in number, turned to the representative system. The general courts of Massachusetts and of Connecticut and of Rhode Island and of all the other New England states evidence the conviction that the town meeting system is applicable to a community of any considerable size, especially to a community in which the people live in different settlements remote by the seat of government.

The institution of recall deals with the executive and judicial branches of the government. With both its operation is injurious to the public service, though in the case of judges it is much more dangerous.

If an executive officer is dishonest he can in effect be recalled by impeachment or by criminal trial and conviction, and sentenced to the penitentiary. Under the new system of recall an honest official, before he has had time to work out and vindicate his policies, may be ousted by a number of people through interposition in the press and the hasty judgment of the majority of the electorate who go to the polls. The necessary tendency of such a system is to prevent his adopting any affirmative policy at all, to discharge his duties in a colorless way, to restrain all energy and enterprise, and
to keep him with his ear to the ground to enable him to avoid the doing of anything that might arouse discussion. It adds greatly to the tyranny of a reckless and unscrupulous press. It necessarily discourages enterprise and originality and real effort for reform because no reform was ever initiated that did not stimulate misinformation to obstruct its successful inauguration. Under such a system Lincoln would have been recalled.

The Recall of Judges.

The evil of the recall of judges and judicial decisions is, however, much greater. The tenure of a judge or the right of the individual litigant is to depend on the chance and uncertainty of one popular election. In the nature of the case, the people cannot be advised of the legal arguments pro and con even if they could understand them. Again the power of a reckless press would be enhanced and justice and equity would play little part in the result.

The evil tendency of such so-called reform is in the destruction of the sanctity of our constitution. Under the initiative and referendum, no greater consideration by the people is required in the passage of a constitutional amendment than in that of any temporary and unimportant measure. A bill of rights and an appropriation bill in such a procedure rest upon the same sanction.

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people of moderate or very limited means to help their stumbling brethren and sisters is apparent on every hand. The awakened interest on the part of the many in public matters, the organization of thousands of women's clubs for the discussion of subjects of public interest, and for the promoting of plans for municipal and other kinds of community improvement are manifest to every observer. The churches, too, have minimized doctrinal differences and have united and stand shoulder to shoulder in a common effort to make the spirit of religion the handmaiden of the moral uplift and of the spread of the fraternal spirit. The people have halted in their mad rush for dollars and have become ashamed of their previous absorption in material matters and are now seeking to show to the unfortunate who have not shared in the general prosperity their interest in them and their desire to help them on.

PATERNAL LEGISLATION.

The same spirit shows itself in the trend of legislation which has assumed a much more paternal character than that of a quarter of a century ago, when the doctrines of the laissez faire school of government seemed to be controlling. It is quite possible that in this enthusiasm many foolish things have been done. A movement of this kind cannot be carried on without developing an hysteria that promotes silly projects, but these are the mere excrescences and excesses in a movement of real progress in humanity that every lover of his kind must welcome. The suggestion that by legislation we can all lift ourselves by the boot straps, can abolish poverty, can distribute fortunes and produce a universal level of happiness is the dream of the socialist. Many schemes of uplift, whose authors deny that they are socialists, are equally unsound. They are, however, an evidence of this spread of the fraternal feeling, although they promise no practical good and may involve obstruction to real progress in the waste of public activities, in the squandering of public funds and in a useless increase in the burden of taxation.

This new fraternal feeling is not limited by national boundaries. The people of the world are closer to each other. They are taking more interest in each other's welfare. Those of us that dreamed of universal peace have had a dreadful shock in this awful cataclysm that has come to Europe; but even that has developed the world-wide interest in the welfare of peoples and has shown by the general sympathy with the suffering of all the belligerents how much more united the peoples of the world are than they ever were before. The vast sums that are being contributed, the many activities that are being carried on among our people to relieve the wounded and starving of all the nations through the Red Cross and other agencies far exceed anything that history has shown in the past, and are as much greater in their extent as this war is greater than any previous war in the history of the world.

THE DESTRUCTION OF CAPITAL.

The war, the end of which no man can now see, staggers the imagination in the loss of life and in the destruction of hard-earned capital that its probable long continuance must involve. When it came it was such a shock and such a disappointment that those who hoped for human progress lost their faith. But, as it grows to be an older story and we bring our philosophy to bear on the facts, we find occasion for hope in the very suffering which when the war is over will prompt the adoption of some peacemable means of settling international disputes to prevent a recurrence of such an awful catastrophe.

I am an optimist. The difference between a crank and an optimist, it seems to me, is not in their ideals, for an optimist may have as high ideals as a crank, but a crank is a man who believes that his ideals can be realized to-morrow by legislation, and has no interest except in their instant accomplishment. He is not willing to await the slow growth in the character of the individual which must be the foundation of all human progress. The optimist believes his ideals are only attainable by indomitable struggle and never ending patience; but that so much are they to be desired that every effort toward them is life giving, and every real advance, however gradual, is worth while.
No stranger can say "hail and farewell" to Seattle without recalling the words of the Master: "If ye have faith as a grain of mustard-seed and shall say unto this mountain, Be thou removed, and be thou cast into the sea; it shall be done." But, says St. James, faith without works is dead, so that by works a man is justified, and not by faith only.

It is worth any man's journey, from the uttermost parts of the earth, just to visit this wonderful city and see confirmed this scriptural challenge to credulity—a miracle to be sure, but a miracle brought to pass by Seattle's faith justified by Seattle's works. For she has said to her encompassing mountains, Be ye removed, and be ye cast into the sea, and lo! nothing doubting, the deed was done! Her mountains, useless and inac-countable, have been brought low—dissolved—held in solu-tion—liquefied and flowed over valleys and housetops to push back the shoreline of Old Ocean himself, so that today any real-estate broker in Seattle will reluctantly sell you, at 'steen dollars a square foot, what was formerly a mountain back somewhere in the Interior, but now transformed, translocated, transfigured into a level waterfront, the very choicest warehouse prop-erty in the city.

And the instrumentality through which this work of faith was accomplished only adds to the miracle; for it was not gunpowder or dynamite, but water—just plain, every-day water, seemingly the weakest, wettest, softest, least puissant of all agencies. Of course, your engineer will say that it was a mere problem in hydraulics; that given a certain head, and a certain volume, and a superfine big enough, water in motion will lift a mountain out of its socket and batter it into batter, and that all is the miracle there is to it. But your engineer thus admits that it was not simply water, but water in motion that did the trick. Isn't motion, next to life itself, the greatest of all miracles? Tie a pendant knitting-needle to a stick and revolve it fast enough and you have not a line of steel but a steel disk. Give water a head of 500 feet and you have not water but an arm of adamant. Motion! Is there such a thing as motion absolute, or is motion only relative? Can force act at a distance or only on substances in contact? Is all force and all substance conceivable finally into the forth-putting of some universal Mind? You see it is only a step from physics into metaphysics. If Atlas supported the earth on his shoulders, is the boy who stands on his head with his heels in the air another Atlas? Emerson declares that the soul of God is poured into the erratic Atlas supported the earth on his shoulders, as the bird rests on the air and the world heard of the event. European labor shifted and sources of all elements is moral force. As cloud on cloud, as snow on snow, as the bird rests on the air and the planet rests on space in its flight, so do nations of men and their institutions rest on Thought.

GOVERNMENT RESTS ON THOUGHT.

Now, just as America was a new continent which the Almighty had kept fellow and peculiar for the working out of some great design, so the American government was founded on brand new ideas; and it's institutions rest on Thought. First was the idea that all men are created equal. England read this declaration of our fathers and was amused at the erratic notion. "Governments derive their just powers from the consent of the governed." Here was another of those new ideas, England heard of it and became furious. Hence the Revolution in which these ideas were vindicated. All the world heard of the event. European labor shifted the burden from its shoulders for a moment and strained its weary eyes across the waters. It beheld the white hand of Freedom beckoning from the West. It was asked to come and it came. From all quarters of the globe—from Europe, Asia and Africa—people of every nation, character and tongue flocked to render aid in the upbuilding of so ambitious a structure. Foreign powers laughed at the motley spectacle. What inglorious failure awaited an undertaking born of the imagination and reared by ignorance! What riot and anarchy must ensue from such a diversity of habit, thought and language! Was America to be the new Tower of Babel? Yes—yes, with these differences: Instead of a few square feet on the plains of Shinar for a basis, the new Babel comprehended a continent; instead of the impious purpose of subverting that will of God, God Himself was to be the architect; instead of the dispersion of one nation and the confusion of tongues, the new Babel was to amalgamate all nations and unify all languages.

Our Civil War was but a corollary of the Revolution, for by this war the Declaration of Independence itself was vindicated. It became something more than a rhapsody of words, something more than a magnificent paradox; three million people were made citizens instead of slaves.

Fellow citizens, our American Republic, the hope and beacon of the world, is still in process of erection. It was our fathers' task and only lately our brothers' task, to die for it; but ours is the harder task to live for it. We shall not survive to see it finished; God forbid that we should survive to see it perish. We are responsible for the acts of our own generation and for the education of the next. Shall our institutions endure—and for how long?

"How long, good angel, oh, how long?
Long see from Heaven a man's own song!
Long as thy art shall love true love,
Long as thy science truth shall know;
Long as thy eagle harms no dove,
Long as thy law by law shall grow;
Long as thy God is God alone,
The brother every man below;
No long, dear land of all my love,
Thy name shall shine, thy fame shall grow.

Please observe that these poets have a way of mak-ing truth so obvious as to forestall argument. Note the conditions laid down by Sidney Lanier for our perpetuity: Our Art in all its aspirations and accomplish-ments shall love true love, that gracious principle or habit that looks for good rather than evil in the world. Our science shall know truth—not the learned ignorance that looks for good rather than evil in the world. Our art shall love truth;—not the learned ignorance and jargon of the schools, not the conceits of egotism, but God's truth that makes free and endureth to all generations. Our noble Eagle shall harm no dove—only let the vulture and the corrompted beware! Our law by law shall grow," slow ripening down from precedent to precedent under a Constitution that presents no barrier to the ultimate will of the people, but wisely compels them to think twice before relinquishing a prin-ciple of action once thought to be the best. Our God shall be God above—not any god under us, but the one God over us—a hovering ideal of spiritual good—above—always above—through all which we struggle by the very necessity of our spiritual being. Finally, our brother..."
shall be every man below. Lowell, another poet, had already called America “half-brother to the world.” And Shakespeare, the poet of poets, says:

“Strange is it that our bloods
Of color, weight and heat, poured all together,
Would quite confound distinction, yet stand off
In differences as night against the day.”

That statement is as true today as when Shakespeare made it, save only in our own big, tolerant, humane and hospitable country, where the bloods of all nationalities are poured together without distinction to the making of that ultimate being, greater, freer, nobler—than any King on earth—an American, upon whose shoulder a Sovereign People hath laid the accolade of Man.

IS THE REPUBLIC WORTH FIGHTING FOR?

Was America as erected by such men as Washington and Hamilton worth fighting for? Our forefathers thought so—even to the death. Was the perpetuity of our Union worth fighting for? Our fathers and brothers thought so—even to the death. In America just as she is, under the tutelage of those to whom Washington has become a steel engraving and Hamilton anathema, worth fighting for? She is if an American is to continue lord of himself and not the vassal of a lord. She is if liberty means self-government. Grooping, vacillating, jealous, discontended, costly and chafing even as popular government, from its very nature, is doomed to be, we Americans would not exchange the abominations, the horrors, the miseries that spiritualize the hopes of democracy for all the hard, cold certainties of even contented slavery. Our states no longer have to defend themselves against each other, for they have a common interest in every inch of territory, under a Constitution that guarantees the equal rights of every citizen of every state in every other State. Otherwise, suppose that New York be a separate sovereign, and looking only to her separate interests, should despise herself over-populated and so fall to buckering for the everglades of Florida and a place in that tropic sunshine; would not some of her statesmen find an excuse for annexing Florida? Rather! And who would hinder her? And why shouldn’t she? Isn’t necessity, next to self-defense, the first law of nature? And does not luxury become necessity, ... Except for our Union, therefore, we ourselves would today be living in perpetual warfare, and every one of our several States would be a dainty morsel tempting the appetite of every King in Europe.

REIGN OF EQUAL LAWS.

Now, what does all this prove? For the first time in history America has proven that the peoples of the world, left to their own devices, and regardless of nationality, language, creed or need, under the reign of equal laws, with no other sovereignty than their expressed will, owe allegiance only to humanity and themselves, may and will live in peace and a growing consciousness of the Fatherhood of God and the brotherhood of men. Such a world-democracy as ours is the only hope of universal peace. Idealists dream of world peace through treaties of disarmament, negotiations of diplomacy, and the adjudications of international courts. Tennyson looks forward to the Parliament of Men and the Federation of the World, admitting it to be a far-off divine event. There is poet enough in our time to make everyone of us share Tennyson’s dream and long for its materialization, but the older I grow the more I realize that it is a dream within a dream unless and until every king and kinglet, prince and princedet, together with all their preposterous claims of divine rights—together with all the pompous and frauds and shams of royalty—have been banished from the earth. So far from being the Vicer of God, a King is a monstrousity conjured out of Pandemonium by the people themselves as a punishment for their own wickedness and folly—and idol of Heathendom made manifest in the flesh.

TOM Paine’s Philosophy.

Tom Paine has proved all this in his “Common Sense” and proved it from the Bible! Let me read to you a few extracts from his “Common Sense,” the pamphlet that more than any other single influence led to our Declaration of Independence:

“The cause of America is, in a great measure, the cause of all mankind.”

“The laying a country desolate with fire and sword, declaring war against the natural rights of all mankind, and extirpating the defenders thereof from the face of the earth, is the concern of every man to whom nature hath given the power of feeling.”

“The design and end of government are freedom and security.”

“How came the king by a power which the people are afraid to trust, and always obliged to check?”

“The fate of Charles the First hath only made kings more subtle—not more just.”

“Male and female are the distinctions of nature, good and bad, the distinctions of heaven; but how a race of men came into the world so exalted above the rest, and distinguished like some new species, is worth inquiring into, and whether they are the means of happiness or of misery to mankind.”

“In the early ages of the world, according to the scripture chronology, there were no kings; the consequence of which was there were no wars; it is the pride of kings which throws mankind into confusion.”

“Government by kings was first introduced into the world by Heathens, from whom the children of Israel copied the custom. It was the most prosperous invention that was ever set on foot for the promotion of idolatry. The heathen paid divine honors to their deceased kings, and the Christian world hath improved on the plan by doing the same to their living ones. How impious is the title of sacred majesty applied to a worm, who in the midst of his splendor is crumbling into dust?”

“As the existing one so greatly above the rest cannot be justified on the equal rights of nature, so neither can it be defended on the authority of Scripture; for the will of the Almighty, as declared by Gideon and the prophet Samuel, expressly disapproves of government by kings. All anti-monarchical parts of Scripture have been very smoothly glossed over in the monarchical governments, but they undoubtedly merit the attention of countries which have their governments yet to form.”

“Nearly three thousand years passed away, from the Mosaic account of the creation, until the Jews, under the national delusion, requested a king. Till then their form of government (except in extraordinary cases where the Almighty interposed) was a kind of republike, administered by a judge and the elders of the tribes. Kings they had none, and it was held sinful to acknowledge the prince or the fatherhood of God and the brotherhood of man. Such a world-democracy as ours is the only hope of universal peace. Idealists dream of world peace through treaties of disarmament, negotiations of diplomacy, and the adjudications of international courts. Tennyson looks forward to the Parliament of Men and the Federation of the World, admitting it to be a far-off divine event. There is poet enough in our time to make everyone of us share Tennyson’s dream and long for its materialization, but the older I grow the more I realize that it is a dream within a dream unless and until every king and kinglet, prince and princedet, together with all their preposterous claims of divine rights—together with all the pompous and frauds and shams of royalty—have been banished from the earth. So far from being the Vicer of God, a King is a monstrousity conjured out of Pandemonium by the people themselves as a punishment for their own wickedness and folly—an idol of Heathendom made manifest in the flesh.

“Monarchy is ranked in Scripture as one of the sins of the Jews, for which a curse in reserve is denounced against them. The history of that transaction is worth attending to.”

“The children of Israel being oppressed by the Midianites, Gideon marched against them with a small army, and victory, through the divine interposition, decided in his favor. The Jews entered with success, and attributing it to the goodness of Gideon, presumed making him a king, saying, ‘Rule thou over us, thou
and thy son, and thy son's son. Here was temptation in its fullest extent; not a kingdom only, but an hereditary one; but Gideon in the piety of his soul replied, "Thanks, but in the positive style of a prophet charges his concerns, they came in an abrupt and clamorous manner to Samuel, saying, 'Behold, thou art old and thy sons 4 might be like unto other nations, i.e., the heathen; whereas their true glory lay in being as much 'unlike' when they said, Give us a king to judge us; and Samuel Hearken unto the voice of the people in all that they say for thee, for they have not rejected thee, but they have rejected Me, THAT I SHOULD NOT REIGN OVER THEM. Now therefore hearken unto their voice, howbeit, protest solemnly unto them and show them the manner of the king that shall reign over them. And Samuel told all the words of the Lord unto the people in all that they ask of him a king, and Samuel said unto Samuel, 'Pray for thy servants unto the Lord.' Nevertheless the people refused to obey the voice of Samuel, and they said, 'Nay, but we will have a king over us, that we may be like all the nations, and that we will take your fields and your olive yards, even the best of them, and give them to his servants; and he will take the tenth of your seed and of your vineyards, and give them to his officers and to his servants' (by which we see that bribery, corruption and favoritism are the standards of the distance of that separation. It is interstellar—as wide as the reaches of thought itself. The investment that suddenly fell from the Veiled Prophet in Tom Moore's Lalla Rookh did not more suddenly nor more completely reveal the hideous and frightful ugliness of the face it hid than did this war reveal the mask of kings. Faith, honor, truth, justice, mercy, righteousness—all the tremendous words which the human heart throughout the centuries has been gathering to itself to spiritualize and soften it are to kings, but empty sounds deaf as a masked cymbal. Is the name of any nation America, to hurl the last and gross of Kings? or to save us from their ravishment? And yet America is the best hope of humanity. Here, if anywhere, is the Ark of the Covenant. If we fail to safeguard it we are traitors to our fathers who fought for it, and to Christ Himself who died for it. Every dollar in our treasury and every red corpuscle in our blood stand pledged to its defense. We have sworn an oath before men and angels that no kinglifloul shall ever tamble the clean earth of our Western World. Do we propose to keep that oath? WARE THAN DISHONOR.

No nation threatens us in so many words; but who is so hazard to minds and intimations that speak louder than words? We boast our strength to repel attack, and yet we are weaker than dishwater. Who the invader? Whereas to fight inadequately armed and without strength to oppose invasion we could afford to trust him for the future? You recall what direful things were sure to happen, according to Mr. Bryan, if this country failed to reestablish a stability of its honest debts by giving to fifty cents' worth of silver the magic name of dollar. Personally, I have never believed in Mr. Bryan's wisdom, and I grant him sincerity only because the point is not worth arguing.

Mr. Bryan's Policy.

And yet I would heartily advocate Mr. Bryan's policy of non-resistance rather than any policy of half-preparedness. I had rather scrap every gun and warship we own if we are not to add to them. For if we were without strength to oppose invasion we could at least claim the privilege of the weak and surrender without loss of life, with a moral claim even to the pity of the invader; whereas to fight inadequately armed and with a certainty of losing would be nothing short of murder, for which you and I and every taxpayer in the United States would be measurably responsible.
To say that we are too big or too proud to fight in self-defense is, with all respect to the estimable but mistaken gentleman who said it, absurd and puerile. To say that a mob of a million or so of untrained citizenry would stand up to the most powerful arms and put to flight the bullet-tested soldiery of Asia or Europe is more than puerile—it is murderous stupidity. The machinations against this government at the moment are more subterranean than submarine. Our duty is to defend against both. We are permitted no alternative. We must forthwith spend money for defense and lots of it. We must know that we are safe even from the tempest of attack. Our peace and future happiness depend upon this assurance.

Haldane, you know, answered the appeal of Lord Roberts for better military equipment with a beautiful phrase, worthy our own President, or a Spencerian copybook: "We should prepare for the reasonably probable," said Haldane, "but not for the logically possible." There spoke the lawyer but not the statesman. Haldane discredited himself, but, worst of all, he discredited his country. The words of our own Washington are the words of a statesman, a soldier and a patriot, and they cannot be repeated too often or become too familiar: "To prepare for war," he said, "is one of the most effective ways of preserving peace. A free people should not only be armed but disciplined. To that end a uniform and well-adjusted plan is requisite." Washington's Advice.

Has Washington ever been discredited? If so, when or where, or by whom? Has not time vindicated his right to warn Americans? To instruct them in their duty? To safeguard, even from the very source, the priceless heritage which he and his compatriots bequeathed to them? A free people, says Washington, should be armed and disciplined according to some well-adjusted plan. Whose plan? I should say that the recommendations in the first instance should come from our military experts, and that in so far as their recommendations were unanimous they should be adopted without much debate and regardless of cost; with the understanding, however, that the sole purpose to be subserved is not conquest but self-defense. This simplifies and limits the problem as well as the expense. It means, obviously, a big navy—big as any navy in the world—with every flying, diving, amphibious auxiliary that can add to its effectiveness, and with all the munitions and means to boot—munitions for a year's campaign at least always in cold storage. It means as many naval officers and men as may be necessary—only to operate the machinery furnished by the government. And inasmuch as most of the machinery will be complicated and scientific, it means officers and men of brains and technical training. But this sort of men can at all times find lucrative employment in private life, which means that the government must outbid the market for their services. Insurance will cost money, but it is worth the price.

Washington's "well-adjusted plan" must likewise include a skeleton army capable of taking on flesh at a moment's notice—a standing army, say, of a hundred and fifty thousand, a decimal of a reserve army subject to call. Message of the Standing Army.

I admit that a large standing army is a perpetual menace to the very government that created it. History shows that armies have mutinied and overthrown the governments they were expected to protect. Armies have been at once the incubators and tools of kings. So the least debt of gratitude which America owes to her immunity from this danger. There is no instance on record where a navy, however big, has turned against the government that fostered it; and in the very nature of things a navy lacks the opportunities as well as the locomotive to mount rebellion. Wherefore, a large navy and a small standing army must be our program. But, says Washington, a free people should be disciplined; and I think he meant the whole people. It has been suggested that the state militia should be brought under federal domination. This ought to be done, of course. The first duty of an American who would be free should be to his country, not simply to a locality. It may cost the States the companionship of those who join their ranks for a Summer outing rather than for business, but those who do join will be soldiers neither of tin nor of tissue, but of a different metal and a better mettle. The concerns of any particular State are inconsequential compared with the concerns of the Union. Our necessities and our laws have outgrown state boundaries, and, if you will pardon me for speaking out of my partisanship, it is my solemn conviction that the country has outgrown the competency of any political party to administer whose horizon is bounded by a locality. Any party which by training and tradition, by precept and example, has nurtured in the idea that a state is bigger or more important than the nation, has a whole lot to learn and to unlearn before it knows enough to govern the United States of America.

A Case in Point.

But, personally, I should advocate a discipline that went beyond a volunteer militia, and this for several reasons that grew out of my own observation. The only political office I ever held in my life was that of a regent of the Nebraska University, where there was no salary attached nor the ghost of a chance to steal. Part of our revenues came through the Monell Act, under which, also, the government furnished us a West Point graduate to instruct our boys in the duties of a soldier. In my time this young officer happened to be the efficient Pershing, now General Pershing, who rendered such brilliant service in the Philippines. Pershing was called a martinet, but the boys all loved him and tried to please him. Indeed they spent so much time shuffling their shoes, brushing their clothes, polishing their accoutrements and learning the manual of arms, that the faculty complained to the board of regents that the boys were neglecting their studies, and asked that the military drill be abolished or greatly curtailed. I listened to the arguments of the learned faculty but cast my vote against them. For I knew scores of these lads who had come from farms and villages to work their way to an education by doing chores, however menial—great, splendid, alphabetic, country bumpkins, with more legs than a centipede and more arms than a Braille—awake and clumsy as Newfoundland puppies; and in a year's time I had found myself entreating their elegance of carriage, their poise and pose, their selfpossession—why, they had even learned how to stand still and to do it gracefully! I told the faculty that there was not a study in their curriculum that in my opinion meant half so much to those young fellows in after life as their military training under Pershing. Think of the habits that grew out of such discipline! Obedience, promptness, a sense of duty, temperance, cleanliness, deportment—everything that goes to make a useful and self-reliant citizen! In any walk of life these habits would be an invaluable to them as all their knowledge, and in the event of war they would not like to have Bryan to be taught their "hayfoot" from their "strawfoot." A million or so of such citlenses would rival the armies of Germany and Japan. It seems to me that it would be well for him and for our country if every boy could have that discipline, and Washington, I think, was of the same opinion.

Merchant Marine a Naval Auxiliary.

Permit me further to suggest that there is no better auxiliary to a navy than a merchant marine, nor is there any instrumentality that contributes more to the glory and riches of a country. I need not elaborate this fact.
for it seems to be conceded, except by the infatuated. 

The ocean highways, which are always pave

and cost nothing for repairs, were as much ours as Eng-

lishmen's. Now the ship that flies our flag is a lonesome

spectacle—a subject of derision—and such few ships as

we have the La Follette Act will soon put out of com-

mission.

Liberty! Liberty! what tyrannies are committed in

the name! Will we never learn that class legislation is

always tyranny, and either defeats itself or injures the

many to benefit the few? Was not this truth illustrated

recently in New York, where the work on the subway

was held up until the legislature in a frenzy of haste

could repeal a law forbidding the employment of aliens

on public works? Freedom and honesty are nature's

scheme for equal justice, and no "reformer," for all his

good intentions, has ever been able to improve upon it.

The fundamental error of most social economists, so it

seems to me, is their separation of labor and capital into

immutable categories, as if once a laborer always a

laborer, once a capitalist always a capitalist. Whereas

in a free government honestly administered these rela-
tive positions are as shifting as the sands, due to the

difference in personal qualities and the time and chance

that happeneth to us all. In our country there must be

no classes and not categories, and woe betide the man

who first creates them!

**THE LA FOLLETTE ACT.**

Do not grow confused in your distinctions. For a

state to grant pensions to its widows, its aged, its dis-
abled, is not "class" legislation, but a gift outright, made

by the state for the supposed good of the state. Some

of these paternalistic expenditures I heartily indorse,

by the state for the supposed good of the state. Some

of these paternalistic expenditures I heartily indorse,

and do not begrudge my contribution to them in the way

taxes. The exercise of the police power is a theme In-

itself. But when the government tells me that I must

run my business at a loss for the benefit of a favored

class I have the right to tell the government to "go to,

and shut up shop. If the government permits me to

compete with my rivals in business only on terms so un-

equal as to spell bankruptcy and ruin, I will tell the

government to please excuse me, and sell out to my

rivals. The La Follette Act is the stupidest piece of

legislation in the history of the country, and all who are

in any way responsible for it share in the culpability

of its author. It should not be spoken of as an Act to

encourage our merchant marine, but to abolish it and turn

our shipping over to Japan, for that will be the

sum total of its accomplishment. The La Follette Act

was perhaps expected to force employment of only Amer-

ican sailors, at better wages and easier work, amid more

luxurious surroundings than any other sailors in the

world. The fact that to do this involved abrogating

treaties with nearly every country, as well as regulating

the usages and commerce of those countries; the fact

that no American shipowner could live up to the re-

quirements of the Act and pay the cost of operation

mattered not at all to these Utopians. But the purpose

of the Act defeats itself. No American sailor will be

employed because there will be no American ship to

employ him. To repeal the Act will therefore injure no

one, not even the American sailor.

**A MERCHANT MARINE.**

Do we wish the United States to have a merchant

marine? Very well, then. How hard do we wish it?
The government cannot compel Americans to build ships

—isn't that so? It can only coax and tempt and en-
courage them to build ships—isn't that so? The cheap-
est encouragement it can offer is to permit our ship-

owners to compete on even terms with the shipowners

of the world—isn't that so? If that involves subsidies or

their equivalent, then our government must equalize

conditions or go without its ships—isn't that so? For

our government itself to go into the business—well, that

has been suggested and even urged by those who ought
to know better, but the mocking laugh with which the

country greeted the suggestion shows that the people

still have some appreciation of the functions and limi-
tations of government.

Suppose that we had legislators and statesmen

patriotic enough, wise enough and brave enough to save

some of our agitators from the consequences of their

own folly; suppose our government should offer induc-
ments sufficiently alluring to tempt Americans to build

their own ships; what do you suppose would happen?

Leaving out of consideration the value of a merchant

marine as an auxiliary to our navy; leaving out of

consideration the inestimable aid to our commerce and

international exchange which these ships would give to

us, let the workingmen of our country try to realize what

various occupation it would furnish them—in mines,

forests, factories, forges, shipyards—why, it would open

courses of thousands of workers not otherwise employed. The

La Follette Act means the very opposite of all this. It

means no American ships and no benefit to the American

sailor. Is the American sailor a dog in the manger?

If he cannot benefit himself, will he prevent others from

benefiting? Is he less than a patriot? I do not believe

it, for at the core of him he is every inch a Man, with the

privilege and duty to deserve the title, for it is America's

only title of nobility. To acclaim a man a Man with a

capital "M" for emphasis, and the word length-

ened by the emphasis, is to honor him in the highest—
eulogy can go no further. It is a challenge to the sex in

us. It is to masculinity what a bugle blast is to music.

We are conscious of an exaltation rising in the heart, of

an heroic icon efformed and fashioned in the mind. That

exaltation is the voice of God—that icon, a vision of the

ideal, moulded of the God -essence, out of which all men

are moulded. For man, in his manhood, stands for God;

for strength, courage, candor, selfhood, and the dignity

of selfhood that is neither dependent nor aloof. The

hopes of our republic, the integrity of our Institutions

are based on manhood, and O, my friends, they are

sound and safe—safe so long as that voice cries in the

heart of us—so long as that vision haunts the soul.


Some Things the Church Can Do to Improve Rural Life Conditions.

BY REV. W. W. DIEHL, Pastor First Methodist Episcopal Church, Hinckley, Illinois.

One of America's greatest present day needs is a new and progressive type of rural life. We need on every farm, men who understand and practice the principles of scientific agriculture. The depletion of soil fertilities in large areas of our agricultural sections, the relatively small acreage still open for settlement, and our rapidly increasing population, make rural life development a grave economic question of nation-wide import.

One-half of our population lives under rural conditions; one-third upon the farm. On this part of our population, we depend for food and clothing, the basic necessities of life. Without the farmer and what he produces, the whole fabric of our civilization would collapse. Viewed from this angle, it becomes clear that he who in any way contributes to the uplift of rural life, performs one of the finest services within the reach of man. Many agencies are now at work on the splendid task of creating this new type of rural civilization. Our agricultural colleges, the federal department of agriculture, agricultural extension agencies, experimental stations, editors of farm journals, the rural press, merchants, manufacturers and bankers are all rendering efficient service in this most vital enterprise.

What can the church do to aid in furthering this noble work? First of all, the church must supply a new type of rural minister. Religiously, country people are not having a fair chance. As a general rule, clergymen avoid as far as possible work in rural sections. They regard the country parish as undesirable, offering limited opportunity for men of culture, capacity and worthy ambition. Laymen both in the city and the country alike, share in holding this false and most pernicious opinion. Only rarely do we find ministers of wide culture, superior intellectuality and large capacity for leadership spending their time in a rural parish. The order that now obtains must be changed. We must man our rural churches with ministers of large vision, who can see clearly and are gripped firmly by the splendid opportunities for service presented by the country church. In the second place, the church must get a new and enlarged conception of her mission. Herein lies another factor in the uplift of rural life. In the third place, the church must seek to get the life and spirit of Christ into all community conditions good and good community conditions already too high, to make the contemplated change will make the tax burden still heavier. Believing the change contemplated to be for the community good, we began an active campaign, building new community sentiments respecting the value of higher educational advantages for our children while they were still at home with their parents.

Every legitimate means looking toward the achievement of our task was used. In the course of two years a school board was elected, all of whom favored an accredited high school. The change was made and now we have in our village one of the finest and most efficient high schools to be found in any rural section of the state. The people are all pleased and have a commendable pride in our school.

When the survey was made we found social life for the young people meager and very unsatisfactory. A biographical study club was organized. Boys and girls from thirteen to twenty years of age were gathered into this club. Meetings were held in the church once every two weeks. The program consisted of devotional exercises, followed by literary and musical productions. At every meeting two short biographical sketches of distinguished characters were given. Each member was supposed to give at each meeting an item of current events worthy of note. After the literary program was finished, the young people spent an hour or two in social enjoyment. The work done by the accredited high school and the Biographical Study Club has been highly inspirational. We now have twelve young people from our church, graduates of the high school who are taking work in some higher institution of learning or preparing to do so. As far as the young people are concerned, the social and intellectual barrenness of rural life has been corrected.

The survey revealed opportunity for new developments among the farmers themselves. To secure this new development, we organized a Rural Life Progress Club. The members of this club live in the country from two to six miles from town. As a group the members of this club are intelligent, thrifty and progressive. According to the terms of membership, each farmer was to do one or all of five things each year:

First, something to improve the soil fertility on his farm; second, something to improve the buildings on his farm; third, something to raise the standard of life in the home; fourth, something to improve community conditions. From the very start, the club has been a success. Meetings were to be held once a month during winter only. The people are so pleased that they continue to hold meetings once every month during the entire year. After operating for the brief period of two years, splendid results looking toward community betterment already appear. One of the officers elected was the co-operative agent. When we used the term "Co-operative Agent," someone said, "What will you do with him?" I answered, "Harness him, hitch him up and put him to work; if he balks and refuses to pull, we will unhitch him and turn him out to graze; if he works well, the advantage of having such an agent will appear."

Farmers as a class are "rotously individualistic." They boast of their independence and exercise it with great freedom. Pronounced individuality is a most
One of the most perplexing problems confronting farmers in the corn belt is the problem of land tenure. At the present time, from thirty to forty percent of the farms in the corn belt are farmed by tenants. Under our present system of farm leasing, the tenant in order to make good and pay his rent is compelled to rob the soil of its stored fertility. This in the long run is disastrous to the land-owner himself and to the farm, ultimately it reacts unfavorably on the whole community life. Tenant farmers, now members of this club, are pleased with the neighborhood in which they live and prefer to remain in the community because living conditions are so satisfactory. In this fashion permanent tenancy is greatly encouraged. The landlord, feeling he has a good tenant, makes good terms for the tenant when drawing up the lease contract; the tenant makes a better citizen and a better farmer because he lives under better conditions. He treats the farm more fairly because his contract enables him and encourages him to do so. This club in a measure has helped to solve for this community the perplexing problem of land tenure.

All these improved conditions work together toward the production of better rural conditions. The young people while taking part in the literary exercises of the club come to realize their latent possibilities; their ambition to acquire a liberal education is inspired; a genuine satisfaction with farm life is created; the possibilities of living a large, active, efficient and wholesome life on the farm are made evident. And so it has come to pass that young people who have been members of the Biographical Study Club, of the Rural Life Progress Club and have graduated from the Accredited High School are now in college, taking the four years' course in agriculture with the expectation of returning to the farm and there practicing both the art and the science of modern agriculture. They expect to spend their lives not in the city but on the farms. In the days to come they will be the leaders who will demonstrate to the world that the farm is not only the best place to be born and bred, and to acquire that most important of all essentials to success, the power of initiative, but that it is also the best place for men of ambition, capacity and culture to invest their life. Given such men upon the farm, and we have at least in its beginning that rural life so essential to the economic, social, intellectual and religious welfare of the whole nation. But such men will not return to the farm after graduating from college unless opportunity for increased culture and scope for noble leadership is offered. These opportunities the rural church has not furnished in the past. She must furnish them in the future.

Instead of several small struggling churches working in the same community, we must have strong command churches, building rather than destroying, the spirit of co-operation; churches having for their directing motto "To serve, not to be served"; churches that appreciate ministerial ability and willingly pay for it; churches in charge of ministers of noble native power, reinforced by the best training offered by our most liberally endowed colleges and divinity schools; prophets of God who can make real and attractive the character and power of the unsurpassed and unsurpassable Teacher of all the ages, in short, a builder of the Kingdom.
What a Good Home Means to the Community.

By Mary F. Rauch, Assistant Professor of Home Economics Extension Division, University of Washington, Seattle.

I take it for granted that my audience this morning is composed of men and women who take an interest in the home. The very word has magic in it. I like the old song, “Be It Ever So Humble, There is No Place Like Home.” Perhaps some of you can remember the place where you were born and can recall the old house with the green blinds, the narrow path that led to the barn, and the old apple and maple trees and the blue bushes, the dark cellar and the trunk in the attic when you played there on a rainy day. Every stick and stone of the old house is dear to you. I like this definition of the word home: “Home is the place where it is nobody’s business.” We come home where we are free and can talk about our troubles and joys.

Home making is the general occupation of many of our women. It is the oldest of our professions, yet few women seem to think it necessary to make special preparation for their work. In the early days when the home was in a tent, or in a cave in a rock, the field of housekeeping was a narrow one, but even then the women who cooked the meat of a wild animal better than her sister was admired by the men and envied by the women. We have better buildings and a greater variety of food for the family to-day, but women have not kept pace with the progress and are content to do their work in the old way, although newer and better things are being added daily to people’s lives. Modern utensils and inventions should lighten the labor of women and broaden their fields for happiness, such as was never dreamed of two generations ago.

Schools are crowded with girls studying music and fine arts, but real housekeeping is taught in but few of them. Home should provide food and shelter, peace and happiness. Housewifery is the chief vocation of womanhood, and there is no nobler calling.

It is strange that so many of our women are giving up their homes to live in a flat, or in a boarding house. This looks like a confession that women have not been able to manage their own home successfully, and so they go to an apartment, which often times is managed by a man, and where the cooking and cleaning is often done by men. Women are very careless about details, but it is the details that count. If a man builds a factory he puts in the latest improvements, knowing that he will get much better work from his men and more profit for himself, but this is not true of the home, and strangely enough, it has not kept up with other agencies. Half of our housekeepers to-day accept homes that are badly planned with regard to light, heat and ventilation. The sinks, stoves and tables are much too low for the average woman, and how seldom do we find a window in a clothes closet. Clothes need airing just as much as the rooms do. Why have women been content to live in such homes? The average woman does not take a broad view of things, and is often opposed to innovation. They say, “Well, my mother got along without science, and what was good enough for my mother is good enough for me.”

Many housekeepers think that housekeeping is drudgery, but that is because they do not know how to do it in the easiest way so as to make it a real pleasure. We do not train our candidates for matrimony, but we do train for every other profession. If a man wishes to be a lawyer or doctor, he must have training in these lines, but a girl is thrust into her home and expected to be a good housekeeper. Some people think that because she is a woman all these things come to her, but this is not correct for there are many poor housekeepers. It is true that there are many born housekeepers, but it is far easier to do work well if one knows how.

A wave of reform and improvement seems to be sweeping all over the educational world, and this is especially true of home economics, and it is a step in the right direction. The art of home-making means happy homes, and is it not a happy home life that makes life worth living?

My friends, do you not know that hundreds of young girls grow up with a very poor knowledge of what it means to be a modern housekeeper? They do not know how to have or to keep a strong body. They do not know how to furnish a house comfortably and artistically, or to buy wisely in food and clothing. How to have good sanitation and ventilation or how to select and prepare proper food for little children. The cellar is a very important part of the house, and yet many young housekeepers pay little attention to the cellar. The baby always creeps on the floor. It gets sick. A little white hearse drives up to the door and a mother’s heart is broken and a household is saddened. Why? Because the mother did not know.

A few years ago I made some inquiries among a great many middle-aged women and was astonished to find how many had lost their first baby. Three or four years ago I was holding a housekeepers’ short course. I noticed a very attractive young woman who attended every session. She told me that she was a university graduate and had two degrees. She said, “My husband has tuberculosis and my two children are delicate. I am living on a ranch two thousand miles away from home and friends and I have absolutely no idea of the care of my family. I think it is perfectly wicked for a girl to go through a university without being taught something of housekeeping duties.”

Woman is the center of the home. It takes a woman to make a home. Single people can live comfortably in rooms but it takes a home to bring up children. Many a woman is bound by the four walls of her home and her view of life must be narrow and cramped. Home-making is the only occupation that people undertake without previous training. Our girls are thrust into a home and they have no idea of the value of money, and are helpless when little children come. Ninety per cent. of the women in the United States do their own housework. Hundreds of girls leave school at the age of fourteen. I think that every school in the United States should teach this work in a practical way so that when a girl leaves school she can cook a simple meal, set the table nicely, dress neatly, and keep things orderly.

Housekeeping is a business or a profession like any other business. More people engage in it than in any other occupation. It must be run on businesslike principles. Every good business man has learned how to systematize and to take the short cut. He uses modern equipment. Ninety per cent. of all that people earn is spent for clothing, food and shelter.

Bitter experience often teaches one how to be a good housekeeper. A woman has the care and nursing of the body at the critical moment of childhood and sickness. She has the training of the mind in the most impressionable years of childhood. And she has much of the government and economics of the family home. The duties of women are as sacred and important as any ordained for man, and yet it is only within the last few years that any training or preparation has been accorded her. You
can recall the day when every woman knew how to knit and make soap and carpets. They also had to carry in water and scrub the kitchen floor. You can also recall the time when a college training was only given to the boys who expected to become ministers. Girls did not go to college, and as for placing home economics as a regular study in a university the idea would have been laughed at. Now it is in nearly every good school in the country.

At another short course I noticed a little girl of about fourteen dressed in deep mourning. She came every morning at eight and stayed until six. On Friday afternoon a big rancher waited at the door to speak to me. He said: "I waited to thank you for what this week has meant to my little daughter. Her mother died three months ago. I am very badly off—and the little girl will have to keep house for me and five little brothers and sisters. The baby is two, five years old, but she has never had a lesson in housekeeping. Now she must cook the food, wash the dishes, do the sewing, manage the housework and do the washing because I cannot afford any help."

Many children have to leave school at an early age. In New York it was found that out of 1420 children under twelve years of age, 758 did the family marketing and in 307 cases the mother was out at work all day.

The average young woman up to the time she marries and has a home of her own is apt to take housekeeping as a matter of course, as she does her clothes. After she has a home the scales fall from her eyes. These things should be taught in preparation for life; for no matter if a father says that his daughter will never need to work, no one knows what the future may bring, and the woman who is to be happy and useful must know the art of home ruling or she will never have a successful home. It is impossible to have good servants unless you know how to have things done properly and be able to tell the why and wherefore of it yourself. The wife of one of our multi-millionaires and best known men, and who has perhaps twenty servants in her home, goes to the kitchen every morning and looks after things and with her own hands makes some dainty and nourishing food which her husband likes. You may be sure that her care and thoughtfulness have helped to assure her future.

People say that our great-grandmothers did nearly all their own work, made the clothing, visited the sick, did all the cooking and cleaning, made the soap and candles, and did every little job of the day. They then went to school. As compared to present-day life, times are different now and what satisfied them will not satisfy us. In New England in those days there were usually only two or three rooms and a loft reached by a ladder where the children slept. The kitchen was used for all general purposes as a dining-room, study, parlor and sewing-room, also a wash-room. Every member of the family came in there to perform their toilet in the morning. The meals were very simple, often a dish of cornmeal mush or baked beans and bread and butter. If a family owned a dozen silver teaspoons they were looked up to by the whole community and their treasures were carefully wrapped in red flannel and only used on state occasions, like Christmas or a wedding. This was a simple life. Then more people came into the neighborhood and they began to want things a little better, and it is said that the first family who decided to have the wash bowl in the bedroom instead of in the kitchen was severely criticized for putting on airs amid wanting to be better than their neighbors. So you see it is hard to introduce a change. It was not Lord Bagot who said, "There is no path like the path of a new idea." You are well dressed, well to do men and women. Remember that there are thousands of young housekeepers who are living on a very small income. Encourage them to have a modern home with gas or electric range, bathroom and so forth, but teach them how to make the best of what they have. They must get three meals a day, wash the dishes, dress the children, wash, iron, scrub, clean and bake. Why not show them the easy way—how to have nice meals, an attractive table and a pretty home and teach them to be happy in it. Teach the mothers not to let the girls go to high school with fancy clothes. I should like to see every girl in college, wearing a simple, pretty white dress at graduation. It is poor taste for young girls to wear elaborately dressed clothes, and it makes many a heartache, and parents cannot afford the cost.

The mother who helps her little ones, steers them through the rough places of childhood, keeps her little home together, who teaches her children politeness and obedience, who teaches hospitality, who takes an interest in humanity, surely such a woman, whether she has servants or is doing her work in a log cabin, is doing her share in woman's noblest calling.

When you teach people to think that it is necessary for a girl to be taught housekeeping it will rise in dignity, and everyone will think that it is the finest and the greatest and the best of all vocations, as it has always been. Years ago housekeeping was nearly all that was demanded of a woman. Now she has to be a good mother, society woman, club, church woman and citizen.

The modern housekeeper has many problems. Years ago the study of food had not been thought of. To-day a woman knows that if her children are to grow up well and strong, and with a brain, and to be an efficient citizen, that she must study the kind and preparation and combination of food. Many a man and woman of middle life is suffering now for want of right kind of food and sleeping with open windows when a child. Growing children need plenty of good, wholesome food. They should never touch ten or coffee or pickles. If you take care of a child and see that the future will take care of itself. But many a kind and good mother starts her children on a poor diet through ignorance.

There are many people who are rich and have others do their work for them, but the majority of us have to work with our hands and the day has come when the man or woman who works with his brains alone is com-

102 BANKERS' CONVENTION.
Women have hated housekeeping because they have not been taught what it is, and what it means to use the God-given ability to plan and carry out an idea of home ideal. A woman who is really able to do her own housekeeping can so dignify labor that it becomes a sacred thing. Those who live well are those who work without feeling that she is doing anything that lowers her dignity. Those who live well are those who by faith daily perform the miracle of making some coarse things fine; it is the common things of life that are the grand things.

No woman should become a slave to her home. She must learn to let things go, and not to be ashamed of a little clean dust on the tables or on her piano, no matter how busy, and take time to rest five minutes several times a day. There are the women who are too clean and who live in a perfect home; women only can make that kind of a home. Realizing that the truest and fullest life is to be in the home is impossible. If there is a home there must be a happy home life, and a moral one, when they help with the affairs of the nation it will be the same.

Right living is equally important to men and women. There is one obligation on all persons, rich or poor. We are required to do our utmost to use wisely the gift which God has granted us; we are expected to live for others rather than for ourselves. There is an old proverb, ‘Take care of the pennies and the dollars will take care of themselves,’ and so if we know how to take care of the home and make it the foundation of all that is good and to make strong men and women, there will be no fear for the future of this grand nation of ours. It would be impossible for us to say how a well-regulated household had the power of doing good. A well-ventilated room and a dainty table means so much at breakfast, which is really the most important meal of the day, although it should be a simple one. A good breakfast prepares one for the day’s work and a good dinner prepares one for the evening’s enjoyment.

Domestic work is a condition and necessity of life. It is true that if domestic work is done, the home is impossible. If there is a home there must be housekeeping; if there are children, they must be cared for; if there be invalids, they must be looked after; if there is food, it must be prepared; and all these things involve work as a simple, practical necessity. These are woman’s duties. She must first be capable of being a business woman. She must have enough business ability to manage the house properly. By being a business woman I do not mean that she should be able to go out and take care of some business, but to be economical, practical and capable of planning the business affairs of the home.

Girls and boys should be taught good manners. Robert Louis Stevenson told us that the Americans had the best hearts and the worst manners in the world. We should be the politeest of people. Do not have company manners. Keep your manners polished as you keep your face clean—first, because self-repect demands it, and second, because respect for your neighbors demands it.

Men and women should always work together. It takes two to make a home, the man to build the house and the woman to make the home; women only can create the homelike atmosphere. But the father should...
help more than he does in the bringing up of his boys. I
meet many women, and it is pretty often that I hear a
woman say, "What shall I do with my boys? I have
work over here, and my husband says he is too busy
to help me in training them."

The American man is generous and gives a good deal
but he does not always give his time to his family. A
man is out in the world and his opinion is respected by
the boys.

Sometimes I hear people say, "How changed women
are." Women are just the same as they. They want
affection, praise and love whether they are married one
year or twenty-five years. It is a pity to hear people
say that women have changed. The woman of to-day is
a product of our times. Because a woman has to alter
her manner of living because the manufacturing plants
have taken knitting, weaving and baking out of her
hands simply means that she must alter her way of liv-
ing. But every successful business woman longs for her
own home, because it is a place where she can make com-
fort and happiness for those who love her, and be pro-
tected from the stress of daily life.

I could tell you of hundreds of women who are earn-
ing their living and putting some brother or sister
through the university or helping some aged father and
mother. She has no time to be proving that she is a
womanly woman. She has to work for herself and others
and it does not make her less worthy. Women love the
quiet hour at home when she can sit down and sew or
cook the supper. She has to meet new conditions, but
at heart she is loving, unselfish and devoted to her home.

Mr. Mortimer Schiff emphasized the fact that the lack
of thoroughness is the greatest fault in the young man.
In business, still another fault is mindlessness in dress,
manner and work. This is equally true of women. Every
woman should dress neatly and be thorough in her work.
I believe in the schools that stress should be laid first
on health, then neatness of dress and personal appear-
ance, self-confidence, cheerfulness of attitude and willing-
ness to take responsibility.

Let the children take responsibility. Have you forgot-
ten the day when you first went to the store? Do you
remember receiving a little purse and a slip of paper
with instructions to the grocer, and do you remember how
proud you were to bring back a quart of peaches and a
package of soda crackers and a few other things? And
did you buy more food when you paid a penny to buy some
molasses taffy, a freelace stice or some other wonderful
confection and did it hurt you a bit?

The market basket represents personal selection; and
the woman who wants to save the pennies must select
her own groceries and meat and must pay cash for them.
I am sure that the telephone and delivery system is to
blame for part of the high cost of living, but when a
woman has many duties and a large family and some-
times a large pocketbook we would not change if we
could.

Then the goods delivered in packages. Buy a glass jar
of bacon and weigh the contents and you will find you
are paying about 50 cents per pound against 20 or 35
for sliced bacon bought at the butcher's. True, it is
eclled thinly, it is good quality, and it is convenient and
handy to have on an emergency shelf. But I am speak-
ing of the woman with a moderate pocketbook who must
buy wisely. A package of rice—one pound is 10 cents,
but only 6 cents if you buy it in bulk; mixed pickles,
cereals, biscuits are all the same. One of the grocers in
central New York, in a town of 4,200, said that in nine-
teen articles, buying a pound of each in a package and
the same in bulk, there was a saving of $2.66. That is
a positive economy. That was for one trip. Every house-
keeper should know something of the buying of supplies
and that will help to deal better with the high cost of
living, or the cost of high living or the cost of careless
living.

Let us lift our hats to the little woman in the commu-
nity who is striving to make the home a better place to
live in. Stephen Girard said that the recipe for happi-
ness was to keep busy. Any woman who puts her mind to
the task of housekeeping and backs it up with hard work
will be a fine housekeeper. I believe that every man who
owns his own home is a better man, a better citizen.
There is nothing like having a few hundred dollars in
the bank to give one a stiff backbone and a feeling of
self-respect. There is never joy in idleness.

Miss Kelly, of Louisiana, told us last year of a little,
neglected, underfed, typical farm lad. He wore a coat that
had been handed down from an elder brother two de-
grees removed, and an old hat dragged down over his
head. He was competing for a prize at the Pig Club. His
pig was so large that they had to drive it into the pen
cornerwise. During the day men came and talked to
him, and asked him how he fed his pig to get it to look
like that. At noon he began to stand a little more erect.
When she passed at night he was a different lad. His
head was up, his shoulders held back and the coat ac-
tually fit him. He was swelling with pride because
he had done more than any other boy or man in the
community and he had the look that came from success.
So it is with the girl in the home. She can feel that she
is a great help in the family life if she knows how to
control materials, to spend wisely. She gains in self-
respect and in dignity. She will also feel that she has an
economic worth in the community. But she must have
money with which to buy things that make life worth
living. Hundreds of girls leave the farm home because
they will not live a life such as their mother has led. They
see the mother getting old and tired and longing for a
little spending money. And the girl says, "I will
never marry a farmer for I will never have any money
of my own. The chicken and egg money belongs to
mother, but she is entitled to more, and sometimes we
feel as if the chicken and egg money was a great favor
and she uses it for the bread and butter." It is humiliat-
ing for any woman to have to beg a dollar for a new
kettle or a new hat. The home must mean more than
four walls. The visiting housekeeper will do wonders in
helping the mother and telling her how to manage her
work and in making her life easier.

We must have good houses or our neighbors won't have
good homes. Many a woman sacrifices her health be-
cause she thinks she has to work all day. The curse
should ring for women who are in the kitchen after two
'o'clock. All work in the home must be directed toward
making the home a better place to live in with regard
to happiness and service. No husband nor house-
keeper she may be, the woman who interferes with com-
fort of the family and the development of the home is a
poor mother. Every woman should learn to be thrifty;
no my mind that does not mean at all to be stingy.
Thrifty is the guarding of one's possessions in such a
way that they are constantly increasing. Thrift is spend-
ing money wisely. Someone has said that to be thrifty
means to be careful of health, time, talent and money.
To be thrifty certainly gives one a sense of self-confi-
dence and peace of mind. Happiness consists of earn-
ing a little and spending a little less. It makes a strong
character.

Bankers and housekeepers should work together. We
home economics teachers are your best friends, because
we are trying to teach thrift and economy. Our hope
is that young women, for they will be the ones to
bear and bring up the future men and women. Our
girls should be taught to spend thrifty. They must
be paid for the work they do on the farm. Girls and
boys want money. I think every girl of twelve should
have her own allowance and I want you fathers to help
me. Every woman should have a savings account. I
hope educational work will become more useful and
make every boy and girl think for themselves and not
copy everybody else. I believe that women should be encouraged to take a course in home making in its broader sense. I hope to live to see the day when every woman who is going to be married will have to pass an examination in housekeeping before she gets her license.

In the annual report of the Commission on Education for 1908 it was stated that only one out of every 500 young people ever entered an agricultural college. Out of every 100 rural and urban children, only five ever reached high school. We must encourage the children to go on. Here are some figures from the United States Bureau of Educational exhibits at the Panama-Pacific Exposition:

Uneducated laborers earn about $500 a year for forty years, or $20,000. High School graduates earn on an average $1,000 a year for forty years, or $40,000. In the wages of two groups of Brooklyn citizens those who left school at fourteen began with $200 a year and were earning $888 a year at twenty-five years of age. Those who left school at eighteen began with $500 a year and were earning $1,550 at the age of twenty-five. The United States Department of Agriculture is doing wonderful work in helping the homes.

The reaching of the country women and the importance of the rural school is the topic today wherever a large body of educational public spirited men meet. In the town, simple social pleasures seem to grow up quickly because people live near each other and can be reached quickly. That is one of the greatest needs in small communities, and the school-room and church should be a meeting place for many social activities.

Washington is the first State which has perfected the rural school and given to the rural teacher the teachers' cottage. I think too that the country church can do a great deal to help the community. There must be a social side. The men and women must have more recreation. No life is well lived unless it has its play time. There must be recreation in the country home. Home-making means more than housekeeping. It means that everyone must get together and bring joy and gladness and a big deep friendliness into the life of the country people. Great things are being done for the country community; fine roads being built, rural delivery, better schools, stronger churches, but the home has not kept up with the procession.

If the farmer is doing better things on the farm, of what use is it, if it is not used in part to give better things in the home? He is happiest, be he king or peasant, who finds peace in his home.

When the housekeeper does not know how or why she thinks it is drudgery, it is just the point of view. Work becomes a joy and a pleasure when we have a special education for it. The geologist breaks rock all the day and is happy. The laborer breaks rock and is unhappy. The geologist has a wide vision; the laborer a narrow one. Behind every great movement there has been some finer sentiment to inspire men. Difficulties and discouragement have been the key to success. The prosperity of the American people depends on the homes in the small community. If the parents do not know how to keep their boys and girls well and happy, they will never keep them on the farm. Do not say, Back to the farm—say Stay on the farm.

It is a wonderful thing and marks the cornerstone of a new development when the American Bankers' Association takes up the work of public welfare and it seems to me a happy omen for the future when they have thought fit to place the woman's side on their program. Preach the gospel of serenity and contentment. Cultivate the habit of hospitality in keeping with your means. Don't apologize for simple meals. Try to have your meals so pleasant that a guest will feel welcome to come at any time. It is a good thing for us all to have our circle enlarged by the presence of a friend. But live without display and practice simplicity. The dream of restlessness is with the American people. Let us all try to take life quietly and simply so that we may enjoy health and happiness. The world is full of bustle and hurry. But in the home there is time for the pressure of a loving hand, a smile. In the home we can meet sorrow and gaiety. Love makes the roof and walls into a home; without its magic touch it is only a house.

Do not grasp at the stars. But do life's work, plain common work—As it comes, certain that daily duties and daily bread Are the sweetest things in life.
The Federal Reserve Act and the Banking System It Has Created.

By F. A. Delano, Vice-Governor of the Federal Reserve Board.

Much has already been said, and well said, about the Federal Reserve Act, and it is doubtful if I can add anything new. I wish, however, to call attention to some important features which have been accepted as necessary to frame the new law so as to provide for a coming change in business by the upsetting of our existing banking system. It was like the problem of reconstructing a great office building, changing an antiquated construction and substituting therefor steel and marble, yet accomplishing it all without serious inconvenience to the tenants. The task was necessarily a difficult one and the law provided three years for its accomplishment.

Under the old law, banks were all independent of each other, reporting direct to the Comptroller of the Currency at Washington, but each bank for itself. The ownership of branches was forbidden, and thus it was that when the law went into effect there were seventy-six hundred separate and distinct National banks varying in capital from twenty-five thousand to twenty-five million, and in addition, approximately eighteen thousand state banks, trust companies and savings banks. These banks were not organized or grouped in any way except that those in three large cities (New York, Chicago and St. Louis) were classed as Central Reserve Banks and were allowed to hold a large share of the reserve deposits of National banks in other cities, while another group was formed of banks in some fifty cities known as Reserve Cities, which were allowed a considerable share of country bank deposits and in turn deposit one-third of it in Reserve and Central Reserve Cities. A third group represented all the banks in other and smaller cities, towns and villages, which were classed as non-reserve city or country banks. These were allowed to hold a minimum of reserves (15 per cent) and deposit three-fifths of it in Reserve and Central Reserve Cities.

This loosely formed grouping of the banks did not bring about any real unity of action or an effective organization, and, even though some co-ordination of effort was accomplished by Bankers Associations, Clearing House Associations and similar voluntary organizations of banks and bankers, the fundamental idea underlying the American Banking System was “Everyone for himself and the devil take the hindmost.” The framers of the new law were face to face with the problem of devising a way to retain the advantages of competition between banks yet so to group and assemble the banks as to make it possible to use reserve resources jointly and effectively for the benefit of all and for the protection of the public. This was accomplished by creating twelve different central joint stock banks, each of them the dominating or central bank of a large area. These banks as established represent 580 to 982 member banks with a nominal capital ranging from $4,989,000 to $24,624,000—only one-half of which has been paid in. These central banks were not created to transact business with the public, but primarily, as their name implies, for the purpose of holding the reserve deposits of their owning banks. Among the important services which they may render to their member banks the most important is the right to rediscount their paper and issue bank notes against it. Manifestly then the first great result of creating twelve banks has been to bind together all the National banks of the country into twelve strong re-serve cities thereby creating an effective solidarity. Who can doubt the immense gain in doing that, even if nothing else had been accomplished by the act? It is as if a man were asked to organize an effective police force in your splendid city, and found 7,600 policemen all reporting to one chief. The first thing he would do would be to divide the force into divisions with suitable headquarters and a competent officer in charge of each. Indeed without developing the simile further it should be apparent without elaborate argument that the creation of twelve central reserve banks was, from the standpoint of efficiency of operation alone, the greatest step in advance which has been made in the banking history of this country.

Reference has been made to the fact that, under the old system in effect for fifty years, there had been developed a system of depositing reserves of smaller banks with other and larger banks. This had led not only to serious duplication of reserves which rapidly evaporated in times of stress, but in addition to this, the results of active competition for deposits led to many vicious practices, such as paying high rates of interest or granting special facilities or favors. Banks kept reciprocal balances with each other and by a system which might be likened to the time-honored plan of “you tickle me, I tickle you,” they got ahead, at least on paper. However, these methods were not conducive either to safe banking or to low and stable interest rates for the public. Hence it was that one of the objects of this new law was to make banking less hazardous, make profits surer, but to accomplish it in such a way that the investor, the manufacturer, the merchant, each and all, could count on banking facilities in good times and bad and also a fair stability of interest rates. Banking which has to recoup big losses may be expected in a new and raw community, hazardous, make profits surer, but to accomplish it in such a way that the investor, the manufacturer, the merchant, each and all, could count on banking facilities in good times and bad and also a fair stability of interest rates. Banking which has to recoup big losses may be expected in a new and raw community, but should not exist in a well-established, orderly community such as ours. I am not a banker by training, but I believe that the principles which apply to banking are similar to those which apply to business generally and require that losses must be compensated by gains. It has been repeatedly pointed out that the only way a merchant or manufacturer can permanently reduce his premium payments is by reducing actual losses. So it is that the Federal Reserve Banks can only be an effective instrument for improving the condition of the district of its domicile by protecting its member banks against loss, by relieving necessity and by intelligently foreseeing and forecasting events.

Of course during the first three years when reserve deposits are being gradually shifted from the reserve and central reserve city banks, we shall hear grumbling, but the far-seeing banker already appreciates that the immense advantages of the new system will more than compensate him for the loss of reserve deposits. But I may assume that there are some skeptics in this audience, some gentlemen from Missouri who want to be shown. To them I may say first, you must admit that the out-cry some of reserves was, to say the least, very faint. When you needed it most you did not have it, and, in fact, as it was counted mostly twice, there
really wasn't enough to go around when, as in the fall of 1907, everyone called for it at once.

The new plan seeks to put the reserve where you can count on them. In a bank of which you and the other contributing banks of the district are the sole stockholders, your stock is assured a 6 per cent. return, and all earnings above that go to the government, after the bank's own reserves have been strengthened. The reserves in the (Central) Reserve Bank of the district are used expansively as the basis of note issue, so that instead of these reserves being unavailable in time of need they are at once available to the fullest extent.

The operation, simple enough to most of you, consists in allowing member banks to bring around your commercial paper, with the net proceeds of the law and rules of the Federal Reserve Bank, you are given a credit on the books of the bank or, at your option, Federal Reserve notes for the full amount. When issuing notes to you the Federal Reserve bank deposits against such note issue, an additional security, almost for commercial paper bearing your endorsement, 40 per cent. in gold. In other words, the Reserve deposits which your bank and others have contributed become potentially capable of sustaining a paper circulation two and one-half times its face value—or stated in another way, if allowance is made for 35 per cent. reserve against all deposits and 40 per cent. reserve against note issue each one hundred dollars of reserve money is capable of expansion, when you bring in your commercial paper, to $162.50. Here, then, is a service which no Central Reserve or Reserve City Bank in the past was ever able to perform. Here is a real insurance and something which fully compensates you for loss of interest on your reserve deposits.

Under the old system every National bank was required to hold United States Government bonds and these in turn were the basis for bank note circulation. The fundamental idea underlying that system was to make a market for United States bonds. The law served its purpose admirably and the banks who were among the first to enter the system made great profits from the appreciation of value of their bonds and made money with their bank note circulation as well, but it has long been recognized as a very rigid, inelastic system which led to a shortage of note circulation in busy times and a superabundance or redundance in dull times.

The new law lets the National bank note currency pretty much alone, provides for the gradual retirement of United States bonds through a period of twenty years and supplements it with an elastic currency known as Federal Reserve notes based, not on United States bonds, but on sound and presentable paper, with the net proceeds of the law and rules of the Federal Reserve Bank, you are given a credit on the books of the bank or, at your option, Federal Reserve notes for the full amount. When issuing notes to you the Federal Reserve bank deposits against such note issue, and as Federal Reserve notes are based, not on United States bonds through a period of twenty years, so that when the bonds are finally retired, the Federal Reserve bank can use its excess cash and note circulation for the general circulation of your district as it has always done.

The new plan lets the National bank note currency pretty much alone, provides for the gradual retirement of United States bonds through a period of twenty years and supplements it with an elastic currency known as Federal Reserve notes based, not on United States bonds, but on sound and presentable paper, with the net proceeds of the law and rules of the Federal Reserve Bank, you are given a credit on the books of the bank or, at your option, Federal Reserve notes for the full amount. When issuing notes to you the Federal Reserve bank deposits against such note issue, and as Federal Reserve notes are based, not on United States bonds through a period of twenty years, so that when the bonds are finally retired, the Federal Reserve bank can use its excess cash and note circulation for the general circulation of your district as it has always done.

I am willing to give up some valuable years in my life to bring this about and I hope I may appeal to the enlightened self-interest of this association to co-operate. Some neglected features of the old banking system, a real system—a system in fact as well as in name—which makes for better banking, safer banking, more stable profits for the owners and more uniform interest rates and certain accommodation for the merchant, manufacturer or producer who are your clients.

I am willing to give up some valuable years in my life to bring this about and I hope I may appeal to the enlightened self-interest of this association to co-operate.
Mr. Chairman, Members of the Association, Ladies and Gentlemen: I am glad of this opportunity to present to you in the short time allotted to me one of the great forward movements in education which concerns itself primarily with the making of better men and better women. It is directed toward the home, for the home, and performer in the home. All school study and no practice is not a good thing. Hence, it is doing things in the organization of boys and girls who keep an accurate account of time, money, and labor required, where industry and thrift are cardinal virtues.

Industry and thrift should be the watchwords for our century. A thriftless people are a national liability.

In these United States last year were wasted, not used for human betterment in any form, and yet last night fifty per cent. of the people who trod this globe went to bed hungry. It is no wonder that we are known as a nation of spenders and a nation of wasters. The opportunity of every citizen in the country. The conservation of the national forests, the conservation of our water power, even the conservation of our enormous by-products, do not compare in importance with the conservation to every city of its rural life and peoples. We cannot raise any community faster than we build individual ideal in the separate homes of that community. A contented, productive rural life is a continuous asset.

We hear a great deal about the "back to the farm movement"; there is no such thing. That is a municipal theory. The most important movement is the stay on the farm or stay at home movement, which is ours by the older generation. Agriculture and home economics should be the first interests to a rural community. Conservation to rural life of the best youths through the attention, as two-thirds of our boys and girls never reach the eighth grade in their attainments. Why? There is always a reason. Most of them are not getting the kind of education that is fitting them to live the life they or their folks are living now or may live in the future. Nearly the same number and nearly the same ways a reason. Most of them are not getting the kind of education that is fitting them to live the life they or their folks are living now or may live in the future. Nearly the same number and nearly the same view of the young or growing generation is infinitely of greater importance to the agricultural world than any attempt to reform or transform the fixed or older generation. Agriculture and home economics should be the first interests to a rural community. Conservation to rural life of the best youths through the attention, as two-thirds of our boys and girls never reach the eighth grade in their attainments. Why? There is always a reason. Most of them are not getting the kind of education that is fitting them to live the life they or their folks are living now or may live in the future. Nearly the same number and nearly the same pupils are longing for some sort of physical expression of themselves; not the oral, grammatical requirements of the school-room. We can do very little with the older folks, whose lives are bundles of habits and bundles of prejudices, to help in this great movement, but our hope is in our receptive youth. The most important work is the work of the youth. The youth is our greatest asset.

In our agricultural activities let us be conscious of our long enough in their search for culture. A great many others have more recently found out that culture can be had from digging agricultural roots. There is as much culture in agriculture as in a study of any of the ultra-cultural subjects. We are only dig it out. Nearly all of the word agriculture is culture.

What is club work? It is a definite farm-garden, backyard, or home interest enterprise, and concerns itself with at least a season's care and management.

Let us dignify labor by teaching them that they are not going to school to get an education to get out of work, but that all education ought to help them to work intelligently. Think of the people in our land at the present time who are counting time from the Atlantic to the Pacific, with such an erroneous idea, who are now hunting jobs—no, not jobs, for most of them are looking for situations, with the accent on the "sit" every time.

One of our great national needs is the savings habit; but we must have an earning habit first. Little use is it to try to teach boys and girls to save who have never been taught to earn a dollar. It is a waste of time to try to teach a tadpole to jump. No one knows the value of a dollar until he has first earned a dollar. I find fathers and mothers all over the country who are farming and saving and laying up inheritances in cash for their children, and expect them to know how to spend it or save it wisely. And, after the worn-out farm has ceased to pay, expect the inexperienced boy to take it and make it a go. Dissatisfaction results, and he is away to town also. Better had he been left an opportunity to earn a living, not from the inheritance left him or the worn-out soil, for father could not make it go any longer, but from a still productive, built-up, fertile farm, really a fertile opportunity. The greatest inheritance in this world is an opportunity without a guardian.

Agricultural education is the only education that a boy can get away from home that will fit him to live at home. Too many of our boys and girls are being educated away from the farm and away from the home. Agriculture ought to be taught more generally. There are as many city boys and girls destined for country life as there are country boys destined for city life; and then if we are to prepare them for the lives which they are to live our duties are apparent.

Every country boy and girl needs and wants information, inspiration, and encouragement, which is usually lacking. By organizing our boys and girls into clubs for some of these worthy home enterprises, such as the Corn Clubs, Pig Clubs, Poultry Clubs, Garden and Can- ning Clubs, the Mother-Daughter and Father-Son Club, Milk Testing, Stock Judging, etc., we are thus stimulating a lasting interest in the home that will be significant. The best information available anywhere is sent to them from the agricultural colleges and the U. S. D. A., and thus they grow up with better farm practices and better satisfied because they make money at home rather than to grow up with the idea that in order to make money you must leave home.

While yet in their youth they are taught that great civic lesson of co-operation, and that under the motto of the Four Square Club Education, viz.; education of the head, the heart, the hand, and the health. The average farmer is an individualist. The only time he will co-operate is when he can’t make it go alone. Then he is willing to co-operate if you will let him be the co-part of the co-operation.

In our agricultural activities let us be conscious of our
natural adjustment. Every child passes through the same periods in his development that the race has passed through. Some of the earlier stages in the development of the race were the hunting and the fishing stage, then the pastoral stage, where they drove their flocks from place to place and cared for animals. Later came the great agricultural age, when they planted the seeds and had to walk around these favored spots for their harvest. This was the beginning of the greatest institution that is known in this world, the beginning of home life. We are now in what we might term the great commercial or financial age. Every child has a period in his development that he wishes to care for animals; he likewise has that response to his own nature when he wishes to care for plants; and these instincts, like the instinct to music when it arises, if it is not cultivated or exercised, perishes. Hence, the place of this agricultural encouragement in the lives of more of our boys and girls at an earlier period. In many of the elders it becomes a sustenance proposition rather than a natural evolution. Lead all your encouragement to the susceptible boys and girls, and the line of efficiency will certainly rise on your horizon.

It is the same in the West with us as it is with you in the East. Everything we have but fish, and our hope of the future, comes out of the soil. We have a half million boys and girls at the present time in the different States in the Union who receive instruction and encouragement regularly in their home interest enterprises from their State Colleges and the U. S. D. A., and are demonstrating to the whole world better methods of farming and larger net profits from the farm enterprises.

In these Western States the Pig Clubs are attracting much attention. We have in operation a co-operative plan, fostered by the State College, Department of Education, Bankers and Stock Yards organization, whereby any worthy boy or girl may be supplied with an opportunity of making some money at home in the form of a pure bred sow, bred to a pure bred sire, and immunized against hog cholera before she is sent out. The members give their notes, at six per cent., to pay for the sow when the little pigs have grown up to big hogs in the fall. I think this a wonderful plan and a wonderful opportunity, and it makes me wish that I again might give their notes, at six per cent., to pay for the sow when it was costing many of the elders six to seven cents per pound, made between $78 and $79 from her pure bred sow, and won the Shetland pony which she rides two and a half miles to school the elders six to seven cents per pound, made between $78 and $79 from her pure bred sow, and won the Shetland pony which she rides two and a half miles to school and back every day, because she was the best pig raiser in the State. This is real achievement, and "achievement is the only patent of nobility in modern times," says the President. The Cuming Clubs are teaching the use of the by-products of the field, garden, and orchard, as well as the importance of the neglected balanced ration for the human animal. Thousands of such achievements might be enumerated.

How long will it take you to diversify the interests in your community if every boy and girl has a pig, some chickens, and a cat? Why not standardize your community? We hear of a standard school, a standard church, a standard hotel, and a standard bank. What constitutes a standard community? One in which you would like to raise your own family for the maximum of contentment and efficiency.

Let us have a Banker for every club boy in the United States, and ten club boys at least for every Banker in the United States, with at least ten girls for every Banker's wife to know and encourage. What will this do for the boys and girls, and what will this do for the Bankers? When you meet a boy in his own garden plot or in his own hay yard you are a different Banker to the whole family therefore, and they are different people to the Banker. You are all friends. Let's remember that the country produces great minds, but does not develop great minds. We need to suburbanize the rural minds and develop mind by contact with mind.

How the banker may help. This movement, first, for the home, requires leadership in every county in every State in the Union. Second, you can promote it fastest by your insistence on a county agriculturist or farm adviser for every county in the United States, especially yours. Third, you can encourage by offering prizes of opportunities, not large, to stimulate and maintain interest. Fourth, you can extend credit to worthy boys and girls for pure seeds and pure bred live-stock. Fifth, by being a leader yourself, getting acquainted with the future business men of your community.

Home life is worthy of all the attention we can give it in the rural community. Home interests, home activities should be measured in our attentions. Every boy and girl in the State of Washington next year in all vocational subjects is to be permitted to receive school credits for related supervised vocational activities done at home. This is another move to dignify labor both at school and at home.

Let every Banker in this great organization in this Banker-Farmer movement leap at the opportunity of assisting in making better men and women out of our boys and girls by encouragement, support, and contact, and enlist activity in this great forward movement of teaching the great lessons of industry and thrift. 1916 is the Thrift year. What are you going to do about it?
To the American Bankers' Association:

Governors: I hereby submit my report as General Secretary of the American Bankers' Association for the period from September 1, 1914, to August 14, 1915. The fiscal year of the Association ends on August 31, but the early date of the Convention made it necessary to balance the books and prepare the usual reports at an earlier date than is customary.

For details of Association activities during the past year I desire to call your attention to the information contained in the various reports submitted by the officers of the Association, the Sections, Commissions, Committees and Departments which are made during the sessions of the Convention. It is my purpose to give an outline of this work in the briefest manner and to deal more fully with matters pertaining directly to my administration of the general business of the Association and its finances, as I am called upon to do.

EXECUTIVE COUNCIL.

Each year brings a large increase in the membership of the Association. Every annual Convention shows an increased attendance. Each year it becomes more apparent, therefore, that the work of the Association must be transacted by the Executive Council and to that body must fall the duty of deliberating upon and discussing the various matters affecting the operation, progress and welfare of the Association.

The constitutional provision which confines the membership of all standing committees to members of the Council has been found to be inadequate. In the session that followed the Convention, the Executive Council has a greater efficiency and better understanding of the work of the Association than was possible under the old constitution.

The Spring Meeting of the Executive Council was held at the Hotel Chamberlain, Old Point Comfort, Va., May 5, 6, and 7, 1915. The attendance was good and their absence was unavoidable. The business of the Association received the most careful consideration of those present and the action of the Council was harmonious in every respect.

The new Council which will be organized at the close of this Convention will comprise twenty-five members in the one-year class, thirty in the two-year class, and twenty-five in the three-year class.

Occasionally expression is given to the opinion that the Executive Council is too large and too unwieldy for the most efficient transaction of the business of the Association. This expression can come only from those who are not familiar with the work of the Council and the manner in which it goes about its work.

I doubt if the present form of representation on the Council can be improved for the work and too widely for the most efficient transaction of the business of the Association. This expression can come only from those who are not familiar with the work of the Council and the manner in which it goes about its work.

The business of the Association during the past year has never been dull and the period in which it has served a period of great activity. The attention of the Council, therefore, has been constantly directed to the transactions of the Association.

I can point with satisfaction to the fact that there has never been a period during the past year when clearing house practices and methods have been in revolution as the result of the new bank law, needs no comment at this time.

The thirteenth annual convention of the American Institute of Banking Section was held in San Francisco August 18-20. Each succeeding convention of the Institute marks the progress of the Institution and the State associations was necessary to the greatest extent.

To Secretary P. S. Bancroft, E. G. McWilliam, W. H. Harrison, O. Howard Wolfe, W. W. Bowman, President, and George H. Richards, Secretary of the State Secretaries Section, I wish to extend my thanks for their co-operation during the past year and I wish to congratulate them on the success of their work.

McWilliam and Wolfe served the Association faithfully and successfully for three years; and it is with regret that their connection was severed with the Association.

Mr. Allen continued in his work of promotion to new fields of labor was a distinct recognition of their ability.

Grant credit is due to George E. Allen, Educational Director of the American Institute of Banking. His influence, zeal, energy and resourcefulness have had much to do with the growth of the Institute. The support of the officers of the Institute has been most valuable, but this Association is especially indebted to Mr. Allen for the time and attention he gave to the editing and publishing of the Journal and Bulletin. The efficiency of W. W. Wade, the associate editor. For some months the editing and publishing of the Journal-Bulletin during the past year and I wish to congratulate them on the success of their work.

The Clearing House Section has also lost the services of its secretary, O. Howard Wolfe, and his successor will be elected during the Seattle Convention. Mr. Wolfe returned to the bank in Philadelphia with which he was formerly connected. His excellent work and that of the Section during the past year, which clearing house practices and methods have been in revolution as the result of the new bank law, needs no comment at this time.

The Sections of the Association, from September 1, 1914, to August 14, 1915, and, like the dinners that preceded it, was largely attended and most successful.

On February 1, the Savings Bank Section lost its efficient secretary, E. G. McWilliam, who was called to fill an important position in Los Angeles, Cal. In May, W. H. Harrison was chosen as his successor. Mr. Harrison has continued the work of his predecessor and has shown such initiative and resourcefulness as to insure continued progress. Not only are the general interests of the membership of the Section being carefully attended to, but the movement, which has been a feature of the work in the past, is now being developed along new lines which promise even greater success.

In November, 1916, will come the hundredth anniversary of the establishment of banks for savings in the United States. Plans and preparations for the celebration of this event are already under way, and by way of general celebration it is planned to make 1916 the year of that in which all banks may join and special efforts will be made to encourage savings through educational work to the end that the production of capital may be increased.

The Clearing House Section has also lost the services of its secretary, O. Howard Wolfe, and his successor will be elected during the Seattle Convention. Mr. Wolfe returned to the bank in Philadelphia with which he was formerly connected. His excellent work and that of the Section during the past year, which clearing house practices and methods have been in revolution as the result of the new bank law, needs no comment at this time.

The Sections of the Association during the past year have, as usual, been most active in promoting the particular interests of the banks directly interested in the work they are doing; I can point with satisfaction to the fact that there has never been a period during which they have served a period of great activity. The attention of the Council, therefore, has been constantly directed to the transactions of the Association.

The Trust Company Section has had problems of serious import to consider and has been most active in the promotion of legislation to meet these problems, particularly in their relation to the relations of companies as affected by the Federal Reserve Act. The Annual Dinner of the Trust Company Section was held at the Waldorf-Astoria in New York on Friday evening, May 7, 1915, and, like the dinners that preceded it, was largely attended and most successful.

At the Convention held in Richmond last year there was discussion of the Section and the scope of the Journal-Bulletin. The tendency had been to keep the Journal-Bulletin within narrow lines, however, there was a growing
demand on the part of the members for a widening of its field and increase in its scope. As a result of the discussion at Richmond and by authorization of the ad-

The Administrative Committee has greatly im-

proved the position of the Association within the profession. This result has been achieved and the development of the publication is largely due to the acquisition of A. D. Welton, new editor, and George Lewis, assistant editor. The election as a special committee was appointed and charged with the duty of reporting on the advisability of separating the Journal from the Bulletin and of publishing it separately. This committee reported at the Spring Meeting, there being a majority and minorities. The report was referred to the Admin-

istrative Committee, which was given the power to decide. An important suggestion of the special committee was that the report of the Protective Department be printed separately. This suggestion was given effect July 1. I believe it is a most desirable change. It will benefit the Protective Department, because the supplements can be placed in the hands of those directly interested in the reports without taking others from the copy of the Journal. The circulation of the Journal—Bulletin is now approximately 31,000 copies a month. It is being freely quoted by financial journals and the press of the country, and its articles are widely discussed. Letters of commendation from members have been received from all parts of the country, and it is the hope of the editors and the publisher that it will grow in efficiency at least as fast as the Association.

LOCAL DEPARTMENT.

No division of the Association's activities has developed more in importance than the local, under the able conduct of General Council Thomas B. Paton. The department had a strong start when its new suite was fitted up for Mr. Paton, more commodious and better adapted to the accommodation of his staff of assistants and his ever-increasing law library. Mr. Paton now will cover very fully the work of his office and the many important matters on which he has acted during the year. The giving of legal opinions to the members of the Association and the increased demands upon Mr. Paton, of necessity, require more active efforts on his part and absolute correctness. No opinion goes from Mr. Paton's office until it has his most careful consideration; it is my belief that his opinions are so carefully thought out that the risk of error or wrong construction of the law is reduced to a minimum.

STATE ASSOCIATIONS.

There are now forty-eight State Bankers' Associations and forty-nine including the District of Columbia. For several years I have made special efforts to bring about the organization in every State of an association of bankers, and it is more than gratifying that I now report the existence of an accomplished fact. The last State to organize was Rhode Island, which formed an association early in April of this year.

The headquarters of these Associations are not cut in name only. There is not an indifferent editor in the list. Their activity and progressiveness depends, of course, to a large extent, on the size of a State and the banks which contribute to the support of the organization. In a large number of States the work has been successful, inasmuch as another bond of any kind or class in the country. With this aggregation of State Bankers' Associations and the American Bankers' Association there is a combination which is uninvolved in its powers and potentialities.

As in the past, the General Secretary has endeavored, so far as has been possible, to visit State Associations, members of the American Bankers' Association in the various States and kindred organizations. Where it has been impossible to visit the Conventions the General Secretary has attended State Association banquets, the banquets of Group Organizations, and dinners and other functions of the American Institute of Bank-

ing. He attended the Association of the Agricultural Convention in Chicago in July, the joint convention of the American Bankers' Association and the State Conventions of Utah and Maine, New York, and Michi-
gan. In such manner contact is obtained with some thousands of bankers, as the conventions have been for a large attendance. The Association has also been competently represented at the Conventions by President William A. Law, Vice- President James W. Lewis, General Council Thomas B. Paton, Assistant Secretary William G. Fitzwilson, B. F. Harris, Chairman of the Banking Section; George E. Allen, O. Howard Wolfe, D. A. Ruffn, Secretary of the Association; Lewis M. Gannon, M. W. Harrison and A. D. Welton, of the Department of Public Relations. W. J. Burns has also attended many conventions.

DEPARTMENT OF PUBLIC RELATIONS.

Acting on the authority given by the Executive Council, the Administrative Committee organized the Department of Public Relations in the Fall of 1914 and appointed A. D. Welton as manager. The enlargement and development of the JournalBulletin has in large degree been due to the importance of the creation of this department. The publicity for the Association has reacted to the general advantage of banks and bankers. The accomplishments of the Department in the function of banks, of the position banks hold in the economic scheme, the benefits of the American Banking Act, and, when necessary, efforts have been made, in close cooperation with the Federal Reserve Board, to impress the importance of banking and the interests of the country in banking. It is the hope when they have been subjected to unmerited criticism and undeserved blame, his experience, his ability as a writer and his versatility have made him a most valuable addition to the official force of the Association.

COMMITEES.

The Committees of the Association are the bulwark of its strength. Dependence upon them has increased as the membership of the Association has grown up to its present magnitude of 25,000.

The Administrative Committee has held twelve meetings since the adjournment of the Spring Convention. It has been in close touch with all the important business of the Association and its members have full knowledge of the Association's activity. One of its directors lives in New York and the other two are within easy distance of the headquarters of the Federal Reserve System; hence it has been possible for this committee to give unusually close attention to the affairs of the Association. Among the important matters on which the committee acted was giving authority to the General Secretary to secure the services of a permanent editor for the JournalBulletin, the selection of Old Point Comfort as the place of the State Convention of North Carolina for the year 1914, and the dates of the Seattle Convention and numerous details in connection with the administrative arrangements. A federal committee was authorized to endeavor the Insurance Committee to arrange with fire insurance companies to furnish certain in-formations regarding attacks on banks, with the understanding that much benefit would accrue to the members of the Association. It was understood that the proposal be later submitted to the Protective Committee for its consideration. The Administrative Committee also authorized the discontinu-

ation of the money order. The American Surety Company, which issued these orders, had declined to continue their issue because of insufficient support to make the business profitable.

The Insurance Committee, which has its own office in Rich-

mond and a secretary who devotes much time to the work of the committee, has had an active year. Its work is now inter-

spersed with the Legal Department, Membership Committee, Protective Committee and the Library. Particularly effective and well organized have been its efforts in reducing the cost of burglary insurance. In cooperation with several of the State Bankers' Associations, it is expected that premiums on such insurance will be reduced twenty-five per cent. The premium for $14,000 a year to the members of the Association. In several States this percentage is considered a cost in effect already. The new fidelity bond is being considered by Federal Reserve Banks. This bond gives a protection to members of a kind that has never before been had. Most of the State Associations are now applying for insurance certificates with which they can place their members. The American Bankers' Association has co-operative relations. The Secretary of the Insurance Committee, Mr. Ruffn, has vis-

ited several of the Conventions of State Associations, and the latter have been made effective addresses. This work has been the result of the financial reports and statements which are submitted to them at the time of the annual Convention and the Spring Meeting. The financial affairs of the Association have received the consideration to which they are entitled at all times.

The Committee of Twelve, representing the Trust Companies, Savings Bankers' and Commercial State Banks, was appointed at the last Convention with the recommendation of the Federal Reserve Board in regard to amendments to the Reserve Act and, during the year, it would become more desirable for State Institutions to join the Federal Reserve System. After considering the question the committee deemed it was to withhold action, with the reserve system had been further developed. At the Spring Meeting of the Council this Committee asked that the work assigned to it be placed in the hands of the Federal Reserve Committee.

At the Spring Meeting the Executive Council appointed a
special Committee to consider and report on the advisability of the publication by the Association of the legal opinions rendered by General Counsel Patton during the past seven years.

CURRENCY COMMISSION

At the Richmond Convention it was decided to continue the present CURRENCY COMMISSION. There has been no occasion for activity during the year. As the Federal Reserve Act passes beyond the experimental stage and the time arrives when accurate statements can be made for the Currency Commission to do and it should be continued in order that the Association may be ready for such statements when the time arrives. The members of the Commission are students of banking and finance and they have had a large experience in the matter of currency problems and reforms.

AGRICULTURE COMMISSION

The Agricultural Commission has expanded its labors during the year. Its members are bankers who are enthusiastic in the work of agricultural development, and they have worked hand in hand with the various State Bankers' Associations and their Agricultural Committees. The Banker-Farmer has been well received, and answers excellently the purpose for which it is published. The Agricultural Conference held in Chicago the week of July 5 was, in my mind, one of the most important and successful meetings ever held under the auspices of the banking fraternity. There were present representatives from most of the States and the attendance was confined to bankers and agricultural committees of banking associations. There were many farmers present, and the agricultural committees held joint meetings with bankers and journalists. Its members are bankers who are enthusiastic in the work of agricultural development, and they have worked hand in hand with the various State Bankers' Associations and their Agricultural Committees. The Banker-Farmer has been well received, and answers excellently the purpose for which it is published. The Agricultural Conference held in Chicago the week of July 5 was, to my mind, one of the most important and successful meetings ever held under the auspices of the banking fraternity. There were present representatives from most of the States and the attendance was confined to bankers and agricultural committees of banking associations. There were many farmers present, and the agricultural committees held joint meetings with bankers and journalists. The Banker-Farmer movement seems to be one which requires diplomatic handling, but the possibilities which it offers cannot be overlooked. It must be remembered that the success of a movement depends upon the amount of interest and expenditure. If it is developed along the lines of improvement for farming communities—which includes better roads, schools, community settlements, etc.—it will be successful, but the farmer will resent interference with his business of farming or an attempt to instruct him in the conduct of the business which he thinks he understands, and probably does.

PROTECTIVE COMMITTEE

Under the provisions of the new constitution the Protective Committee is composed of three members of the Executive Council. For obvious reasons these names are not made public. They cannot, therefore, receive as individuals the commendation to which they are entitled for their supervision of the Protective Department and the time and attention they give to this important work of the Association. The report of the Protective Committee, made to the Executive Council, and the report of Manager Gammaon, of the Protective Department, give in detail what has been accomplished during the past year. In connection with the full report of the William J. Burns International Detective Agency, Inc., which is available to members of the Association and of the Executive Council. Members of the Association were solicited and requested to write to the members of the Protective Department, are handled without cost to the member concerned; the Association will prosecute the amateur as well as the professional criminal, and cases reported to the nearest office of the Burns Agency will be taken up without delay. The allegation that before a case will be taken up communally as far as New York is concerned, and that a large amount of red tape stands in the way of immediate action, is false.

L. W. Gunson, the manager of the Protective Department, is entering in his attention to the details of the work in which he is engaged. He has proved his value by years of efficient service and his experience which has come to him in the course of a year. The work of the Department, under his management, becomes yearly more valuable, and he constantly develops out of his experience new qualities which contribute to make the protective work increasingly successful.

In accordance with the action of the Executive Council, operating through the Protective Committee, a new contract has been entered into with the William J. Burns International Detective Agency, Inc.

The following resolution was unanimously adopted by the Executive Council:

"Resolved, That the Executive Council hereby recommends for the further use of the Executive Council of the American Bankers Association, and that a Committee of three be appointed to secure ten from those organizations which can, at present, the success, to be available at all times to members of the Association has not to go into the Proceedings."
MEMBERSHIP.

At the close of the fiscal year, August 31, 1914, the membership of the Association had reached 14,720. When the books were closed on August 14, 1915, the membership was 15,040, a net increase of 220. The addition to the membership was not as great in former years, but it is hardly to be expected that the rate of increase can be obtained now that the 15,000 mark has been reached. In the membership there is now included all of the banks of the principal cities of the country and the larger portion of the banks in the smaller cities. Those that remain without the fold are probably the small country banks that do not realize the benefits that membership confers. I am glad to state that we have the twelve Reserve banks in the Association and that they pay their dues the same as the rest of the members. New York State with 1,570 holds the banner for membership; Pennsylvania is second with 657 and Illinois is third with 620. The largest increase for the fiscal year is in Kansas which has a net gain of 42. Iowa is next with a gain of 31.

The delinquents for the year were 216 out of a membership (at the beginning) of 14,720 — less than the year before, which shows a gain in new members.

It will be observed that the list of delinquents is exceedingly small, considering our large membership. The delinquents for the year were 216 out of a membership (at the beginning) of 14,720 — less than the year before, when with a membership of 14,100 the delinquents numbered 220. The aggregate capital, surplus and deposits of our membership amounts in round numbers to about $16,000,000,000.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Paid Membership</th>
<th>Annual Dues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1899</td>
<td>7,000</td>
<td>830,000</td>
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<td>1900</td>
<td>7,563</td>
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<td>1901</td>
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<td>11,405</td>
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</tr>
<tr>
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<td>12,072</td>
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<td>1907</td>
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<td>1914</td>
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<tr>
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MEMBERSHIP BY YEARS.

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<tr>
<th>Year</th>
<th>Membership</th>
<th>Gross Loss by Failures, Merger, Divi-</th>
<th>Net Loss by Failures, Merger, etc.</th>
<th>Gross Net Gain</th>
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<td>5,015</td>
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<td>292</td>
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<td>450</td>
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<td>15,010</td>
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MEMBERSHIP OF STATES AND TERRITORIES HAVING LESS THAN 100 MEMBERS.

(As of August 14, 1915.)

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<th>Total</th>
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<tr>
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IN MEMORIAM.

George H. Russel, of Detroit, Mich., president of the Peoples State Bank of that city, and president of the American Bankers’ Association in 1897, died at his residence at 416 State Street, on the morning of June 17, 1915. For many years he was one of the conspicuous figures at the Conven-
tions of the Association. He was a man of great ability, and
in his courtesy and a sincere friend and companion. He
was admired and beloved by all who knew him. It is proper
that the Association in Convention assembled should take ap-
propriate action on his death.

The Association has always been a faithful employee of the Asso-
ciation and with many friends among the members, died
April 17, 1915. The Executive Council gave its recognition to
his services by observing him on the payroll during his ill-
ness of six months and by the further payment to his widow of
a portion of his salary for several months following his death.

APPROPRIATION.

It is once more the pleasure of the General Secretary to ex-
press his appreciation for the assistance and the courtesy ex-
tended to him by the Executive Council, the Executives, Sec-
taries, Committees and Officers of the Association, Vice-Pre-
dents of States and State Secretaries. He is grateful to the
membership of the Association for loyal support, friend-
liness, Committees and Officers of the Association, Vice-Presi-
dents of States and State Secretaries. He is grateful to the
members of the Association for loyal support, friend-
sions, Vice-Presidents of States and State Secretaries. He is grateful to the
full assurance of appreciation. Their hearty co-operation
and to the employees of the Association in the General Offices
and the General Counsel has always been agreeable and helpful.

In the activities of the Association during the past year the
connection with President Law and the members of the Admin-
istrative Committee has been always agreeable and helpful.
President Law has been a frequent visitor at the General
Office and has taken a keen interest in all affairs of the Asso-
ciation. No one could be associated with him without being
impressed with his earnestness and sincerity of purpose. To
the Treasurer Hoopes, to Assistant Secretary William G. Flawillson
and to the employees of the Association in the General Office
there has been made the work of the General Secretary more effective as
well as more acceptable.

SEATTLE.

The Convention of the Association in Seattle is the forty-first
in the history of Association. Four conventions have been
held on the Pacific Coast—San Francisco 1892 and 1903, and
Los Angeles in 1910.

The city of Seattle has never visited the great Northwest, the Em-
pire City on the Northwest border of our great country, will
look with amazement on the achievements of a city that is yet
ravish in years. Bankers guests of Seattle will find unlimited
hospitality, energy, pluck and perseverance—the characteristics
which have made Seattle great.

The bankers of Seattle have enthusiastically carried out the
plans for this Convention. There has been hearty co-
operation on the part of the entire business community of this city.

To the Clearing House Association of Seattle and the asso-
ciated banks of the city the General Secretary wishes, for him-
selves and for the welfare of the members of the American Bankers’ Association, to say
that the Convention will be long and gratefully remembered.

FREDERICK E. FARNWORTH,
General Secretary.


The Currency Commission has been quiescent during the
year, and the following letter from the Chairman of the Com-
mission, A. Barton Hepburn, indicates the reasons why.

The CHANCE NATIONAL BANK,
NEW YORK, N. Y., August 10, 1915.

FRED. E. FARNWORTH, Sec., AMERICAN BANKERS’ ASSOCIATION,
NEW YORK CITY.

My dear Mr. Secretary: I am in receipt of your valued favor of August 5, and desire to have a meeting
called of the Currency Commission of the American Bank-
ers Association coincident with the meeting of that Association at New York, September 26.

By informal discussion and correspondence with different
members of the Currency Commission it was deemed useless to have a formal communication or to take part in any
formal action at the present time, for the reason that the Fed-
eral Reserve Bank Law, recently enacted, has only been in
practice for about six months. The period of grace provided by
the Act has not elapsed to demonstrate the practical working
of the present law and expose any defect which it may possess.

The fact that there has been no mention of any change in the
laws since the bank commenced operations has eliminated its functions and
the volume of its business; the law has not been subjected to
any strain or test the practicality of its provisions is now
strong and insistent demand upon its resources. It seems to us, therefore,
that the attitude of the American Bankers’ Association, or at
least its Currency Commission, should be a quiescent one, study-

ing the general situation, with special reference to the good
qualities and possible effects of the Federal law. Later, it seems to us, working in conjunction with the Federal Reserve
Board, we may be able to bring to the attention of Congress needed amendments, in his home. More than once it has become
necessary for the better working of the law, in a way to command their
consideration and favorable action.

It is not our purpose to have a formal meeting of the Com-
mission at present; we feel very much, however, that any mem-
bers of the Commission who may present at Seattle will hold
an informal meeting, exchange views and finally have an
opportunity to afford to the Federal Reserve Board, in a way to command their
consideration and favorable action.

Very truly yours,

A. BARTON HEPBURN,
Chairman.

Annual Report of General Counsel, Thomas B. Paton.

In rendering an account of the functions and activities of the General Counsel in the Association affairs during the past
year, it is assumed that the General Convention will preface a
broad outline of the general features of the work rather than
be burdened with too much specific detail. The matters con-
tained in this report will all be comprehended under the three
heads, or divisions of (1) Federal Legislation, (2) State Legislation,
and (3) General Advisory Work.

FEDERAL LEGISLATION.

The Constitution of the Association places in the exclusive
charge of the Committee on Federal Legislation, the right of
executive action all subjects of legislation favored or opposed
by the Association, and the General Counsel has acted as the
advisor and active attorney of the committee, and his energy is
being devoted to the interests of the members of the American Bankers’ Association through the various field
offices. The work of the General Counsel has made the work of the General Secretary more effective as
well as more acceptable.

During the Sixty-third Congress over 500 Bills, original and
amendatory, introduced in Senate and House of Repre-
sentatives, have been enacted into law; also reports of special
committees and commissions of Congress; and correspondence and interviews at Washington and
elsewhere had with respect to many of such matters. The
overall function of the Commission has been to act on the
basis of broad principles and general ideas, which purpose
has been to promote the general welfare and interests of the
bankers and the general public of the country; to avoid
any detailed legislation with a view to determine the
extent and character of Federal legislation and to bring
all such bills through Congress in any way affecting banking interests, noting their
progress and constantly advising with the committee in respect to
all such bills.

STATE LEGISLATION.

In view of the conflicting and inadequate condition of the
law in many States covering many subjects of banking business,
it has been the province and privilege of the General Council
during the past six years to draft in behalf of the bankers
on Uniform State Laws have also been recommended by the
Commission for a large number of measures recommended by this Associa-
tion. This year has been no

Very truly yours,

T. B. PATON.

Chairman.
subject of the measure, the number of States in which passed this year, in previous years, and the total enactments, will not be inappropriate here:

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In the promotion of the above legislation General Counsel has conducted an extensive correspondence with proponents and other interested persons in the different States, supplied drafts of proposed acts and printed explanatory literature, answered objections in certain cases raised by legislators and prepared special written arguments upon particular points where necessary.

General Advisory Work.

Under this classification a variety of detailed work may be briefly referred to. The Federal Reserve Act has called forth much correspondence in connection with the preparation of past bank examinations by state or federal authorities. The work of the Protective Service has also caused certain changes in forms of commercial paper and in methods of business. In connection with these problems, General Counsel has consulted from time to time by special permission by the Secretary of the Treasury. The latter official and officers of the Treasury throughout the country, which always have a tendency to increase all classes of crime, especially the beginner; but there has been no marked increase in the operations of the professional operator.

Counsel is better equipped than ever before to cope with the increasing number of questions relating to the law and upon the validity and negotiability of particular instruments used in banking under the Federal reserve system.

The Income Tax Law and the War Revenue Act have presented constant problems of interpretation, many of the rulings of the Internal Revenue Office, Commerce being deemed subject to the banks affected. In some instances, rulings under the Income Tax Law have the sanction of court decisions, and a change can only be made through amendment of the Act; in other instances the official interpretation is of doubtful legal validity. A considerable argumentative correspondence has been entailed.

General Counsel is constantly consulted in behalf of the Protective Service on questions of criminal law, has given advice to the Insurance Committee on matters pertaining to its work, and has been called into consultation from time to time in the affairs of other committees and sections of the Association.

More than one thousand letters have been received during the Association year just ended from members in every State making express opinions as to the initiative and merits of particular State governing questions of right or liability arising out of some transaction in which the member bank is involved. The handling of this extensive correspondence has been a matter satisfactory to the member interested, and the finding of necessary time for study and research upon numerous questions without interfering upon the time required for important constructive and legislative work, has been one of the most serious problems the General Council has had to face. But with the training of able assistants, the gradual accumulation of a technical Law Library and the systematic classification of more than three thousand legal opinions, published and unpublished, which have been rendered in the past six years, the office of the General Counsel is better equipped than ever before to cope with the questions that are constantly submitted.

Report of the Protective Committee.

NEW YORK, N. Y., August 28, 1915.

This year has been a very active one for the Protective Department, owing to the existing conditions prevailing throughout the country, which always have a tendency to increase all classes of crime, especially the beginner; but there has been no marked increase in the operations of the professional operator.

This past year has been a very active one for the Protective Department, owing to the existing conditions prevailing throughout the country, which always have a tendency to increase all classes of crime, especially the beginner; but there has been no marked increase in the operations of the professional operator.

For the period from September 1, 1914, to July 31, 1915, I beg to report as to the operations against members, as follows:

For the period from September 1, 1914, to July 31, 1915, I beg to report as to the operations against members, as follows:

| Class not disposed of September 1, 1914. | 94 |
| Claims as reported September 1, 1914, as finally adjusted and collected. | 250 |
| Claims as reported September 1, 1914, as finally adjusted and collected. | 400 |
| Claims as reported September 1, 1914, as finally adjusted and collected. | 232 |
| Claims as reported September 1, 1914, as finally adjusted and collected. | 232 |
| Claims as reported September 1, 1914, as finally adjusted and collected. | 232 |
| Claims as reported September 1, 1914, as finally adjusted and collected. | 232 |
| Claims as reported September 1, 1914, as finally adjusted and collected. | 232 |
| Claims as reported September 1, 1914, as finally adjusted and collected. | 232 |

This will make 42 more arrests for the above period than for a like period of the preceding fiscal year.

Held-up arrests and Sikes arrests.

From September 1, 1914, to July 31, 1915, there have been 13 burglaries and 16 attempted burglaries, with a loss of $11,905,841; 27 hold-ups with a loss of $200,570,776, and 7 sneak thefts with a loss of $10,516,000. A number of these cases have been that of strictly amateur operators, where they entered the bank but did not get into the safe empty.

Comparative burglary table.

For the period referred to above the Department has received 20,659 reports and other communications from our Protective Agents—The Wm. J. Burns International Detective Agency, Inc., also received 3,172 letters and telegrams—and has written 2,569 letters and telegrams. These figures do not include circular letters and similar communications.

OFFICE OF OUR PROTECTIVE AGENTS.

The Wm. J. Burns International Detective Agency, Inc., now have twelve offices of their own in New York City, four foreign offices, and one correspondent at Des Moines, lowa, and three special representatives at New Orleans, Fla., and two in foreign offices, and one correspondent at Des Moines, lowa, and three special representatives at New Orleans, Fla., and one special representative at Jacksonvile, Fla. They have also assigned a special representative to the State of Oklahoma, who is trained for the work of hold-up men, as Oklahoma has had the greatest number of hold-ups in the past fiscal year. This representative is looking into those cases in that section, and his efforts have resulted in a number of arrests being made. In addition to his work as an investigator he is also assisting in preparing these cases for trial, and has them in very good shape.

This Association also has a special representative at Atlanta, Ga., Mr. George H. Bledsoe, who is looking after the interests of his members in that city.

CONTRACT FOR DETECTIVE SERVICE.

The Protective Committee have advised me that by virtue of authority vested in said Committee by the constitution of the Association, and in addition to the resolution unanimously passed at the spring meeting of the Protective Committee at Old Point Comfort in May last, in which they recommended that the Protective Committee renew the contract with The Wm. J. Burns International Detective Agency, Inc., that they have removed the contract with said agency for three years, with the privilege of renewal on the part of the Association on the same terms as their present contract.

INVESTIGATION.

During the fiscal year I have made a personal inspection of the Burns Offices at Chicago, Buffalo, Kansas City, St. Louis, Houston, New Orleans, Birmingham, Denver, San Francisco, Portland and Seattle, and found conditions as to indexing and filing in connection with our work very satisfactory. Up to date I have visited all offices of the Burns Agency in this country except Bosphorus, which I will inspect on my return from the Convention. I have personally met all the managers and most of the men who are handling the work of this Department.

I also attended the Annual Conference of the Secretaries of the Central States Association at Chicago, Ill., as well as the Colorado Bankers' Association at Ogden.

Detailed Report.

For more detailed information relative to individual cases and the work accomplished, I respectfully refer you to the monthly Journal-Bulletin, which gives a detailed account of such cases for each month in connection with the work of the Protective Department.

Since the June issue of the Journal-Bulletin the Protective Department has been published at a separate supplement, which appears to have met with favor on the part of many of our
embursements. At the end of June each year we will publish an annual report relative to each party mentioned each month. This index can be bound with the supplement each year.

In conclusion I might state that the receipts of this Department have been received by the Bank and the work of the Bureau under my supervision has continued to improve since they had our contract, and at the present time the work is handled in a very satisfactory manner.

I wish to thank the Federal, State, County, and local authorities throughout the United States, who have honored this Department very materially during the year in their investigations.

L. W. GAMMON, Manager.

Report of the Treasurer.


To the Members of the Executive Council and the American Bankers' Association.

Mr. President: The cash balance in the hands of your Treasurer on August 14, 1915, was $39,067.75. The cash on hand September 1, 1914, was $29,152.76. During the year the receipts have been $352,252.15 and the disbursements $256,267.10. The large cash balance is no indication of curtailment of the activities of the American Bankers' Association during the year, but it is gratifying to report that, after paying all the bills incurred in the course of a year of enlarged activity, the cash balance on hand is so large. In 1912 the cash balance was $3,362.88, in 1913 it was $16,115.93, and in 1914, $29,152.76. The drafts for payments of interest on the loan of the American Bankers' Association from the surplus of this year, the prediction is justified that the income of the Association during the year which has just begun will be the largest in its history. This will make it possible to extend the services of the Association, as it is necessary and desirable, and it gives assurance that the Association can continue to be the efficient organization that it has been for forty years.

In making my last report as Treasurer of the Association, I desire to express my thanks for the honor which has been conferred upon me and to assure the members of my appreciation. It has been an agreeable and rewarding work and has been made more so by the courteous co-operation of the officers of the Association, the General Secretary and the staff in the general offices in New York. It has been more than a pleasure to be associated with those active in the work of the Association.

In accordance with custom, the surplus funds of the Association have been invested in high-grade securities. The securities, under the control of the Executive Council, are held in the Bankers Trust Company, New York. The list follows:

<table>
<thead>
<tr>
<th>Pie Value</th>
<th>Booked At</th>
<th>Market Value</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicago, Burlington and Quincy, Ill., Division, 4% due 1946</td>
<td>$100,000.00</td>
<td>$101,400.00</td>
<td>$100,400.00</td>
</tr>
<tr>
<td>Chicago, Burlington and Quincy, Ill., 4% due 1921</td>
<td>$11,000.00</td>
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<tr>
<td>Jackson, Tupelo and Vicksburg, 5%, due 1939</td>
<td>$100,000.00</td>
<td>$95,000.00</td>
<td>$95,000.00</td>
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<tr>
<td>New York City Corporation, 4% due 1940</td>
<td>$15,000.00</td>
<td>$14,900.00</td>
<td>$14,900.00</td>
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In closing I wish again to thank the Association for the honor I have had.

Respectfully submitted,

J. W. HOWE, Treasurer.


MAHAR H. GLENN, Librarian.

It would be interesting to know how much it costs bankers in time and money, every year, to do work they could have the Association Library do for them. When a banker spends his new time, or that of his employees, and energy in collecting information that has probably already been looked up and recorded at the Association Library, he is wasting effort that could be more productively employed.

If twenty bankers want the same information, it may not be worth their while to get the information from the Association Library, because they could not get it without cost. If Association members can cooperate by making the Library a depository for everything that can be found in print on banking practice, to serve as a clearing house for financial information wanted by bankers, legislators and private collectors; and by traveling when necessary, to secure from the storage stacks of libraries, the basements of public buildings, and from out-of-the-way places the material which it is often impossible to purchase in book form, a beginning is being made which will culminate in a library that can be owned by the American Bankers Association and the country a really representative American banking and currency library, and the time has come to adopt a definite policy for doing so.

It would take years to build it up, but a good foundation has been laid, and an American Banking Library would embody the patriotism of American bankers in a most practical and enduring form, and would become as famous as the Foxwell economic collection which English bankers purchased in order to keep it in England. The New York Public Library, the private Library of Professor E. B. A. Bellman, and in several university libraries. But it remains for the American Bankers Association and the country to make it a reality.

In the Library of Congress, the John Crerar Library in Chicago, the New York Public Library, the private Library of Professor E. B. A. Bellman, and in several university libraries. It is there that much valuable early pamphlet literature exists, if it can be found. It would be interesting to know how much it costs bankers in time and money, every year, to do work they could have the Association Library do for them. When a banker spends his new time, or that of his employees, and energy in collecting information that has probably already been looked up and recorded at the Association Library, he is wasting effort that could be more productively employed.

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it is evident that the Library is outgrowing the narrow field of its original functions.

During the past year, 16,800 books and reference articles have been brought into Association membership. In addition to the inquires answered by mail and at headquarters. This is an increase over the total loans of both the preceding years.

The Library is indebted to the State Association Secretaries for much information and publicity. With their help the Library recently compiled a list of bankers who are authorities on subjects which is difficult to secure printed information. And plans are now being made to secure more material from original sources during the coming year.

Report of Committee on Law.

Forty-nine State legislatures have held regular sessions during the present year and a large number of bills favored and recommended by our Association have been passed. An unusual amount of other legislation affecting banks has also been passed during the year.

First as to the legislation advocated by this Association:

ASSOCIATION MEASURES.

BILLs OR LADING: The Uniform Bills of Lading Act has been passed this year in Idaho, Washington and Vermont. A strong effort was made in Missouri to pass this law, but it was defeated. The measure recommended by our Association, which is substantially the Uniform Act adapted for Federal enactment, passed the Senate of the 63rd Congress but failed in the House. With the coming of the present year, the Uniform Bills of Lading Act has now been enacted in fifteen States and one Territory, as follows:

Maryland, Pennsylvania, Massachusetts, Connecticut, Illinois, Iowa, Michigan, New York, Ohio, Vermont, Wisconsin, New Mexico, Arizona, New Jersey, Massachusetts, and Delaware.

UNIFORM WAREHOUSE RECEIPTS ACT.—This Act has been passed this year in Idaho, Oregon and Oregon. The measure was introduced in Washington in a new act passed this year in Idaho, Montana, Oregon and New Jersey and has been passed in the Senate in South Carolina and in Utah, but not in the House. In Minnesota, the bill was rejected by the committee to which it was referred. The bill was also introduced in the Ohio Legislature but failed to pass.

FALSE STATEMENTS FOR CREDIT.—New Hampshire, New Mexico, West Virginia, Wisconsin, Oklahoma, Kansas and Wisconsin have now been enacted in thirty-three States and one Territory. This measure has been passed this year in Idaho, Montana, Oregon and New Mexico.

CHECKS INDICATED WITHOUT FUNDS.—Our Association measure on this subject, either in the exact form recommended or a substantially similar form of enactment, has been passed in twenty-three States.

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bank, New York in 1914, in the new banking law, expressly re-
stricted trust powers to trust companies organized under the
laws of the State, with certain exceptions; while in 1915 North
Carolina has enacted legislation of like prohibitory pur-
pose. In New Hampshire a law has been passed depriving all banks,
including National Banks under the Federal Reserve System,
from accepting drafts or notes drawn by customers and
order, and New Hampshire law requires that no bank
may accept drafts or notes drawn by customers for a per-
promissory purpose. In New Hampshire such bank, and, where a savings bank has a deposit with the
accepting bank, the total of deposits and acceptances cannot
exceed such thirty per cent.

The law of Missouri contains a provision prohibiting other corpora-
tions from encroaching upon the powers of trust companies.

In the Federal Reserve Act, Congress has passed laws this year authorizing acceptances by banks and trust companies of drafts drawn by their customers payable at a future date, and the law of Missouri and New Jersey and New York and New
Mexico and the Federal Reserve banks located in Connecticut or
in the cities of Boston, Providence, New York or Philadelphia, or of State
banks or trust companies in Connecticut authorized to issue ac-
ceptances, of drafts or notes drawn by customers payable at a future
date. The time limit of such drafts is fixed by New Jersey and Missouri at
six months, and by Connecticut one bank to thirty per cent. of capital and
surplus, with a discretion in the Bank Commissioner to increase the limit, and by Connecticut to 50 per cent. of the capital and unimpaired surplus.

This law was intended to be accepted for any one customer in fixed by New Jersey and Connecticut at not more than 50 per cent. of the capital and surplus.

Connecticut has also passed a law authorizing savings banks to invest not exceeding three per cent. of their deposits and
surplus in acceptances of National Banks or other members of the
Federal Reserve bank located in Connecticut; authorizing, by the cities
of Boston, Providence, New York or Philadelphia, or of State
banks and trust companies in Connecticut to accept for deposit
at sight or on time not exceeding one year; and Massachusetts
now allows trust companies to accept drafts giving for the
payment at a future date drafts drawn by customers and to
accept drafts drawn by customers and to
invest not exceeding three per cent. of their deposits and
acceptances cannot exceed such thirty per cent.

Last year New York incorporated in its new banking law provisions authorizing banks and trust companies to accept for
payment at a future date drafts drawn by customers and to
issue letters of credit authorizing the holders thereof to draw drafts at sight on the bank, and to includes authorized trust companies to accept drafts "growing out of transactions involving the importation or exportation of goods and not more than six months to run," with prescribed limits as to amount in each State.

This report will not be further lengthened by reference to special subjects which have been presented in the

The following preamble and resolution has been presented to the
Law Commission by the Savings Bank Section with request that it be considered and that the Law Committee draft and recommend a statute in amendment of the Federal Reserve Act to carry out the purpose thereof:

Resolution from the Savings Bank Section to the General Com-
mission through the Law Committee of the American Banks' Asso-
ciations presented at its annual meeting, Seattle, Wash., September 7th, 1915.

WHEREAS, The Savings Banks of the United States, in a large de-
gree, maintain the equity of public confidence; and,

WHEREAS, This public confidence is largely determined by the knowl-
edge that they are safely invested, and that they can at all times secure their funds from the Savings Banks; and,

WHEREAS, The Savings Banks have required from their depositors in
the past year and to them is due, in a large measure, the
success of educational undertakings in

The following report of the American Institute of Banking Section, Robert H. Benn, President.

Gentlemen: I have the honor of bringing to you the annual report of the American Institute of Banking Section.

The report herewith submitted brings to a close a very successful
year and in the matter of educational development one of the most important.

It is perhaps not necessary to state to this body the funda-
mental purposes of the Institute not to record the fact that we have
made greater progress in the standardizing and perfecting of the study courses than during any previous year since the
organization of the Institute.

In such a work as is undertaken by the Institute, there must of necessary be a long period during which the ideas and sugges-
tions of experienced educators are tested and the best thought crystallized into the form that shall be accepted for general use as the educational program.

From year to year progress has been eliminated from our courses all that has been found to be impracticable or unsuited for the
needs of the student member.

Greater emphasis has been placed in recent years upon the his-
tory of banking economies and a study of current problems of
financing, especially the Federal Reserve System and the develop-
ment of foreign trade. The latter has been treated liberally and in their broadest sense and are brought together now in volumes, which will soon be ready for use in classes in City Chapters and for all Chapters and for Members of the Correspondence Chapter who are somewhat removed from the large centers. The change from pamphlet form to the handy bound volume has been a welcome one and will add materially to the number of students in the Institute.

Such a text book as has been prepared will be generally used during the next and succeeding years, thus making the more

The following plan of study courses now being undertaken by the

Each student member is asked to carry out the purpose of the

This is made possible by the plan of study courses now being prepared by the local Chapters and which offers promise of much success.

Believing that such an important undertaking as the re-

vision of the Institute's text books should be the experienced
hand of the expert, the Executive Council authorized an
designated a Board of Regents composed of two bankers and two
educators. This Board has now made its report and submitted the
past year and to them is due, in a large measure, the
credit for the development recorded herein. As the standard is
raised in the Institute, we note a corresponding tendency in all Chapters to emphasize the one purpose which should be
paramount, the training of bank men in principles of banking and such elements of law as pertain to their business in

Funds contributed by member banks to local Chapters are,

The incorporation of the Correspondence Chapter, bringing as
into one group, the country Banker-Member, has worked many advantages and while the number has not in-
creased to a marked degree there is promise of substantial gain within a few months.

Finding the duties in the office of the Educational Director,
becoming increasingly burdensome, the Council at its meeting in
Dallas in January, appointed an Assistant to the Educa-
tional Director.

We were extremely fortunate in securing the services of Mr.
O. Howard Wolfe, who had been a willing and valuable servant in the Institute for many years and in whose case in this year he was of great assistance to the Educational Director.

It was hoped that he would be able to serve for some time to come, but as it is impossible to hold him for any considerable length of time his ability was soon recognized beyond the bounds of Institute activity.

In June of this year he was called to an executive position in the Philadelphia National Bank. His resignation has been accepted by the Council, accompanied by expressions both of congratulations and regret.

118 BANKERS' CONVENTION.
Before passing from this monetary reference to the executive offices of the Institute, the Section wishes to record its voice of commendation for the work done by the Educational Director. Realizing the impossible task of meeting the desires of many minds among the members, we have witnessed a constant and unflagging effort on his part to maintain the high standard of Institute ideals, and a purpose of bringing about at all times the greatest good for the greatest number.

For the year 1914 the Institute has experienced a marked growth in members. While the number of Chapters remains at 66, the combined membership in new 15,000, which includes 1320 Correspondence Chapter students. This is a gain for the year of nearly 407, over the gain of 1510 in the Correspondence Chapter. The number of Institute graduates has increased 275, and now stands at 1510. There has been a steady increase in membership of the Inland and more notable of operation. This has been a natural and sure result of a persistent effort to maintain the standard set by previous administrations in the matter of systematic educational work for ambitious bank men. For the smaller cities where the number of men employed in banks does not warrant the belief that a Chapter would be profitable, this distribution, it reappears in unexpected places, in unexpected forms, was the subject of other articles and of editorial comment. Some progress has been made, and it is hoped to continue the progress of the Institute and to make it clear that no deduction at source nor to restrict such provisions. As the medium of the expression of correct views on banking and allied economic topics, it seemed important that the publication of the Institute be brought to the form from which it may develop a journal of commanding and authoritative position in its field.

Some progress has been made, and it is hoped to continue the progress so that the Journal Bulletin will become monthly more valuable to its readers and more indispensable. In this work the cooperation of the Administrative Committee is highly essential and has been of decided value. The publication of the monthly report of the protective work as a separate section of the Bulletin was authorized by the Administrative Committee and seems to have met general approval. The separation has permitted certain changes in the report of this work and has made possible the publication of this report and supplementary material. It has been taken out of the Journal a report which had no place in a publication of the kind demanded by the members.

A new feature has been introduced in the arrangement of the Journal Bulletin. These are technical and designed rather to show the result than to emphasize the method of operation. A constant effort is being made by the educational division of high class. In this the hope to have contributions directly from bankers as well as from financial writers. As an aid to general publicity and education on banking subjects the Journal Bulletin is becoming of continuously greater assistance to the Department. It permits the ready disseminaton of some kinds of information, and the newspapers have shown willingness to use in various forms the articles printed. The Department has prepared a great many articles which were widely printed in the financial journals and, in some instances, were the subject of other articles and of editorial comment. It is unfortunately impossible to measure with any degree of exactness the use made of the publications in this medium. It has been reported in unexpected forms and at unexpected times. Many newspapers have been supplied with information as well as with special articles, and many look to this Department for assistance when occasion demands. It is possible to reduce to figures the extent of the use of an article. In one instance an effort to count results showed a publication in twelve newspapers whose combined circulation was approximately 700,000; that is to say, the one article, approximately a column in length, had nearly three million readers.

The Educational Director has been in constant consultation with the officers and departments of the Association, and its facilities and services have been freely extended in cooperation with the work being done by the Sections and departments.
In this particular and a personal argument was made by our General Counsel to Mr. Underwood, in which he urged that banks were now heavily overtaxed in different ways and that it was necessary for banks to institute an independent protest and that their members present arguments to individual Senators and Congressmen. As a result of this agitation the proposition tax on bank capital was reduced from $2 to $1 for each $1,000.

In addition to the four measures above set out, our Committee has kept track of a number of subjects of legislation affecting the banking interests upon which bills were introduced in Congress during the 63rd Congress. During that session, nine bills relating to rural Credits, Postal Savings Legislation, to authorize cumulative voting for bankers present and a guarantee of bank deposits and a number of other subjects. In the matter of Rural Credits there will not be taken in this report to detail all the various bills introduced and the specific character of legislation therein proposed. But during the last week of Congress when the subject of Rural Credits was under close scrutiny would be prevented until total deposits limited to $500 exclusive of accumulated interest. These sought to remove the monthly restriction and enlarge the aggregate and also to amend the Federal Reserve Act by allowing postal savings deposits for funds to be deposited in other than member banks. Without detailing the history of this legislation, a bill (H. R. 7677), finally reached the final stage, which removed the $100 a month limit, and enlarged the existing $500 Interest bearing limit by a proviso that the board of trustees might in its discretion accept additional deposits not to exceed an aggregate of $509 for each depositor upon which no interest should be paid. This bill, however, was vetoed by President Wilson on September 11, because it contained provisions which would be prejudicial to the existing system of banking.

Postal Savings law, with reference to deposits in the Postal Savings banks, remains unchanged by any legislation in the 63rd Congress. So far this report has dealt with subjects of legislation, both enacted and not enacted, as to which the bankers have been either opposed or in favor. Concerning legislation which the Association has enthusiastically favored in the 63rd Congress, our Committee has been active in urging the passage of S. 357, the Peterson bill, relating to the life of the System. This bill was passed on May 31 and June 5, 1914, but failed in the House. We had the same success in the Senate of the 62nd Congress, with like result.

Our Committee is prepared for the future in making the full and complete information as to the financial responsibility of the borrower, it would seem important that Congress should supplement this law to give all opportunity for consideration of this measure in the House.

Our Committee also intends to urge for Federal Enactment, legislation, designed to punish the making of false statements to Federal Reserve and member banks. In connection with the rule of the Federal Reserve Board to require banks to give full and complete information as to the financial responsibility of the borrower, it would seem important that Congress should supplement this law to give all opportunity for consideration of this measure in the House.

The President of the United States has charged the President of the Board of Directors, the Federal Reserve Board, to suppress or prevent the making of false statements to Federal Reserve and member banks. In connection with the rule of the Federal Reserve Board to require banks to give full and complete information as to the financial responsibility of the borrower, it would seem important that Congress should supplement this law to give all opportunity for consideration of this measure in the House.

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Our Committee also stresses the urgency of a proposed amendment to the law of 1864, which limits the member bank to the use of keeping such 4 per cent. in its own vaults, or in the Federal Reserve bank.

Our Committee suggests that the law be amended to prohibit the keeping of such capital in other banks, and that the shares of any national banking association owned by non-residents of any State or income derived therefrom is taxed. Nothing herein shall be construed to exempt the member bank in the matter of adjusting its claim against the insurance company. Through this plan your Committee has investigated many claims of the member banks against the insurance companies, and a majority of all the principal insurance companies of this country have been licensed to execute them. These copyright forms have been used by the member banks in the settlement of claims, and the members have found so many cases of inadequate coverage because of a failure to accept the forms as offered by the American Bankers Association, to which your Committee refers, shall be taken in the city or town where the bank is located and not elsewhere. Nothing herein should be construed to exempt the member banks from the insurance companies. Many thousands of copies of your Committee's reports have been distributed among member banks as could be reached with funds within the disposal of your Committee. Articles have been published in the JOURNAL-BULLETIN of the American Bankers' Association regarding the advantages of using these copyright forms, and addresses have been delivered from time to time throughout the country. The resulting concerted action of the insurance companies makes it very difficult for your Committee to maintain the reforms that have already been accomplished, and to enforce additional reforms looking toward a reduction of 20 per cent. in the cost of this form of insurance to the member banks. Inasmuch as the member banks pay, approximately, $76,000 per month for their burglary insurance, a 20 per cent. saving would mean $15,200 per annum. The matter was made the subject of a special report by this Committee to the Executive Council May 9, 1915, and was referred to the Administrative Committee for action.

Your Committee in its report to you of October 12, 1914, outlined the small amount of claims settled by the American Bankers' Association on behalf of member banks as compared with the premiums paid by the banks. Our figures were compiled after the most painstaking and careful work, and we believe that the facts so presented are as correct as possible. There are several forms of burglary and hold-up losses in member banks, among them being principally the efficient work of the Protective Committee, it has been made possible to offer the member banks a reduction in the cost of their burglary insurance aggregating more than $10,000 per month.

Obviously, the insurance companies do not take kindly to this reduction in their wide margin of profits heretofore enjoyed on bank burglary insurance. The insurance companies have formed an Association for the maintenance of rates among other things. This Association is a federation of the largest burglary insurance companies of the country. The resulting concerted action of the Protective Committee makes it very difficult for your Committee to maintain the reforms that have been accomplished, and to enforce additional reforms that are needed. More than one bank has suggested to your Committee the possible violation of laws involved in the so-called insurance companies' scheme. The courts have held, however, that insurance is not commerce, and a recent decision of the Supreme Court of the District of Columbia reaffirming a ruling of the United States Supreme Court holds that the provisions of the Sherman Anti-Trust Law do not over insurance policy transactions, as a policy is not an instrument of commerce. These facts are presented for your information, and not as an indication of the temper of your Committee. On the contrary, it has been the policy of your Committee in the two years of its existence to cooperate with the insurance companies to the end that the member banks should deliver at least the best forms of insurance and bond contracts offered by themselves to other banks of the same class, and, further, to meet with your approval.

Your Committee further desires to submit to the member banks the need of caution in accepting endorsements or riders in connection with claims. An endorsement or rider is a policy by which the holder of a policy is insured against damage or loss in addition to that insured by the original policy. An endorsement or rider may be attached by the insurance companies to their bonds or policies and tending to change the conditions or provisions thereof. We strongly desire to point out the danger of making statements or applications by the bank to the insurance company for the policy or bond. For instance, it has been the custom of some of the insurance companies to require the bank upon the renewal of its fidelity bond to give what is known as a "cut off" agreement under which the bank warrants by endorsement that all of its accounts have been notified up to that date, and bound over to the insurance company upon delivery of the re- 121

...
FIRST DAY'S PROCEEDINGS.

MORNING SESSION.
Wednesday, September 8, 1915.

The Business Sessions of the Forty-first Annual Convention was called to order by the President of the Association, William A. Law, President of the First National Bank of Philadelphia, Pa., at 10 o'clock on Wednesday morning, Wednesday, September 8, 1915.

PRESIDENT LAW: The convention will come to order. In accordance with our custom the exercises will be opened with prayer by the Rev. P. W. Keator, Bishop of the Diocese of Olympia.

INVOCATION.

By the Rev. P. W. Keator, Bishop of the Diocese of Olympia.

Almighty Everliving God who from Thy throne behold all the dwellers upon earth. It is need and right that in all our undertakings we should seek Thy presence and favor. Thou art all power and all knowledge. All is in Thy hands. It is through Thy blessing that all is done and all is accomplished. Therefore, O our God we would acknowledge our entire dependence upon Thee and yield to Thee these things and give Thee the glory that is due to Thee. For Thou hast been God and Lord and the greatest of all nations. Without Thee nothing is strong, nothing is holy. There is no veil or barrier between the worlds of social, commercial and political life nor between things visible and things invisible. To Thee we give our sons, to Thee we give our daughters, to Thee we give all that we have and are. We seek Thy presence upon the scenes of business and the scenes of leisure. We seek Thy guidance in the days to come.

Let Thy blessing continue to rest upon this land of our homes and our labors. Bless these souls in authority over us, and especially the President of the United States and the Governor of this State, that in all things they may seek Thy honor and glory. Direct them in their direct and right use of power, that we may do justly, love mercy, and walk humbly before Thee all our days. Whatever dangers may threaten to overwhelm us, whatever obstacles may bar our way, we pray that if the Almighty be not with us, we may be enabled to overcome them. We thank Thee for the blessings of peace and happiness. We ask it through Him who hath taught us to pray. Our Father who art in heaven, hallowed be Thy name. Thy kingdom come. Thy will be done on earth as it is in heaven. Give us this day our daily bread and forgive us our trespasses as we forgive those who trespass against us, and lead us not into temptation, but deliver us from evil; for Thine is the kingdom, the power and the glory, forever and ever, Amen.

PRESIDENT LAW: We are greatly honored in having with us today the Governor of the Commonwealth of Washington, who has consented to speak a few words of greeting.

Address of Welcome by Hon. Ernest Lister, Governor of Washington.

Mr. President, Members of the American Bankers' Association, Ladies and Gentlemen; It is, indeed, a pleasure to me to be able to be with you this morning, and add a word to the welcome that will be given you by the Mayor of Seattle and by the representative of the bankers of the State.

We regret that we are not furnishing you that weather which we usually have in the State of Washington. The particular reason, however, is that those in charge of the weather here had the feeling that if we were to furnish the usual weather all of the delegations from the other states would be so impressed with the beauty of our country that there would be none of the membership present at your sessions sessions. Therefore, you are having the kind of weather that you experienced yesterday, and also this morning, so that there may be a large attendance at the meeting in order that the work that you stand, that the sun will shine to-morrow, so that you may have an Address of Welcome by Hon. Ernest Lister, Governor of Washington.

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Address of Welcome by M. F. Backus, President Seattle Clearing House Association.

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

Gentlemen have extended to you a hearty welcome in the Evergreen State. Major Gill has hidden you in our Queen City of the Pacific. We extend greetings from the Associated Banks of this city, and on their behalf take pleasure in adding you welcome to everything else in sight. And is there not good reason for our extend ing this united welcome? The Scriptures tell us that we have not yet all fully qualified as angels, we have no doubt will do so later on.

Mr. President, I say to the gentlemen who represent the National Clearing House Association, that we welcome you, one and all, from whatever State you come to everything else in sight. And is there not good reason for our extending this united welcome? The Scriptures tell us that we have not yet all fully qualified as angels, we have no doubt will do so later on.

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Full manufacturing activity, drawing raw material from lands beyond the seas as well as from your own coasts, and you will ship your manufactured product as you are now shipping raw material, to Alaska, to the Oriental and to your neighbor across the Hudson. Agriculture and industry are taking the labor from what you fabricate and perfect, as well as the commercial profits earned here in this unexcelled port, blessed with climate, nearly feel and resources beyond your imagination.

Your need is what all sections of this country feel, namely, more men with willing hearts and trained hands who love to work and who are aware in order that they may more successfully work and perform their duties.

But the Boer of today, equipped with exceptional railroad and telegraphic facilities, with a navy of the first order, with a heretofore tremulous national sentiment now stilled in education, with a national credit which has been tested to the yardstick of national gold, and with no longer a policy of isolation beyond the seas as well as from your own coasts, and you will face the problems which were so recently behind the scenes of your operations. For there is no industrial war.

Therefore, we esteem it a priceless privilege to be here with you, to see what you are doing, and to enjoy your beautiful and charming hospitality.

Annual Address of the President, William A. Law.

Three annual gatherings are indispensable which mark our banking progress. The first is the Richmond Convention last October, many events of vital importance have been covered together, often too swiftly for realization and analysis, so seriously have they affected our lives and fortunes. A second meeting that we have frequently referred to is the system's annual report, as it has been remarkable for its brevity of expression, and it has presented a form of communication with the public which is not often equalled.

We are woeing in the midst of strings and stirring days, saturated with the romance of world changes. History is being made on every continent and new maps are being drawn with a pen remorselessly dipped in the blood of the strong men and of innocent women and children.

The European war has continued its progress with increasing military ferocity, economic devastation and loss of human life. In America the situation has served to reveal the marvelous material resources of the United States as well as the capabilities of the American people, for our leaders began energetically and resourcefully the task of replying to them. This was accomplished not by the expenditure of all domestic resources, but by the handing over of a large number of our seamen and seagulls were removed. Emergency measures were provided and temporary measures were taken along the way, and recently the decentralization of competition for skilled labor by the centralized method has opened a new world under some restrictions after having remained closed about four and a half months, and international and domestic differences were condensed into a few of our economic and extraordinary difficulties.

During the year you have seen shipping exchange rise to its maximum price of two generations, and sink to its minimum. You have seen interest rates uniformly high and again discouragingly low; you have seen wide fluctuations in the values of our staple products; you have seen economy practiced till, as a consequence, retail trade suffered severely.

Manufacturers in many branches have not been able simultaneously to meet the swelling effects of tariff changes, the rapid shifting of prices of both raw material and products under war conditions, and recently the decentralization of competition for skilled labor by the centralized method has opened a new world under some restrictions after having remained closed about four and a half months, and international and domestic differences were condensed into a few of our economic and extraordinary difficulties.

Those branches interested in the production and distribution of foodstuffs have been least injured. Leather has been strong and active; the hides and hide products have been unusually strong, the cattle and deep in demand. Construction and all products purchased by the railroads have been low and dull. Our coffee trade has been the best we have seen in a year.

The principal features of the system have so far operated fairly well in our country. The first is the barometer of our national trade, is strong and active. As a consequence, retail trade suffered severely. The second feature is the financial status of the United States. The third feature is the foreign relations of the country. The fourth feature is the foreign relations of the country.

As a whole, production is inevitably increasing; unemployment is slowly and steadily decreasing; discriminations are disappearing in the face of the strong American people, for our leaders began energetically and resourcefully the task of replying to them. This was accomplished not by the expenditure of all domestic resources, but by the handing over of a large number of our seamen and seagulls were removed. Emergency measures were provided and temporary measures were taken along the way, and recently the decentralization of competition for skilled labor by the centralized method has opened a new world under some restrictions after having remained closed about four and a half months, and international and domestic differences were condensed into a few of our economic and extraordinary difficulties.

On November 10, 1914, the Federal Reserve Banks were opened, angering too late to affect relief during the financial straitening, in the retirement of emergency currency was done by that time in full swing. Unfortunately, this contraction was not sufficient to meet the requirements of commercial depression combined with speculative interest, and for the next few years the stock market remained slow and dull. Our coal tonnage exceeds the combined output of the world, and our copper industry was only about 100,000 per month.

The Federal Reserve Act provides a comprehensive plan for American banking co-operation, and for the regulation of business affairs. It is the first step in the development of the American banking system. The system has designated official leadership in the form of a central bank, and the responsibility for working out important details rests upon the Federal Reserve Board. They are doing this admirably and conscientiously, and have exhibited willingness to make changes where trial has shown that they are mistaken, which is a characteristic of men who are doing good work.

National banks located in the larger cities should be authorized to make loans to the Germans. They would have the same function as the central banks of European countries. Under this plan, customers may obtain loans by depositing their gold or silver bullion or by presenting their Bank of England or Bank of France notes.

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The utility of such a plan has been proven by the experience of the United States.

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BANKING SECTION.

In the meantime, the monopolization against bonds by the Federal Reserve Act, coincident with the other difficulties of the railroad business, has served to aggravate the economic changes which have caused enormous speculative losses. The Federal Reserve banks are independent national banks.

The Federal reserve system has not yet been fully tested. The cause is due to the action of two most important factors in its operation, namely, the entry of the State banks as members and the removal of Government deposits from the independent treasury. It cannot be questioned that the independence of those associations, as long as the changes are derived, together with the Secretary of the Treasury, should bestly cooperate with the system if we are to co-ordinate all elements in our financial position will strengthen steadily as the European War progresses; that our devoted President will be successful in preserving the varied activities of the Association, through the Finance Committee, which was constituted to supervise the finances of the Association, is performing its work under the able hand of General Counsel Paton, has developed a field of service generally used by the members and highly appreciated.

The new Constitution of the Association has now been tested for two full years; practical use has demonstrated the wisdom of its provisions. The Constitution imposes large responsibilities upon the Administrative Committee, which meets at frequent intervals, and in the intervals between meetings exercises the powers of the Executive Council. The members of this important committee become thoroughly conversant with all the activities and advance promptly with the General Secretary and various departmental heads regarding all matters of moment. A wise provision of the Constitution requires that members of the Council shall be classified as to their terms of service and so arranges the committees that at no time is one of them composed of new and inexperienced members.

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Your agricultural and industrial General Council again announces an excellent report of the annual session, which for the first time exceeds 3,000. The Association has grown steadily in member and in effectiveness. We would urge the crystallization of ideas and action upon all matters of banking and economic value. It is now in touch with the great majority of the bankers of the country and we expect to see it grow in influence as well as in number as time goes on.

To the officers who are in touch with the various affairs of the Association it is evident that many members are not sufficiently familiar with its machinery and its various activities and do not utilize to the full advantage the facilities which the Association affords. Comparative few of our members realize the diversity of the Association's interests, its numerous functions and the wide range of its activities.

To those who would like to be in touch with the various affairs of the Association. It is evident that many members are not sufficiently familiar with its machinery and its various activities and do not utilize to the full advantage the facilities which the Association affords. Comparative few of our members realize the diversity of the Association's interests, its numerous functions and the wide range of its activities.

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Masonic salute him."

"He did not fail
Like evening flowers that no man notices.
But like a great branch of some stately tree,
Rent in a tempest and flung down to death."

He was born to a life of ease. At the early age of six-
teen he was placed upon the threshold of the future to
how his own way.
No college door swung ajar that he might be educated,
and it may be said that his first schooling was a battle with
the world in a struggle for a living. He was an age pupil;
he learned the fundamentals of correct living—probity, honesty
and industry—and squared his life to no other standards. The
story of his life is an open book; every page one of inspiration.
His fellowmen knew him as he was—a great-hearted, noble
man. Children loved him because he loved them. His friends
admired him because "His life was gentle, and the elements
was mixed in that nature might stand up and say to the world,
"This was a man."

Years added experience to his knowledge without abating his
mental vigor. In his business life he suffered the sometimes
necessary asperity of his action by the kindness of his manner,
and often gained by persuasion what would have been lost by
necessary persistence.

While charged with the executive management of a large
bank, and with varied business interests, he was never too busy
to give a word of counsel and advice. Thoroughly democratic
in his manners, he was at all times approachable, and always
ready to lend a sympathetic ear to the troubles of others.

"His word is warrant for our trust."

Generous beyond his means, helping others help themselves,
always hopeful, busy, just, cheerful; a model citizen; always
thinking of the public good, feeling that what he can do is
true; loving nature, familiar with the poetic side of things:
touched by enthusiasm by the beautiful thought, the brave word
and the generous deed; full of magnetic, friendly, manly spirit;
and often persistent; loving and gentle in his family; physically fearless; intellectually honest;
truly informed; hospitable, unselfish, sincere and loyal—
he was, indeed, a splendid replica of the noblest work of God.

"The record of a good life.
Rings like a fragrant vine around his memory."

He became President of the People's State Bank in 1889 and
served continuously in that office until his death—a period of
three or four years, it has been customary for the various re-
ports of the officers of the Association to be printed and dis-
tributed to those who attend the Convention. With the in-
creased activities of the Association, the reports of the officers
and the report of the General Secretary are increasing in
length.

Now, it is my intention this morning only to read two or
three paragraphs, and particularly some instructions received
from the Executive Council to report to this body. I shall
allude in just a few words to some of the activities of the Association while these
reports are distributed.

The guests in attendance seem to find very little time to
read printed matter.

First, I want to pay my respects to the forty-nine State Sec-
retaries who co-operate with the American Bankers Association in
every way in their power to make this work a success. This
part of the report, you will see by the reading, was referred to
the Convention.

[For the full text of Mr. Paton's report on pages 114 to
115.]

Mr. GOEBEL, Kansas City, Missouri: Mr. Chairman, in order
to save time, I move that the reports of the various officers
which are printed in this pamphlet, be received and filed, without reading.
(Motion seconded.)

Mr. GOEBEL: I move you, sir, that the report of the
Treasurer be endorsed by the General Secretary be accepted, and the instructions which have-
been directed to save time. All in favor say aye; op-
posed, no. It is carried.

The annual report of the General Counsel, Mr. Thomas B.
Paton, New York City, is the next number on our program.
We give the full text of Mr. Paton's report on pages 114 to
115.

Annual Report of the General Secretary.

Mr. President and Members of the Association: For some
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been directed to save time. All in favor say aye; op-
posed, no. It is carried.

Mr. HENRY R. WILLIAMS, Utica, New York: I think a large
portion of the members of this Association do not have
amendments to the Constitution.

We will now come to "Amendments to the Constitution.
Gentlemen, the General Secretary reminds me that no action
was taken upon the resolution embodied in his report, which he
read to you, in pursuance with the instructions of the Execu-
tive Council.

Governor BARRY: I move you, sir, that the report of the
General Secretary be accepted, and the instructions which have-
come to us from the Executive Council be endorsed by the gen-
eral meeting.

I do this, Mr. President, on the theory that I have heard
some talk of disestablishment in one way or another. I have
served on the Executive Council of the American Bankers' As-
sociation; I am not now a member of that Council; but I feel
I have a right to speak on this matter.

They are the administrative forces of this body. They are
the selected members and delegates chosen from each State. I
believe the American Bankers' Association can well trust this
affair of the Association in the hands of this Council for the
reason that the recent action taken by the common council is
reported by the General Secretary, to be endorsed by the Con-
vention.

(Motion seconded.)
Mr. Farneck W. Hyde: I move the adoption of the amendment as read.

(Motion seconded.)

Tlie PRESIDENT: You have heard the motion, which has been duly seconded. All in favor say aye; and opposed, no. It is carried.

GENERAL SECRETARY FARNsworth: Now, you will find pages 23, 24, 25 and 26 of the official program... we will consider.

Mr. W. H. Burns, Wellington, Kan.: I move we adopt the amendment.

(Motion seconded.)

Tlie PRESIDENT: All in favor of the adoption of the amendment; any aye; opposed, no. Motion is carried.

GENERAL SECRETARY FARNsworth: Pages 24, 25 and 26 and a portion of page 27. Those four pages relate to the election of officers where the State Convention follows the General Convention.

For years certain States of the United States, and this particularly true with reference to the States of Indiana, Illinois and Nebraska, hold their conventions after the Convention of the American Bankers' Association with the result that four or five members of those States on the Executive Council, whose terms expire, would have already expired, and those States would be without representation on the Executive Council on Thursday night when the new Council is organized. These States and others suggested that the Constitution be so amended that the members of the Council from those States be allowed to have representation, and that the members of the Council of the Nominating Committee hold over until these States have been prepared so there can be no perpetuation of officers. They must meet at the same Convention and elect officers. The State of Illinois has over nine hundred members and the American Bankers' Association, and it should have a full representation at the Convention.

Mr. W. H. Burns, Wellington, Kan.: I move we adopt the amendment.

(Motion seconded.)

Tlie PRESIDENT: All in favor of the adoption of the amendment; any aye; opposed, no. It seems to be carried; it is carried.

The object of the proposed amendment is to clarify what is already the law of the Constitution, but which is not sufficiently clear. The amendment is to amend By-Law sixth by adding at the end thereof:

"Subjects of National and State legislation originating in any Section shall not be urged independently, but presented through the Law Committee of the Executive Council and General Convention, and not approved, in accordance with Article V, Section 16 (d), of the Constitution."

The object of the proposed amendment is to clarify what is already the law of the Constitution, but which is not sufficiently clear. The Constitution provides the method and machinery by which the Association urges proposed legislation affecting members, and makes it clear that amendments of the proposed legislation may be made through Law Committee, (d) dual approval by Executive Council and Convention, (e) presentation to Congress by Committee on Federal Legislation and presentation to State legislatures by State Associations. There is an exception in the case of emergency Congressional legislation, which is handled directly by the Committee on Federal Legislation following resolution of the Executive Council or Administrative Committee without going before the General Convention. It has happened in the past that bills have been urged by a Section before legislation is independent of the Association and made independently, without receiving the approval as provided by the Constitution; it may happen in the future that if a Section, acting as an independent organization, may independently urge legislation before a State or National Legislature measures affecting their particular interests, which may be contrary to the interests of the entire membership. Or, it is conceivable that two Sections might independently urge legislation on the same subject of contradictory interest to the whole Association. To make it clear that all subjects of legislation originating in a Section must first conform to the approval as provided in the Constitution and if approved be handled by the proper committee or agency therein defined the adoption of the amendment above proposed may be wise.

Mr. C. A. Hirsch, Cincinnati, Ohio: I move that the amendment be adopted.

(Motion seconded.)

Tlie PRESIDENT: Mr. Hirsch moves the adoption of this amendment, and the motion is duly seconded. Are there any remarks? (No response.) All in favor any aye; opposed, no. It is carried.

General Counsel Paton has a matter which he wishes to bring to your attention at this time.
Mr. THOMAS B. PATON, New York City: Mr. President, these amendments just prepared and printed have all arisen out of new conditions, and were prepared before the meeting of the Convention. I think that the situation of the State is such that it should be considered here. The amendment of the Nominating Committee, with the alternates from two or three States, are not present, and I have been requested by the representatives of these States to offer a substitute to see what could be done, as it seems quite important or desirable that these States be represented on the Nominating Committee. It has seemed to me the Nominating Committee had to view immediately after the first session of the General Convention.

I was asked whether a member of the Nominating Committee could, and I thought it would be extremely doubtful; that the exercise of a vote on the Nominating Committee involved judgment and discretion. I was informed that the delegates from the States of Iowa, Kansas and Louisiana had been given powers to appoint a substitute. I advised them that was also extremely doubtful as the Constitution provides the sole method of electing a delegate and electing an alternate. I said I would endeavor to prepare an amendment to these By-Laws, which would cover the situation, and permit substitute representatives from States where the member of the Nominating Committee and the alternate from any State at the forthcoming meeting of the Nominating Committee. A substitute shall be elected at such meeting who shall immediately certify to the General Secretary the substitute member of the Nominating Committee elected from such State.

Mr. PATON: Any State desires it passed it can be moved and adopted by two-thirds vote of the Convention as an amendment of the By-Laws.

Mr. EDENS: I move the adoption of the proposed amendment. (Motion seconded.)

MR. PATON: Why not have it that the members can call a meeting and select a presiding officer in the absence of the State Vice-President? In the original draft I had a provision against that contingency and it has been omitted in the copy. It said that in the absence of the first Vice-President, any three members may call a meeting and elect a representative. Any State desires it passed it can be moved and adopted by two-thirds vote of the Convention as an amendment of the By-Laws.

Mr. PATON: As amended, this reads:

"In the event of the absence from the General Convention of both the members of the Nominating Committee and the alternate from any State, the members present from such State shall meet during the first session of the General Convention, upon call of the State Vice-President, and select a substitute who shall serve as member from such State at the forthcoming meeting of the Nominating Committee. A substitute shall be elected at such meeting who shall immediately certify to the General Secretary the substitute member of the Nominating Committee elected from such State."

GOVERNOR BAILEY: I suggest that three members be authorized to call a meeting and elect a representative from any State at the forthcoming meeting of the Nominating Committee, or if alternate is not attending the Convention, any three members may call certain meetings. A Secretary shall be elected at such meetings who shall immediately certify to the General Secretary the substitute member of the Nominating Committee elected from such State.

GOVERNOR BAILEY: I suggest that three members be authorized to call a meeting and elect a representative from any State at the forthcoming meeting of the Nominating Committee. Any three members may call a meeting, but in cases like Arizona, Illinois or Texas this By-Law provides that the delegates of that State can call a meeting on proper notice. I cannot understand why you are so distrustful of bankers in another State. You must be familiar with the publications and methods of a party to whom you come from. I support the amendment as offered by Governor Bailey.

Mr. HINSCH: As amended, this reads:

"In the event of the absence from the General Convention of both the members of the Nominating Committee and the alternate from any State, the members present from such State shall meet during the first session of the General Convention, upon call of the State Vice-President, and select a substitute who shall serve as member from such State at the forthcoming meeting of the Nominating Committee. A Secretary shall be elected at such meeting who shall immediately certify to the General Secretary the substitute member of the Nominating Committee elected from such State."

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(Talks for the "Question.")

THE PRESIDENT: All in favor of the amendment as suggested by Governor Bailey will say aye; opposed, no. It is carried.

Mr. HINSCH: As amended, this reads:

"In the event of the absence from the General Convention of both the members of the Nominating Committee and the alternate from any State, the members present from such State shall meet during the first session of the General Convention, upon call of the State Vice-President, and select a substitute who shall serve as member from such State at the forthcoming meeting of the Nominating Committee. A Secretary shall be elected at such meeting who shall immediately certify to the General Secretary the substitute member of the Nominating Committee elected from such State."

GOVERNOR BAILEY: In the event that a member of the Nominating Committee or the Vice-President is not present in the State should not be disfranchised because some man who is appointed does not come.

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The Federal Reserve Act and the Banking System It Has Created.

Mr. Delano's address can be found on pages 106 to 107 of this publication.

President Law: I am sure we have all greatly enjoyed this address and am desirous to say to the gentlemen from this country that the amendment to which he refers to be applicable to any matter of State legislation?

Mr. Stuart: That was my understanding. Yes, Mr. President.

General Secretary Farnsworth: The amendment to which the gentleman refers does not affect the action of any State Association, but that it was intended and intended simply for the purpose of cooperation, cohesion, and in order to restrict legislative activities on the part of sections or departments or committees of the Association acting independently; and for the purpose of providing that before any initiative was taken on legislative matters the same should be submitted to the proper committee or committee of the Association. That is all. The amendment has nothing whatever to do with State legislation or with the action of a State Association, or with the action of any individual banker or with any body of bankers in any State. It refers to our organization, and not to State organizations or individuals.

Am I not right about that, Mr. Paton?

General Counsel Paton: Yes, entirely so.

President Law: I am sure we have all greatly enjoyed this address and am desirous to say to the gentlemen from California that the amendment to which he refers does not affect the action of any State Association, but that it was intended and intended simply for the purpose of cooperation, cohesion, and in order to restrict legislative activities on the part of sections or departments or committees of the Association acting independently; and for the purpose of providing that before any initiative was taken on legislative matters the same should be submitted to the proper committee or committee of the Association. That is all. The amendment has nothing whatever to do with State legislation or with the action of a State Association, or with the action of any individual banker or with any body of bankers in any State. It refers to our organization, and not to State organizations or individuals. Am I not right about that, Mr. Paton?

General Counsel Paton: Yes, entirely so.

President Law: The amendment to which he refers is applicable to any matter of State legislation.

Mr. Delano, gentlemen. (Applause.)

It may not be out of place for me to take this occasion to say that in so far as any desire on the part of the Trust Company Section to have the F. R. S. established in the F. R. S. is proposed in their State. Now I do not think any such amendment as that ought to be countenanced.

It was the intention of the officers of the Association to have the hours at which the Convention meets strictly observed. We were late in meeting this morning, and it is requested that all delegations be in their seats promptly at 2 o'clock.

President Law: Gentlemen, I will be here promptly at 2 o'clock, and I will ask that there be a quorum present at 2 o'clock. Adjourned until 2 p.m.

Afternoon Session.

Wednesday, September 3, 2 o'clock.

President Law: The Convention will please come to order.

Mr. F. W. Hinck, of Jamestown, N. Y.: Mr. President, I move that the Convention take a recess until 2 o'clock.

President Law: It has been moved and seconded that the Convention take a recess until 2 o'clock. All in favor of that motion will signify by saying aye; those opposed, no.

The motion was carried and the Convention stands adjourned until 2 o'clock.

Adjourned until 2 p.m.

This telegram is signed by W. C. Gordon, the President of the Missouri Bankers' Association.

A request to announce that all persons holding railroad certificates must be present at the Convention headquarters and have their attendance and presence in Seattle certified promptly.

I desire to call the attention of the Convention to the program for this afternoon, at 2 o'clock. There will be submitted reports of the Sections; a report of the Currency Commission; a report of the Committee on Law, and a report of the Committee on Federal Legislation.

At 2 o'clock there will be an address by Henry D. Estabrook, a member of the New York bar, on "Self-Defense." I will say in regard to Mr. Estabrook, as some of the gentlemen present may not know him, that he is a Nebraskan product, who went to Chicago and organized a law for a while, and then removed to New York City, where he is regarded as one of the ablest actors of the metropolis, and I know that you will enjoy hearing him.

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President Law: Gentlemen, I will be here promptly at 2 o'clock, and I will ask that there be a quorum present at 2 o'clock.

Adjourned until 2 p.m.

Afternoon Session.

Wednesday, September 3, 2 o'clock.

President Law: The Convention will please come to order.

Mr. F. W. Hinck, of Jamestown, N. Y.: Mr. President, I move that the Convention do now take a recess until 2 o'clock.

(The motion was seconded.)

President Law: It has been moved and seconded that the Convention take a recess until 2 o'clock. All in favor of that motion will signify by saying aye; those opposed, no.

The motion was carried and the Convention stands adjourned until 2 o'clock.

Adjourned until 2 p.m.
whom represents the greatest association in the United States. Collectively, they count themselves the whole thing. There is nothing beyond their jurisdiction. They are in touch with all the State Bankers' Association activity, and periodically have the Congress and Federal administrative bureaus. They represent nearly 23,000 bankers, and their influence is felt beyond their jurisdiction. They are in touch with all the State legislatures, and daily directs his presidential message when and where and what to sign. He dictates resolutions, vide proclamations, redresses grievances, and holds councils of war andalter

the various state departments co-operate with the secretaries. Each secretary is a veritable Lord Selkirk. He issues ultimatums to his Executive Council, and daily directs his presidential message when and where and what to sign. He dictates resolutions, redresses grievances, and holds councils of war and alteration. He wins great phrases like "or points with pride," and upon due provocation proceeds gently to inform all recalcitrant nonconformists where and by what means to submit. As a consequence, moreover, they have been learned where to resort for instructions.

In this aggregation—called the Organization of Secretaries, constituting the Secretaries Section of the A.B.A. This relation springs unlike some similar relationships, is happily one of congeniality. No Institute.

American Institute of Banking Section, which will be presented ever or wherever the A.B.A. may stand in need of expert and tuition into the big family. We here plight our faith and pledge anew our fealty, rejoin not for sixty days, but for the war; and stand by Mr. Robert H. Bean, of Boston, Mass., the President of the Institute.

PRESIDENT LAW: We will next listen to the report of the American Institute of Banking Section, which will be presented by Mr. Robert H. Bean, of Boston, Mass., the President of the Institute.

PRESIDENT LAW: The report of the Currency Commission would be next in order, but Mr. Hepburn, his chairman, is not present.

GENERAL SECRETARY FARNSWORTH: I have received from Mr. Hepburn the following letter:


(A letter from A. Barton Hepburn, the Chairman of the Currency Commission is printed on page 114.)

PRESIDENT LAW: The report of the Currency Commission would be next in order, but Mr. Hepburn, his chairman, is not present.

GENERAL SECRETARY FARNSWORTH: I have received from Mr. Hepburn the following letter:


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(The report of this Section is printed on pages 118 to 119.)

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RESOLUTION APPROVING PREPAREDNESSES FOR NATIONAL DEFENSE.

Resolved, That the American Bankers' Association in convention assembled at Seattle, Wash., believing that National Defense is of vital importance to our National life, strongly approves and pledges support to the Federal Government to the extent as is in our National discretion in all efforts to secure practical preparedness along the lines of national defense.

I move the adoption of this resolution.

(A motion to adopt the resolution seconded from various parts of the hall.)

THE PRESIDENT: You are all familiar with the provision of our Constitution which requires that unanimous consent must be given before the adoption of a resolution, unless it has been put before the Association for thirty days before the meeting. However, if there is no objection, we have a perfect right to pass the resolution at this time.

THE PRESIDENT: I will put the question on the adoption of the resolution. All in favor say aye; opposed, no. (One vote) "No!"

The motion is not technically carried unanimously.

Mr. Delano: Mr. President, no objection was made to submitting the resolution to a vote, and this one related negative vote does not override the fact that it was carried by a large, practically unanimous vote.

THE PRESIDENT: I declare the motion to the adoption of the resolution carried.

We are now ready to take up the report of the Committee of Twelve.

Is Mr. Giesed on the floor? (No response.)

RESOLUTIONS REGARDING RESERVES OF NATIONAL BANKS ADOPTED.

We will now take up the resolutions which were recommended by the Committee of Twelve to the Federal Legislation. [see the report of this committee on page 119], the consideration of which was postponed until after Mr. Estabrook's address.

(General Secretary Farnsworth then read the first of the resolutions referred to, the one concerning the reserves of the member banks of the Federal Reserve system.)

Continued, you have heard this resolution. Is there any discussion of R. 7? If not, all in favor of its adoption will say aye; opposed, no. The ayes have it and it is adopted.

SECOND DAY'S SESSION.

The exercises of the day will be opened with prayer by the Reverend Dr. Matthews of this city, and I know you will all be interested in knowing that he is the pastor of the largest Presbyterian Church in the United States.

PRAYER.

Kind Heavenly Father, we are grateful to Thee for the preservation of our lives until the present moment. Pardon every sin that we have ever committed. Grant us, Holy God, Thy presence to lead us in all that we are now undertaking to do.

Wilt Thou bless the President of this Association, his officers, the members of the several committees, and all who have been connected with this great work over this great body. Wilt Thou bless everyone connected with it, every delegate, every member of every delegate, the institution represented by each, and the great multitude of people. Wilt Thou give them the consciousness that they are Thy stewards and into their hands have been reposed the great confidence, the greatest responsibility. And wilt Thou give them strength and wisdom to lead us in correct thought, in correct acts, and in correct attitudes toward them and toward that which Thou hast put before the Association for thirty days prior to the meeting, by which we are to carry on the commerce and the business of this country.

Bless the absent members; those who may be ill and those who are absent and to the work entrusted to them. Guide us through this day, bless the one who speaks, give him wisdom and power to say the thing which ought to be said. And, at last, when Thou hast finished with us in this world, gather us to that Beautiful Home which Thou hast built for us.

We ask this in the name of the Father, the Son, and the Holy Ghost. Amen.

AGRICULTURAL SYMPOSIUM.

PRESIDENT LAW: The program arranged for today is an "Agricultural Symposium," under the management of Mr. B. F. Harris, who is the Chairman of our Agricultural Commission.

You are all familiar with the work of Mr. B. F. Harris, which is making strenuous efforts to keep a closer understanding between the banker and the farmer, and a larger measure of cooperation for the mutual benefit of both parties. You are also familiar with the periodical which is published under Mr. Harris' supervision; and I want to call your attention specially to the Fact Book of the Agricultural Commission. Bankers and farmers are being issued at this time. There are great possibilities for good in this work; and the indirect benefits accruing therewith are really inestimable.

Mr. Harris has arranged a most interesting program for today. Speeches will be made by people who have given long and consistent thought and study to these problems, and the only thing disappointing is that every seat in the Hall is not filled at this time. Mr. Harris is going to make the introduction of the speakers, and I will now turn over the conduct of the proceedings of the Symposium to him.

Mr. B. F. HARRIS, of Champaign, Illinois: Mr. President, Members of the American Bankers' Association, Ladies and Gentlemen: The usual formal report has been prepared and will appear in the proceedings, but I desire to add a few words that may not be in the report, and also in the hope of killing a little time so that we may have the audience here that ought to be present this morning for the splendid program that has been arranged for this great cause.

The Agricultural Commission, as you know, is not provided for in our Constitution. It is created by the Convention. We have an amazing correspondence from bankers and many others, and you have the splendid opportunity of pushing along the Commission or of revising it, and, especially, the opportunity to get a new Chairman when you want one; and I want to say in that connection that I really ought to go off the Commission this year, and that if you do not send me off, I am not going to stay longer than the remaining year. There are several men on the Commission who are just as devoted to the cause as I am, and it is better in every way that one of those men should take the position next year. Now, this is not a man movement, or a seven man movement, but any means. The money that is coming in from subscriptions, Miss Rausch, of the Chicago office, has been the real editor and is the man most directly responsible for the editorial work in the second volume.

While I had most to do and gave largely of my time to the production of the first volume, the Finance Committee was good enough to give us an associate editor, who like many other associate editors, has been the real editor and is the man most directly responsible for the editorial work in the second volume.

You will have an opportunity this afternoon, if you wish to continue the discussion.

The greatest work, as the commission feels that we have done, is what has been accomplished through the Banker-Farmer. We have an amazing correspondence from bankers and many others, and we are able to give some helpful sugges-
tions. The commission comes before you each month with the Banker-Farmer movement, trying to tell you what the bankers throughout our country are doing for the great cause of better agriculture and a better rural life. Citizenship expresses it all.

If our Banker-Farmer movement has sounded a new note in the story of American life, I am the first to acknowledge the hon. and Boston's oldest daily on our "Hymn of Promise," and a conspicuous New York paper opines that our Banker-Farmer platform is the most successful bit of economic thought there is to-day, and most of the press of the country endorses year after year in this great work in similar terms—will all this not encourage your American energy?

Some of the authorities feel that our efforts are among the most effective and far reaching of all the agencies at work for better agriculture and rural life.

Our Banker-Farmer program proceeds on the theory that if we are to be a truly great and permanent nation, we must build up a great national life; that while this work lies all about us, the very largest field is in the country surrounding our country banks. And all this is to come through real, aggressive citizenship and hearty and wholesome co-operation—the two chief planks in our platform.

And, speaking of citizenship and a new and real national life in these severer days—when all Europe is drunken, bereft of reason, and civilization is almost at a collapse—makes one feel that to do some helpful strong service for the nation—and service now more needed than ever before.

This nation must come to a wise, orderly and thorough considerarion of American problems, of, by and for unhyphenated Americanism. America needs Americans in this day, and in the vociferous throughout the land—a propaganda of heart-whole Americanism. America needs Americans in this day, and in the day to come.

Here is a platform greater far than our splendid Banker-Farmer platform.

And the importance and impotence of this Association will not be measured by its great membership and the vast aggregation of capital it represents, but by what it stands for—what it does. The Association must come to a wise, orderly and thorough consideration of American problems, of, by and for unhyphenated Americans. If we are to be the great and permanent democracy, there is no use to be equal to or compared to the tasks as well as the rewards of self-government.

A great Chicago daily has well said (the Chicago Tribune): "Our nation to-night is as conscious as a great and vigorous young man, its voice is strong, its presence felt among the nations, and expresses American public opinion in those crucial times. Private opinion is crystallizing, with the usual apathy, but public opinion is inarticulate—except as the press voices it. The business men, not the politicians and the jingoists and partisans—must speak for and help guide their government.

Our nation to-night is confronted with the most portentous problems of this or any generation. The nation needs all the patriotism and unselfishness and strength of spirit of our people not to be false to our own necessities and preservation, but to stand for the great verity, for all that our predecessors, and we and others like us, have done for humanity. A great country, as well as a great race, is in the making, and we cannot afford to lose our strength and leadership, except as we are true to the principles set forth in this address, and that to do so would raise every life. I move a rising vote of thanks.

(Seconded by Mr. Leslie Butler.)

The CHAIRMAN: I am sure nothing could be more in order with such a vote of thanks. All in favor will signify by rising vote... (All rise and applause).

The CHAIRMAN: Think of the marvelous results of the work which Miss Rausch is doing in going about this splendid State and heart-whole Americanism. America needs Americans in this day, and in the day to come.

Here is a platform greater far than our splendid Banker-Farmer platform, and one upon which we must all stand promptly, unflinching, firmly, fearlessly.

Why should this greatest of all business organizations stand here in this hour inarticulate?

And right here, perhaps, let me say that since I wrote these words on my memorandum, this Association has been inarticulate, for yesterday we had that splendid resolution which was offered by former Congressman Pogue, of New York, and which the Convention unanimously adopted. Its clear voice makes us all akin.

So a financial, as well as a political, day of reckoning must shortly come, and we must labor with a thrift and efficiency as we have never labored before.

Whole-hearted Americanism—prepared from every standpoint, should be our slogan.

And now a word about our program. We have a program today that goes to the roots of things. Some one criticized it that we had no fair cry for the farmer. But I want to say to all the members that we have a fair cry for the average man and woman who is making banking successful. The Department of Agriculture has recognized the need of the time to give an opportunity to serve the people, and many of the progressive educational institutions of the country have established agricultural departments in their work.

The first speaker this morning will be Mr. T. J. Newhill, who is in charge of the Junior work for boys and girls in the University of Washington, whom I now have the pleasure of presenting to the Convention.


[Mr. Newhill's address will be found on pages 108 to 109 of this publication.]
seconding the resolution.

I want to feel sure that there is nothing in it which might em-

barrass the President of the United States in the course which
effects the people of one section, likewise affects the people

of ours when there is no sectional feeling, when prejudice has

been enabled to sell their wheat at a dollar and a half a

chief staple, and, while the price of that has fallen to the

sidered? All in favor will say aye; opposed, no. The ayes

action, and the gentleman from Georgia is at liberty to make

or the subject matter proposed, as the case may be—be con-

the Association says this:

tinued until the threatened peril to this great industry has been

expressions of the appreciation of the Conven-

tion for the hospitalities and courtesies received, and I will

be continued until the threatened peril to this great industry has

order, and that it is the hope of this Convention that these efforts

will be continued until the threatened peril to this great industry is

pursuing, and therefore I would request that it be read

Again, of the resolutions from the floor of the Convention, the

We have already made some progress in this direction,

ction presented by the gentleman from Georgia be con-

with the support and encouragement he has given us, as the rep-

resolution. The gentlemen from Georgia showed me the

give the President of the Association for the further business

of the Convention, and in the absence of Mr. Sands, who is Chairman of

Gentlemen, the resolution is unanimously adopted. Mr. James T. Dhumes, of St. Augustine, Fl.; Mr. Charles F. Bilas, of Boston, Mass., and Mr. Theodore E. Wiedersheim, of Philadelphia, Pa., I cannot declare an adjournment of this morning's session until I add my word of appreciation and delight to those most inspiring addresses and I. I personally thank each of the speakers who have so delighted us.

Gentlemen, the Convention will resume its sessions at 2 o'clock.

Adjourned until 2 p.m.

THURSDAY, 2 P.M., SEPTEMBER 9, 1915.

Report of Insurance Committee.

[Preliminary remarks of the President.]

PRESIDENT LAW: The General Secretary calls my attention to the fact that before acting upon this we should hear the report of the Insurance Committee; and in the absence of Mr. Sands, who is Chairman of that Committee, the report will be made by Mr. H. F. Beckwith, of Fargo, North Da-

PRESIDENT LAW: In the matter of the introduction of res-

solutions from the floor of the Convention, the Constitution of the

be it.

Resolutions from the floor of the Convention, the Constitution of the

This Convention commended the President of the United States and the State Department for the efforts which have already been made looking to a modification of the said contraband regulations for admission of State banks, discontinued, and its membership discharged.

PRESIDENT LAW: By unanimous consent, it may be introduced.

There being no objection, the gentlemen from Georgia may read it.

Resolution Resolving To a Modification of Cotton Commiss-

and Order.

Mr. Mattox: I beg leave to offer the following and move its adoption:

Whereas, The cotton industry is one of the greatest sources of

wealth of this country, and as a result of the war now existing

ahead, has already suffered seriously; and

Whereas, The price of cotton in 1914 was marketed at low prices, with consis-

tent loss and hardship to the cotton planters; and,

Whereas, Following the advice of recognized financial and commer-

cial authorities, the planters greatly reduced the acreage in cotton

this year, and, in their endeavor to promote as far as by within their

power the general interests; and,

Whereas, The present declaration by certain sovereign powers that cotton is contraband; and,

Therefore, sir, I have offered this resolution.

Now we are going to vote upon this question: Shall this resolution

be adopted by the gentlemen from Georgia be considered?

All in favor will say aye; opposed, no. The ayes

have it, and the resolution is before the convention for its

action, and the gentlemen from Georgia is at liberty to make

any remarks which they may wish to make.

Mr. Mattox: I can only say that we in the South, we very

much appreciate all that the Agricultural Commission has done;

it is the greatest work that the American Bankers' Association has ever

This is the second day of what occurred during our two days' conference in Chicago has July.

now, with the deep appreciation of the Agricultural Commit-

tion, the convention for the consideration of all resolutions

sion, and it is the hope of this Convention that these efforts will be con-

controversial order, and that it is the hope of this Convention that these efforts

PRESIDENT LAW: By unanimous consent, it may be introduced.

There being no objection, the gentlemen from Georgia may read it.

Resolution Resolving To a Modification of Cotton Com-
by the gentleman from North Dakota, that the Committee on Insurance be continued for another year with the same number; I say in favor of that motion will say aye; opposed, no. The motion is carried, and that committee is continued.

AGRICULTURAL COMMISSION CONTINUED.

Mr. A. O. Wilson (President of the Clearing House Section): Mr. President, the Executive Committee is a convention committee, and therefore can only be continued by action of this convention. Those of us who were present this morning saw, I am sure, the importance of the Agricultural Commission being continued. I regret that every one in this house was not present this morning at the Agricultural Symposium.

I move that the Agricultural Commission be continued, and that the appointment of the members of it be referred to the Administrative Committee with power.

Mr. E. E. Smirfer, of Oswego, N. Y.: I second that motion.

GENERAL SECRETARY FARNWORTH: I wish to call the attention of the convention to the fact that at a meeting of the Executive Council, held at Old Point Comfort, in May of this year, the Council unanimously recommended to the Association the continuance of the Agricultural Commission.

PRESIDENT LAW: Gentlemen, you have heard this motion and the statement of the General Secretary. All in favor of it will say aye; opposed, no. The motion is carried and the Agricultural Commission is continued.

I understand the General Secretary wants to make some announcement.

GENERAL SECRETARY FARNWORTH: Sir Richard McBride, Premier of British Columbia, has sent the following telegram:

"I want them all who are present here to know what State of Washington has always been ready to help British Columbia, and more especially the ladies of Seattle. I have attended many conventions of this Association, having only missed one in the time I have been a member, which is one of the brightest recollections in my memory and one of my hopes for the future that I will be able to attend upon these occasions as long as I am allowed to live, and I hope to live a long time. The convention given by the State of Washington to the people from every section of our grand old Union, I say that advisedly, because I fought against impostors just the same. (Applause.) Mr. Taft's personal qualities, as well as his record as an important servant of the people, have endeared him to all. And I believe his personal qualities will be generally admired and liked than ever before in his great career."

A great judge may not be only a learned lawyer, but also a devoted and genuine lover of justice. There are many thousands of us who hope that at some time Mr. Taft, as Chief Justice of the United States, will have the opportunity to utilize for the benefit of the public his comprehensive legal training and his great talents.

I take great pleasure now in asking Governor Lister, of the State of Washington, to introduce Mr. Taft. (Applause.)

GOVERNOR ENRY LISTER: Mr. President, our Distinguished Guest, Members of the American Bankers' Association, Ladies and Gentlemen: The appalling conditions existing to which so many of the nations of the earth are involved, are bringing about a condition that will materially add to the prestige of this country. And as a result of these conditions the United States, rather than Europe, in the near future, will become the financial center of the world.

That condition adds work to the bankers of this great country; and the proper solution of the problem by you will decide whether or not the condition will remain a permanent one.

I believe its solution is to be had here, and that you will extend such judgment that we will remain the leading financial center of the world. In connection with this great problem it is, indeed, well that we should have the presence within the borders of the United States of the distinguished guest of the day, and every good citizen of the United States appreciates the fact that while the greater part of his life his work has been spent in public service, he still feels that his responsibility to his country calls for a continuance of that work. And, feeling that responsibility, he stands ready to address organizations such as yours, and the people of this great country, so that we may have the benefit of the knowledge he has, and be benefited by that knowledge.

We of the State of Washington feel signally honored at his presence within the borders of the State. I am not going to take much of your time this afternoon—appreciating that all present here are for the purpose of listening to the former President of the United States.

It has been said with truth and justice that President Taft is the President of your organization that the actions of the former President who has the possibility has, during the election, made the most friends of all the people of the United States, and the people of the United States, regardless of what their party affiliations will be, are pleased to honor former President Taft.

It is with great pleasure, at this time, that I present to this audience—not an audience entirely of the State of Washington—but an audience representing the four corners of this great combination of States. I, with you, am now about to enjoy the address of former President William Howard Taft.

Economic and Political Summary of the Generation Just Closing, by Ex-President Taft.

(Ex-President Taft's address is given at length on pages 88 to 93.)

KANSAS CITY SELECTED AS PLACE FOR NEXT CONVENTION.

PRESIDENT LAW: The next item is invitations for next Convention.
I have some communications which have come from various sources in this country. I have a communication from the New Jersey Bankers' Association, asking that the Convention be held in Atlantic City; from the Clearing House and Associated Banks of Kansas City, Mo.; from the Commercial Club of Kansas City, and from the Mayor of that city.

PRESIDENT LAW: Does any member wish to say anything in regard to these invitations?

Mr. R. S. Hawke, of St. Louis, Mo.: As a Missouri banker, I desire to urge upon the assembled delegates here to speak with their hearts. I have spoken for the Executive Council for the greater metropolis of the Central West, Kansas City. It is the gateway to the Golden West; situated in the center of our country, surrounded by the most fertile of all fields, peopled by men and women of noble nature and generous hospitality; a city built on the hills by men of sterling worth. If the Convention by your suffrage is placed in that city in 1916, you will receive there the hearty hand-clasp of every man from Missouri. The hotels are large and ample in number; the banks want you; and we men from the State ask you to come that we may show you.

PRESIDENT LAW: Are there any further remarks?

Mr. M. B. FLANAGAN, of Atlantic City, N. J.: Mr. President and fellow-members of the American Bankers' Association: The Bishop of London once said that a good formula for making speeches is to stand up, speak up, and shut up. I have always felt that was very good advice, but upon this occasion I find that it is very hard to follow the third part of that advice, for I am going to speak on behalf of my home town.

I present to you an invitation from the Atlantic City Bankers' Association, from the presidents of every banking institution there, from the Chamber of Commerce, the Hotel Men's Association, the Atlantic City Publicity Bureau, and the President of the New Jersey Bankers' Association, inviting you to hold the Convention in that city, the heart of the New Jersey coast; a city that can accommodate 10,000 visitors, and many hotels perhaps as Atlantic City, but I want to assure you that such hotels as we have will be placed at your disposal and will be open for your entertainment if you decide to come there. You will find it is very hard to follow the third part of that advice, but I am going to speak in behalf of my home town.

Mr. D. S. PROCTOR, of Brooklyn, N. Y.: I move that the selection of the place for holding the next Convention be left to the Executive Council.

Mr. J. S. FISK, of Cleveland, O.: Before a vote is taken, I desire to say that next year's Convention will be held to the Executive Council.

Mr. J. J. SULLIVAN, of Jamestown, N. Y.: I move that the second part of the motion be referred to the Executive Council.

Mr. W. H. HURLBUT, of St. Louis, Mo.: I move the amended motion that the next Convention be held in Kansas City.

Mr. W. H. HURLBUT, of St. Louis, Mo.: I move the Secretary cast the unanimous vote of the Convention in favor of Kansas City.

MR. H. S. ELDER: I will second that motion.

PRESIDENT LAW: The question before the house is the motion made by Mr. Wexler that Kansas City be recommended to the Executive Council for the holding of the next Convention. I think that motion is in accordance with the constitution, and therefore I will put the question upon it. All in favor will say 'aye'; opposed, no. The motion is carried.

NOTE.—Under the new constitution, the Convention did not elect other officers than President and Vice-President; the Vice-President for the ensuing year:

For President, J. E. Lynch, Vice-President, P. H. Frantz, National Bank, Kansas City, Kan.

For Vice-President, W. C. Gooch, President, Commercial National Bank, Kansas City, Mo.

That has been the custom of this Convention for many years. They take in from Conventions towards entertaining the delegates.

Mr. W. H. HURLBUT, of St. Louis, Mo.: I would like to see the gentleman motion made by Mr. Wexler in behalf of Kansas City. Oklahoma will send not less than 500 people to the Convention if it is held in Kansas City. Kansas, Missouri and Iowa are exceedingly desirous. And I personally know that the Kansas City people have made arrangements to entertain 10,000 people, if that number come. I believe that the Convention will be at least three times that at the Convention here assembled.

Mr. W. S. WELLS: I will amend my motion and move that we recommend to the Executive Council that it select Kansas City as the next place of meeting.

MR. SULLIVAN: I will second that motion.

PRESIDENT LAW: The question before the house is the motion made by Mr. Wexler that Kansas City be recommended to the Executive Council for the holding of the next Convention. I think that motion is in accordance with the constitution, and therefore I will put the question upon it. All in favor will say 'aye'; opposed, no. The motion is carried.

NOTE.—Under the new constitution, the Convention did not elect other officers than President and Vice-President; the Vice-President for the various States being selected and elected by the delegations from the States.

Mr. EDENS: I second the motion of the gentleman from North Dakota, and would suggest that the word "Annual," be introduced into his motion; and the Committee would be glad then to support the motion.

PRESIDENT LAW: You have heard Mr. Beckwith's motion and the amendment. Are there any remarks? The Chair would feel that it would be better to vote upon these names separately; and if Mr. Beckwith allows it I will put it in that way.

Mr. W. S. WELLS: I move that this Convention adopt the report of the Nominating Committee as it is held in Kansas City. I think it will be at least three times that at the Convention here assembled.

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LADIES and GENTLEMEN: The King of Israel once said to his ad-
dvocate, "He that putteth it off." I have no warrant to make you a speech.
You have heard the honored former President of our United States give a well-considered analysis of his stewardship, if he had told the work he has done for the core by his utterances. You have no
reason to believe that put thy out light. He is there "with the goods." He is
not one of the leaders that carries bells, but one of the wheelers
and the wish that you carry home with you a slight token of
successfully terminated; and regret, that the time has come
to-night in the ballroom of the Hotel Washington.
At the Conference of National Bank representatives On Tues-
day, September 5, a new section of the American Bankers As-
sociation was organized, to be known as the National Bank
Section, and the following officers were elected:
President: Mr. G. H. Goebel, of Kansas City, our Vice-
President, and also the 1st Vice-Presi-
dent shall be members ex-officio of the Executive Com-
mittee. Two members shall be elected to serve for a period of three years. At the first election after the
formation of this Section was subsequently approved by the Executive Council of the American Bankers' Association.

PRESIDENT-ELECT LYNCH: All in favor say aye; opposed, no. It is conveyed and the Convention
adjourns sine die.

Organization of National Bank Section

At the Conference of National Bank representatives on Tuesday, September 5, a new section of the American Bankers' Association was organized, to be known as the National Bank Section, and the following officers were elected:
President: Mr. W. H. Exline, of the National-Cham-
ber County Bank, Jamestown, N. Y.
J. S. Calfee, of St. Louis, Mo., was elected Vice-President;
and the following were elected members of the Executive Com-
mittee:
J. Edmond Cox, High Point, N. C.; Oliver J. Sands, Rich-
mond, Va.; W. H. Exline, Vice-President, Chicago, Ill.; J. W. Spangler, Seattle, Washington; W. M. Van Deusen, Newark, N. J.

The formation of this Section was subsequently approved by the Executive Council of the American Bankers' Association.

PRESIDENT-ELECT LYNCH: Gentlemen of the Convention,
Ladies and Gentlemen: The King of Israel once said to his ad-
venture, 'He that putteth it off.' I have no warrant to make you a speech.
You have heard your retiring President give a modest account of his stewardship. If he had told the work he has done for this Association during the year of his Presidency, he might be accused of boasting by those who do not know the innate modesty of his character.
You heard yesterday the trumpet-call to the manhood of America, given by Mr. Farrand, of New York. There was not a man nor a woman in the audience who was not moved to the core by his utterances. You have heard the honored former President of our United States give a well-considered analysis of his stewardship, if he had told the work he has done for the core by his utterances. You have no
reason to believe that put thy out light. He is there "with the goods." He is
not one of the leaders that carries bells, but one of the wheelers
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mittee. Two members shall be elected to serve for a period of three years. At the first election after the
formation of this Section was subsequently approved by the Executive Council of the American Bankers' Association.

PRESIDENT-ELECT LYNCH: All in favor say aye; opposed, no. It is conveyed and the Convention
adjourns sine die.

Meeting of Executive Council

Immediately following the adjournment of the Convention, the Execu-
tive Council convened at the Palmer House, Chicago, Ill. The Presi-
dent—James K. Lynch, Vice-President, First National Bank of San
Francisco, California—was in the Chair.
New members of the Council were installed, and the first business
up was the election of General Secretary and General Counsel, and the present incumbents were each unani-
ously re-elected.

PRESIDENT-ELECT LYNCH: The question is, whether the Executive Committee shall take the matter
under its consideration, and the same was ordered to be presented to the Convention on the next meeting
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of the same.
We are living in an age of miracles. The dreams of centuries are being realized, and much is transpiring that has never been dreamed of at all. The fascinating tales of the Arabian Nights no longer thrill the blood. Aladdin's lamp has been consigned to the scrap heap and Puck's boast that he would put a girdle about the earth in forty minutes would not get him a job as messenger boy in a modern wireless plant. Who so bold as to predict what the future may hold for us and our children? But all of these miraculous changes are taking place in the physical world. Throughout the march of the centuries man's nature has remained practically unchanged. His impulses, his passions, his ambitions, his loves and his hates, his tendencies towards good and evil are essentially the same to-day as they were in the days of Solomon. The story of Cain finds its counterpart in the pages of almost any daily newspaper. Esau still sells his birthright for a mess of pottage. The veneer of civilization is thin and it is not far down to the caveman. The ambitions of Alexander, Caesar, Napoleon and Kaiser Wilhelm are much the same and the motives of Croesus can with difficulty be distinguished from those of the great magnates of later days. No improvement has yet been made in the precepts of the Holy Scriptures, which are as true and applicable to-day as they were twenty centuries ago.

It is the function of law to regulate human action for the benefit of the community. This involves restraint upon the liberty of the individual, the necessity for which is as urgent to-day as in the past. That restraints are necessary is universally admitted; but what the restraints shall be, how far they shall go and what form they shall take are questions involving wide difference of opinion and endless discussion. The bewildering changes which are taking place in the physical domain seem to have engendered a spirit of unrest in the people, and a tendency toward making changes in the laws which govern them—often apparently merely for the sake of change, without sufficiently considering whether the changes are desirable or not. Little attention is being paid to fundamentals or the lessons of the past; and many radical experiments are being made with the governmental system of the country, the effect of which is difficult to predict. In line with these experiments is the constant effect to escape from constitutional restraints imposed upon the making of laws, and the conferring of unrestricted powers upon executive officials. Any one at all familiar with the history of attempts at popular government in the past must appreciate that until our present representative form of constitutional government was established, all such attempts failed, because the individuals intrusted with power (for such is human nature) inevitably in the end exercised it for their own aggrandizement, to the destruction of the liberty of the people who conferred the power upon them. Hasty and radical changes in the fundamental principles upon which our system of government rests, and under which, for the first time in history, a popular government has survived and prospered, are dangerous experiments, which can only result in harm. For any man, or body of men, to make, construe and execute the law is violative of the very basis of our form of government. I am no enemy of improvement or progress, but there are certain great principles which long experience has shown are essential to the stability of popular government, and which cannot safely be ignored. Every government must include within its scope—at least if it is to possess suitable stability and energy—the exercise of the three great powers upon which all government is supposed to rest, namely, the executive, the legislative and the judicial powers; and in a free government, such as ours, it is essential that these powers be kept separate and in different hands. The maintenance of this distinction has proved to be the most effective check upon arbitrary power yet devised. One of the earliest declarations of this great conception of popular government is found in the constitution of the Commonwealth of Massachusetts, and reads as follows:

“In the government of the commonwealth, the legislature shall never exercise the executive or judicial powers, or either of them; the executive shall never exercise the legislative or judicial powers, or either of them; the judicial shall never exercise the legislative or executive powers or either of them; to the end that it may be a government of laws and not of men.”

Thus is recognized the inalienable right of every citizen that he shall be governed by law, and not by the unrestricted will of man, and that the laws which are to govern him shall be prescribed in an orderly manner, by representatives who are immediately responsible to him.
The increasing tendency throughout the country to chafe at legal restraints and to vest individuals with governmental powers—executive, judicial and legislative—which have heretofore been exercised only in accordance with constitutional provisions, cannot be attributed to the doctrines or influence of any particular political party, but rather to the delusion on the part of many unthinking persons, that by conferring unrestricted power upon individuals, the government is brought that much nearer the people. It is an adoption of the social sentiment of paternalism and a rejection of the principles of individual freedom out of which the wonderful prosperity of our country has developed. Departments and commissions have been endowed, under the guise of regulation, with powers distinctly legislative and judicial, as well as executive in their nature, and, not infrequently those regulations have been extended far beyond the authority intended to be conferred upon the department or commission issuing them. There has thus been grafted upon our governmental system a mass of regulations, having the effect of laws, and carrying with them all the penalties which follow a violation of laws, which have been put into operation without rule or guidance other than their own unrestricted will. It is of such methods that Mr. Justice Matthews, of the Supreme Court of the United States, has said:

"The very idea that one man may be compelled to hold his life, or the means of living, or any material or intangible object of the enjoyment of life, at the mere will of another, seems to be intolerable in any country where freedom prevails, as being the essence of slavery itself."—Ywick Wo. vs. Hopkins, 110, U. S. 356.

When the Federal Reserve Act was pending in Congress, there was added to it, at the eleventh hour, a paragraph covering subjects which up to that time had never been dealt with by national banks or the Federal Government. This paragraph is designated Section 11 (k). It consists of only four lines, but it confers upon the Federal Reserve Board powers which, if sustained, give to that Board domination over a multitude of our most intimate domestic affairs—affairs which are wholly foreign to the national banking business and which heretofore have been regulated exclusively by the local laws. It reads as follows: The Federal Reserve Board shall have power:

Sec. 11 (k)—"To grant, by special permit to national banks applying therefor, when not in contravention of State or local law, the right to exercise of them, and if so, will consent on the part of the states be effective?"

The importance of an early determination of the validity of this paragraph cannot be overestimated. In order to arrive at a solution of this problem, three questions must be considered:

First.—Has Congress itself authority, under the Federal Constitution, to confer upon national banks the right to exercise the powers stated in Section 11 (k)?

Second.—If it can as well confer such powers upon national banks, have the states, or any of them, consented to the exercise of them, and if so, will consent on the part of the states be effective?

Third.—If neither the Federal Reserve Board nor Congress itself can confer such powers upon national banks, have the states, or any of them, consented to the exercise of them, and if so, will consent on the part of the states be effective?

In discussing this paragraph, I wish it to be distinctly understood that I am not undertaking to criticize the members of the Federal Reserve Board, or their methods or motives, in exercising the powers attempted to be conferred upon them. I do not question their patriotism or ability, and I have no doubt that they are making every effort to prescribe such rules and regulations as in their judgment will be best adapted to regulate the exercise by national banks of these new powers thus attempted to be conferred upon them. My indictment is against the system, not against the individual members of the Board.

From the beginning of our government, fiduciary trusts have been defined and regulated by local law; the administration of estates has belonged exclusively to the states where the property of the deceased is located, and the subjects upon which the inhabitants of a state may contract have been prescribed by state authority. The state laws pertaining to these matters still volumes of our state statutes, and the local laws of the several states, according to local requirements and are the result of years of effort on the part of the representatives of the people affected by them. By virtue of this brief para-
The distinction between banking and acting as trustee is fundamental. In the case of the bank the relation is that of debtor and creditor. The depositor, in effect, agrees that his money shall pass to the bank and become its own to be used by the latter for its own profit. The obligation of the bank is an absolute one to repay the amount of money deposited, and the depositor is not concerned in the investment of the moneys which the bank may make. On the other hand, the relation of the trustee and the cestui que trust is precisely the reverse. Only the technical control of the trust property is vested in the trustee. Equitably and beneficially the property belongs to the cestui que trust. The trustee cannot use the trust property for his own profit or mingle the trust funds with his own. His obligation is to hold and account for the particular property for the benefit of the cestui que trust. If after exercising reasonable judgment, a loss occurs, it falls upon the trust fund, and not upon the trustee.

The definition and regulation of trusts has always belonged exclusively to the state. The same is also true of the administration of estates and the making of contracts. Mr. Justice Field, of the Supreme Court of the United States, in a leading case, says upon this subject:

"The several states of the Union are not, it is true, in every respect independent; many of the rights and duties which persons originally enjoyed, and which are now vested in the Government created by the Constitution, but except as restrained and limited by that instrument, they possess and exercise the authority of independent states, and the principles of public law which we have referred are applicable to them. One of these principles is that every state possesses exclusive jurisdiction and sovereignty over persons and property within its territory. As a consequence, every state has the power to determine for itself the civil status and capacities of its inhabitants; to prescribe the subjects upon which they may contract, the forms and solemnities with which their contracts shall be executed, and the rights and obligations arising from them, and the mode in which their validity shall be determined and their obligations enforced, and also to regulate the manner and conditions upon which property situated within such territory, both personal and real, may be acquired, enjoyed and transferred."—Penover vs. Nef, 96 U. S. 722.

Because of this plenary control, a state may authorize a trust company to engage in banking, in addition to conducting the usual trust business, or a state bank to exercise trust powers; but the legislature of a state may not surrender its sovereign authority by consenting that Congress may exercise authority over persons and property, jurisdiction over which has been retained under the Federal Constitution by the several states, and expressly denied to the Federal Government. The tenth amendment to the Federal Constitution reads as follows:

"The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."

In this connection it may be pointed out that if the powers specified in Section 11 (k) were among those incident to an ordinary banking business the section would be unnecessary. The adoption of the section is of itself a legislative admission that national banks, without additional authority, have no right to exercise the powers which it is sought to confer upon them.

The answer to the first question must be that Congress itself has no authority to confer upon national banks the powers specified in Section 11 (k).

Second.—Conceding, however, for the purposes of the argument, that Congress may create a corporation possessing the capacity to act as trustee, executor, administrator or registrar of stocks and bonds, or may add such powers to those already possessed by national banks, an entirely different question is presented when Congress attempts to delegate its legislative authority to the Federal Reserve Board.

The creation of a corporation is peculiarly an act of sovereignty and involves a legislative discretion which can only be exercised by the constitutional agency created by the people for that purpose, that is to say, by the Legislature itself. The act of conferring additional corporate powers upon an existing corporation is of the same nature. The principle that this power can only be exercised by the Legislature itself is best stated in the language of Mr. Justice Cooley: the greatest authority upon constitutional law since Marshall, as follows:

"One of the settled maxims in constitutional law is that the power conferred upon the Legislature to make laws cannot be delegated by that department to any other body or authority. Where the sovereign power of the state has located the authority, there it must remain, and by the constitutional agency alone the laws must be made until the Constitution itself is changed. The power to whose judgment, wisdom and patriotism this high prerogative has been entrusted cannot relieve itself of the responsibility by choosing other agencies upon whom the power shall devolve, nor can it substitute the judgment, wisdom or patriotism of any other body for those which alone the people have seen fit to confide this sovereign trust."—Cooley's Constitutional Limitations, 6 ed., p. 137.

The answer to the second question must be that Congress cannot delegate its authority to the Federal Reserve Board.

Third.—Let us next consider the effect of consent on the part of the state legislature to the exercise of these powers by national banks.

As already pointed out, the States possess exclusive dominion over the subject-matter under consideration. This arises from the Tenth Amendment of the Federal Constitution, by which the powers not delegated to the United States are reserved to the States.

The questions here to be considered are: Have the States, or any of them, consented to the exercise of their sovereign powers by the Federal Reserve Board; and if they, or any of them, have done so, is such consent effective?

Evidently Congress itself, when it adopted the section, was conscious, in a vague and general way, that it was trespassing upon a field heretofore exclusively occupied by the States, as it provided that the powers conferred shall only be exercised "when not in contravention of state or local laws."

No State in the Union has yet passed a law surrendering to the Federal Government without reservation the control and regulation of Trust Company functions, if
exercised by national banks. In such enabling acts as have been passed the supervision by the State is, expressly or by necessary implication, reserved. In Iowa, Vermont, Virginia and Washington statutes have been passed permitting national banks, when authorized by Federal law, to exercise the same duties as are conferred upon domestic Trust Companies by the laws of those States. Indiana permits them to accept and execute trusts under the same rules and regulations that govern domestic Trust Companies, but whether the term "trust" includes the power to act as executor, administrator or registrar of stocks and bonds may be doubted. Ohio similarly permits them to accept and execute trusts, but expressly prohibits them from acting as executor or administrator. In Utah a corporation not organized under the laws of the State may do business by filing articles, etc., and a resolution of the board of directors accepting the provisions of the State constitution. On the other hand, the States of Colorado, Florida, Missouri, New York and North Carolina expressly prohibit the exercise of trust powers by any corporation except when organized under the State law.

In most of the other States the laws provide for the organization of domestic Trust Companies, which exercise the same duties as are conferred upon a domestic corporation. As to the question there is a variety of opinions among the official legal advisers of the States. The Attorney-Generals of Mississippi, Oregon, South Carolina and Tennessee express the opinion that national banks cannot accept and execute trusts, but expressly prohibits them from acting as executor or administrator. In Ohio, on the other hand, a corporation not organized under the laws of the State may do business by filing articles, etc., and a resolution of the board of directors accepting the provisions of the State constitution. On the other hand, the States of Colorado, Florida, Missouri, New York and North Carolina expressly prohibit the exercise of trust powers by any corporation except when organized under the State law.

The question arises whether such laws do not indicate a public policy on the part of the State prohibiting any corporation except when organized under the State law, from exercising powers such as are expressly conferred upon a domestic corporation. As to this question there is a variety of opinions among the official legal advisers of the States. The Attorney-Generals of Alabama, California and Texas are of the opinion that national banks cannot act as executors or administrators in their respective States, but do not expressly prohibit exercising the powers specified in the section without violating the constitutional rights of the State. It would not be contrary to public policy for national banks to exercise the powers stated in Section 11 (k).

The Attorney-Generals of Illinois, Georgia, Kansas, Michigan, North Dakota, Oklahoma, Rhode Island, South Dakota and Wisconsin all express the opinion that it would be contrary to the laws of their respective States for national banks to exercise the powers specified in the section. The Commissioners of Banking of Pennsylvania, Kentucky, Indiana and Massachusetts hold like views; and the counsel for the Federal Reserve Banks of Philadelphia, Chicago, Richmond and Minneapolis, when called upon by the Chairman of the Federal Reserve Board, have also expressed the same opinion as to the States included in their respective districts.

As to what of these opinions are undoubtedly sound. A corporation cannot act as trustee, executor, administrator or registrar of stocks and bonds unless expressly authorized to do so. When a State provides for the incorporation of Trust Companies, with various safeguards for the protection of the public dealing with them, such as the deposit of securities, examination by public officials, rules as to the character of investments, etc., other corporations not subject to such restrictions and over which the State has no control are, by necessary implication, prohibited from exercising such powers. In some of the States this prohibition is expressly stated. The adoption of a Trust Act, therefore, is in itself a declaration of a policy which would be contrary to the exercise of such powers by a corporation not subject to State laws. In at least one of our States such has been declared to be the legal effect of similar laws by the Supreme Court of the State. (New York Mortgage Co. vs. Sec. of State, 150 Mich. 197.)

In those States where the Constitution requires corporations to be organized under general laws, thereby preventing the granting of special charters, or other discriminations, it may also be contended that the Federal Reserve Board, in exercising its power to grant or refuse special permits, contravenes a public policy indicated by constitutional provisions prohibiting discrimination in the granting of corporate franchises and privileges.

The section itself does not purport to authorize the Federal Reserve Board to confer upon national banks the right to exercise the powers stated in the same manner as may be granted for domestic Trust Companies, i.e., subject to State regulation. If the board should undertake to grant permits to national banks upon such conditions, their action would be inconsistent with the section itself, and also would not be permissible under the Federal system, for it is well settled, as I have already pointed out, that the United States statutes alone constitute the measure of the authority of national banks.

On the other hand, a State legislature cannot, simply by its own act, impair the sovereignty of the State by surrendering control over matters respecting which the State, under its Constitution and that of the United States, has supposed sovereignty. Such an act can neither be delegated nor surrendered, much less can a legislature transfer such sovereign control to the Federal Government—government of limited powers and possessing only such authority as is prescribed by the Constitution. To do so would, in effect, be to permit the State legislature to amend the Federal Constitution. In other words, it is impossible to give effect to the section without violating the constitutional rights of the States. Two sovereign powers cannot exercise exclusive authority over the same object any more than two solid bodies can occupy the same space at the same time.

The answer to the third question must be that no State has consented to the exercise of the powers specified in the section upon the terms and conditions there stated, and that consent on the part of the State, even if granted, would be ineffectual.

In addition to the legal aspect of the case, there are substantial reasons why the Federal Reserve Board should not be vested with the broad powers attempted to be conferred by the section. Before the theory of Section 11 (k) can be carried out, an amendment to the Federal Constitution would be required, under which the States surrender their sovereign authority over many of their local concerns to the Federal Government, which would be exercised by whom and in what manner such affairs shall be administered. Such an amendment would not accord with our traditions, and would constitute an unwarranted invasion of rights which have heretofore been jealously guarded by the people. It is contrary to the spirit of American liberty and dangerous as well, that any man, or body of men, shall have the unrestricted power to say to one bank, "You may act as trustee, executor, administrator or registrar of stocks and bonds," and to another bank, "You shall not;" or to dictate to the favored bank the manner in which it shall make use of the privileges thus granted.

It is inconceivable that the people of any State, if they understand the situation, will consent that officials not selected by the State, or responsible to it, shall define, regulate, limit or administer trusts to the exclusion of the State authorities. It has already been abundantly demonstrated by the course pursued by the various commissions and departments of the Federal Government that the inevitable tendency on the part of bureaucratic officials entrusted with power is to stretch their authority to the utmost limit; and, as Section 11 (k) confers greater discretionary power upon the Federal Reserve Board than has ever been granted to any commission, it is not to be expected that the people of any state
will willingly relinquish to the board the control over trusts which they now possess.

There are already indications of a disposition on the part of the Federal Reserve Board to ignore the restrictions imposed by the section.

At the outset, the members of the board, in their circular letter of April 5, 1915, announced their intention, in passing upon applications for permits, to take into consideration:

First.— Whether or not the exercise of these powers, or any of these powers, will be in contravention of State or local law.

Second.— Whether the applying bank is in proper condition, and is equipped to handle this class of business, and whether a permit will, under the circumstances, prove of benefit to such bank.

In connection with the first proposition, the policy of the board was stated as follows:

“There are probably no States whose statutes in terms prohibit national banks from exercising these powers, and few which expressly authorize their exercise. The question under consideration, therefore, cannot be determined by ascertaining merely whether a State law specifically prohibits or specifically authorizes national banks to act as provided by Section 11 (k), nor is it within the province of the board to pass upon the constitutionality of the section. In general, the board will grant permits in accordance with this section when the exercise of the powers granted does not contravene the general policy of the State laws as indicated by the statutes dealing with banking institutions and other corporations, and will refuse permits in those cases where such exercise will be clearly in contravention of the general policy of such State laws.”

A very plausible policy if lived up to; but little attention seems to have been given in practice to this phase of the question, except in cases where the State statute expressly prohibits the granting of the powers. Permits have been freely given, without judicial determination, in Illinois, Kansas, Michigan, New Jersey, Oklahoma, Pennsylvania, Rhode Island, South Dakota, and Wisconsin, in which States either the Attorney-General or counsel for the Federal Reserve Bank of Chicago, Minneapolis, Richmond, and Philadelphia, were to the effect that it would be in contravention of the laws of each of the States in their districts. All of these opinions have not been made public, but at least four of them, given to the Federal Reserve Banks of Chicago, Minneapolis, Richmond, and Philadelphia, were to the effect that it would be in contravention of the laws of each of the States in the district to issue permits to national banks—opinions which have been subsequently ignored by the Federal Reserve Board.

About this time the legislatures of forty-one States were in session. By a curious coincidence, bills were almost simultaneously introduced in most of these states, seeking to secure consent to the exercise of fiduciary powers by national banks. In most instances, however, these efforts failed, and either the bills were defeated or action upon them was indefinitely postponed. This was the case in Connecticut, New Jersey, Pennsylvania, North Carolina, Maryland, New York, Kansas, Nebraska, Minnesota, Michigan, Missouri, Delaware, Utah, Colorado and Montana, and possibly in others. The Federal Reserve Board disclaimed any responsibility for the campaign; but however that may be, the result demonstrates very clearly that it is not the public which is demanding or is likely to approve of the innovation. I am fully convinced that the time is far distant when the people of this nation will willingly surrender their sovereign authority over these matters to the unrestricted will of the appointees of the Federal administration, and I am more and more impressed with the wisdom of these provisions of the Constitution which insures to all the people the priceless privilege of governing themselves, according to their own requirements.
Committee and Officers' Reports—Trust Company Section.

Report of Executive Committee, by Uzal H. McCarter, Chairman.

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

GENTLEMEN: Your Executive Committee is submitting this, its annual report, to the members of the Section, begins to felicitate the organization upon the prosperous condition of the Section as regards its membership and to congratulate it upon the successful manner in which the problems of the past year have been met, not only by the individual institutions constituting our association, but also by the banking fraternity at large.

The past year has been full of anxiety for the banker in that the unsetlement, especially so in the sections which are subject to the influences of the war, has made the security of funds unavailable in the prices of goods and in the stocks of the trust companies.

In an emergency, to avail themselves of the provisions of the Federal Reserve Act for rediscounts and the obtaining of such additional currency as might be necessary. Bankers may differ as to the character and the operations of the machinery through which the money might be obtained, but we all look for results, regardless of the system employed in obtaining them.

Money has been plentiful during the entire year, with the result that profits have been correspondingly low. As a rule, the manufacturer has been working an half time, or less, during the past year, except in those localities where the greatest activity through "war orders" and while it is difficult to accurately forecast the future in its business aspects, there are many who believe the trade is in for a recovery, which trade will not improve for the manufacturer until other new tariff legislation has been obtained or sufficient time shall have elapsed to permit business to adjust itself to the present tariff conditions.

The various subcommittees of the Executive Committee have been faithfully engaged in performing their several tasks and duties. The Committee's suggestions in some particulars, nevertheless it is the judgment of your Committee that the Federal Reserve Board and made some suggestions in relation to the following day your representatives presented certain suggestions to the Committee on Admissions of State Institutions of the

FEDERAL RESERVE LAW GRANTING TRUST POWERS TO BANKS TO

The most important matter to receive the attention of your Committee was the consideration of that portion of the Federal Reserve Act in which the granting of trust powers is permitted to National Banks is sought to be permitted. Your Committee believes the granting of such powers to National Banks to be unconstitutional, and, taking that view of the matter, it is committed to the character of the matter, it is committed to the character of the matter, to submit the question to the new Executive Committee for the purpose of giving it such further consideration and study, and it accordingly makes that recommendation.

The so-called Model Trust Company law adopted by the American Bankers Association, under a resolution authorizing "a Committee to confer with the authorities at Washington to secure the adoption of such amendments to the Federal Reserve Act as shall make it more desirable for State Banking Institutions to join the Federal Reserve System."

The members of the Legislative Committee are also members of the Executive Committee of the Section and are members of the Legislative Committee necessarily covers a great deal of the ground which has already been presented to you in the Report of President Cutler and the Report of the Chairman of the Executive Committee.

The most important subject that came before your Committee was the conditions under which the Trust Companies are permitted to enter the Federal Reserve System. A meeting of the Committee was held on Monday evening, the 7th of December, at Willard's Hotel, in Washington, and on the following day your representatives presented certain suggestions to the Committee on Admissions of State Institutions of the.
The handling of this feature of protective legislation in the Investment Bankers Association has been so efficiently conducted that, aside from keeping in touch with the work, your Committee has not participated in the opposition to these measures. Members of the Committee have, in several instances, conferred with local interests in the various States where new legislation was contemplated.

The question of joining the Federal Reserve System must, of course, be left to each individual member of this Section, but it seems to your Committee as though the Act should in some of its requirements be amended and clarified so that the State Chartered Institutions will have their privileges and rights embodied in the law and not be subject to the Rules and Regulations of such incoming Federal Reserve Board.

You will no doubt recall that, prior to the enactment of the Federal Reserve Law, Messrs. Jackson and Mason appeared before the Senate Committee and contended that it was beyond the power of the Federal Congress to grant to the National Banks the right to act as Executor, Administrator, Trustee and in other fiduciary capacity; however, the Senate convinced the Committee. The fiduciary powers mentioned are under certain conditions granted to the National Banks by the Federal Reserve Act, and it is the opinion of your Legislative Committee that portion of the Act is unconstitutional and as it has already been stated to you the Trust Company Section has retained banks with Mr. Johnson of Philadelphia and Henry M. Campbell, of Detroit, to test this portion of the Act, and although it may take several years to secure a final decision, it is believed that our contention of the unconstitutionality of this provision will be maintained.

All of which is respectfully submitted.

TRUST COMPANY SECTION.

NEW ORLEANS, August 28, 1915.

FORTY-THREE STATES AND THE ISLAND OF PORTO RICO HAVE HELD REGULAR LEGISLATIVE SESSIONS SINCE THE RICHMOND CONVENTION, AND IN SEVERAL STATES SPECIAL SESSIONS HAVE BEEN HELD.

A MAJORITY OF THE BILLS INTRODUCED AFFECTING TRUST COMPANIES WERE DRAVEN EITHER FOR THE PURPOSE OF ENABLING THESE INSTITUTIONS TO TAKE SUCH ACTION AS WOULD PERMIT THEM TO BECOME MEMBERS OF THE FEDERAL RESERVE ASSOCIATIONS, OR ELSE WERE DIRECTED AGAINST THE EXTENSION OF SUCH TRUST COMPANY PRIVILEGES AS THE FEDERAL RESERVE BOARD CONSIDERS DESIRABLE OF GRANTING TO ITS MEMBERS.

NEARLY ALL OF OUR STATES NOW HAVE LAWS AUTHORIZING INVESTMENT IN STOCK OF THE FEDERAL RESERVE BANKS, AND IN SOME STATES AUTHORITY HAS BEEN DEFINITELY GRANTED TO THESE INSTITUTIONS TO MAKE INTEREST IN THEM.

COLORADO HAS AUTHORIZED ITS BANKS TO ESTABLISH TRUST DEPARTMENTS, AND IN THE REST OF THE STATES THE INSTITUTIONS WHICH OFFER SUCH FACILITIES HAVE BEEN GRANTED THE PRIVILEGE OF BEING CONSIDERED AS TRUST COMPANIES UNDER THE FEDERAL RESERVE ACT.

THE PREPARATION OF THE MISSOURI LAW WAS LARGELY UNDER THE DIRECTION OF A FORMER PRESIDENT OF THIS SECTION, AND THE LAW IS WORTHY OF BEING USED AS A MODEL BY OTHER STATES.

THE SOUTH DAKOTA LAW PROVIDES FOR THE GUARANTY OF DEPOSITS. THE STATE OF LOUISIANA HAS APPOINTED A COMMISSION TO REVISE ITS BANKING LAWS, AND THE INSTITUTIONS OF THE STATE ARE NOW UNDER THE NURSERY OF THE FEDERAL RESERVE SYSTEM.

THIS SECTION'S MEMBERSHIP HAS GROWN FROM 1,201 TO 1,372, AND THE NEW YORK BANKING LAW IS A SUPPLEMENT TO THE FEDERAL RESERVE ACT, AND THE INSTITUTIONS WHICH ARE COVERED BY IT ARE NOW UNDER THE GUARDIANSHIP OF THE FEDERAL RESERVE BOARD.

THE TRUST COMPANIES IN DETROIT AND PITTSBURGH HAVE BEEN ESPECIALLY ACTIVE IN THEIR OPPOSITION TO PARAGRAPH K, SECTION II, FEDERAL RESERVE LAW.

EIGHT STATES, MICHIGAN, ARKANSAS, SOUTH DAKOTA, IOWA, KANSAS, NORTH DAKOTA, OREGON AND WEST VIRGINIA HAVE PASSED NEW LAWS WHICH WILL PROTECT TRUST COMPANIES IN THE SALE OF EQUITY.

THE REPORT OF THE PROTECTIVE LAWS COMMITTEE.

The handling of this feature of protective legislation by the Investment Bankers Association has been so efficiently conducted that, aside from keeping in touch with the work, your Committee has not participated in the opposition to these measures. Members of the Committee have, in several instances, conferred with local interests in the various States where new legislation was contemplated.

The question of joining the Federal Reserve System must, of course, be left to each individual member of this Section, but it seems to your Committee as though the Act should in some of its requirements be amended and clarified so that the State Chartered Institutions will have their privileges and rights embodied in the law and not be subject to the Rules and Regulations of such incoming Federal Reserve Board.
Address of Welcome, By E. Shorrock, President of the Northwest Trust & Safe Deposit Co. of Seattle.

President Cutler: We shall be glad now to listen to an address of welcome by Mr. Shorrock, of Seattle.

Mr. Shorrock and Ladies and Gentlemen: It is my pleasant duty on behalf of the Trust Company Section of the American Bankers’ Association representing more than 1,500 companies, and especially on behalf of the members present—most of whom have traveled great distances to be with you—to respond to your address of welcome, and to thank you, Mr. Shorrock, for your cordial greetings.

We desire also to thank the citizens of Seattle and the trust companies and banks of the Northwest for their generous hospitality as delightfully extended to you. Your preparations for our entertainment are so perfect that one cannot doubt the extent of our capacity while we are with you—and shall carry away the memory of a most delightful sojourn.

We are glad that Seattle is an American city, and that we Americans can take a proper measure of pride in her prosperity and progressiveness. Her title might well be “A Cosmopolitan City of Abundance.” The men of Seattle do things for the good of the city, and do not hesitate at trifles when considering the welfare of the whole. You are working on a definite city plan—for the far future. You are planning for the future, and to stand the test of time. You are leading the way among the other commercial cities.

You have wonderful parks and playgrounds. Schools in plenty, a growing university, pure water from the distant mountains in great abundance, so that your city, with its miles and miles of smooth bottle roads, has been provided for you. Your vital statistics show that you seldom or never die—the rate of mortality being the lowest in the United States.

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PRESIDENT CUTLER: The next order of business is the report of the Executive Committee which will be presented by Mr. Uzal H. McCarter, the chairman.

Mr. McCarter: Many important matters have claimed the earnest and prompt attention of your executive officers and the Executive Committee, and we trust that you will be satisfied with the performance of the duties you have committed to our charge.

In the world's work substantial progress has been made by your Section during the past year. It is not my purpose to enumerate the great accomplishments that safeguard the overwhelming interests of your members and the profession. The transfer agent has often proved to be a valuable check on fractional ownership (the statement that, almost without exception, the wishes of officers of Trust Companies have been given effect to the wishes of their presidents and officers and the wishes of the institutions with which they are connected. Without their cooperation, it would be impossible to carry out the wishes of the institutions).

PRESIDENT CUTLER: The telegraph, in addition to being the longest one I ever received, containing 400 words, is replete with figures which make me dizzy. It is addressed to the chairman of your committee and reads as follows:


Uzal H. McCarter, Esq.,
Chairman Executive Committee, Trust Company Section, A. B. A.

It is a source of great regret to me that I shall not find it possible to attend the convention, and especially the meetings of the Trust Company Section. Expressing the hope for a successful outcome of the labors of the Section.

It, therefore, seems of vital importance if the fullest development of the nation's resources is to be accomplished, that the banks of the country should become members of the Federal Reserve System.

It is a very important idea in Trust Company affairs to have come into prominence with the establishment of the "Cleveland Foundation." The Cleveland Trust Company, as the first Trust Company to recognize the importance of this development, has been followed by other Trust Companies throughout the country.

Chairman Executive Committee, Trust Company Section, A. B. A.

Voluntary Trusts—seldom established twenty years ago—are more and more popular with persons of wealth who desire to be relieved of the personal care of their property. Here the Trust Company is absolutely perfect. The registration of stocks and bonds has become so much a matter of everyday business with large corporations that Trust Companies are used, without question, for such purposes in almost every instance. The regulation of commercial paper is developing along practically similar lines, and will grow to be an ordinary business custom in time to come.

Our Annual Trust Company Banquet, in May has become an important function in the business year, and serves to bring together Trust Company officials from all over the country at a time remote from our Convention when, should concerted action be necessary, it could readily be taken.

Compared with conditions prevailing two decades ago, these instances—and many more which doubtless may occur to you—show the intelligent and dignified progress the Trust Companies in your Section have made in this short space of time.

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Our safe deposit vaults are at present estimated to contain more than thirty-five billion dollars in property under our charge when the Section was organized, and represents more than one-fourth of the visible wealth of the United States.

For great efficiency in handling estates and trust funds. This process of evolution is still going forward, and Trust Company officials are quick and eager to adopt any improvement which has been worked out successfully.

Advertising has made great strides, and is being effectively conducted on a scale which would have seemed impossible even ten years ago. By taking its work in this direction, and by results accomplished, to which Trust Companies can point with pride, the public has at last become convinced that the settlement of an estate, or the management of a trust, is a responsibility that can be turned over to the Trust Company rather than by the individual, or even the family lawyer, that is the best and least way to secure the exact fulfillment of the wishes of the decedent. Whereas, many years ago, there was a doubt as to whether the public had faith in the performance of the duties you have so well done as to the public sentiment of the Trust Company to accomplish all it was engaged to do, I feel confident that, at this time, as the result of its work, which has been done in every instance, the Eldorado of the profession has been reached, and the public is satisfied with the performance of the duties you have committed to our charge.

PRESIDENT CUTLER: Gentlemen, you have heard the report of the Executive Committee. What action will you take upon it?

Mr. McCarter: Mr. President, it occurred to me this morning that as there may be somewhat differing views among our membership and in order that we may not duplicate discussion on the subject, but get shortly the trend of discussion on the report, I would suggest that the first portion of the adoption of the report be postponed until after Mr. Campbell has delivered his address. I think that will enlighten us more, and one discussion will cover both questions.

PRESIDENT CUTLER: If there is no objection, we will pursue that course. What action shall we take?

Mr. Platten: I move that action upon the report be postponed until after Mr. Campbell's address.

(Mr. McCarter seconded.)

PRESIDENT CUTLER: The motion was seconded.

PRESIDENT CUTLER: All in favor will say aye; opposed, no. The motion is carried.

Mr. McCarter: Gentlemen, inasmuch as Mr. Platten was requested and expected to address the meeting today, would it not be wise to accept this telegram as his address and make it part of our proceedings?

It is addressed to the chairman of your committee and reads as follows:

NEW YORK, N. Y., September 7, 1915.

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Chairman Executive Committee, Trust Company Section, A. B. A.

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NEW YORK, N. Y., September 7, 1915.

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Next in order is the report of the Committee on Legislation, which will be presented by Mr. John H. Mason, Vice-President of the Commercial Trust Company, of Philadelphia.

Report of the Committee on Legislation.

[This report is given on page 142.]

PRESIDENT CUTLER: Gentlemen, you have heard the report of the Committee on Protective Laws. I think those who have served upon the Committee realize the very large amount of work that has been put into the report not only this year, but during past years; and I feel sure that you will all vote to accept the report and place it on file, and, with such a motion, I would suggest a vote of thanks to the chairman and the other members of the Committee for their very painstaking and efficient services.

E. L. JOHNSON (Vice-President of the Lovett & Johnson Trust Company, of Waterloo, Iowa): I make a motion to that effect, Mr. President.

(Carried.)

PRESIDENT CUTLER: All in favor of the motion will say aye; opposed, no. The motion is carried.

MR. LLOYD (Chattanooga, Tenn.): Mr. President and Gentlemen, Mr. Campbell who will address us upon the subject, you will discuss it from every point of view. We print this report on page 143.

PRESIDENT CUTLER: The convention will be in order. I will appoint as Members of the Nominating Committee: James D. Hoge, President Union Savings & Trust Company, Jersey City, N. J.; Henry A. Bell, President Citizens Trust Company, Paterson, N. J.; Thos. G. Smith, Vice-President International Trust Company, Des Moines, Iowa.

The principal topic for your consideration at this Convention is the exceedingly vital question of the relation of the Trust Companies of the United States to the Federal Reserve Act— with all which implies—and I hope that, after the stated address upon the subject, you will discuss it from every point of view. The principal topic for your consideration at this Convention is the exceedingly vital question of the relation of the Trust Companies of the United States to the Federal Reserve Act—with all which implies—and I hope that, after the stated address upon the subject, you will discuss it from every point of view. The proposition of the question of the relation of the Trust Companies of the United States to the Federal Reserve Act— with all which implies—and I hope that, after the stated address upon the subject, you will discuss it from every point of view. The proposition of the question of the relation of the Trust Companies of the United States to the Federal Reserve Act— with all which implies—and I hope that, after the stated address upon the subject, you will discuss it from every point of view. The proposition of the question of the relation of the Trust Companies of the United States to the Federal Reserve Act— with all which implies—and I hope that, after the stated address upon the subject, you will discuss it from every point of view. The proposition of the question of the relation of the Trust Companies of the United States to the Federal Reserve Act— with all which implies—and I hope that, after the stated address upon the subject, you will discuss it from every point of view.

Merlin A. McCARTER: I move that the thanks of the Convention be made to the members of the Section.

(For the Report of the Secretary, see page 136.)
Mr. RUCKERIDGE JONES (President of the Mississippi Valley Trust Co., St. Louis, Mo.): The members of this Association as a whole, I take it, agree that, when the bank endeavors to foreclose, some stockholders of the corporation opposes the action on the ground that no legal authority rests upon the corporation to accept or foreclose on the trust. The effect of such a defense to the foreclosure might be far reaching, but at the very least, there would result a delay beyond the time fixed for the realization of possible results, as the widest publicity has been given to the meetings of our counsel and the opinions of other eminent authorities. It follows, mind you, they will follow upon the trusts and that the banks will tread upon our toes. Why should we subject ourselves to danger. The Supreme Court in the case of Central Transportation Company vs. Pullman Company, 132 U.S. 626, decided that it was within the latter of the two powers subjecting the corporation to the danger. Charter of a corporation, read in the light of any general laws which are applicable, in the measure of its power, and the conclusions that are drawn by the courts from the provisions of all others not fairly incidental. All contracts made by a corporation beyond the scope of those powers are unlawful and void, and no action can be made upon them in the courts, and this upon three distinct grounds: The obligation of every one controverting a corporation to take notice of the legal limit of its power, that the court will not require a corporation not to be subjected to risks which they have never undertaken; and, above all, the interest of the public, that the corporation shall not transcend the bounds within which it is to act.

Whether or not liability rests upon officers performing such illegal acts I am not prepared to say. Looking at the matter from an ethical point of view, does it not seem, therefore, that there rests on the national banks an obligation to desist from attempts to exercise trust functions until it has been determined definitely that they have the legal right to do so? With the serious doubt cast on the constitutionality of Paragraph "K," so emphatically before them, I cannot conceive how they can accept trustships at this time without violating the square deal. No reputable bank would sell a bond or other security the value of which was doubtful. Is it not just as incumbent upon them to look to the reasonableness of their action as it is the duty of the corporation to test the constitutionality of this section of the law only says that the Federal Reserve Board may authorize the Comptroller of the Currency to forego examination of both members of the Federal Reserve Board. It does not seem quite clear, however, that these services should be rendered in any way that can reasonably be accomplished by the Comptroller's office. I believe the office of the Federal Reserve Board has been set up to accomplish this end.

Our experience with Clearing House Examinations, however, has demonstrated that bank failures can be prevented by proper supervision. We believe there has been a clear and manifest advantage to the Federal Reserve System and we all know that under its operations a great many banks, both National and State, have been cleaned up and put in good condition. When a statute is to be enforced it must be enforced. This would practically extend the present system of Clearing House Examinations to all member banks and I believe no one familiar with this system will question the statement that it is unnecessarily expensive to any banker what is not so much a mere paper operation as a real operation. The Federal Reserve Board and the Federal Reserve Banks. State banks entirely in charge of the Federal Reserve Board, and every member of the Federal Reserve Board to correct. I wish to refer particularly to three, namely, the multiplicity of control and supervision of State banking at the Federal Reserve Board and the Federal Reserve Banks. There are the Treasury Department, the Comptroller's Department, and the Federal Reserve Board. National banks entering the system would be subject to the control and supervision of State authorities, making an additional burden. I am afraid this will not be set aside by the courts, and, above all, the interest of the public, that the corporation shall not transcend the bounds within which it is to act.

MR. SIROCCO: The opposition to the formation of a Federal Reserve System contains, in my judgment, three important objections: (1) the multiplicity of control, (2) the granting of trust powers by the Federal Reserve Board, and (3) the violation of the principle of square dealing. No reputable bank would sell a bond or other security the value of which was doubtful. Is it not just as incumbent upon them to look to the reasonableness of their action as it is the duty of the corporation to test the constitutionality of this section of the law only says that the Federal Reserve Board may authorize the Comptroller of the Currency to forego examination of both members of the Federal Reserve Board. It does not seem quite clear, however, that these services should be rendered in any way that can reasonably be accomplished by the Comptroller's office. I believe the office of the Federal Reserve Board has been set up to accomplish this end.

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Federal Reserve Bank of St. Louis

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Mr. Campbell referred to? If so, are they being raised together, or is one method being taken up first? I presume that it would follow that if it was found that this measure is uncon-stitutional, we would have constantly at hand that would put a stop to anything which the State had done.

Mr. Campbell: I would say that all the questions which are involved in the proceedings will be, whether the Act is in contradiction of the State law. If it is, then under the terms of the Section itself, the Federal Reserve Board would be the power, and not indirectly the State court, would prefer to dispose of the question on that ground rather than to go into the broader question of the constitu- tionality of the Act. And if it should happen under the terms of the option that it was not in contradiction of the State law, then the question of constitutionality is pre-empted, and only in that event.

Mr. Mason: I have been asked to get a set, I am trying to frame up one now, where the question would be solely the constitutionality of the Act itself.

Mr. Mason: I suppose everybody here realizes that after the next crisis there will be far better off for all concerned to have them enter voluntarily before that time arrives. Before any such action becomes general, however, trust companies must feel assured that they are not to be penalized.

If it was expected that the Federal Reserve Act was passed that many amendments would be necessary, I believe a few simple amendments to cover the points outlined above would be entirely in the interests of public welfare.

President Cutler: I am authorized by Mr. Campbell to say that the matter is at the request of one member to ask him any questions he will endeavor to answer them.

Mr. Jones: I would like to ask Mr. Campbell what he is the present status of the litigation?

Mr. Campbell: There are two proceedings now pending. One was brought by the Attorney General of Michigan, in the nature of a quo warranto proceeding against a national bank. Proceedings of that character are rather lengthy, and the case is just about at honoring stage. In the course of it, the other is an action of a different nature, but it raises the same question. It is also an original proceeding. That is in Illinois. The First National Bank of Joliet was brought by the proper State official as being unauthorized to grant licenses to Trust Companies for a license, and that as a result refused to issue the license. The bank applied by way of mandamus to the State court for an order compelling the issuance of the license. In that case we are privileged to appear and take any expenses incurred in these litigations because of this Section by the American Bankers' Association.

Mr. Mason: I can answer that certainly the American Bankers' Association will not pay the expenses. This Section will not pay the expenses either. We have stood every money for such a purpose. The Canadian banks, perhaps in some other State, possibly in one or two other States proceedings will be instituted. You see, each State may have a little difference so far as the question of this Section is concerned. In some States there is an express provision, in other States there is a limited consent, and in still other States there is no consent at all. The constitutional question lies back of them all. We were in hopes that the Federal Reserve Board would cooperate with us to expedite the trial of these cases. In Michigan, the bank inter- ested in the first place it would appear that we have the Federal Reserve Board to appear and take the onus of the litigation upon its shoulders, but up to date they have not done so.

Mr. Cunningham: I had thought of saying something on this subject, and I believe it is desirable to make clear that many of us who give our attention more particularly to the commercial side are satisfied to rest the case as it has been presented.

One of the strongest matters that occurs to my mind is that if it is passed as an amendment under the Section, it is that there is no common control of great financial institutions, those who control the banking law, and the banks and other trust companies.

Mr. Johnson: I am strong of the opinion that the Federal Reserve Act is a real reform in our banking system and that practices of great financial institutions, those who control the banking law, in no way with the competition between these banks unless there is somewhere in the background a common control of these institutions. On the other hand, a great majority of the banks and other trust companies interfere in no way with the competition between these banks unless there is somewhere in the background a common control of these institutions.

Mr. Sisson: I would like to put a question to Mr. Campbell as to why the Constitutional provision under the Federal Law, and the other is the power of the States. Now, I should inquire if both of those questions are being raised in the proceedings that

One of the strongest matters that occurs to my mind is that if the Federal Reserve Board can do many of these things that it is asked to do and is doing in trying to do it, why is it that at present.Stdout the States have its own examiner to examine into its own institutions, and how can the Federal examiner come in and interfere with a domestic matter of that kind. I have in mind for a long time that the making of this Federal Law general cannot be made applicable to all the varying local conditions. I have had in mind for a long time that the making of this Federal Law general cannot be made applicable to all the varying local conditions. Whether this is a suitable thing to do, I should think, is important for any discussion.

Mr. Cunningham: I have just been made creates a line of thought with me that I think we want to make at this time, and that is that the Trust Companies are recommended not to join the Federal Reserve System at this time.

Mr. Mason: That is not a recommendation, if you will pardon me. It is merely advisory and the Board has been so framed as to avoid any such recommendation. I simply moved that the report be received and filed. That motion, of course, if it is carried, carries the report over to the next meeting.

Mr. Mason: I do not think we want to make at this time, and that in that the Trust Companies are recommended not to join the Federal Reserve System at this time.

Mr. Campbell: My motion was so framed as to avoid any such recommendation. I simply moved that the report be received and filed. That motion, of course, if it is carried, carries the report over to the next meeting.

Mr. McCarter: I might say that it is the sense of this President Cutler: Is there any discussion of this motion? Mr. Shorrock: In the event that the amendment suggested by Mr. Mason as being likely to carry is adopted by the American Bankers' Association, the expenses incurred in these litigations be borne by this Section or by the American Bankers' Association.

Mr. McCarter: I might say that it is the sense of this meeting that the action taken by the Individual Trust Companies to test the constitutionality of Section K of the Federal Reserve Act be approved by the American Bankers' Association.

Mr. McCarter: That is not a recommendation, if you will pardon me. It is merely advisory and the Board has been so framed as to avoid any such recommendation. I simply moved that the report be received and filed. That motion, of course, if it is carried, carries the report over to the next meeting.

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what those amendments are. That would be putting us in the position of antagonism to the system. I have been studying the question as to whether the company with which I am connected should go into the Federal Reserve System. I have a good deal against it. I have some reasons why I have hesitated about it, but if I was going to come before the public to get away. The Executive Council of the American Bankers’ Association has already approved that amendment, and it will go to the new Executive Committee for action, and we would not be approving any recommendation that it contained in the report made by the Executive Committee at the Old Point Comfort meeting, in the spring.

MR. MCCARTER: The Executive Committee has given this matter a great deal of study during the past year, but as chairman of the Committee I am not prepared today to state all of the reasons why Trust Companies should not go into the Federal Reserve System. I have my individual view about it. Mr. Jones has his. Every man in the room who has studied the question has his individual view upon it. Now, all that this report says is that the Executive Committee is not prepared at the present time to advise Trust Companies to enter the System until certain amendments shall have been made to the Act. Without these amendments are not to be determined after a sufficient observation of the workings of the System. I think it would be premature for us to attempt to schedule the various amendments coming from a place that can be done. Mr. Jones: But the question whether Section K of the Act is constitutional or not has to do with whether we are going in or not.

MR. MCCARTER: Certainly it has. President Cutler: Gentlemen, this discussion should be confined to what was made by my first chairman, Mr. Chamberlain, which is the question directly before the meeting.

MR. MCCARTER: I entirely agree with Mr. Chamberlain’s motion, and I hope it will be passed.

President Cutler: Why Mr. Chamberlain’s motion seconded?

Mr. Jones: If it was not, I will second it now.

President Cutler: Then if there is no further discussion I will put the question on the motion made by Mr. Chamberlain. All in favor of it will say aye; opposed, no. The motion is carried.

President Cutler: For those kind words, on behalf of the Convention, I thank you. (Laughter.)

Mr. Mason: I move that we adjourn for luncheon and reconvene at half-past 2 o’clock.

(The motion was carried.)

President Cutler: All in favor of the motion will say aye; opposed, no. The motion is carried, and the Convention stands adjourned until half-past 2. Rees was then taken until 2.30 p.m.

AFTERNOON SESSION.

THE TRUST COMPANY SECTION.

Our Legislature attempted to pass some most radical legislation, but the Senate contained some solid men, business men, and bankers, and the rank bills concocted by the House were killed by our Senate. It was foreseen that this would be a socialistic crowd, and before election the majority of it will say aye; opposed, no. The motion is passed.

Mr. Mason: I presume Mr. Dinkins’ motion refers to the amendment which will be introduced in the convention of the American Bankers’ Association. Mr. McCarter and I have a very warm spot in my heart, for Mr. McCarter and I know that he wants to do a thorough job, and that the American Bankers’ Association has already taken a definite stand on the matter. Perhaps we should state that amendment. So we are powerless to express our views and cast our vote in the general convention when it passes upon it.

Mr. Dinkins: We all know that Mr. McCarter is an able debater, and, while I regret that he will not have an opportunity to oppose this amendment in the Council, I suggest that he be required to remain in Seattle and oppose it on the floor of the Convention.

Mr. McCarter: Permit me to say that I shall leave Seattle to-morrow and will not be available for further debate, unless, of course, I find that there is any necessity for it. I believe that the motion made by Mr. Dinkins, that the members of this Section be present in the Convention and oppose the passage of this amendment will say aye; opposed, no. The motion is seconded.

Now we will proceed with the regular order, which will be the roll call of the States. The reports of the States Vice-Presidents and the general information are longer than ever, and many of them are of a long distance for the purpose of appearing before the Convention and reading their reports.

The roll call then proceeded and the following States responded:

ROLL CALL OF STATES.

ARIZONA.

REPORT OF VICE-PRESIDENT FOR STATE OF ARIZONA.

The past year for the Trust Companies of the State of Arizona has been one of prosperity, taken as a whole. The first part of the year, on account of the very low price of copper, due to the temporary cessation of exports, was extremely hard, and we were all down-hearted, and thought the year would be a bad one, but in about ninety days the embargo on copper was lifted, and the price went up at once to a figure that enabled all good properties to work, and even the prospects could ship. Deposits have held up better than for some years past. All of the Trust Companies show a substantial growth.

The people of the State of Arizona are slowly but surely learning what a valuable institution a Trust Company is in a community, and the Trust Feature of the Trust Companies in this State shows by the large increase that the demand is more fully appreciated by the public than ever before.

Our Legislature attempted to pass some most radical legislation, but the Senate contained some solid men, tremendous men, and bankers, and the rank bills concocted by the House were killed by our Senate. It was foreseen that this would be a socialistic crowd, and before election some good men were forced to make the sacrifice, give up their business, and perhaps put out of business through improper and manifestly unfair laws.

I regretting my inability to be present in person, I am, Yours very truly, N. B. Plumer.

COLORADO.

DEERFIELD, COLORADO, August 7th, 1915.

Secretary of the Trust Company Section, American Bankers’ Association, New York City.

Dear Sir: I am pleased to report for the State of Colorado as follows, viz.:

The first part of the year, on account of the very low price of copper, due to the temporary cessation of exports, was extremely hard, and we were all down-hearted, and thought the year would be a bad one, but in about ninety days the embargo on copper was lifted, and the price went up at once to a figure that enabled all good properties to work, and even the prospects could ship. Deposits have held up better than for some years past. All of the Trust Companies show a substantial growth.

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Our Legislature attempted to pass some most radical legislation, but the Senate contained some solid men, tremendous men, and bankers, and the rank bills concocted by the House were killed by our Senate. It was foreseen that this would be a socialistic crowd, and before election some good men were forced to make the sacrifice, give up their business, and perhaps put out of business through improper and manifestly unfair laws.

Regrettin my inability to be present in person, I am, Yours very truly, N. B. Plumer.
and for the purchase of investment securities. There has been one important event during the year, which is the amendment to the
Trust Company law by the legislature permitting National and State
Banks to enjoy the Federal Reserve Act. I do not much wish the multiplication of National
Banks to perform any considerable Trust Company business and that
poses a very grave problem for the management of the banks, as it
has been as to place them in line with the large Trust Companies
of the United States.

Respectfully submitted,  
JOHN L. McNIE,  
Vice-President for Colorado.

CONNECTICUT.

C. S. Dobs, Treasurer, The Souvenir Trust Co., Souvenir, Conn.:  
In accordance with your request I have the honor to present the Report
of the Year ending October 31, 1914, of the Connecticut Association of State
Banks and Trust Companies, for your information.

General business, as a whole, has been below normal, but, owing to
the European situation, certain lines have been very abnormal, and
the last six months of the year has seen a large number of our industries
increased to double and treble their normal capacity, all of which has
indirectly helped many other lines. However, notwithstanding the
uncertainties of the first part of the year our Trust Companies have
shown a very gratifying growth. The last official reports available show
that during the first nine months of 1914 the increase in our business has
been such as to place them in line with the large Trust Companies
of the American Bankers' Association. I am pleased to make the following
brief report:

The year has been very unusual in many ways in Connecticut.
Our general population is practically identical.

Our State Banking Department was changed from a double to a single
header denomination which was made a legal Trust
Company under certain restrictions. Savings deposits in National
Banks were indirectly taxed the same as our Mutual Savings Banks,
and the Connecticut Association of State Banks and Trust Companies
are represented therein. As this was a legislative year in
the Connecticut General Assembly, we have had a large Trust
Company at the law passed. It gives the necessary services to
public and other matters now pertaining to them.

The Trust Companies are growing in popular favor. There is no friction between the Kansas Banks and the
Trust Companies. The growth of Trust Companies in Kansas is interesting, but in brief,
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Trust Companies. The growth of Trust Companies in Kansas is interesting, but in brief,
The efforts which have been and are being made to educate the general public to understand that Trust Companies are in position to render service to all classes are showing results, and there is a movement on the part of the use of these institutions by people who have not heretofore availed of their services.

MISSOURI.

Mr. James E. Isaac, of St. Louis: As Vice-President for Missouri, I have the honor to report that there are sixty-two Trust Companies in our State, with total resources of $155,125,727.97; capital, $26,063,000; surplus, $17,581,101.64; net undivided profits, $1,049,397.75; and deposits of $167,433,641.91, of which $23,000,000 are savings deposits.

The last annual Convention of the Missouri Bankers' Association in May was a most successful meeting, and considerably increased the number of the membership of the Association. The Trust Companies Association of Missouri was well attended, and an association was formed in order to act as trustees in all fiduciary relations.

The Trust Companies of our State have for some time felt the necessity of having an organization of their own for the protection of their rights. It is a growing merit in the popularity of the Trust Companies over individuals as trustees, as a result of the acting as trustees in all fiduciary relations.

While the general financial and commercial conditions in the community are sound, there seems to be no sign of the conditions which led to the general recession. The increase in the number of new banks is a sign of the end that all lines of business are practiced at a standstill. Capital remains limited, while money has accumulated, and is stagnant in the larger banking centers, and the general depression continues with no indication of early relief.

NEBRASKA.

Report of R. C. Peters, President of Peters Trust Company of Omaha, Nebraska.

Since my report last year at Richmond, there has been a meeting of our State Legislature and there was considerable attempted adverse legislation. In the first place, there is a law which makes mortgages of our State tax except to the mortgagee, provided there be a clause in the mortgage to that effect. A large portion of the business of our Trust Companies in the State is derived from the exploitation of the bonds. On the other hand, a number of our State banks took advantage of this law and foreclosed their Trust Company mortgages, so they did not pay any tax. This law was attacked, and as a compromise an amendment was added to our general revenue law, taxing from banks and Trust Companies the income obtained from the security from their assessment. This, however, I think should be satisfactory.

The most serious attack made against our State Trust Company laws occurred during the last days of the Legislature. The consideration of the question of the introduction of new bills, by the legislators themselves, was through the Governor's bill to ratify, in this State, the change in the new Federal Reserve System, and the full fiduciary powers, which would grant to both State and National banks powers of a Trust Company, regardless of capital and any other safeguards that were enacted in our Trust Company Act of 1911, which was a stringent one and gives stability to the Trust Companies organized under it. The introduction of this law, this past winter, to enable all banks to act in the capacity of Trust Companies, was introduced with no previous notice, and it was introduced as the Governor's bill. It was discovered, by more careful analysis and our company put forth strenuous efforts to prevent its becoming a law after it had successfully passed all committees in both Houses with full recommendation, except the final Senate Committee of the Senate, and, as it was a Governor's bill, it was liable to become a law, but by effective work it did not pass the Senate Committee, and the bill was dead, or had failed before the measure was introduced. However, there may be an explanation for this, as there are only three Trust Companies, I believe, in the State, which are chartered under the above-mentioned act, while the rest of the companies did not act, so it left it to us to defeat the measure. Our organization as a Trust Company should not be submitted to the vicissitudes of a Commercial Bank. It is a vital part of business, and the Commercial Bank is a vital man's business and the Commercial Bank's is a man's business; that one having his estate wasted it to be left, where it is subject to pay out the vicissitudes of a Commercial Bank, and the laws cannot be any too stringent with reference to it.

Our Trust Companies are growing; it is a matter of education in the community, a feeling that the Trust Companies of the State have been prosperous; deposits have increased, and there has been a fair demand for money.

RHODE ISLAND.


The Trust Companies of Rhode Island are in first-class condition, conservatively managed, and have added $2,106,124.84 to their assets during the year ending June 30, 1915.

SOUTH CAROLINA.

Mr. Philip S. Barlow, Secretary Trust Company Section, A. A. A. Bankers Association, 1 Nasser Street, New York, N. Y.

Virginia, August 10, 1915.

To Mr. A. J. Peters, Vice-President of the American Bankers Association:

My dear Mr. Peters: In replying to your letter of July 15th, I shall not be able to attend the convention of the Association to be held September 7th at Seattle.

Very truly yours,

E. L. Remiss, President.

E. L. Remiss, President Richmond Trust and Savings Company, Inc., Richmond.

Virginia, August 10, 1915.

Mr. James E. Brock, of St. Louis: As Vice-President for Missouri, I have the honor to report that there are sixty-seven State Banks and Trust Companies in Missouri, and up to this writing only two have joined the Federal Reserve System.

The crops in the State were good this year. We have had excessive rains, but on the whole conditions are excellent. The city of Omaha is absolutely a boom city, and we have a great many new enterprises, and the growth is very substantial. Our bank clearings, building permits and post office receipts all show a large increase.

Ohio.

G. H. Hardy of Cleveland, Ohio: Mr. President and Gentlemen: The Trust Companies of the State have increased in number, wealth and earnings; for years there has been no tax on mortgages; the growth is very substantial. Our bank clearings, building permits and post office receipts all show a large increase.

Rhode Island.


The Trust Companies of Rhode Island are in first-class condition, conservatively managed, and have added $2,106,124.84 to their assets during the year ending June 30, 1915.

South Carolina.

Mr. Philip S. Barlow, Secretary Trust Company Section, A. A. A. Bankers Association, 1 Nassau Street, New York, N. Y.

Very little affecting the interest of Trust Companies has occurred in South Carolina during the past year. No legislation has been enacted on this subject worthy of the mention. The business of Trust Companies in this State has been below normal, owing to the fact that new enterprises have not been inaugurated during the last twelve months.

This report is necessarily brief. I could amplify it in words, but I could not convey more than is above stated.

Respectfully submitted,

John F. Ficken.

Virginia.

E. L. Remiss, President Richmond Trust and Savings Company, Inc., Richmond.

Upon the roll call the Vice-President of each State is requested to give a brief report of Trust Companies in his State during the past year.

The matter is so important for this State by the difficulty in determining just what institutions are in fact Trust Companies. As a result, the States does not suffice to answer this question.

In the State of Ohio, there are twenty-four financial institutions using the word "Trust" in the corporate name. Of these thirteen are members of the American Bankers Association and registered as financial institutions, in our firm or another, with the Trust Section. It is probably that fiduciary transactions with more than five of these are relatively an important part of their business, so that it is apparent that with respect to some of these twenty-four institutions the word "Trust" in their title is a misnomer.

Furthermore, some National Banks have availed themselves of the privilege under the National Banking Acts to enter into the Trust Companies' field of operation. The assumption of these fiduciary functions was authorized by a special act of the Virginia Legislature this past year.

This situation has been the subject of informal discussion by some of the leading Trust Companies of this State, with the conclusion that as the financial system of this country as a whole is divided into two general classes, the business of the State with the Commercial Bank, the operations of each of these institutions should be kept within its own sphere.

For this reason, while our Trust Companies are generally in hearty sympathy with the Federal Reserve System and believe that every Commercial Bank should not enter the field of fiduciary operations, it, of course, follows that they also believe that Trust Companies should do so in such extent as would not have to accept restrictions that would greatly curtail the value of their services to the public. If, of course, follows that they also believe that Commercial Banks should not enter the field of fiduciary operations.

The financial system of our country will be nearer perfection when our institutions are divided into two general classes, one of which will embrace those designed to take care of commercial matters of the country, depending upon short time liquid assets, and the other to compete with the Federal Reserve System in the matter of trusts and undertake matters requiring time for their accomplishment.

Because of such principles as this has prevailed in Virginia, it is not possible to give comprehensive statistics of the operations of Trust Companies during the past year, but in general terms it may be stated that their business has increased and prospered. They have conducted, independently and in cooperation with the State, important and energetic campaigns of publicity resulting in awakening the public to the advantages of the corporate executive and fiduciary department. Very little has been done in the way of new enterprises in the use of Trust Companies as registrars of stocks and other securities and as financial agents for corporations.

In conclusion, I may state that there is a feeling of assurance that our field is good and a determination to energetically develop it.
Trust Companies. Two State Banks changed their names and three
liquidated. The last annual report of the State Bank Examiners
showed that nineteen State Banks and twenty-five Trust Compa-
yes doing business in our State. The total resources of all the
three hundred thirty-three Trust Companies and 254 State
Banks and Trust Companies have been examined during the past
year. In every respect, the examination results are satisfactory
just how much real Trust Company business there is in the State at the present time, but I
believe it will be possible to give a full and complete statement of it. We have had in contemplation the for-
mation of a Trust Company Association. Presently all the Trust
Companies in the largest thirty-three Trust Company Asso-
ciation, the Trust Companies are authorized to act as depositors
of State funds as well as court funds. Quite a number of the leading
Trust Companies have been designated as depositors for postal sav-
funds.

None of the Trust Companies in our State have applied for mem-
bership in the Federal Reserve Bank, although some of them may con-
clude to do so in the near future.

President Cutler: This completes the list.

Secretary Barlow: Our By-laws provide that when State
Vice-President are not elected by the State Associations, their
selection should be left to the Executive Committee. Now, the
following States have made nominations: Arizona, Connecticut,
Delaware, Maine, Massachusetts, New Jersey, Ohio, South
Dakota, Vermont, and the Committee will be glad to have sug-
gestions for Vice-President for the other States.

I am asked to announce that there will be a business meeting
of the Council Club of the American Bankers' Association in
this room at 5 o'clock.

Mr. Holliday: What is the Council Club?

President Cutler: The Council Club is composed of ex-members of the
Executive Council of the American Bankers' Association.

All delegates who have not registered at the registration headquar-
ters, in the little booklets that was distributed, the Elks Club and the
Press Club also wish to welcome any delegates who will come
to their quarters.

Mr. Barlow: In connection with the point which has been discussed today—that is, the possible friction which may
arise, if an amendment that is going to be offered in the
Convention, I move that Mr. McCarter be one of a Committee
of five—be himself to be the chairman—to consider and re-
commending.
Relations of the Federal Reserve Bank to the Clearing House Organization.

By Russell Lowry, Deputy Governor Federal Reserve Bank of San Francisco.

The Federal Reserve system differs from any other banking system in the world in this: That it was not the result of a long and gradual development, but sprang into existence full-armed, like Minerva from the head of Jove. Without experience, without precedents for guidance, it has stretched its limbs cautiously, put out a timid finger here and there, and thus gradually is finding its powers and the functions wherein these powers should be employed. Its traditions are in the making, and it is the unusual privilege of those identified with its beginning, to assist in molding plastic policies into definite and permanent form. In this experience I am reminded of certain years I spent at a great university which, by the power of millions, had been created almost over night. We felt painfully the lack of those traditions that influenced student life at Harvard and Yale and Princeton, and set about acquiring traditions ready-made. We had, I recall, an annual celebration called Ivy day, when we used to plant ivy that we hoped one day would cover all the college buildings. And we sang songs to Alma Mater—probably the youngest matron of this sort extant—and sentimentalized over the "dear old college halls" when the workmen had scarcely removed the last scaffolding from the buildings.

Not so keen, perhaps, about making traditions, but with the same sense of dealing with the unformed, the plastic, the potential, the men who compose the Federal Reserve Board and the management of the twelve reserve banks are fully alive to the importance of establishing at the outset only such policies as will endure the test of time, and are avid for facts and principles and opinions that will contribute to the wisdom of their present decisions, which mean so much for the future success of the system. Under these conditions one cannot be a historian, because there is no history to record. And one assumes with reluctance the role of prophet. The alternative is to give present facts and suggest possible future tendencies.

Tucked away inconspicuously at the bottom of Section 16 of the Federal Reserve Act is this innocent little clause:

"The Federal Reserve Board * * * * may at its discretion exercise the functions of a clearing house for Federal Reserve banks, or may designate a Federal Reserve bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks."

It is evident from the wording of this sentence that the framers of the act had no definite idea how the clearance function was to be exercised, but they foresaw a time when the domestic credit business of the whole country would be focused and cleared with the highest possible efficiency through the machinery of the Federal Reserve system, necessitating the slightest possible use of actual coin or currency. In considering the means by which this end will be reached, or is being reached—one never can be certain of using the right tense in these days of rapid change—It is desirable to analyze the activities of clearing house associations with a view to determining how far their functions can be utilized in the new banking system, and to what extent the reserve banks may profitably supplant the local clearing houses in the operation of such functions.

Clearing houses were established primarily to facilitate the exchange of checks between banks, to offset debits with credits, and lessen the labor of handling coin. Through organization for this purpose, they have gradually assumed other powers. In some instances they have been utilized for the clearance of country checks, as well as local items. They have been made depositories of money, against which certificates were issued for convenient use in settling balances. In times of stress they have been the means of uttering clearing house certificates based on values other than money, such as bonds and bills receivable. They have by mutual consent employed examiners to see that proper banking methods were being used by the member banks. By concerted action they have in some cases extended aid to solvent banks unable to convert their assets quickly, and thus have been able to avert serious trouble. Instances have occurred where the government itself has been saved temporary embarrassment by the action of clearing houses in extending loans. During the financial disturbances of 1914, it was the clearing houses which facilitated prompt ac-
tion in responding to the call for a gold pool and the cotton loan fund. Generally speaking, the clearing house associations have been powerful agencies in stabilizing financial affairs, and their energies have been directed unselfishly along beneficent and patriotic lines. In his monograph on "Clearing Houses," prepared for the National Monetary Commission, Mr. J. G. Cannon said:

"The clearing house, which was begun simply as a labor-saving device, has united the banking interests in various communities in closer bonds of sympathy and union and has developed into a marvelous instrumentality for the protection of the community from the evil effects of panics and of bad banking. Clearing houses are gradually becoming a welding force that ultimately will bring to the business of this country the centralization which it so greatly needs."

Without doubt Mr. Cannon was justified in his conclusion that the extension of clearing house organization would solve the question of unifying the American banking system. It was upon this theory that the Aldrich plan was formulated. The result, however, was different from that anticipated by Mr. Cannon, Mr. Aldrich and the National Monetary Commission. Instead of a central banking control vested in the clearing houses and therefore mainly under the control of the bankers, Congress saw fit to pass the Federal Reserve Act, which distributes the control with a fair degree of impartiality among the bankers, the business public and the government.

What is to be the future of the clearing house organization under the new regime? Is its period of usefulness now to end and its energies be merged with those of the Federal Reserve banks, or will these two instrumentalities operate together for the general welfare of the country's business? Let us examine this question in detail, taking up first what might be called the minor or incidental functions of the clearing house:

First: The issuance of clearing house loan certificates and the use of other protective measures designed to stabilize the financial situation and check incipient panic. If the Federal Reserve banks perform their intended function, no further use will be found for clearing house certificates. Banks desiring currency for payment of debts will have to inquire of their Federal Reserve bank to grant or withhold the privilege of rediscounting. The Federal Reserve bank subjected to the examination made by the Federal Reserve Board, the office was vacated and has not been filled. In none of the Reserve cities is the Federal Reserve bank subjected to the examination made by the clearing house examiner, but in one instance the Reserve bank has taken the position that as a member of the clearing house it should receive the full advantage of its membership in the clearing house association in respect to independent accounts or examinations, and that such examination be considered for the benefit of the directors of the Reserve bank.

While the Federal Reserve banks are empowered by law to make special examinations of member banks for the purpose of informing themselves as to the condition of those banks and the lines of credit extended to them, this function has not been developed and at present the Reserve banks rely upon the limited amount of information submitted by the regular national bank examiners. Inasmuch as the Comptroller of the Currency, who directs these examinations, is a member of the Federal Reserve Board, it is not improbable that in future his office will become more closely attached to the Federal Reserve Board and the various national bank examiners may become directly subordinate to the Federal Reserve banks in whose districts they work. Should this change take place, it will tend to lessen the power and usefulness of the clearing house examiners and gradually their office may disappear altogether.

Second: The fixing of uniform charges for collection of checks doubtless will continue for some time, but it is bound to disappear eventually in the face of the authority given to the Federal Reserve Board to fix the charge to be collected by member banks from patrons whose checks are cleared through the Federal Reserve bank. While it is not likely that the Federal Reserve system will wholly eliminate collection and exchange charges—indeed there is no reason why it should—it may be admitted that one purpose of the act is to reduce these charges to a basis of cost, or nearly so, and in the working out of this purpose local clearing house associations will find it difficult to maintain their uniform scale of charges.

Third: The relief of clearing house banks by their fellow members will be unnecessary in the future, since the Federal Reserve bank provides exactly the means of supplying such relief, and contact with it will be attended with much less publicity and humiliation than if the troubled member were obliged to go to his own competitors.

Fourth: The extension of loans to the government may be regarded as an absolute activity of the clearing house, since in more than fifty years the government has not resorted to such an expedient. Undoubtedly if the government of the United States desired to borrow money for a short time, it would offer its notes successfully in the open market, although the Federal Reserve banks might be called upon temporarily, if the needs of quick action were urgent.

Fifth: Clearing house examinations. Clearing house examiners are employed in eight of the Federal Reserve cities, and no change in this arrangement has taken place since the Federal Reserve banks were organized. In San Francisco, owing to the coincidence that the clearing house examiner was selected as governor of the Federal Reserve Bank, the office was vacated and has not been filled. In none of the Reserve cities is the Federal Reserve bank subjected to the examination made by the clearing house examiner, but in one instance the Reserve bank has taken the position that as a member of the clearing house it should receive the full advantage of its membership in the clearing house association in respect to independent accounts or examinations, and that such examination be considered for the benefit of the directors of the Reserve bank.

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Speaking abstractly, a unified system of bank examinations is desirable just as a unified banking system is desirable, and it is only a question of time when the triple supervision of the Comptroller of the Currency, the State Banking Department and the Clearing House Association will be merged into one supervisory authority. Logically that authority should be the Federal Reserve Board.

Bank examiners, whether national or State, are clearly concerned with observance of the law, and in case of persistent evasion have no remedy short of closing the bank—a measure so severe that they will often wink at the evasion rather than apply the remedy. An examiner may find, and frequently does, a bank that maintains a proper percentage of reserves, avoids excess loans and otherwise keeps within the law, and yet is in a condition so rigid and unsatisfactory as to be a cause of anxiety. In such a case the examiner is powerless. An examiner for the Federal Reserve Board, while paying heed to local observances, would concern himself with the application of correct banking principles and the liquid quality of the bank's investments. He would also be able to exert a strong pressure through the power of the Federal Reserve bank to grant or withhold the privilege of rediscounting.

Sixth: Clearance of checks. Without doubt this primary function of the clearing house will continue, even in those cities where Federal Reserve banks or their branches are located. No other device so simple, effective and inexpensive has been found or is likely to be found. In the settlement of balances, however, the Reserve banks may be utilized to advantage. This has been demonstrated in Boston, where the payment of differences is made through the Federal Reserve Bank. After the daily exchange of checks, each debtor bank gives its checks on the Federal Reserve Bank to the manager of the clearing house, who deposits all checks to his credit with the Federal Reserve Bank of Boston, and then writes his own checks in settlement of credit balances, thus drawing out
his entire balance each day. This plan, which obviates the necessity of carrying gold or currency to or from the clearing house, is so simple that it ought to commend itself to all bankers in Federal Reserve cities. Aside from the saving of carrying charges and the loss by abatement of gold due to handling, banks would not be restricted to the use of gold in the settling of balances, but could draw against a credit created by depositing Federal Reserve notes, or legal tenders, or New York exchange, or by re-discounting commercial paper. An obstacle would arise, of course, if many members of the clearing house were not members of the Federal Reserve bank, but this could be overcome by having the non-member banks clear through national banks.

Seventh: Clearing country checks. In all of the Federal Reserve districts the plan of intra-district check collection has been established, but the plan has not been in operation long enough to permit of conclusive generalizations. It is a reciprocal arrangement and provides that member banks which consent to have their own checks charged against their accounts with the Federal Reserve bank without deduction for exchange, may have the privilege of depositing and receiving credit at par for checks on other member banks asorting to the plan. In eleven of the districts checks are credited and debited when received, and in District Twelve it was deemed wise to start with a plan of deferred debit and deferred credit, entries being made in accordance with a time schedule based upon the time required to forward the check to its destination and receive returns for it. This relieves the member banks from any necessity for keeping balances with the Reserve bank in excess of legal reserve requirements, and is a more equitable arrangement in this district, where distances are enormous and transportation facilities inadequate. It is interesting to note that this district has a larger percentage of assorting banks than any other except two, where check collections were inaugurated without asking consent of the member banks. About 150 banks are on the par list of the Twelfth District, and although the plan has been in operation for a month, it has been used scarcely at all. Does this mean that it is a failure? By no means. We have accomplished our object so far as the 150 banks are concerned by setting up a standard of par, and this standard is maintained without the necessity of our actually handling checks, so much the better. It is perfectly natural that country banks should prefer to send items to their city correspondents, where they receive immediate credit at par and 2 per cent. Interest on the balance thus created rather than to send them to the Federal Reserve bank, where they obtain credit only after sufficient time to make collection.

Our interpretation of our function in the matter of check collection is that we should be an agency of regulation rather than of clearance or collection. Our principal use, as we see it, is to assist in the settlement of credit balances growing out of the handling of checks rather than to assist in the actual handling of these checks. It would not be good banking for a bank in Spokane to send to us for collection a check on Seattle. It would be better for the Spokane bank to send the item direct to the drawee bank in Seattle and have the proceeds transferred to its credit on the books of the Federal Reserve Bank in San Francisco. This plan can be extended further with great advantage and economy of time in the handling of all checks, wherever payable. A bank in Spokane, for example, receiving a check on Mobile, could immediately have the proceeds transferred through the Federal Reserve Bank in Mobile, with instructions to have the proceeds transferred through the Federal Reserve Bank of Atlanta to the Spokane bank's credit in the Federal Reserve Bank of San Francisco.

One effect of the establishment of intra-district collections by the Federal reserve banks has been to stimulate the activities of the local clearing houses in a similar direction. In New York a country clearing department has been inaugurated following the plan successfully employed in Boston, Kansas City, and other points. Doubtless this is the best solution of the problem. Let the local clearing houses handle the checks, which they can do with greater economy and efficiency than the Federal Reserve banks, especially in view of the fact that Reserve banks comprise within their membership only a portion of the commercial banks of the country. Let the Reserve banks be the agency for the settlement of differences. That is, for the ultimate adjustment of debits and credits and for the stabilization of collection charges so far as this can be accomplished. Perhaps the most significant and admirable movement for bringing about the ultimate settlement of bank credits was the establishment of the Gold Settlement Fund at Washington. Much credit for the idea is due to a former secretary of the Clearing House Section of the American Bankers' Association. You are no doubt familiar with the plan, which involves the deposit with the Federal Reserve Bank at Washington of not less than $1,000,000 of each Federal Reserve Bank. Every week the balance due to and from Federal Reserve banks by other Reserve banks are cleared through the Gold Settlement Fund by the simple process of wiring the amounts of such debits and credits and having book entries made in accordance. Any Reserve bank wishing to transfer money to any other Reserve bank, may do so at any time through this fund, and thus are obtained in respect of exchange, at least, all the practical advantages of a central bank, which some people still believe is preferable to twelve independent reserve banks.

It is doubtful if bankers fully realize to what extent the Gold Settlement Fund is intended to revolutionize the machinery of domestic exchange. Any bank anywhere in the United States may transfer funds to any other point in the United States with the utmost facility and promptness and at a minimum of expense through the Federal Reserve Bank of its district. A bank in Seattle, for instance, desiring to make a large payment in Cincinnati, may do so by authorizing the Federal Reserve Bank of San Francisco to charge its account and transfer the credit to the account of the Cincinnati bank on the books of the Federal Reserve Bank of Cleveland.

The amount of gold in the Gold Settlement Fund has gradually risen since the beginning of the plan and now stands at about $5,000,000. This gold is in large order certificates payable to the Federal Reserve Board, and is kept by the Board in a safe within the vault of the United States Treasury. Deposits with or withdrawals from the Gold Settlement Fund are made by the Reserve banks through the nearest sub-trustee, and thus the entire system is carried on with a remarkable saving of labor and expense.

In connection with this it is interesting to quote a suggestion made by Albert Gallatin in a pamphlet published in 1831, entitled "Suggestions on the Banks and Currency of the Several United States in Reference Principally to the Suspension of Specie Payments." This is the quotation:

"It has been suggested that a general cash office might be established in which each bank should place a sum in specie proportionate to its capital which would be carried to its credit in the books of the office. Each bank would be debited or credited in those books for the balance of its account in all the other banks. Each bank might at any time draw from the office for the excess of its credit beyond its quota and each bank should be obliged to replenish its quota whenever it was diminished one-half, or in any other proportion agreed on."

After the lapse of eighty-four years Mr. Gallatin's plan has been put into effect, and it is impossible to foresee what a saving will be effected in actual shipments of coin.
and currency and in the stabilization of rates on domes-
tic exchange.

The clearing house organization, though born of much
of its former power as an agency of centralization, will
be maintained for its primary purpose, namely, to effect
the exchange of checks and drafts between banks, and
the settlement of balances resulting from such exchanges.

In the process of settlement it will have the aid and
co-operation of the Federal Reserve bank. An extension
of clearing house operations to take in country checks is
a logical development, and in the settlement of resulting
balances the Federal Reserve system will again be help-
ful. It ought to be possible, and sooner or later will be
possible, for any bank to handle a check on any other
bank in the United States and to count upon the collec-
tion of that check with the utmost dispatch and a mini-
imum of expense through the harmonious working of the
clearing houses, the twelve Federal Reserve banks, and
the Gold Settlement Fund.

The clearing house associations can serve a most valu-
able purpose in co-operating with the Reserve banks to
bring about more scientific credit methods. The adop-
tion of standard forms of financial statements, greater
insistence upon obtaining such statements periodically,
more careful checks against undue extension of credit to
certain borrowers—to the end that banks may be in position to
estimate certain forms of statements recommended by the
Federal Reserve Bank of Cleveland, and agreeing to re-
quire these statements in the future from all commercial
borrowers—to the end that banks may be in position to
avail themselves of rediscounting facilities to the greatest
possible extent, and thereby provide against future
contingencies of whatever nature. Similar action is like-
ly to be taken in some of the larger cities on the Pacific
Coast.

The next step, logically, might be the establishment of
a great central bureau of commercial paper, in which
the Reserve banks could play a helpful part. Such a bu-
reau, where the total indebtedness of all large borrowers
at any given moment could be instantly ascertained,
would go far toward removing the guess work and un-
certainty that attends the handling of commercial paper.
It would place bank credits upon a more safe and stable
foundation and be alike helpful to the honest borrower,
the commercial bank and the Federal Reserve bank, for
credit is founded on confidence, and confidence on definite
knowledge, and there is no influence more powerful in
maintaining stability than the widespread dissemination of
facts. The proper assembling, organization and distribution
of facts pertaining to commercial credits is a task big
enough and important enough to engage the united forces
of the banks, the clearing house associations and the
Federal Reserve banks working side by side for their
common advantage.

Settlement of Clearing House Balances.

BY O. HOWARD WOLFE, Assistant Cashier Philadelphia National Bank.

I shall not attempt in the brief time at my disposal to
go very deeply into the mechanical and accounting details
incidental to present methods of making clearing house
settlements, nor shall I take up your time discussing
those features of other, and I trust better, methods which
may be suggested for your consideration. You are all as
familiar as I am with such matters. The particular rea-
sion, however, why I shall omit them from this short paper
is that I am satisfied, after the four years' experience I
have had as your secretary, that progressive ideas are
never held up because of a lack of understanding of
forms and methods. Does anyone here, for example, im-
gaine that the several clearing house associations represen-
ted here year after year, who continue to pay balances
in cash that is counted twice each day and carried about
the streets from bank to bank, do so because they do not
know how to operate a depository and issue currency cer-
tificates? Does anyone suppose that the banks in 500
smaller cities in this country exchange checks individ-
ually instead of through a clearing house and settle with
each other individually at irregular intervals because
they don't know how to make up a clearing house settle-
ment sheet? I have often been struck with the humor
of the situation as year after year we, the representatives
of nearly two hundred clearing houses, come to these an-
ual meetings and sit here with solemn faces as if seek-
ing information, while one earnest speaker after another
explains how a country clearing house is operated. For
almost twenty years in this country and for more than
fifty years in England, country clearing houses have been
successfully carrying out their functions in full daylight.
No, it is not information we need, gentlemen, but a change
of mental attitude.

I once heard a sincere and earnest minister of the Gos-
pel say in his sermon that the real Christian is not he in
whose mind the thought of getting into heaven occupies
the center of the stage. If you will permit me, I will
purposely put my thoughts and say that the making of
money is not the sole idea in the mind of the broad-gauge
banker. There are many, unfortunately, who prefer to
see no good in any measure, as for instance the Federal
Reserve Act, that for the moment curtails profits and divi-
dends. We are so optimistic at times that we are reluc-
tant to make provision against any contingency that
seems to be remote. Yet, if we look about us we see every-
where evidences of the thought that men take against
emergency and disaster. There is a fender on every trol-
ley car, life preservers on every ship, fire escapes on every
building, a lock on every door, probably an accident in-
surance policy on the life of every man in this room, and
so on without end. Everyone of these things costs money;
some of them are required by law, and we would not be
without them. Yet we all hope that not one of the pro-
tective devices I have mentioned will ever be needed.

American banking methods and systems, however, have
been somewhat characterized by a lack of safety valves,
fire escapes and cyclone cellars. We have been too ready
to go up in balloons without taking a parachute along.
We seem not to have altogether outgrown our pioneer
ways, which is not surprising when we consider that bank-
ing in this country is less than four generations old and
there are men in this room who were living before the
first clearing house was established in the United States.
What I am driving at is we do not always give sufficient
consideration to underlying principles of banking and
banking safeguards which are based on fundamental eco-
nomic laws as old as humanity itself. To some, banking
is a matter of books and accounts; to others it is a pro-
cess of note shaving; to still others, present company, of
reason excepted, successful banking consists in getting
your Depositors to send their checks all over the country
and then deduct \(\frac{1}{2}\) of 1 per cent, on the remittances. To
others—and may their number increase to many thou-
sands more than this room now holds—banking is at once
CLEARING HOUSE SECTION.

The fact that State banks are members of clearing house associations, but do not belong to the reserve system, is not a serious objection to a plan of settlement through the reserve banks. The law provides that non-member banks may not share in the direct benefits of the system because they do not contribute to its ownership, not because there is any antagonism per se against the non-member. Neither member banks nor the reserve banks can avoid intimate business relations with non-members; indeed, the reserve banks are already members of the local clearing house which, with the exception of Boston, include State banks and other companies. When the $100,000,000 gold pool was organized last September, both national and State banks were asked to subscribe by the Reserve Board. The policy of that body from the outset has been one of co-operation with, and not antagonism for, the non-member institution. Therefore, I repeat, we need not question what attitude the Reserve Board will take if a plan to use the reserve banks as a settlement agent is taken up with them. As a matter of fact, the principle has been laid down that there is nothing in the law that prevents the reserve banks from accepting non-member banks for clearance if they should decide to do so. The plan provides that the reserve banks may exercise the functions of clearing houses for their members. The settlement of balances is purely one of those functions, and since member banks cannot escape the relation of creditor and debtor to non-members, it would certainly involve the interests of member banks if the reserve banks should insist in a convenient and economical method of making settlement.

The plan I would propose is an adaptation of one already in use in several of the smaller clearing houses. It can be described in a very few words: The debtor banks draw their drafts on a reserve agent in the nearest reserve or central reserve city to the order of the clearing house manager. The manager selects these drafts, and sends them to the depository bank in the reserve city and issues his drafts against the deposit in favor of the creditor banks. While the Federal Reserve Act makes no specific provision for a deposit by a clearing house manager consideration must be given to the fact that this official merely represents an association of banks already—for the most part—members of the system. I do not hesitate to say that such deposits would be accepted by the reserve bank acting as a clearing house depository. It would be necessary, or at least desirable, for debtor non-member banks to draw upon clearing house or member institutions in the city where the reserve bank is located, and such banks would draw only upon the reserve bank. Since State banks may continue to carry reserves with other banks there would arise no question as to the soundness of the plan. In making settlement in the reserve bank cities, it may be suggested that the same plan is practical providing the non-member banks carry a clearing account with a member bank, as indeed most of them do. This would enable them, when debtors, to give the clearing house manager funds acceptable for deposit other than actual currency.

This, briefly, is the substance of the plan I wish to suggest for your consideration. It is offered in the interest of convenience, economy and sound banking, and with confidence that sooner or later the clearing house associations will adopt it or something similar. The next step then, will be to make all clearing house settlements by book entries on the ledgers of the reserve banks without the use of even drafts or checks. Has it not occurred to you that after all a check is only one method of passing credit? It may be suggested that the same plan is practical providing the non-member banks carry a clearing account with a member bank, as indeed most of them do. This would enable them, when debtors, to give the clearing house manager funds acceptable for deposit other than actual currency.

As I stated earlier in this talk, it is idle to protest that a practical solution of the problem is difficult. Nor can it be urged that because the law does not specifically provide that the reserve banks may act as settling agents that they are, therefore, prohibited from doing so. I may say here, if we expect the law to counteract all for every contingency, the Federal reserve banks would need no directors nor officers, and in fact we could do away with the Reserve Board, as well, operating the system with a vast of adding machines and a force of clerks to run them. As our friend, Mr. McKee, of Los Angeles, said in his famous letter, "We have been given a Federal Reserve System, but we don't know how to play on it." If we permit a mere technicality to stand between us and a perfected system of clearing house settlements, it is idle to protest that a practical solution of the problem is difficult. Nor can it be urged that because the law does not specifically provide that the reserve banks may act as settling agents that they are, therefore, prohibited from doing so. I may say here, if we expect the law to counteract all for every contingency, the Federal reserve banks would need no directors nor officers, and in fact we could do away with the Reserve Board, as well, operating the system with a vast of adding machines and a force of clerks to run them. As our friend, Mr. McKee, of Los Angeles, said in his famous letter, "We have been given a Federal Reserve System, but we don't know how to play on it." If we permit a mere technicality to stand between us and a perfected system of clearing house settlements.

A science, a public service and an honorable profession.

I mention these conditions half in jest and half in earnest, because they explain the great patience to be found to-day among clearing house associations in the matter of conducting their operations—chiefly the settlement of balances. It may be said that the fundamental purpose of the clearing principle—the offsetting of debits with credits—is to avoid the necessity of using money. Similarly we find that clearing houses try as far as possible to settle balances on the same basis, that is, by book entries rather than by cash payments. The methods followed to accomplish this and may or may not be open to question. Credit inflation is a danger guarded against by more kinds of banking law than any other single tendency toward weakness. The clearing house is a plan whereby we exchange not money but credit and credit instruments. It follows, therefore, that settlements in credit are not settlements at all. It is sound banking to insist that all clearing house settlements should be in terms of reserve or reserve money and not in terms of credit or credit money. We find that many associations recognize this principle in not permitting national bank notes to be used in the settlement of clearing house balances. In Philadelphia, as in some other cities, we settle in gold alone.

A very general system of settlement is the use of drafts against a reserve agent in another city. While not so good in a method of cash settlement, it is entirely sound, since it is upon a reserve bank. After November, 1917, however, if not before that time, it will be necessary to adjust this method somewhat since after that time banks may not hold the reserves of other banks. This brings us to a consideration of the use of the facilities of the Federal reserve banks for the payment of all clearing house balances in the future. Such settlements whether made by transfer in the event of all members of the clearing house being members of the Reserve System, or whether made by check would be made in accordance with sound principles and would avoid the use of currency for this purpose altogether. There would, furthermore, be a degree of uniformity hitherto unknown. At the present time there are five different methods of settlement in common use and any number of peculiar combinations of these five methods.

Boston is the only city, so far as I know, which uses the Federal reserve banks for the settlement of balances, although St. Louis and Dallas make a partial use of their reserve banks. In Boston only national banks are members of the clearing house, so that there was no difficulty involved. In letters written by each Federal reserve bank to your Chairman, Mr. Vincent, it was uniformly expressed that the reserve banks were willing to cooperate as far as possible in the settlement of clearing house balances, but the fact that some members of the local association were not members of the system seemed to present a difficulty. Since the same problem arises in the case of all clearing houses, whether or not they are in the same city with the reserve banks, we need not consider the two situations separately.

As I stated earlier in this talk, it is idle to protest that a practical solution of the problem is difficult. Nor can it be urged that because the law does not specifically provide that the reserve banks may act as settling agents that they are, therefore, prohibited from doing so. I may say here, if we expect the law to counteract all for every contingency, the Federal reserve banks would need no directors nor officers, and in fact we could do away with the Reserve Board, as well, operating the system with a vast of adding machines and a force of clerks to run them. As our friend, Mr. McKee, of Los Angeles, said in his famous letter, "We have been given a Federal Reserve System, but we don't know how to play on it." If we permit a mere technicality to stand between us and a perfected system of clearing house settlements.
Collecting Out-of-Town Checks by Federal Reserve Banks or Country Clearing Houses or Both.

BY L. F. KIESEWETTER, Vice-President of the Ohio National Bank, Columbus, Ohio.

It has been a difficult matter to correctly outline, in a few sentences, the subject which I have been investigating and the line of thought which I have been pursuing in doing so. Fully realizing that the collection of country checks is a topic which has received much attention and discussion from able thinkers and capable, practical men, and having gone to just such sources for guidance in preparing the few thoughts which I wish to present to you, I have addressed, as far as I know them, every transit manager in this country who has in his charge any considerable volume of country check collections. Setting aside personal prejudice, the force of environment, the policy of the institution, and the nature of its business, there is a surprising unanimity of opinion among those transit managers. It is along this line that I wish to direct your thoughts for a few moments. I am personally so situated that my experience has not been sufficiently large nor varied to enable me to get a good impression of what transit work really means. Relying, therefore, upon the advice of those who are competent and in position, by ability and experience, to give information, I submit to you the result of this canvass of their opinions. You have all seen a composite picture, which resembles faintly each of the subjects taken and does not look like any one of them. That is what I have in mind—a composite opinion—which will mention no individual's name and not reflect exactly his conclusions.

It is easily seen that these transit men are all alert to the possibilities of improvement in their work, keen for any suggestions which will be of assistance, and adroit in their grasp of propositions made to them which will affect their own situation. It has been decidedly interesting and stimulating to have had their replies. I am much indebted for the trouble they have taken to go into details as they have, and for expressing themselves so fully and personally as they did.

I take it that the work of the Clearing House Section should, to a large degree, be related to Clearing House matters, and I believe that this subject of collecting checks, whether in a city, through a City Clearing House, or in a district covering a greater territory round about a city, is also pertinent for discussion in your meetings. I shall not weary you with any definitions of what we mean when we use the word check, draft, exchange, time in transit, exchange charge, who should pay exchange, who should pay for time in transit, the relation between "float" and reserves, etc. These may all be defined in technical terms, and still we shall not have solved the problem.

I forget the author's name who, in his "Political Economy," wrote, "Banking is a Science of Exchanges." Using exchanges in a very broad sense, he was quite right. It may also be used in a narrower sense, and still apply to a considerable part of the banking business. John Stuart Mill wrote: "I need not remind you how extensively the custom has spread of making all payments, except small ones, by orders on bankers. If all persons in a city kept their cash at the same bank, and made all their payments by means of checks, no money would be required or used for transactions between them. A variation in the problem, however, occurs immediately when a second bank opens for business." He explains what has been done, after many banks have been established, to take care of the check proposition, thus: "The convenience of business has given birth to an arrangement which makes all of the banking houses of a city, for certain purposes, virtually one establishment. This is accomplished by a City Clearing House."

You note that he says, "the convenience of business"—not the requirements nor the custom nor the necessity of business—"the convenience of business." Not knowing what meaning Mill had in mind when he wrote the word, but believing he was fully intended to use it, we learn that "convenience" is defined as "fitness, suitableness, adaptation, propriety, freedom from discomfort or trouble, ease in use or action, that which gives comfort or is suited to wants or necessity, that which is handy, an accommodation."

Checks are sent out by the American business man in settlement of his accounts and will continue to be sent; it will be rather a difficult matter to train him to do otherwise. He is not asking us; we are asking ourselves, what are we going to do about it? We are, if we are sensible, going to arrange to take care of them by the most direct and least costly method, with no contributions to those who build an exchange wall about their locality and levy tribute on every check or draft that presents itself at the entrance to the place. This is about as reasonable in process and as sound in theory as an arrangement we have in our State by which our Municipal Bonds are taxable. For example, in my own County the tax on local bonds absorbs 30 per cent. of the bond owner's income. The consequence is that the municipalities have to pay a higher rate of interest, when they borrow, and do not get much of this increase returned to them because many of the bonds are not listed and so do not pay taxes. Good political economy that, is it not, whereby a county, for revenue purposes, taxes its own debt?

In discussing this subject there is one thing which we must bear in mind and that is—we cannot get away from the element of time any more than we can get away from the force of gravity; or the fact that funds or credit or whatever else it is that checks or drafts represent, can not be transferred or transposed from place to place without some cost, if only a slight one, just as the transfer of commodities involves a freight charge. The charge on one orange in a carload shipment is so slight; but on the carload it is considerable. Relatively speaking, the further the oranges are shipped the more the freight. The further a check or draft gets away from its place of payment, the more time it takes consequently and the more it costs to get it back to its resting place.

A Country Clearing House, I am told, may be of great
assistance both as to reducing time in transit and exchange costs. We have had Clearing Houses in our cities for many years, and no one since has proposed the ridiculous proposition that they be discontinued. In the more heavily populated sections, cannot the sphere of collections be extended? The machinery is there, used but for a small part of the day. I am told that the only difference between a City Clearing House and one for clearing country checks are the elements of time and the funds in which the settlements are made. As to the latter, the difference is not so great after all. We settle many of our clearing balances in exchange. Time, then, seems to be the only added factor in the calculation and it can be determined definitively. The days in transit multiply by the amount of the items gives the size of the "boat." a sum which even the Federal Reserve Banks have found to be so large as to absorb all their cash resources. For member banks to carry sufficiently large balances to cover, it is said, would be prohibitive. That is what experience has taught in a short trial.

Let me introduce here some of the testimony of those whom I have consulted. It is as follows:

"The first step towards organizing a country Clearing House is to get the majority of banks, both city and country, to agree that present methods of check collection are not only conducive to unsound practice but are also unnecessarily costly. There should be a country Clearing House in every important business center."

"Only through discussion by bankers themselves will the problem be ultimately solved."

"The present system is antiquated. Some means should be devised to eliminate our cumbersome and expensive method of shifting payments back and forth. Yet it is difficult to equalize these inequalities by a flat rule. It took seven years of unremitting labor before the country Clearing House for New England became an accomplished fact."

"The difficulty with the Federal Reserve Banks is that their scope is limited, being almost entirely confined to National Banks."

"The Federal Reserve Banks have not developed a very comprehensive collection scheme. We must turn to the organized Clearing Houses to extend their zone of operations to include country checks. We shall be glad to favor any such proposition, as country Clearing Houses have come to stay."

"The larger banks much prefer their present method of direct handling for important items, and these direct connections between banks must be maintained. Federal Reserve Banks should stay out of the collection business."

"The Federal Reserve Banks have made a start and the question has better be left largely to them to work out, but it will be necessary to solve the problem that the Federal Reserve Board or Comptroller of the Currency issues an order directing every member bank to remit for its check at par."

"While we have heard a number of objections to the present collection plan of the Federal Reserve Banks, any attempt to establish country Clearing Houses should be deferred until the system operated by the former has been given a thorough trial. Banks in reserve cities would lose more business than the saving in exchange would warrant."

"The theory of having bank checks at par for the entire United States does not meet with the approval of the smaller banks."

"There seems to be an irreconcilable difference of opinion as to whether it is to the best interests of all concerned that arbitrary and often exorbitant rates of exchange should be paid to those who see fit to charge them. Furthermore, we have been permitted to count as reserve collected checks for so long that we now seem to reject any method which seeks to correct this situation.

"The check clearing feature of the Federal Reserve Act should have been omitted. Doubt very much whether it will be successful in operation. Collecting of checks through Clearing Houses may work no hardship in densely populated areas, but where distances are great and exchange rates high, it is useless to expect Federal Reserve Banks to absorb these charges. The Federal Reserve Act will not do the impossible for our benefit."

"The establishment of country Clearing Houses in the large trade centers is the best solution to the problem. If the Clearing Houses turn out to be the best collecting agency that is good reason for having them do the collecting and let the Federal Reserve Banks be Reserve Banks."

"The Federal Reserve Banks should be depositories for the reserves of their members, should be banks of rediscount and banks of issue. There should be kept separate from country Clearing Houses."

"We are not enthusiastic at the present time over the prospect of the absorption of the country department of our Clearing House by the Federal Reserve Bank of this district. The Federal Reserve System, if it is going into the collection business, should be nationalized so that it will include all commercial banks. This would enable a complete collection plan to be devised. Any limited arrangement is not satisfactory."

"The opposition to the work of installing a simpler collection system consists of (first), the fact that most State banks show no disposition to cooperate with the Federal Reserve Banks; and (second), reluctance on the part of the country banks to surrender revenue obtained through exchange. Until these objections are overcome, a series of Country Clearing House agencies would be a decided advantage to both business and banking."

"In the matter of a country Clearing House, the smaller banks are usually much in favor of it; but the larger banks with important transit departments and considerable volume of items are opposed to it from selfish reasons. (The writer might well have accused both small and large banks of being selfish.) It is felt that transit items are a leverage for attracting bank accounts. But the establishment of country Clearing Houses in reserve centers will be beneficial to members and the public."

"A country Clearing House in this district (this writer is in the West) independent of the Federal Reserve Bank would not be worth while."

"We have a country Clearing House which is handling all of the one bank towns and a number of the two bank towns where reasonable rates have been secured. It has not gone into the three or more bank towns and has not waged an extensive fight for exchange reductions. The country check should, and eventually will be, handled by country Clearing Houses, for this is logical an evolution. Country Clearing House is just as certain that the Federal Reserve Banks will never be able to cope with the situation. They do not have enough funds to carry the "float." This can only be done through Clearing Houses, where each bank assumes its share of the burden."

I think I have quoted sufficiently to give a good general idea of the tenor of the replies.

A summary by cities shows that nine have country Clearing House Departments, of more or less completeness, in operation; four are favorably inclined; two have adopted resolutions, but have not carried them out; four do not believe the proposition workable; in one sentiment is divided; in two, the subject has never been brought up and one has reached any conclusion.

Another quotation, which is an interesting suggestion, is as follows: "As to whether country Clearing House checks should collect items, or Federal Reserve Banks, is not amenable of solution, scarcely of discussion. Whichever can accomplish the best results should have the field, and it may be that we shall need both, for a time at least, un..."
till the State banks in the Federal Reserve System become much more numerous."

It is unanimously agreed by those who answer the question that the exchange of items between country Clearing Houses is a long way in the future. It could be possible only when zones are established and are working satisfactorily under the Clearing House plan.

Parenthetically, let me mention that I have in my possession the actual results of the operation of one large country Clearing House; I shall be pleased to go over the details with anyone sufficiently interested; they show a very considerable saving over old methods. I did not feel at liberty to quote the figures in so public a manner. Let me also read from the Federal Reserve Bulletin, issued August 1, 1915, from the report on the "Establishment of Intradistrict Clearence System,"—"On the question of a mandatory system as opposed to non-mandatory, reports show that eleven districts now have non-mandatory, and one a mandatory system of check collections. Of those districts whose system is not now mandatory, three distinctly state that they believe the introduction of a mandatory system would be undesirable; while seven express themselves, in some cases, with more or less qualification, in favor of the introduction of a mandatory system, most of the banks regarding this as necessary if the plan is to become fully effective." The report states that 2,373 banks have joined the system out of a little over 7,000 National Banks—about 31 per cent.

I turn these thoughts over to you; they are fragmentary and are intended only as a story of the impressions gained in a rather short investigation of the subject matter. I have attempted to quote in a connected form what practical men who are employed in the institutions where most country checks appear for treatment have told me; their views are entitled to much weight. So are those of the officials of the Federal Reserve Board and Banks. These latter I have not had time nor opportunity to investigate; such views had much better be presented by them; it would be well that they be freely and frequently consulted if this Section sees fit to go more seriously into the subject.

The replies I received indicate that these men are closely in touch with the topic because they have been thinking it over; that some of them are influenced, to a degree, by the fact that they are too close to it; that they are deeply interested in anything which will be of assistance; that there are many sides to the question; that the local conditions have an important bearing; that plans or systems based on theory will not always fit; that what is suitable for one locality will not of necessity serve the purpose somewhere else; that, while general principles may be enunciated, these, however, do not carry so much weight, except in a very general way, over practical and local considerations.

In a recent pamphlet, Mr. George E. Roberts wrote the following: "If ill conditions exist, if antagonism, discontent and disorder prevail where there should be harmony, and cooperation, there is trouble for business men, no matter where the blame may properly belong; and whether we like it or not, we are bound to do what we can to better the conditions among which we must live. We cannot escape the responsibility that inevitably attaches to our place in affairs."

I believe the Clearing House Section of the American Bankers' Association should accept and undertake the responsibility of assisting in the investigation of this matter of collecting or clearing country checks. Some may think that the Federal Reserve Act furnishes the solution; many are of the opposite opinion. Your membership, Mr. President, has, it would seem, in this line of endeavor, a wonderful opportunity for scientific, unselfish service to every banking institution in these United States.
Mr. Chairman and Gentlemen: It was indeed a surprise to me after I had been away from home some two or three weeks and arrived in San Francisco to receive notice from Mr. Wilson that he had drafted me for this duty. I think he suggested me to lead off in this discussion because he thought I knew so little about it that it would be easy for me to start the discussion from those who were better posted. I have been on the Committee of Management of the St. Louis Clearing House nearly a year, and so my practical experience with the examiners has been much more limited than that of many of you gentlemen here. But in the line of trying to excite discussion, which is what I understand Mr. Wilson wants me to do, I may tell you just a few things that I have observed in connection with the subject of clearing house examinations in our city.

When the matter was first suggested I felt rather not favorable to it; I saw some objection to it. But as a great majority of our men in the clearing house were favorable to it we put it on for a trial. Some difficulties that had been suggested about it were that it would give the Committee of Management undue information as regards the business of the other banks. Considerable importance has been given to that not only in our city, but as I have heard from bankers from other cities. It is true, of course, that the Committee of Management do get a lot of information about the business of other institutions, but the rule as we have it is that unless the clearing house examiner finds that a bank is not all right he simply reports to the Committee of Management that he has examined that bank and there is no need for any action of the committee. That is all that we do know about examinations. If the examiner finds that the bank is in bad shape, why, then, he reports to the committee in a general way any faults that he has found. They are brought up before the Committee of Management in detail, and the committee then gives certain instructions or if the matter is sufficiently complicated they request a conference with the officers of the bank; or they will make certain suggestions to the examiner and leave him to convey those suggestions to the bank, with the suggestion that if they prefer they can have a conference with the officers of the bank. In every instance as far as my experience has gone those conferences, and we have had a number of them, have been entirely friendly and entirely satisfactory and have always ended with the bank feeling that there was a disposition on the part of the Committee of Management not to embarrass but to assist; and I have yet to find a single instance or to hear of one in our city where there has been even the suggestion of any unfair advantage being taken by any of the Committee of Management of the information they have been given by reason of being members of the committee. So while I have felt that there was some objection on that score at the start I am very glad to say that the several years we have had the examiner before I was on the committee I know of no trouble of that kind and since I have been on the committee my impressions on that line have been confirmed. And I believe that that idea of fear of the knowledge that it gives the committee has been given undue importance and need not be feared.

There were other suggestions as to having a central bureau of information, that that would be unfair to some banks, and following the line that Mr. Wilson has suggested, I think that such and such a statement entitles a bank to credit and another may think it does not. If the examiner happens to be narrow or severe he might make a report and get that information in the clearing house in a way that would be very unfair to one institution and put the institution at the mercy of some arbitrary examiner. Of course, I might say in passing, and I am speaking now to you, because a number of you gentlemen here have not the clearing house examiner in your city, that you may know just how it is.

Of course, the information that goes to the Committee of Management is absolutely secret. It is not given to the other members of the clearing house. Never has there been a call from the clearing house from the Committee of Management, so that the information that has gone to the examiner and from him to the Committee of Management has not gone out to all the members of the clearing house, and we have had no difficulty along that line. Of course, the examination through the Federal Reserve Bank would not meet the case in cities such as we have, because only half the members of the clearing house are members of the Regional Bank. And I believe that the examination is not only of the clearing house banks, but also of those with only a few members. And I think there are fifty-seven institutions subject to examination under our clearing house rule, but only sixteen or seventeen members of the clearing house. So that with half the members not members of the Regional Bank there would be no opportunity for the Regional Bank examination to take the place of the clearing house examination.

There was considerable fear on the part of the clearing house examiner in St. Louis that with the establishment of the Regional Bank the clearing house would go out of business practically. And so there was an application filed in which the clearing house examiner became the cashier of the Regional Bank. They were ready to leave the ship, thinking there would be nothing left of the clearing house. But the clearing house has not only maintained its importance in the matter of examinations, but the clearing house has extended its work far beyond the country checks being cleared, and as far as we can see now there is no suggestion of the clearing house being minimized or its usefulness lessened in any way by reason of the Regional Bank being established.

I have made those suggestions merely as a preliminary, and following the line that Mr. Wilson has suggested, that I would conduct this discussion, I am going to take the liberty of calling on the representatives of several cities here that have a clearing house examination and ask them to make reports that would be information not only to the other cities that have clearing house examiners, but to many of the cities where possibly the examination by clearing house may be established.

I find Chicago on the list first, and without naming any individual from Chicago on behalf of the meeting I ask some gentleman from Chicago to make a report as to the working of the clearing house examination in his city.

Mr. Van Voorhis of Chicago: Gentlemen, our system in Chicago has been in existence for nearly ten years. I think I can truthfully say, and I believe that Mr. Moulton will corroborate it, that I would conduct this discussion, I am going to take the liberty of calling on the representatives of several cities here that have a clearing house examination and ask them to make reports that would be information not only to the other cities that have clearing house examiners, but to many of the cities where possibly the examination by clearing house may be established.

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his files and the other copy of which goes to the bank itself. In addi-
tion to that he makes out a very brief report which goes to the clearing
examiner addresses a letter to each member of the Board of the bank
under examination, stating that this report is on file with the president
will in the ordinary course of business by attending meetings. Even
Investments that otherwise might not come to their knowledge through
all the banks of those .cities. Lines of credit which are of a local
Is expanding too fast, whether it is using too much credit beyond
In other words, if we wish to ascertain whether a certain corporation
munity which are under no sort of control except through this method.
but simply gives us the figures or a memorandum, and we know the
bank's bond for city deposits. The bonding company sent out word
he submitted them and I said, "You go to this man," who was
would have been the result of such a withdrawal at such a time.

Another feature of almost equal importance is the fact that In all
in one case, there was a similarity just at the time the Federal Re-
company has since been reorganized and is open for business. At
 State bank. Then about a year or two later another trust company
that is not a member of the clearing house, and therefore does not have
the benefit of the clearing house examination, is not in nearly so good
flood of all depositors to the banks that are members of the clearing
immediately the benefits of the system of special examination under
the clearing house auspices, and within a few months after Chicago
established their system Minneapolis had one in operation along very
similar lines. Very shortly after our system was very thoroughly
operating. A recent examination of our bank was made simultaneously

Mr. VAN VECHTEN: He calls up all the banks and knows where the
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Mr. JONES: We would like to have heard Mr. Lowry's talk, and I want him
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CLEARING HOUSE SECTION.

Section 163

Mr. Kerst, who had been selected as Clearing House examiner for the control of the currency for the North District. We have secured a man of great ability, and we are carrying on our examinations in the same way as heretofore.

Following Mr. Sullivan's suggestion, I want to say that the years that our examination system has been in operation we have not had a bank failure in either Minneapolis or St. Paul, and I do not believe it is too much to say that our present arrangements for a bank to get as deep as those of the Chicago system, or in any way affect the banking system. Our methods of examination are not in doubt, however, because it criticizes a little further than they do there, in that a complete report is made to the director, and the examiner by calling the Board of Directors and giving over in detail everything which the examiner can criticize. And in that way he has found it always follows the same methods, or to work out any proper improvements in the individual bank.

I think that we have had only very few occasions when it has been necessary to take to the Clearing House Committee on those cases where there have been any evidences that have been secured by the examiner to take his place, and we are carrying on our examinations in the same way as heretofore.

Mr. Martin, of Spokane: Mr. President, this is the first time that I have ever attended a National Convention, and the amount of educational work and constructive work that this session has been doing or rather done today, is amazing to me. And on behalf of the associated bankers of Spokane, I want to thank the president of this Section and his committees for the good work that they are doing, and hope that they will continue to do their work in the same way and in the same Section of this Convention, I have come to the conclusion that this is the most interesting Section. This is the Section that I notice that some of the banks that are in the United States are making the most use of and are the most satisfactory. The general work in the clearing house examinations and the examination of Mr. Lovelace gives me the idea that we could not find a more satisfactory clearing house system if we were to in any way modify our Clearing House examinations.

I want to say a word to those gentlemen here who may not have an examiner in their city. The question was raised with us concerning the secrecy of the examination, and whether we are now anxious that this situation be made known to all of the banks, and double borrowers are very well known.

Answering Mr. Jones' question about giving out information, the examiner gives out the amount of money that any one firm has borrowed from the bank. We have found the information obtained of great value to us. The system is modeled after that of Chicago.

Mr. Perry, of Kansas City, Missouri: Our examinations are very similar to those that are now in operation in Chicago, and with the consent of the Executive Committee I am going to read a part of his letter:

"Since assuming the office of Clearing House Examiner for the Spokane Clearing House, I have examined your members with one exception and all the associated banks, and am glad to report that there is nothing in the local situation generally or at present in the charterable institutions. They are not prosperous in their demands, but they are making a steady advance in sharing the affairs of the city, and I feel greatly indebted to the Clearing House Institu-
Mr. Jones: I would like to add just one word to what has been said. Of course, in endorsing this system of Clearing House examination, we do not mean to say we are perfect. We have some of the same errors bankers in regard to matters that do not come before the Committee of Management, that the examiner had not been consulted, and that the Committee said it would be necessary to bring the examiner into the picture to answer the examiner's question, and it was an arbitrary ruling, for instance, that has been occasionally reported; before the Committee of Management, that the examiner had made at times the examiner needed to be broadened out a little as well as collateral. I asked him why he asked that question. He said somewhere an examiner called me up, and asked me how many of a certain kind that he could expect. If you have a bond department and I could readily see how it would be very valuable to me if I could find out how many of them there were. At that time and place, I don't see that I did not see that that had any relation to a question of credit. So I said that I will decline to answer that, and that I would not do it for the examiner. I have objected to answering the questions, the Committee of Management said they would refuse. Therefore, he would not be ready for local conditions. We would not think he ought to ask that question.

Now, on this question of examination, it is the question of examinations to the power to be exercised in the State of California, the question of examinations to go through the Regional Banks, and the banks and the power to be exercised by State Banks or Trust Companies, they are all members, and all subject to this examination, and it is none of your business. The Federal Reserve Board should be amended or the Clearing House Reserve Bank should be amended so that we have no examinations to go through the Regional Banks, and the power to be exercised in the State of California special examination separate?

Mr. Van Vechten: I might say for Chicago that about eighteen months ago there was a failure of a chain of five banks under State supervision. That was a failure of local institutions, and we have let the light of day into the banks, so that within a zone of forty miles in our territory, we know absolutely as much of those with the examinations as we do of those in the city. We have had testimony from many of the banks in the outer zone that they would not do without that supervision no matter what it cost. During the times of 1918 in August, when we were all stood on our heads in about twenty-four hours on account of the war news, we were very anxious to have the banks immediately outside of the city then we were on the inside, because they had been to develop to do something to protect themselves, which would increase difficulties for the banks in Los Angeles. So every morning we had a report from those cities and various clearing houses in those cities as to conditions, and it was very satisfactory and very reassuring; so that it finally resolved itself into this: That as far as the banks on the outside were concerned, we would do it any way. So if that system we had not been perhaps not in the condition we were in Los Angeles. We did not have to call on so many institutions, as I know that this is the occasion when the Committee of Management said they would refuse. Therefore, he said he would back that I had objected to answering the questions, the Committee of Management said they would refuse. Therefore, he would not be ready for local conditions. We would not think he ought to ask that question.

Mr. Jones: Yes.

Mr. Holsinger: Do you always have the bank examination and the State examination separate?

Mr. Jones: Yes.

Mr. Holsinger: In Cincinnati we adopted the rule that any Clearing House Bank would have to have the power to be exercised by State Banks or Trust Companies, and under the State laws, the examination of banks outside of the city of Los Angeles. We call it the banks in our outer zone. They are entirely outside of Los Angeles. They are entirely outside of the Clearing House except for a few banks in their part. We did not ask them to. They came and began to see and examine them. We told them what it would cost them if they wanted to go there. And we told them that they did not care about the cost and to come and examine them. So the first year they made an agreement with us, that we would make no examination. At the end of that time they drew up another agreement that was for three years. That is now in its second year. This year, we have to the power to be exercised by State Banks or Trust Companies, under the State laws. If the Committee of Management said they would refuse. Therefore, he said he would back that I had objected to answering the questions, the Committee of Management said they would refuse. Therefore, he would not be ready for local conditions. We would not think he ought to ask that question.

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Cleaving House Organizations from the Standpoint of a Country Banker.

By R. M. MacNally, Cashier Citizens National Bank, Chillicothe, Missouri.

Read before the Cleaving House Section of the American Bankers' Association, Seattle, September, 1915.

In the State of Missouri, excluding the reserve cities, St. Louis, Kansas City, and St. Joseph, there are 826 banking points; there are three banks, and thirty-six where the banks number four or more. In four of these ninety-five places there are Cleaving House associations. Cleaving House organizations from the standpoint of a country banker shall be my theme.

The banks open at 9 a.m. and close at 3:30 p.m. As a surprisingly large number of small towns have no regular opening hours, it is the custom of the banks to remain open so late in the evening that the late-travelling teams, the early-morning trains, and the country banks can take advantage of these days of relaxation that mean so much to their working forces.

There are great possibilities in store for the country Cleaving House. We are in the midst of a period of transition. The country bank will keep with the Reserve Bank, its maximum amount, rather than his minimum. It should be possible. Until the majority of the State Banks are in the system it is going to be Eopidal, because the country banks cannot get in the non-member checks, because practically every check now is a member check. Another thing that has held the system up at the present time is the fact that not all the Reserve Banks are cooperating to the extent that the law requires them to do. There is no reason from any standpoint why all the Reserve Banks should not be doing just what you are doing in Kansas City. But in the majority of cases they do not want to antagonize their member banks. For example, the Reserve Bank might charge pretty high exchange rates, and they are very reluctant to see any of that go. Therefore their Reserve Banks are collecting it.

The constitution and by-laws of the association provide for the annual election of officers, retention in office so that no officer can succeed himself, and the right of the association to fix any rate of charge. The constitution is strict in its requirements, but strong in the opinion that any town, regardless of its size, that has three banks should have an association. Banking problems know no geography. They may be of far greater degree in the center of a town, but there the banks can be had, and a part of vitality in it had been intrusted with any functions worthy of notice.

The surprise is that the Cleaving House idea has made such little progress in the country towns. After fourteen years' experience, as cited in a town of less than 8,000 population, with four banks until a few years ago, when the number was increased to five, the writer not only believes that this facility is a practical success, but strongly insists on the opinion that any town, regardless of its size, that has three banks should have an association. Banking problems know no geography. They may be of far greater degree in the center of a town, but there the banks can be had, and a part of vitality in it had been intrusted with any functions worthy of notice.

In reading what has been accomplished in Chillicothe, Mo., since the establishment of the Chillicothe Clearing House Association, most of the points touched upon will be passed over by the city bank, but because he cannot imagine conditions being otherwise. It must be noted that whatever intrinsically desirable the institution may be, there is not one of the things we have brought to pass in Chillicothe but what is of importance. In nearly every town of our size, and in many of larger growth, there are three banks, and thirty-six where the banks number four or more. In four of these ninety-five places there are Cleaving House associations.


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166 BANKERS' CONVENTION.

The fact that State Banks are members of clearing houses associa-
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Those who are members of the local Clearing Houses which, with the ex-
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Liquidity of Savings Bank Investments.

By George E. Edwards, President Dollar Savings Bank, New York.

The success of any great movement affecting the people and their mode of living depends, in the main, upon the measure of its usefulness.

It matters not whether the idea of establishing savings banks in this country originated in New York, Boston or Philadelphia, the fact remains that in the year 1816 there was created an institution which has become the bulwark of American capital—the accumulator of the people's thrift—the savings bank. Out of the original idea there have grown two classes of savings institutions, mutual and stock. The mutual savings bank, without desire for profit, has never departed from strict conservatism in its investments; the stock savings bank, built upon the fundamental of securing for its stockholders a sufficient return on the capital invested, has, generally speaking, adhered to the same principle of conservative investment. Both have had one common purpose—to encourage the people to save.

In the deposit liabilities of these institutions during the last two decades there has been rapid growth, caused not entirely by the deposits of the thrifty, but in a large measure by the deposit of investment funds of the comparatively rich. To be prepared to meet in times of stress the demands of both classes of deposits causes much anxiety to savings bank managers.

There is, therefore, no question before the bankers of the country today commanding more thought and attention than the liquidity of loans and investments. The savings banker is equally interested with the commercial banker in securing for his depositors a full measure of safety, and very properly should seek to increase the usefulness of his institution, both to his customers and his community.

Preserving in the highest degree the integrity of savings banks, provisions should be made so that in times of emergency they can expeditiously convert into cash the necessary portion of their securities and pay their depositors upon demand. Thereby the usefulness of the institutions will be increased.

When permanency of investment was the order of the day it was only necessary to choose the safest class of securities, invest the deposits and await maturity. Panicky conditions taught savings bankers new lessons. It became necessary, therefore, for managers of savings banks to study situations and give much more attention to the investment market than they had when savings banks were in their infancy.

After the panic of 1837 the mutual savings banks, for the first time, realized the importance of accumulating a permanent surplus fund. Prior to that time the larger portion of their funds was invested in State bank stocks, or in notes secured by such stocks as collateral. They had been accumulating profits, and every three years paying them out to their depositors in the form of dividends. That panic taught them the necessity of laying aside a certain proportion of their earnings as a reserve fund to be used in the event of another crisis, or if their securities depreciated in value such fund would have to be first exhausted before there could be a general scaling down of deposits. Then, too, they learned that distributing their risks would be advantageous. Wisely they changed their policy, and such change in a large measure protected them during the panic of 1857.

The financial upheaval of 1873, which affected all savings banks, was not without its lesson. From it the banks gained much knowledge concerning mortgage loan investments.

At the first meeting of the Savings Banks Association of the State of New York held in 1894 the situation of the New York savings banks during the panic of the previous year was discussed, and summed up as follows: "After July 15th (1893) it was found that the withdrawals were constantly increasing, caused not only by the depositors of the thrifty, but in a large measure by the deposit of investment funds of the comparatively rich. To be prepared to meet in times of stress the demands of both classes of deposits causes much anxiety to savings bank managers. There is, therefore, no question before the bankers of the country to-day commanding more thought and attention than the liquidity of loans and investments. The savings banker is equally interested with the commercial banker in securing for his depositors a full measure of safety, and very properly should seek to increase the usefulness of his institution, both to his customers and his community.

Preserving in the highest degree the integrity of savings banks, provisions should be made so that in times of emergency they can expeditiously convert into cash the necessary portion of their securities and pay their depositors upon demand. Thereby the usefulness of the institutions will be increased.

When permanency of investment was the order of the day it was only necessary to choose the safest class of securities, invest the deposits and await maturity. Panicky conditions taught savings bankers new lessons. It became necessary, therefore, for managers of savings banks to study situations and give much more attention to the investment market than they had when savings banks were in their infancy.

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the provision in the Savings Bank Law made for just such an emergency as then existed, and demand notice from depositors as was provided for by the by-laws of each bank, it being suggested that a sixty-day notice would be sufficient. This action resulted at once in a heavy demand from depositors, though the rate was not put in force until the time agreed upon had elapsed. Depositors gave notice of withdrawal on the average of about 3 per cent. of the deposits.

“Our experience during the late (1893) panic, together with the rapid accumulation of moneys in our hands, showed conclusively that something must be done, and that speedily, to scotch the idea of panic being assumed. In many cases the entire debt of municipalities in the State is being carried by the savings banks, while we are forced to invest more and more in mortgage loans secured by real estate, both at the cost of increased risk and added volume of an unavailable security in case of financial depression.”

The conditions so clearly set forth at this meeting were such that steps had to be taken to bring savings bank investments abreast with the necessities of the times, and from 1893 to 1898 the banks were insistent in their demands upon the State legislature for an enlargement of the security list by permitting investment in railroad bonds. The bank managers believed that in the event of financial stress this class of securities would be readily marketable. Upon the enactment of the desired law the banks bought largely of such securities, so that to-day more than $289,000,000, or about 12 per cent. of the deposits, is invested in railroad bonds by New York savings banks.

But the enlargement of the investment field did not produce the situation which was so ardently desired by all good bankers. It did not do away with the main requirement of good banking—ability to pay liabilities upon demand. It did not result in speedily converting bank investments—the ideal which has been sought by savings bank managers since 1816. He said there were three cardinal principles governing such investments:

First: Security, as absolute as human judgment can determine.

Second: The first being assured, then the security yielding the largest income.

Third: Valutability, so that in case of necessity the security can be disposed of without needless sacrifice.

The last includes the ability to pay on demand, for in the final analysis it is the ability to pay depositors on demand that constitutes good banking and inspires confidence. Your funds may be invested in securities of the highest order, your loans made with the greatest care, but if, whenever there is a depression, depositors are required to give notice of withdrawal, their confidence is shaken and they will eventually cease doing business with savings banks, and deposit their moneys with institutions which will pay without notice.

It has been stated that “Panic do not develop from the fear of depositors, that they will not ultimately get their money from banks, but from the fear that they will not be able to get it when they want it.” That is the fundamental of the depositor’s confidence—that he can get his money when he wants it.

It is the function of the depository of the character generally referred to as liquid, and in time of emergency depend upon such loans rather than upon the required notices of withdrawal?

In an address delivered in New York City, May, 1898, Mr. John Harsen Rhoades expressed the proper idea, saying:

“If it not the function of a Savings Bank to receive the savings of these people, to invest them with the greatest care, and to manage the affairs of the bank in such a way that the principal of all shall be to the best knowledge and belief of the officers and trustees at all times intact? Certainly this is the understanding of the depositor, whether he be intelligent or otherwise! The safety of principal must be the prime object, and the aim of every savings bank officer and trustee. Unfortunately, in this great country of ours owing to our defective clearing-house system, we are visited occasionally by severe panics, and so we are forced to reserve the privilege of demanding a thirty or sixty-day notice, the purpose being to give our banks time to sell such securities as are necessary, and also to give time for the panic to subside and the depositors to recover from the fright. I look upon the ninety-day clause as I do upon the clearing-house certificate of a national bank—an unfortunate necessity.”

The entrance of the Federal reserve bank into our financial system did away with one unfortunate necessity—the clearing-house certificate. That other unfortunate necessity, the notice of withdrawal from the depositor, should have passed away by virtue of the same measure. It is a mistaken belief held by many that the notice of withdrawal is for the purpose of discouraging the depositor from withdrawing his funds. We know that that is not the reason. We know that the bank requires time to convert its securities and thereby meet the demands upon it.

If savings banks invest a certain proportion of their deposits in short-time obligations which can be readily converted into cash in the open market, or if a proper amendment to the Federal reserve law is made, no time within such to convert securities will be necessary—notice of withdrawal will be a thing of the past, and depositors in savings banks, like depositors in other banks, can be paid upon demand.

It is only recently that the word “liquid” has been attached to securities. Until August of last year the call loan secured by stock exchange collateral was thought to be easily convertible into cash in the event of an emergency. Such, however, has not proven to be the case. Certain short-time loans would admirably meet with Mr. Mills’ three principles—as to security, as to yield good income and as to availability in case of necessity, without needless sacrifice. But to make such securities available without sacrifice, amendments to various laws governing savings banks are necessary.

With many different banking institutions handling savings deposits, some under strict State laws requiring investment in only the highest class of securities, and others under laws which permit the mixing of commercial deposits with savings deposits, without segregation of investments, it may seem that anything approaching uniformity in the investment laws is incapable of accomplishment.

Absolute uniformity probably cannot be secured, but conferences and discussions between ourselves and with the law makers will bring about a clearer understanding of the requirements, and scores, at least, more uniform laws relative to savings bank investments, at the same time providing ample reserves for the security and accommodation of depositors.

The particular function of a commercial bank is to supply funds to carry on the trade and commerce of the country. The particular function of a savings bank, aside from the encouragement of thrift, is to supply funds for the improvement and building up of communities and for other legitimate enterprises. The one furnishes credit and the other capital.
There is a tendency on the part of some savings banks to invest a certain proportion of their funds in short-date maturities, such as serial municipal bonds or railroad equipment obligations.

This policy supplies the bank with a large amount of cash every year, amounting to approximately 5 per cent. of its resources. In addition, the managers aim to have on hand usually about 6 per cent. in cash with an income of approximately 5 per cent. of the resources. By so doing they have a fairly large percentage of money coming in every year.

It has also been the policy of this institution to carry a large block of United States bonds—at present having nearly 7 per cent. of its resources invested in the 4½s of 1923. These holdings, through the circulating privilege which the bonds still enjoy, would supply the bank quickly with an amount of currency equivalent to face value by the loan or sale to a national bank with which it does business. To this may be added its mortgage loan liquidations, which often amount to about 5 per cent. of the total amount of mortgage loans. In these several items, that bank has a comfortable percentage of liquid assets—about 25 per cent. of its deposits.

This serves to illustrate, in a measure, the necessity of investing in such securities as would be acceptable by a Federal reserve agency when currency is required. If all savings banks followed the policy of the bank referred to, it is certain that unexpected demands would cause no disadvantage, if the Federal Reserve Act sanctioned the acceptance of such or similar securities as a basis for currency.

The different laws of the several States, relative to investments and the various classes of institutions permitted to receive savings deposits, make it difficult to formulate a definite plan which will insure liquid assets, and any suggested plan must always take such non-uniformity of laws into account.

It seems to me that as an aid in arriving at a plan, it is essential:

First.—That the Federal reserve banks should be given power to accept the collateral of savings banks for currency.

Second.—That State laws should be enacted permitting the investment by savings banks in certain securities acceptable to the Federal Reserve Board.

That savings banks would derive no benefits from direct membership in the Federal Reserve system is clear. The Federal Reserve Law was designed with a direct commercial object, and inasmuch as the savings banks do not transact a general commercial business, they can derive no benefit from actual membership.

It is not my purpose to suggest any classes of securities as being available for obtaining currency, when needed; but upon this point valuable suggestions have been received from savings banks in all sections of the country.

In New York the savings banks hold more than $400,000,000 of bonds of the United States, States, municipalities and other civil divisions.

As the Aldrich-Vreeland Act expired by limitation on June 30, 1915, these higher laws have not now command the privileges to which such investments are entitled. At present time securities of this class are decidedly non-liquid, and would assuredly, in the event of an emergency, have to be sold at a sacrifice in order to obtain currency. In the Eastern States, of the value of $2,286,000,000 on deposit, only $50,000,000 is invested in two and three name paper, which would probably be acceptable for rediscout under the Federal Reserve Law. Practically the entire sum is in mortgage loans and bonds. It will be seen, therefore, that under existing conditions the savings banks of the East are substantially without liquid securities.

Some managers of savings banks have, however, invested in securities which, in a degree, provide liquid assets.

The policy, for example, of a certain bank in this sect
demands. A former State Banking Commissioner does not believe in too large a proportion of long-time bonds and considers commercial paper a satisfactory asset if proper standards are established by custom and practice. A Connecticut banker recalling that the original draft of the Federal Reserve Act provided for loans secured by United States, State or municipal bonds, expresses the opinion that loans to mutual savings banks or their depositors upon such securities would carry the banks through any disturbing situation.

New York probably has the most restrictive laws regarding savings bank investments. Most of its almost $2,000,000,000 of resources are invested in bonds or loaned upon mortgages. Only about $60,000 is loaned upon collateral.

A composite of the opinions received from the section of which New York is the centre, is that under suitable restrictions it might be a desirable policy for savings banks to invest a certain proportion of their assets in a form more readily convertible than is now the ease where all of their investments are made in bonds. Savings banks are in a far better condition if a fair amount of their funds are invested in short-term obligations instead of long-time securities. To be able to liquidate promptly should be the desire of every savings bank officer, because he never can tell when an emergency will arise whereby his institution may be called upon to pass over to the depositors a large amount of money.

Long-term bonds have usually been considered liquid on account of the salability of the same under ordinary conditions. Under extraordinary conditions, however, it is not possible to sell them, except at a very considerable loss.

The general feeling of financial men in that section is that commercial paper should not be held by savings banks of a mutual character.

In the Southern States, where there is but one mutual bank in 190 savings banks, the opinion prevails that bank and trade acceptances, of a character admitted to discount under the regulations of the Federal Reserve Board, constitute a class of paper both safe and liquid and that investments in high grade commercial paper and loans of short maturity, under proper restrictions, would afford depositors of savings banks reasonable protection and should enable them to enjoy the benefits of the reserve banks.

From the Middle West and Western States, where stock savings banks are in the large majority and the laws relative to investments are rather liberal, objections are urged to long-time investments, the investment in short-time self-liquidating notes and securities advocated, and attention is called to the necessity of the abolition of withdrawal notes.

The Pacific States have but one mutual bank in a total of 179 savings banks. With the exception of California, the laws of the States of this group are liberal compared with the laws of the Eastern and New England States. California has a most complete and conservative savings bank law, under which, by an amendment taking effect August 1 of this year, savings banks are permitted to discount or purchase commercial paper of the kind and character made eligible under the Federal Reserve Act, to an amount not in excess of 5 per cent. of the bank's deposits.

Liquidity of assets, with some arguments in favor of investments in commercial paper, is strongly urged by the Pacific bankers.

From the opinions received, which fairly represent the views of the savings bankers of the United States, it is clear that every savings bank should invest a proper proportion of its funds in securities readily convertible into cash. With such liquid assets it would be free from the fear of a run, and in disturbing periods would not have to depend upon depository banks or rely upon the extension of the time of payment afforded by notice of withdrawal.

It is to be hoped that Congress, which expects through the instrumentality of the Federal Reserve system, to make the country panic proof, and the several States will pass laws whereby the demands of ten millions of savings bank depositors will be provided for. The enactment of such laws will be productive of better banking and that unfortunate necessity—the notice of withdrawal, like the clearing-house certificates, will be a thing of the past.
The subject assigned me by your Committee is "The Railroads and the People." I like that statement of the subject, particularly the conjunction "and," because there is more in conjunction between the railroads and the people than most of the people realize. The subject would not be correctly stated if it had been entitled "The Railroads or the People," although that would better fit the tongues of the glib.

A recent writer about banks and railroads has said that the great American public is not unfair—that, in fact, it is eminently fair where reasonably well informed, but has been misled, confused and only half informed at the best. That both parties to the controversy are at fault, the Government for too much publicity of the wrong kind, the railroads for too much publicity of the right kind. That elementary education on the great, live, national subjects, education that can be grasped by the busy man, is the one great need in the present juncture. That without it the questions cannot be settled right; and no question is ever settled right until it is settled with justice to all concerned.

It may be assumed, accordingly, that it is wise for us to address ourselves to the duty of setting before the people a few elementary facts and principles, rather than to spend the time in deploiring unhappy conditions. In the end it is the people who regulate and rule, under our theory of government in this nation.

The primary relation of the railroads and the people is that the railroads sell transportation to the people. To many minds this relation disposes of the subject. The common notion is that the people have nothing more to do with it than may be necessary to obtain their transportation at the lowest price. If the buyers of bread had a voice in the fixing of its price, bread would be cheap indeed. If the buyers of meat had a voice in the price of meat, it would not be long before the price would drop so low that the farmer would find it without profit to grow livestock. But the people have indeed a voice in the fixing of rates for transportation, and the buyer of transportation concerns himself with the question as to what effect the price has upon the railroads. The price is seldom low enough to satisfy the purchaser. If he is satisfied, his satisfaction is often not that of the railroads.

There is an epigram that in a kingdom of the blind a one-eyed man is King. A hard task before the railroads is on the one hand to correct the impressions which are in the minds of so many people who are misled by what appears to be their self-interest, and on the other hand, to contend against that kind of one-eyed domination of the railroads which keeps one eye upon popular opinion without an eye for vision for what is necessary to bring the greatest good to the greatest number. Yet there is a conjunction of interest which so far has hardly been perceived, but which is sufficient to warrant the railroads and the people in taking counsel together for promotion of the common safety. Let us see why. Allow me to give you a few figures, here and there, which I will state in round numbers because they serve the present purpose without needless detail.

There are in the United States over a quarter of a million miles of steam railroad, which have about six hundred thousand shareholders and about a million and three-quarters of employees. This figures roughly one shareholder to three employees. So little is thought about the shareholder that I would wish to say more about him, and I take this opportunity to tell you that if you will average the railroad shareholders according to the railroad mileage they would stand within seven hundred yards of each other along every mile of steam railroad in the nation. This means that throughout the United States each shareholder would be in plain sight of two other shareholders along the right of way, under conditions of normal vision.

Yet because of the free-and-easy way in which the public has attached to railroad properties the names of well-known men, the people generally have a vague belief that the railroads are owned by a very few important people. The facts run to the contrary. The railroads are owned by a great army of the people; people who have put of their savings into railroad shares until six hundred thousand of them are direct owners. It requires no argument, unless we argue the obvious, to show that if the savings of the people who have thus entered into railroad ownership prove to be secure, and the returns to them as the owners of the money prove to be attractive, there will be little trouble in obtaining from them and others like them more money for improving the railroads which now serve the people, and for extending them into sections whose development is standing still because of the lack of railroad service. As a question of public policy, is it not fundamentally sound that the rights of these hundreds of thousands of saving and prudent people should be given as serious consideration as any other factor in the railroad question? Is it not obvious that there should be accorded to them the same full measure of solicitude which is extended to other human factors prominently before us in all industrial discussions?

But there are still other hundreds of thousands of the people who have a personal interest in the railroads. These whom our political saviors call the Common People (why they are called common I do not know) are the chief users of the savings banks of this nation. These savings banks carry between eight hundred and nine hundred millions of dollars in railroad bonds and stocks. Upon the earnings derived from them these savings banks properly, and in accordance with the laws of their respective States, are dependent for an important part of their income, and their income is for the benefit of their depositors in the abstract. But it is another way, if these railroad securities owned by the savings banks were to be averaged among the depositors, each depositor would have an interest in the railroads of between seventy-five and eighty dollars. Every depositor is thus interested in exercising his influence to prevent decline in the values of the securities which safeguard his deposit. Is it not plain that it is unfair, and in fact dangerous as a matter of public policy, to lose sight of the interests of these hosts of people, who have a personal though indirect relation to the railroads? Is it not rather the function of the Government in its superior knowledge to be watchful of their interests, even
when they themselves may but dimly realize their own interests and rights with respect to these things?

It is hardly necessary to refer to State and other banks and trust companies, whose holdings in protection of their depositors and in the conduct of their business count up to several hundred millions of dollars more.

The aspect of the subject carries us into still wider fields. Among the large holders of railroad securities the life insurance companies are of vast importance to the people, every man or family carries insurance of some sort. It is the duty of the insurance companies to find profitable investment for the millions confided to them by their policy-holders, and what form of investment should be more secure and more profitable than that which appertains to the greatest industry in the country or in any other, the American railroads. In the United States there are over thirty-four million life insurance policies. Every holder values dearly his insurance, whether for himself or those dear to him who may later be dependent upon the proceeds of that insurance, and so every policy-holder is interested in the railroads and the stability of their securities. The efficiency and abundances of railroad properties are inquired and their income cut, the path of reduction leads to the income of the insurance companies, and it is upon that income the insured must rely. Let the policy-holder bear this in mind. I will not dwell upon fire, accident or other Insurance, since similar relations exist with respect to these.

As already stated, there are over a quarter of a million miles of steam railroad in the United States, with a roster of about one and three-quarter millions of men. This is a vast army, even in these days of vast armies that affect us with awe. This army of the people relies directly upon the railroads for its livelihood. It has the right to adequate consideration by the Government. This consideration it has only in part received. There has been no recognition of the fact that working hours may be shortened, conditions of labor may be made ideal, safety may be attained, crews may be staffed full to overworking and, yet the prosperity of this army of the people fail simply because the railroads lack the ability to earn enough to keep the man at work, much less to expand, improve and extend the lines and the service. It is to the direct interest of the employees and the millions dependent upon them for their subsistence that the railroads have prosperous earnings.

It is to the further interest of the employees that the shareholders also have prosperous returns, for the employee cannot safely forget that averaged over the American system of railroads the railroad employees make three dollars per hour, while the shareholder makes but one dollar per hour. To maintain and operate the railroads takes not only the shareholder alone or the employee alone, it requires them both and they stand as to numbers only in the ratio of three to one. There is in reality a common interest in obtaining adequate earnings. It is not exaggeration to say that danger to the railroad as employer cannot forever, or for long, be averted by the employee. Labour relations between the employee and employer have been of the utmost importance.

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It is to the further interest of the employees that the shareholders also have prosperous returns, for the employee cannot safely forget that averaged over the American system of railroads the railroad employees make three dollars per hour, while the shareholder makes but one dollar per hour. To maintain and operate the railroads takes not only the shareholder alone or the employee alone, it requires them both and they stand as to numbers only in the ratio of three to one. There is in reality a common interest in obtaining adequate earnings. It is not exaggeration to say that danger to the railroad as employer cannot forever, or for long, be averted by the employee. Labour relations between the employee and employer have been of the utmost importance.
of one mile, or the whole population of the nation five miles. In the same year, 1914, thirty-five thousand millions of passengers and two hundred and eighty-eight thousand millions of tons of freight were carried the equivalent of one mile, and at a cost per passenger and per ton of freight which compares more than favorably with the great empires of the world. I have purposely stated in such terms these figures which are so large as almost to bewilder.

There is just one thing which the railroads and the people cannot escape in any event, namely, taxes. Railroad taxes have risen from less than sixty-two millions of dollars in 1904 to one hundred and forty millions in 1914. That is, they have risen 127 per cent. In this ten-year period, until now out of each $100 the railroads collect they have to pay in taxes $1.00. This means that of their net incomes, after paying their operating expenses only, the railroads have to pay in taxes $16 out of every $100, and that is before paying any interest on money borrowed or a dividend to any shareholder. The railroads expect to pay their share of the taxes, but the variety and extent of taxes paid by the railroads is of interest to the people simply in this: that the increasing burdens of railroad taxation now aggregating over one hundred and forty millions of dollars have to be met by the railroads out of their earnings. Consequently it is in the public interest that the margin between operating income and operating expenses be wide enough to enable just taxes to be paid and just compensation given to employees, without impairing the physical property and equipment which should be maintained at a high standard of excellence.

As matters stand today, a comparison of the ten-year interval 1904 with 1914 shows that the operating revenues of the railroads increased 54 per cent., while taxes and operating expenses which do not include wages increased 69 per cent.; the net revenue remaining to pay wages and for other purposes increased by 49 per cent. Of this 49 per cent., which represents an increase of six hundred and eighty-seven millions of dollars, 68 per cent., or five hundred and fifty-five millions, was the increased expenditure for wages, although the number of employees increased only 31 per cent. and mileage of the railroads operated increased less than 17 per cent.

"Youth will be served." A young nation and vigorous country demands development. Investment precedes construction and construction precedes development. The money can be had if the people who own the money believe the investment safe and the returns desirable. If assured of this, railroads will be built. The people with savings to invest judge by the treatment accorded the savings already invested. An adequate return to the shareholder who puts his money in the railroad business should be assured him. He should have the greater assurance because, being private money devoted to public service, that service is regulated by government itself and government thereby can fairly be held sponsor for adequate returns. We want to come to a point or basis at which railroad rates shall be deemed fair and not subject to the attack of anyone who chooses. The no-bottom basis of the present is false in principle and dangerous in practice. Sooner or later the agencies of government will have to stand behind the stability of railroad revenues, not for the benefit of the railroads merely, but in the public interest.

In this nation the people are the source of all power. The popular will is, and will be, reflected in the treatment of the railroads at the hands of government. At times that popular will has amounted to wilfulness as in the treatment of a wayward child, but the railroads were young then and parental regulation was inexperienced. We have all grown older together. Experience is the only teacher. We are learning that the greatest industry in this nation, affecting directly millions of employees and shareholders, and affecting indirectly many millions more of security holders and those dependent upon the credit and income those securities afford, cannot be affected injuriously and yet the rest of the business of the country go unscathed. When to the conditions of the present in the railroad business, involving so many millions of men and money, are added the uncertainties of the future; when to the cumulative force and effect of successive reductions, extending throughout several decades, there are added the uncertainties of reductions (none know how many or how great) which may come this year, next year or the year succeeding; is it any marvel that the business of the nation is repressed and that all business men stand in suspense and deep concern as to what the future holds for them?

It is time for the railroads and the people to take counsel together, for the uncertainty which touched the railroads first has reached to all the people. This nation needs prosperity more than it needs anything else. No business prospers by repression. The effects and influences of government should be stimulating or they are a failure. The American people prosper together. When we prosper we are all prosperous. "The pursuit of life, liberty and happiness" has prosperity for its reward, the railroads and the people in conjunction and alike.

The common sense of the people can be relied on to bring about the conditions that make prosperity. They are merely looking for light. When they find it we shall have enlightened prosperity, all the brighter for the dark productions (none know how many or how great) which may come this year, next year or the year succeeding; is it any marvel that the business of the nation is repressed and that all business men stand in suspense and deep concern as to what the future holds for them?

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The common sense of the people can be relied on to bring about the conditions that make prosperity. They are merely looking for light. When they find it we shall have enlightened prosperity, all the brighter for the dark uncertainties through which we have been passing. There is no room for pessimism; the country is all right and the people are all right. We are in their hands.
The People and the Railroads.

By Dr. John Wesley Hill, President International Peace Forum of New York.

In addressing this convention of bankers I feel somewhat like the owner of a little lumbering railroad in Michigan, who asked for an exchange of passes with a big railroad. "My road," he said, by way of explanation, "is not as long as yours, but it is just as wide," and so I would say, while my financial interests are not as extended as yours, and my business experience is much more limited, yet, as a patriotic citizen, my sympathetic interest in the cause you represent is as broad as yours, and this is my plea of justification for appearing before you.

The fact that I have personally less at stake in the great problem of prosperity places me on a level of interest with the great mass of the people, permits me to speak without exposure to the suspicion of the influence of a stimulating element, and therefore makes me free to declare the truth, as Pat announced upon the witness stand that he would tell it, "without hope of punishment or fear of reward."

I appear here this morning as attorney for the people, to voice their rights in relation to the railroads. What are these rights? They are twofold. First, honest, economical, undiscriminating service upon the part of the railroads. Second, the just, fair and intelligent regulation of the railroads by the Government. This last condition is necessary to the execution of the first, for if the railroads are not intelligently and fairly regulated they will neither render efficient service, nor afford the people safe and profitable opportunity for the investment of their savings.

The poor man may have but a few dollars in the savings bank or in railroad stock, but it is his entire accumulated capital, and it must not be jeopardized by dangerous agitation or destructive legislation. It is the product of his toil, the fruit of his frugality, the prophecy of a compounded return which spells the difference between the savings bank and the poor house. This initial deposit or investment of the average man is the germ of a possibility which, if permitted to develop, will expand into financial efficiency and add another individual unit to the wealth-producing power of the nation. Thus the small investor of to-day becomes the capital of to-morrow. To ignore this inter-relationship of interest, to exalt one class of business above another, to encourage farming and fetter banking, or to regard railroads as far removed from the interests of the people, possessing no rights the public should respect, is in its final analysis an assault upon the rights of the humblest tailors in the land. The blow aimed at the man higher up inevitably reacts from the man lower down. Business disaster strikes all alike. Some may bear it better than others, but it is surely not the man of small means or small earning capacity who can better stand up under the blow at big business. He is the first to feel the crush and the last to recover from it.

Now then, bearing in mind the rights of the people with respect to the railroads, how have these rights been recognized and protected on the one hand by the railroads and on the other by the Government which regulates them?

For a number of years the management of our railroads has been under fire, and not without justification. Juggling, waterering, rebating and piratical plundering have subjected the railroads to suspicion on the part of the people—to investigation, indictment, prosecution, conviction and penalization upon the part of the Government. Granting this, we should not forget, however, that the shippers who put all kinds of pressure upon the railroads to secure unfair concessions, and the government which forced the railroads to maintain cut-throat competition, must bear their share of responsibility and culpability for the evil conditions permitted to develop as the past. That these evils have been largely eliminated no one acquainted with the facts will deny. Government regulation, coupled with the voluntary co-operation of the railroads, has accomplished wonders. From the extravagance, waste, discrimination, mismanagement, appalling catastrophes and inefficiency of this wild period in railroad building, the railroads have been tamed into a strength and efficiency without a parallel in the world, and this in the face of the fact that they are paying the highest wages in the world.

In Germany, where most of the railroads are owned by the Government, the average annual wage of a railroad employee is $404. In this country, where the lines are all owned by private capital, the average wage of a railroad employee is $810, or over twice as much as in Germany. In spite of this enormous difference in wages, the average freight rate per ton per mile in this country is only 7.2 mills, while in Germany it is 15.7 mills. In other words, our railways pay twice as high wages as the German lines and charge only half as high an average freight rate. We have a great deal of German "efficiency" in general, and much of what we hear is true; but, in view of such figures as these, it is clear that our railways are very much more efficiently managed than theirs.

Then regarding over-capitalization, it must be conceded that this is not true of most of them. It is well within the bounds of truth to say that the number of railways in this country, which represent an investment exceeding their capitalization by more than the number whose capitalization exceeds the investment they represent. Our railroads are capitalized for $841,000 a mile, those of Germany for $117,000, those of France for $149,000, those of the British Isles for $277,000. We find then no real ground of complaint regarding the financial management of most of the railroads.

That the popular figures have taken this attitude in the past is indicated by the confidence they have shown in railway securities by investing in them.

Now, the railroads are not, as is frequently charged, owned by a few men in Wall street. I am not a statistician, but I have been looking at some figures that are public property, figures which are not old and discredited by recent developments, but brought down to date, and they tell a story which "he who runs may read."

These figures show that on the first of August of the present year 1915 the total deposits in savings banks and savings departments of Commercial Bank and Trust Companies in the United States reached the enormous aggregate of eight and a half billion dollars. The number of banks is placed at 25,869 and the number of depositors at 24,189,489, an army mustered from the ranks of the common people, whose savings constitute a large proportion of the business capital of the nation. In addition to these deposits in savings institutions, there are 24,900,000 policy-holders in life insurance companies. It is this vast army of depositors in savings banks and investors in life insurance policies for whom I am speaking here to-day, for they are the direct or indirect owners of the railroads. They hold a large proportion of railroad stocks and bonds. As to the direct ownership of stocks,
there are available statistics which show how many persons held them on June 30, 1914. The Bureau of Railway Economics recently compiled statistics furnished by the railroads to the Interstate Commerce Commission as of that date. The statistics show that 257 railway companies with 254,387 miles of line, have 922,284 stockholders of record. The amount of stock owned by them is $8,985,764,125, or an average of $313,955 per stockholder. There are two and one-half stockholders to every mile of railway, and the average amount of dividends received by each stockholder is $20.

Talk about the railways being "owned by Wall Street." They are our most democratically-owned institutions. But the direct investment does not tell the entire story. There is an indirect ownership by the public which is equally, if not more, important than the direct. This indirect ownership comes through Savings Banks, Life Insurance and Trust companies. When one of these institutions receives money and agrees to return it with interest or dividends or maturing endowments, it is required by law to secure the depositor by investing the funds in securities which the law approves as safe.

In accordance with these requirements, the mutual and stock savings banks and life insurance companies now hold nearly two and one-half billion dollars in railroad bonds. This vast sum belongs indirectly to the depositors. Outstanding railway securities of all kinds are estimated, in round numbers, at twenty billion dollars, equal to the combined savings of the World. This almost incomprehensible aggregate of values is held very largely by "we, the people." The securities were purchased in good faith by investors at home and abroad, and by the savings banks and life insurance companies who hold them as security for the people's money. If these values are impaired, destruction of savings is lost and untold suffering ensues.

We have a right, therefore, on behalf of the people, to examine some of the losses, direct and indirect, inflicted upon the people during the past few years. Some of these losses have resulted from the financial mismanagement of individual railways, as in the cases of the Chicago & Alton, the New York, New Haven & Hartford, the St. Louis & San Francisco and the Rock Island.

But the losses of investors in our railways in recent years have not been confined to those who unfortunately have put their money into the securities of roads which have been mismanaged.

There has been an enormous shrinkage in the value of railway securities generally. This shrinkage has been due to declines in net earnings, which must be accounted for on some other basis than that of inefficient management on the part of the railroads. In the state of New York alone the railroad bonds held by the Life Insurance companies have shrunk. In the course of a decade, a little more than $110,000,000, during which period the value of railroad bonds and stocks has depreciated from 10 to 20 per cent. Allowing for a shrinkage of only 10 per cent, from what is called the "peak year of 1906" on $200,000,000 of railroad securities, we are confronted by a depreciation of $200,000,000.

The responsibility for this rests somewhere, and it cannot be charged to the public, for public traffic and travel have greatly increased during the past decade. The explanation of the decline in the net earnings of the railways is found in the fact that they have suffered from increases in expenses and taxes which their management have been powerless to prevent, while the regulatory authorities have refused to permit the advances in rates necessary to offset them.

No single figures are here in order. Effective federal regulation of railways began in this country in 1866. In the eight years from 1906 to 1914 the average wage per employee on our railways increased from $911 to $1,030, or 33 per cent. The average taxes per mile increased from $303 to $611, or 100 per cent. With increases of 33 per cent in the average wages per employee and of 60 per cent in taxes per mile, while traffic per mile increased only 20 per cent. You would naturally expect that the railways might become embarrassed if they were not granted some compensating advances in rates. But, as a matter of fact, in 1907 the passenger rate was reduced in most of the States from 3 to 2 cents, while there was also a decline during these eight years in the average freight rate.

There could be but one effect from these increases in expenses and taxes and reductions in rates, viz., depreciation. While in the eight years before 1906 the net operating income per mile of the railways increased $1,124, or 64 per cent, in the eight years after 1906 it actually declined $332, or 11 per cent. This decrease of 11 per cent in the amount of net operating income by which to pay a return on the investment in the railways was accompanied by an increase of 20 per cent, or from $309,024 to $371,551 in their investment in property per mile. In 1906 the average percentage of returns earned on the investment in the property per mile was 4.8 per cent; in 1914 this had shrunk to 3.99 per cent. Under such conditions financial catastrophe was inevitable, as the Irishman exclaimed, when he saw the mighty flood of water falling at Niagara, "Faith, and what's to prevent it?"

Little wonder that we have harvested a large crop of railroad bankruptcies! There are now in the hands of receivers in this country no less than seventy-seven railways having a total mileage of 37,937 miles and a total capitalization of $2,052,000,000. In other words, the mileage in the hands of receivers in this country exceeds the total mileage in existence in any other country in the world except Russia.

I hold no brief for the railroads, but, in behalf of the people, I may confidently demand the same justice for the railroads as for all legitimate industry.

Fully one-half of our hundred million population, directly or indirectly own the railroads, the maintenance and operation of which is the very life blood of our industry, commerce and social responsibility.

If conditions are not right in this country for railroad prosperity, or if there is anything in the attitude of the government which is prejudicial to this prosperity, the sooner we discover and rectify it the better it will be for the interests of the entire country, for we should not forget that any injury inflicted on these highways of travel and commerce and economic solidarity must react on the people. If the railroads constitute the jugular vein of our national prosperity, that vein cannot be tapped without draining the financial blood of the people. Bleeding was once employed by medical science in the treatment of apoplexy and kindred disease. The patient was bled white in order to save his life. Well, if there is even a modicum of virtue in such treatment, surely the people have suffered enough bleeding through depreciation of railroad securities to prevent for many years anything like swollen fortunes, speculative congestion or the slightest suspicion of a glut in their prosperity.

It is unnecessary for me to speak of what the railways have done for our mighty, continental empire. As a nation we are not much older than the railroad industry. When our fathers achieved Independence, it was a problem with them how far our lines of settlement could extend towards the west, away from the Atlantic Coast line and the water highways of the great rivers. Even the luminous intellect of Daniel Webster could not pierce the fillimtable distance to the Pacific Coast and...
Imagine populous and prosperous States upon that slope of the continent. In a memorable speech in the United States Senate, he characterized the great Columbia River and Oregon territory embracing this great State of Washington as “not worth a boundary fight.” The interior of the continent was generally regarded as a mere desert, fit only for rattlesnakes and Indians. The railroads came and solved the problem. Step by step, as they developed, they carried the wave of civilization towards the setting sun. What do we owe socially, industrially and politically to the railroads? Could we have maintained this great Union in its integrity without them? They have reduced the population of the vast conterminous United States into a closely related, thoroughly compacted neighborhood. There are no distant places, not a spot large or small enough in which to hide a social, business or political secret. They have annihilated time and space and condensed our remotest boundary lines into the opposite sides of a little narrow street.

Consider the enormous land wealth that they have developed. When the first crude railroads were built a few million dollars would have measured the value of our agricultural resources; but in the year 1850 the census showed the value of our farm land, improvements and implements to be more than $17,000,000,000; in the next thirty years they had exceeded thirty billion. The railroads found the wealth of the United States estimated at less than $3,000,000,000,000; it is now conservatively estimated at $150,000,000,000. We, of this generation, have seen the railroads pushing their way through wild areas of uninhabitable prairie land. Their builders were practical men, and a practical statement of a higher order. At their own risk they have discounted the possibilities of the future and provided a highway over which the settler could come in, and over which he could ship his products back to the growing cities of the East and to Europe, thus enabling the fruit growers of California to market their crops on the Atlantic seaboard; the wool growers of the West and the cotton growers of the South to market their products, and indeed enabling every producer throughout the land to market his product at his own door and thus become a competitive factor in the commerce of the world.

The magitian of the Oriental tale who caused the palace to rise in a single night was but an ant, tearing a thin hill in the sand, compared to the wonder-working instrumentality which has evoked cities and communities from a barren wilderness, bound together into one social organism the people separated by thousands of miles, giving them a market and an outlet for their unconsumed surplus, and bearing the ever-increasing burden of a nation’s commerce at an average expense to the consumer of $.729 of a cent per ton per mile, for that is the average charge on all the freight carried by the railroads in the United States.

It must not be forgotten that all this service has been rendered by the railroads under the system of private ownership. In some of the older communities of Europe already occupied by dense populations the experiment of government ownership has been tried, but with results far short in rapidity of development, efficiency of management, perfection of facilities and cheapness of freight and passenger rates in comparison with the accomplishment of our privately-owned lines of transportation.

The people are not clamoring for government ownership. They know what confiscation means for their interests. Whether the proposition be modified by compensation or physical value or whether cut-and-expropriation, both assail the institution of private property and must result in irreparable loss, not only to the railroads but to every stock and bond holder. The people prefer private to public ownership, knowing full well that the former encourages individual enterprise and efficiency, while the latter not only invades the fundamental rights of the citizen, but reduces him to a factum in a deadening bureaucracy.

Granted the railroads have made serious mistakes, departing in some instances far from the pathway of fair dealing and business probity. This does not justify their confiscation or absorption by government. The construction of railroading should not be assailed on account of exceptional wrongs. These irregularities have been remedied by remedial legislation. The ploughshare of reform has turned a deep furrow, reunions have been effected, incompetent and dishonest managers and manipulators have been eliminated. Interlocking directorates ended, and a new era has been inaugurated. The government has done its part in this work of reconstruction. Much of its legislation has been actuated by a sincere desire to correct abuses. Great good has been accomplished, more good must be done and will be done. No tight and loose rule of procedure can be established. The railroads cannot grow in straight jackets. New conditions, new regulations, but there should be some definite co-ordinating policy on the part of the government in relation to the railroads in order to guarantee the restoration of their prosperity.

The government should not make the fashion plate of the French milliner its model for railroad regulation. That artistic genius goes into seclusion at the close of each season, and by some system of integral calculus, or special spectrum analysis discovers that the plume which pointed towards the horizon in the Spring should point towards the zenith in the Summer, and as a result our American ladies are paying every season hundreds of thousands of dollars for the attitude of a feather.

Railroads cannot be built on that sort of a basis. Millions cannot be expended in improvements upon the uncertainty of the attitude of a government commission. Workmen should not be given employment under one ruling and turned out into the streets under another. The employee has not as many lives as a cat; he has but one life, and all he asks is an opportunity to provide for himself and those dependent upon him by steady employment. Permanency is the condition demanded by the employer and the employee. Anything short of that results in confusion and disaster. Prosperity cannot be built upon the caprice of the moment. Factories cannot be successfully operated upon a four years’ basis. Business cannot thrive in the dark. Railroads have a right to know what to expect. Blind alleys make poor terminals for the commodities that must be hauled from open field, a false chance and a square deal. That is the meaning of democracy, whether applied to people or industries—equal opportunity for all. And if this nation is to continue as the embodiment of representative democracy we must avoid anything and everything suggesting of despotism, draw a line of demarcation between regulation and strangulation, between government by commission and government by the people, and develop our national resources and genius, our industries and institutions through that personal initiative and sense of justice and love of liberty which is as far removed from socialism upon the one hand as it is from anarchy on the other.

We are just emerging from a period which has been characterized by an excess of legislation. Agitators and demagogues have precipitated an avalanche of legislative “cure-alls” guaranteed to bring the millennium. Thirty-two States have enacted legislation against railroading and inside corporations. In 1913 more than two thousand laws were passed in Congress, and more than 80,000 in State legislatures, while in the Sixty-third Congress, 30,000 bills were considered, together with eighty amendments to the Constitution of the United States, the subject matter running from the election of Supreme Court justices to a proposal to authorize a gov-
The American people are confronting the greatest industrial, commercial and political era in their history. We will require the very highest industrial efficiency in order to seize and utilize great opportunities which

The American people are confronting the greatest industrial, commercial and political era in their history. We will require the very highest industrial efficiency in order to seize and utilize great opportunities which
existing conditions are opening before us, and our industrial efficiency and prosperity will depend very largely upon the efficiency and prosperity of our transportation system. The railways are the arteries of our commerce, and you can just as well expect a man with hardening of the arteries to maintain his health, energy and activity as to expect a Nation with crippled and decadent railways to maintain and increase its industrial efficiency. Therefore, one of the first steps which should be taken to increase our National efficiency is to so readjust the rates and earnings of our railways as to enable them adequately to improve and expand their facilities. I do not say this in behalf of the railways, I say it on behalf of the people. The interests of the railroad and the people are identical. When the railroads prosper the people prosper. When the railroads suffer the people must pay the toll. It is their funeral. In the interest of the people they should be subjected to wise and fair regulation and control; but also in the interests of the people they should be afforded the opportunity and means with which to well and adequately serve the people.

We are at the parting of the ways. The old world is wallowing in the waste and welter and barbarism of war. What the outcome will be is not for us to prophesy. Neutrality is the word for our country. We are far removed from the conflict, geographically, politically and ethically. Some lessons, however, are striking and apparent. Preparedness is no protection against the outbreak of war. Armed peace is an anomaly. Military budgets are not insurance policies but explosives. Thirty years ago these warring nations began to invest in armaments which were labeled, "Peace Insurance," and during this period they have paid out hundreds of thousands of millions of dollars. Their total indebtedness at the present time being forty-five billions of dollars. And now at a time when they need insurance they discover that their policies are worthless, indeed that they are not insured at all. They are in the condition of the Jew broker in New York who one day when business was a little slack, in trying with a dollar accidentally swallowed it. When throwing up his hands in despair he exclaimed, "Mehr Gott, Mehr Gott, I am a dollar in and a dollar out, and I can't balance my books!" These fighting nations are billions in and billions out, and in the meantime we know, and the whole civilized world knows, the wisdom of the words of Charles Sumner when he declared, "Arms and insurance, suspicion begets fear, fear begets murder."

So long as militarism is the basis of civilization, so long as civilization must be propped up with bayonets, it may be necessary for our Nation to furnish its quota of bayonets. Self-preservation is the first law of Nature. The nation which cannot, or dare not, or will not, defend itself is unworthy the name of Nation. But, my friends, at such a time as this it is for us to point the way towards universal peace. Our citizenship is heterogeneous. The ends of the earth meet here. It requires all the blood of the world to constitute one real, typical American citizen, whose citizenship is unique and independent, not hyphenated, but condensed into one magnetic word which spells Democracy—Americanism. This is our citizenship and he who would boast of any other, who would change or modify it, is unworthy the protection of that flag which glorifies our history, symbolizes our liberty, proclaims our mission and brings to pass the dreams and hopes and prophecies of all the past!

Rolling beneath this solemn standard of national pride and honor, it is for us to hold aloft the scales of justice, fit symbol of equity and honor and fair dealing among the nations of the earth, to reassert the authority of reason as against the bloody, arbitrament of the sword; to insist that there is a legal remedy for every wrong; that war is an assault on law and order, a ghastly conspiracy against civilization and a lapse into the starless night of Barbarism.

Standing upon such a basis of righteousness, maintaining peace at home and amity with all the nations of mankind, possessed of the greatest physical basis for an enduring Empire the world has ever known, orphaned of the solemn instinct of antiquity, yet compensated in area for all that we lack in age, environed with mountains of silver and gold, boundless in resources, limitless in energy and enterprise, possessed of a continental empire, threaded with a thousand lines of trade and commerce; a land of Edens and El Dorados; beautified with lakes like inland seas, and irrigated with rivers like rolling lakes; standing here upon the threshold of our possibilities with a population more intelligent, patriotic, peaceful and prosperous than can be found anywhere else on this footstool of Almighty God, it is for us to illustrate the power and possibilities of American Democracy; to demonstrate the stability of popular Government; to show how labor and capital can toll together, each recognizing the necessity of the other and both toiling for the common good, and in this atmosphere of industrial tranquility to develop that industrial independence, commercial supremacy, political stability and religious integrity which shall give to us an enduring place among the Nations of the World.
Report of the Secretary, Savings Bank Section, Milton W. Harrison.

Mr. President and Members of the Savings Bank Section:

In the short time I have been your secretary I have endeavored to carry out the resolve and purposes which the Division of the Section was conceived by virtue of its existence.

From the last annual meeting until February 1, 1915, the office was under the very efficient management of R. G. McWilliam, who at that time resigned to become manager of the New Jersey Department of the Security Trust & Savings Bank, Los Angeles, California. In the interval between February and my incumbency, the detail work of the office was ably carried on by our assistant, Miss Walton, with the aid of O. Howard Wolfe, then Secretary of the Clearing House Section.

Mr. McWilliam set an interesting example for his successor. The service rendered in connection with the campaign of education for the encouragement of thrift has been giving up the results of excellent results. This great work I trust will be successfully carried on with the spirit in which it was instituted.

The opportunity for service in the Section seems almost limitless. It is my desire to get into closer contact with the members of the Section, through requests for information and suggestions from them, serving them in every possible way.

Our appropriation for the past year’s work was $11,000. The expenditures for the year amount to $8,112.27, leaving a credit balance of $2,902.13, according to the statement attached to this report. The large credit balance is explained by the Section beginning without the services of the Executive Committee for three months.

In conclusion, I desire to express my appreciation to the officers of this Section and its Executive Committee, as well as my associates in the General Offices of the Association, for their assistance at all times in the routine work of the Section.

Respectfully submitted,

M. W. Harrison,
Secretary.

FINANCIAL STATEMENT SAVINGS BANK SECTION
September 1, 1914, to August 14, 1915, inclusive.

CRUDITS
By appropriation of Executive Council $11,000.00
From sale of slides (Thrift Publicity) 1,771.03
Proceedings, 1914 1,324.46
Rent 604.92
Executive Committee Meetings 392.20
Traveling Expenses 244.34
Telephone and Telegrams 44.34
Extra Office Help 27.00
Office Supplies 17.30
Gold Badge 5.50
Express and Cartage 5.05

CREDITS
Salaries 1,771.03
Postage, Stationery and Printing, including Thrift Publicity 1,771.03
Proceedings, 1914 1,324.46
Rent 604.92
Executive Committee Meetings 392.20
Traveling Expenses 244.34
Telephone and Telegrams 44.34
Extra Office Help 27.00
Office Supplies 17.30
Gold Badge 5.50
Express and Cartage 5.05

Credit Balance $2,902.13

Report of the Methods and Systems Committee.

Mr. President and Members of the Savings Bank Section of the American Bankers Association:

During the past year the results of our previous year’s activities have been increased. The work of the Section has been expanded by the inclusion of all the banks in the section and the gathering of an accurate and complete list of the banks which have been active in the movement of school savings banks. This list has been compiled by the North Carolina Bankers Association, and is embodied in a pamphlet which the Savings Bank Section has recently published to be used as a textbook on school savings banks.

The New York Board of Education is seriously considering the granting of funds for the establishment of school savings banks. The opportunities for service in the Section seems almost unlimited. Opportunities for greater constructive service in the work of the Section are constantly increasing.

A comprehensive card system for following up and receiving these statistics is maintained in our office. These statistics have been completed, and were sent to the Comptroller of the Currency for his next annual report the first part of 1916. The results show that there are 1,856 school savings banks, with 853,540 depositors and $1,929,640 in deposit.

The inestimable amount of good which these school banks have done in inculcating in the minds of the children habits of thrift is too obvious for any further comment.

Mr. Joseph H. Noel, of the North West State Bank of Chicago, and also a valuable member of this committee, is continuing the service in connection with the Chicago school savings banks. Through his efforts sixty-one schools in Chicago have established savings banks, all having the same system of operating the bank. Quoting from Mr. Noel, it is interesting to note that "each bank is conducted by six or eight sixth graders, eight to ten eighth graders, who readily become president and bank clerks. They and the depositors receive the monthly transactions in the banking office, business practices, and accuracy, in addition to forming an ideal system of savings and thrift, are under the supervision of one teacher for the entire school, who is known as the treasurers of the school bank. The bank is open for only thirty minutes a week, from 9:30 to 9:50 A.M., usually each Monday morning so that the inculcation of the principles of thrift are in session. The forms used and the methods followed as nearly as possible are identical with those adopted by regular banks. Five days’ notice of withdrawal is required, and a parent’s consent must be obtained before money may be withdrawn.” He further states: “That 31,000 people are taking part in the scheme, and 27,117.24 (94 per cent.) of that amount that they withdraw $10,250.00 ($8.00 per cent.) for their purposes, leaving a balance of $10,460.34 ($2.00 per cent.) still in the bank. A canvass of the opinion of the teachers in a speed with which Mr. Noel went out to forty schools in Chicago, with a view to finding out the exact situation with reference to the banks in each school, was written by Mr. Abraham London, a teacher in Public School No. 125, Brooklyn, New York, and is embodied in a pamphlet which the Savings Bank Section has recently published to be used as a textbook on school savings banks in a nation-wide campaign for establishing school savings banks in cooperation with the Chancellor of the American Institute of Banking. An article by Mr. Noel and one by Mr. Hawley, bearing on the complete aforementioned statistics, and Mr. London’s analysis comprise the contents of the pamphlet.

Mr. N. E. Hawley has also made splendid progress in the Minneapolis public schools, in establishing new school banks and encouraging the children to save money in those already established. His stamp has been tried successfully in a number of other cities, particularly St. Paul, where the State Savings Bank employs four collectors, who visit the schools once a week. The children make their deposits with them. The equivalent of each deposit is stamped on folding cards, which are then returned to the children. When the account amounts to $5 the children are asked to transfer the stamp card to an interest-bearing account in the regular savings bank. The collection report daily to the bank and the total collections are kept in one account on which no interest is earned.

Mr. Meakle, another member of this Committee, is doing good work in New Jersey, and the school savings bank movement is making some headway.

Reports received from Mr. Charles S. Norris, who is conducting the work amongst the schools in Boston, indicate an increase in deposits and number of depositors.

The New York Board of Education is seriously considering the granting of additional compensation to the teachers having the supervision of the school bank. As a uniform system of conducting the business of the bank. The work in the Chicago schools seems to be the most popular.

The Beware of Thrift Film.

The Beware of Thrift film, which was described in the report of this Committee in Richmond last year, was released September 10, 1914, through the General Film Company, which has forty-eight branches located in the principal cities of this country. A caravan was recently held in the city of Chicago, and the film was shown in various schools, giving the children a view of the various forms of savings banks, and showing the advantages of the several systems in operation. The film was also shown in the schools in New York, New Jersey, and Maryland, and in many other cities.
A movable thrift exhibit, entered into in co-operation with the International Convention of the Young Men’s Christian Association, was one of the features of our thrift work during the past year. The exhibit consisted of a set of small pictures which revolves and is electric lighted; for example, showing at one instant an old couple living comfortably in their home after a life of saving and the next instant a spendthrift, whose money has been spent on all kinds of luxuries. The exhibit is going to all the branches of the Y. M. C. A. in different parts of the country, and will be published in the JOURNAL-BULLETIN. In letters we have received from some of these Associations, as the New Haven Savings Bank, and others, assurance of their hearty support, and President Shanklin of the University of Wisconsin, who attended the convention, expressed his conviction that “nothing can do more to interest the public in a matter of this kind.”

The tendency to organize mutual savings banks or other institutions for the purpose of saving money has been growing very much of late years. In the West particularly so few exclusive savings banks in which no new bank of that character has been organized for many years. In the East the tendency is this true in the towns and cities. It is recognized on the part of the depositor it is found that greater convenience is subserved and the inclination to save is cultivated. This Committee shall be called the Savings Bank Centennial Committee. It is our desire to serve all of you at all times, and for the further advancement of the savings banking movement. The tendency to organize mutual savings banks or other institutions for the purpose of saving money has been growing very much of late years. In the West particularly so few exclusive savings banks in which no new bank of that character has been organized for many years. In the East the tendency is this true in the towns and cities. It is recognized on the part of the depositor it is found that greater convenience is subserved and the inclination to save is cultivated.
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We must all, whether representatives of mutual savings banks or departments in commercial banks, frankly recognize these conditions. We all are disciples of encouraging habits of thrift. If in certain parts of the country there is little or no tendency to form new mutual savings banks, we should recognize that fact and support the movement which seems best to achieve the end. If people will no longer organize mutual savings banks in new communities, but will establish savings departments, then we should all bend our best efforts to the organization of as many such departments as possible rather than that people should go without proper places to put their small savings. An enlargement of this argument is not necessary.

But it does not follow that the mere organization of a savings department in a commercial bank is all that is necessary. Such a place for the savings of the people will not invite or secure their deposits unless it is surrounded by greater protection and better safeguards than are usually afforded commercial deposits. The Savings Bank Section has strongly and repeatedly placed itself on record on this point.

But in view of the rapid transition that is taking place, how have we performed our whole duty by merely stating our position and by simply giving codes on the matter? Have we no further obligations? Should not a definite program be undertaken for the determination of the kind of laws and methods that will best protect deposits placed in savings departments of commercial banks and endeavor to secure their adoption?

Such a program should be prompted solely in the interests of greater safety and only with the desire to improve savings department methods, make greater safety and consequently increase the inclination of the people to save now, with the resulting growth of deposits. Every bank in seeking its own best self-interest, when it is most wisely advised, concludes that the safest methods will bring the largest deposits and eventually the greatest profits.

In support of such a program it is suggested that a committee of this Section shall consider the situation in each State separately, and Report of Committee on Postal Savings Bank Legislation. failed under the Federal Reserve Law from hereafter becoming depositaries of Postal Savings Funds; funds already on deposit in such non-member banks may or may not be allowed to remain, the present policy of the Department being to leave these old deposits undisturbed.

This suggestion of a more active attitude on the part of our Section is at present little realization of the necessity and wisdom of greater progress is slow, because we must recognize that in many States there is not yet a realization of the necessity and wisdom of greater protection to the ordinary savings bank depositor.

This suggestion of a more active attitude on the part of our Section is at present little realization of the necessity and wisdom of greater protection to the ordinary savings bank depositor. Should not a definite program be undertaken for the determination of the kind of laws and methods that will best protect deposits placed in savings departments of commercial banks and endeavor to secure their adoption?

Such a program should be prompted solely in the interests of greater safety and only with the desire to improve savings department methods, make greater safety and consequently increase the inclination of the people to save now, with the resulting growth of deposits. Every bank in seeking its own best self-interest, when it is most wisely advised, concludes that the safest methods will bring the largest deposits and eventually the greatest profits.

In support of such a program it is suggested that a committee of this Section shall consider the situation in each State separately, and endeavor to get the support and co-operating of adequate influence in such State to bring about a recognition of the necessity of proper laws, therefore, if possible the segregation of assets representing savings deposits and if such support and co-operating cannot be secured, then to undertake a campaign of education, having in view the securing of location in every case of the best and savings bank methods in the State concerned.

If such a program is adopted we should not be discouraged if our progress is slow, because we must recognize that in many States there is at present little realization of the necessity and wisdom of greater protection to the ordinary savings bank depositor. The principle of segregation is already recognized in a number of States. It would seem a reasonable expectation that in time it will be adopted in others. It will be well if we can get such adoption before any loss or compulsion of disaster shall come.

This suggestion of a more active attitude on the part of our Section is at present little realization of the necessity and wisdom of greater protection to the ordinary savings bank depositor. Should not a definite program be undertaken for the determination of the kind of laws and methods that will best protect deposits placed in savings departments of commercial banks and endeavor to secure their adoption?

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It is a pleasure and a privilege to be called upon to extend on behalf of the bankers and bankers of Seattle an official welcome to these members of the Savings Bank Section of the American Bankers' Association.

You may well be proud of having the largest Section of the Association and of the fact that the men representing our city have met the occasion with the most evident interest.

As custodian of the hard-earned dollars you hold a sacred trust and the great thing in doing that is the feeling that comes over us as we think of you and the strength of your knowledge and industry, it is a pleasure for us, from other parts of the country, to come to a city like this and meet people like you who have done so much for the strength and growth of this country, and have given so generously to the work of the nation.

The President: Mr. J. H. Edwards, Vice-President of the Savings Bank Association of Washington, has an address of welcome for us, which I am sure will be all happy to hear. I have the honor of introducing Mr. Edwards.

THE PRESIDENT: Ladies and gentlemen, as is customary, we shall probably not solve all of them; but we certainly must strive to inculcate in the minds of our countrymen the fact that thrift and saving should go hand in hand with industry.

Mr. Leonard:

THE PRESIDENT: Mr. Edwards, as a representative of the Seattle people and bankers it is a very great pleasure to listen to your words of welcome. I think all of us from the provincial East which, we live there, are apt to consider the main part of our country, forgetting, indeed, not knowing, what lies west of us. To people from the East, it has been a revelation, journeying for days as we have across the prairies and seeing wheat in every direction for miles and miles, as far as the eye could see, and then traveling through the mountains, through your beautiful cities, to the city of Seattle where the warmth of your welcome testifies very strongly to the size of your hearts, and where the beauty of your city testifies to the strength of your knowledge and industry, it is a pleasure for us, from other parts of the country, to come to a city like this and meet people like you who have done so much for the strength and growth of this country, and have given so generously to the work of the nation.

Now, we are at a very important period, I think, in the history of this country. We are facing many grave problems, and those problems we have to solve for ourselves. We shall probably not solve all of them; but we certainly must strive to inculcate in the minds of our countrymen the fact that thrift and saving should go hand in hand with industry.

Mr. Latort: Open the door of our hearts, Almighty God, and grant we might bid Thee enter and take up Thy dwelling place in the house of our soul; that our lives may be pure and safe in Thy sight; and grant us, O God, Thou Saviour Divine, that gladly accept the fervent offices of our souls.

We thank Thee that these men representing great and far-reaching interests pause at the very threshold of their deliberations and recognize the need for the prayer of the Just, and that in the halls of memory there may linger such recollections as will draw us to thee again and again both in thought and in person.

THE PRESIDENT: Mr. Edwards.

The charm of the region, together with its wealth of resources, have lured a multitude of energetic people from every section of the country. We stand ready to welcome a great many more, and especially such of you, as permanent residents among us.

Our geographic location, always promising, has now become strategic. Moreover, the opening of the Panama Canal gives us entrance to the Orient of Washington was created and also the first plat of this city was laid out, and the name of the village was changed to Seattle after a noble Indian chief, whom we look as our leaders in the direction of the work may Thy Spirit direct; and grant us, O God, Thy Saviour Divine, that gladly accept the fervent offices of our souls.
Mr. WILLIAM A. LAW: Mr. President, Ladies and Gentlemen:

It is indeed a pleasure to say a word in response to the address of welcome which we all feel for the large and charming hotel in which we are meeting, as did the people of early days the total of national wealth as represented by the deposits of Savings Banks would make us a Gibraltar among nations.

The Savings Banks of the United States represent no inconsiderable amount of available capital for prime investments. The savings bank idea originated only one hundred and six years ago in England. Several forward-looking Philadelphians soon recognized its advantages and in 1816 originated the first savings bank in America, the Philadelphia Savings Fund. Today this institution is a notable example of prudent and efficient policy. It has deposits in excess of one hundred and twenty-million dollars, being over two hundred and eighty-three thousand depositors, of whom only one hundred and sixty have as much as ten thousand dollars—the maximum limit—which had been deposited. A period of industrial development both here and abroad will soon be opened and capital for such reconstructive purposes as the close of the war now reaches a crucial stage will bring the price of those in possession of it.

Vast sums will be needed to rebuild and rehabilitate the stricken portions of the scenes of the present carnage and the accumulated values of the property lost in the war. The funds on which this expenditure will be based will be derived from the earnings of the people who are paying for them.

It is indeed a pleasure to say a word in response to the address of welcome which we have just heard, and to express, on behalf of the directors of this institution, our appreciation which we all feel for the large and charming hotel in which we are meeting, as did the people of early days the total of national wealth as represented by the deposits of Savings Banks would make us a Gibraltar among nations.

The Savings Banks of the United States represent no inconsiderable amount of available capital for prime investments. The savings bank idea originated only one hundred and six years ago in England. Several forward-looking Philadelphians soon recognized its advantages and in 1816 originated the first savings bank in America, the Philadelphia Savings Fund. Today this institution is a notable example of prudent and efficient policy. It has deposits in excess of one hundred and twenty-million dollars, being over two hundred and eighty-three thousand depositors, of whom only one hundred and sixty have as much as ten thousand dollars—the maximum limit—which had been deposited. A period of industrial development both here and abroad will soon be opened and capital for such reconstructive purposes as the close of the war now reaches a crucial stage will bring the price of those in possession of it.

Vast sums will be needed to rebuild and rehabilitate the stricken portions of the scenes of the present carnage and the accumulated values of the property lost in the war. The funds on which this expenditure will be based will be derived from the earnings of the people who are paying for them.

It is true that the present condition may be natural to all peoples and that this nation is no more to be charged with negligence in this respect than any other, but this does not make it an excuse. It is true that the present condition is natural to all peoples and that this nation is no more to be charged with negligence in this respect than any other, but this does not make it an excuse. It is true that the present condition is natural to all peoples and that this nation is no more to be charged with negligence in this respect than any other, but this does not make it an excuse. It is true that the present condition is natural to all peoples and that this nation is no more to be charged with negligence in this respect than any other, but this does not make it an excuse. It is true that the present condition is natural to all peoples and that this nation is no more to be charged with negligence in this respect than any other, but this does not make it an excuse.
Every new depositor secured under such a campaign as this will, in the ordinary way, continue to be a saver and an active member of the Association in its work.

It is a matter of common interest that the year in which the most energetic work will be done is also the centennial of the American Institute of Banking stands ready to cooperate. Through the sixty Chapters scattered through every important city, your Section through its administrative officers calls upon the local Bank Section in the splendid work they are entering upon in the coming year.

May I suggest and even urge that every bank here represented and the savings banks in their own behalf, and the American Institute of Banking, should hereafter call upon the local Bank Section in the splendid work they are entering upon in the coming year.

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Congress, in Washington, the State Legislatures, our city councils, have all been turned into incompetent machines, grudging out délai decisions and half-baked legislation in the way of law. And I verily believe that outside of the legislation affecting appropriations and necessary for the expenses of the Government, that this legislation will be better off to-day if we had not enacted a single law within the last five years. I believe the best thing Congress can do is to drop most of the legislation necessary for appropriations, should be devoted to repealing many of the laws on the statute books.

A business man said to me the other day, "Mr. Humphrey, there are so many laws on the statute books for their very able, illuminous and excellent addresses. If that is your pleasure we will signify the same by standing and then we will call the meeting adjourned."

Recess until 2.30 P. M.

AFTERNOON SESSION, 2:30 P. M.

The meeting was called to order by President Knox.

The President: Well, gentlemen, the President of this Section will now address us upon his annual address, which address is very short, fortunately.

President William E. Knox's Annual Address.

The Savings Banks of the United States are approaching the completion of a century of useful and honorable service in the community, and are looking forward to a fitting celebration of that event in 1916.

We have largely outgrown the attitude of days gone by, when every bank was sufficient unto itself, and have learned that... Others...There are two or three matters of much importance that particularly call for our consideration at the present time.

The present controversy between the Post Office Department and the railroads over the parcels post question is a case in point. It would seem to an impartial outsider that the question of fact, as to whether the railroads are being fairly paid or not, ought easily to be arrived at, and I fail to understand why this Department is so unwilling to accept the recommendations of the Comptroller of the Currency.

The Savings Banks of the United States are approaching the completion of a century of useful and honorable service to the nation, and are looking forward to a fitting celebration of that event in 1916. Herefore the Savings Banks have kept silent as to the affairs of the railroads, but in view of the vast interests they represent, I view the millions of depositors whose trustee they are, it would seem to be only proper that they not be heard. The Savings Banks have no axe to grind. The Savings Banks lack no brief for the railroads, but it is their plain duty to use all proper means to protect the interests of their depositors.

I venture to think that they will be willing to act in any way that will bring about a better understanding between the railroads and the various legislative bodies. And I believe, too, if the railroads and the lawmakers could get together, with a view to the common good, in a spirit of mutual confidence and forbearance, that the railroads will be met with fairly and equitably to the lasting benefit of the people.

The President: We will now listen to the report of the Secretary, Mr. Harrison.

Report of the Secretary, Milton W. Harrison.

[The report of the Secretary is printed on page 176.]

The President: We will now have the report of the Methods and Systems Committee, by Mr. Lersner, who is the Comptroller of the Williamsburgh Savings Bank of Brooklyn, New York. At the last meeting I would like to interject that at an Executive Council meeting yesterday, with the consent of the members of the Executive Committee, I appointed a Nominating Committee to have our time this afternoon, and I now ask the Committee a chance to look over the field before reporting nominations for officers for the ensuing year; the members of that Executive Committee, together with Mr. Lersner, Mr. Newell, and Mr. Stevenson, who will report at the proper time in the proceedings. Mr. Lersner, gentleman of the Convention.

Report of the Methods and Systems Committee.

[The report of this Committee appears on page 179.]

The President: We will now have the report of the Law and Segregation Committee.

The President: The motion to adopt the report of the Law and Segregation Committee has been made by Mr. Robinson and seconded by Mr. Lersner, and I now ask the Committee to have a chance to look over the field before reporting the report of the report of this Committee.

The President: We will now have the report of the Membership Committee.

The President: We will now have the report of the Law and Segregation Committee, by Mr. N. E. Hawley, Vice-President of the Section.

Report of Membership Committee.

[We have found it impossible to obtain a copy of this report.]

(Motion put to vote and declared carried.)

The President: We will now have the report of the Law and Segregation Committee presented by Mr. N. E. Hawley, Vice-President of the Section.


[The report of this Committee may be found on page 180.]

(Motion put to vote and declared carried.)

The President: We will now have the report of the Law and Segregation Committee presented by Mr. N. E. Hawley, Vice-President of the Section.

Report of Committee on Postal Savings Legislation.

[The report of this Committee appears on page 181.]

(Motion put to vote and declared carried.)

The President: We will now have the report of the Law and Segregation Committee presented by Mr. Lersner and seconded by Mr. Robinson that the report be adopted, and that the recommendations contained in the report be endorsed as representing the sentiments of this body.

(Motion put to vote and declared carried.)

The President: We will now have the report of the Law and Segregation Committee presented by Mr. N. E. Hawley, Vice-President of the Section.

Report of Committee on Postal Savings Legislation.

[The report of this Committee appears on page 181.]

(Motion put to vote and declared carried.)
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I have information that the work of that Committee, the successful work of that Committee, is one of the achievements of this Association. In this Section; the members of that Committee went to the Federal Reserve Board, Washington, and after some discussion and conference with that Board, the Committee was authorized to continue that work and the success which the Committee obtained is due to the work of that Committee, as members of the Committee have told the story of their success. The whole Section is indebted to that Committee for that successful work. It is unusual for any committee to go before a committee, and to have such a report as that which that report shows, but for one, for this Section, I wish to express the warmest appreciation for the work. It is necessary, I desire that it be added to the motion, that the Section is indebted to that Committee for that success.

I, therefore, move the adoption of the report.

Mr. Hawley: I desire to second the motion, and if it is necessary, I desire that it be added to the motion, that the Committee be extended or continued, and if the motion is not necessary, I will follow; but I think that the motion should be enlarged to include that the Committee be continued in this matter until the close of the subject.

Mr. Hawley: I second that motion.

(Motion put to vote and carried.)

The President: We will now listen to Mr. Edwards.

"Liquidity of Savings Bank Investments" by George E. Edwards.

[We print the report of this Committee on page 167.]

Mr. Hawley: I desire to second the motion, and if it is necessary, I move that the report be received and placed on file, and then add to the motion that the Committee be continued in office.

Mr. Hawley: I second that motion.

The President: You have heard the resolution, gentlemen. As it stands, in itself, it is an amendment of Mr. Edwards' paper, and it is necessary, I think, to strike out of the report the permission to be given the Savings Bank provisions which are embodied in Mr. Edwards' paper, to the idea essentially predicated upon the permission to be given the Savings Bank provisions which are in the Federal Reserve Act, and which are qualified to issue money, to convert currency, to receive currency, and to reissue currency, in other words, from the Federal Reserve Board.

I should not be expected that the privileges they obtain shall be any greater or better terms than commercial banks themselves have. Those qualifications are not necessary to be stated here. This is simply a request that Savings Banks be permitted, of course, to issue currency, to convert currency through the intermediation of the bank of the Federal Reserve, and that such security may be obtained. I move the adoption of the resolution.

Mr. Hawley: I move that the very admirable and attractive paper of Mr. Edwards be received and placed on file and that the report or resolution offered by Mr. Hawley be placed on file, and then add to the motion that the Committee be continued in office.

The President: You have heard the resolution, gentlemen. It is standard practice to be on friendly terms with the officers or soliciting the members of the Savings Bank Section who are present, if they care to give their views upon that subject. If any of the body may be interested, I would like to discuss the question of the opportunity is now offered. Mr. McVay: I would like to inquire whether this will cross purposes with the other efforts of the Federal Reserve Board; and it is practically impossible to ask or to have the Federal Reserve Board to give any recommendation or voice their opinion.

Mr. Hawley: I think that the Federal Reserve Bank, and some of the officers of the Federal Reserve Board have expressed themselves as being heartily in approval with the proposition that many of us believe is economically unsound.

Mr. Hawley: I hesitate to speak so frequently, but I do not want to be considered backward, either in Mr. Hawley, because if this resolution should go, it should go through after it is duly considered and when it says what we mean. It not only makes a request for certain legislation, but it makes at least one pronouncement or statement of facts that I am somewhat reluctant to vote for, and that is the little phrase where it says that the Savings Bank may demand notice in times of great National peril; and the word "National," at least that ought to come out; because this is a great country, and different sections of it are affected differently at different times. I know there have been times when savings banks throughout the East have been demanding notice, while in the West it was never thought of; and I know that before there was ever a word about giving a demand, that it was done at different times. I know there have been times when savings banks throughout the East have been demanding notice, while in the West it was never thought of; and I know that before there was ever a word about giving a demand, that it was done at different times. I have certainly a doubt whether all of the members present have a correct idea of the subject matter of the resolution; and I think therefore before we alter it again so that we may know just what this resolution is offered for.

The President: That is the motion in the resolution.

Mr. Hawley: That is my resolution; and I wish to second the motion.

The President: Yes.

Mr. Hawley: I think it was first made subject to the scrutiny of the Law Committee.

The President: Yes, and then the Executive Council before it can be presented to the Convention for action, must approve it, and then it is taken before the Convention and submitted to the Convention for action.

Mr. Hawley: I am under the impression it has been thoroughly thrashed out before, in the discussions which took place while the Federal Reserve Law was in process of getting through Congress. The needs of the mutual savings banks had several able advocates at the time, and their needs were certainly at that time put forward. I think it has been suggested that, inasmuch as those Federal Reserve notes are all predicated upon their prompt redemption in gold upon demand that we can hardly expect the Federal Reserve Board to issue notes payable upon demand upon the credit hypothecation of securities which are due in 5, 10, 15, or 30 or more years to make it possible.

Mr. Hawley: I am somewhat reluctant to vote for, and that is in the little phrase where it says that the Savings Bank may demand notice in times of great National peril; and the word "National," at least that ought to come out; because this is a great country, and different sections of it are affected differently at different times. I know there have been times when savings banks throughout the East have been demanding notice, while in the West it was never thought of; and I know that before there was ever a word about giving a demand, that it was done at different times. I have certainly a doubt whether all of the members present have a correct idea of the subject matter of the resolution; and I think therefore before we alter it again so that we may know just what this resolution is offered for.

The President: Is there any other discussion?

Mr. McVay: I hesitate to speak so frequently, but I do not want to be considered backward, either in Mr. Hawley, because if this resolution should go, it should go through after it is duly considered and when it says what we mean. It not only makes a request for certain legislation, but it makes at least one pronouncement or statement of facts that I am somewhat reluctant to vote for, and that is the little phrase where it says that the Savings Bank may demand notice in times of great National peril; and the word "National," at least that ought to come out; because this is a great country, and different sections of it are affected differently at different times. I know there have been times when savings banks throughout the East have been demanding notice, while in the West it was never thought of; and I know that before there was ever a word about giving a demand, that it was done at different times. I have certainly a doubt whether all of the members present have a correct idea of the subject matter of the resolution; and I think therefore before we alter it again so that we may know just what this resolution is offered for.

The President: The point is well taken. Is there any other discussion?

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The President: The point is well taken. Is there anybody else?

Mr. DeWolfe (Ohio): If this resolution is subject to being approved by the Committee, or approved by any other body, as it seems ultimately it must be, then I do not think any benefit or enforce this resolution if they have got to put it up to another body after having passed it, for approval and adoption.

The President: The laws of the Association require a submission to the Executive Council and that has already been done by this Committee, and is to be done by the Executive Council.
Mr. DINWOODIE: If that has been done, the resolution to be of any effect—it would be in effect immediately or go over until next year.

The President: It will go immediately before the Convention.

Mr. DINWOODIE: That's what I want to find out.

Mr. HAWLEY: As I stated earlier, the question is whether the resolution by request, and in view of the statements made, and of the reluctance manifested on the part of some of the members present to approve of everything that we can get their way, I want, or rather, Mr. President, move that it be resubmitted to the Committee on SAVINGS BANKS.

Mr. TETER: I would like to record the motion, and in doing so may I have a moment, Mr. President?

The President: You may.

Mr. TETER: I attempt very much to have come in late in this important session where you have honored me as an officer; but I have been so tied up with another matter, that it is impossible for me to continue. I have been asked by the Secretary to say a few words with reference to the question of the safe Investment of Savings Bank funds; but I will spare it. I think, however, that Mr. Hawley's motion, or substitute motion, whatever it is, ought to carry, as it is necessary that the resolution go before the Associated Committee. This, I believe, is the proper thing.

Mr. TETER (Continuing): In my institution, I have tried to keep the balance of these securities in that way. I carry many bonds, according to the size of my institution; and I carry a great number of short-term 

Mr. TETER: Quite to the point.

Mr. SCHNIDER: As an institution in Chicago, in the panic of 1907 liquidated twenty million dollars worth of commercial paper within three months, with only one case of five thousand dollars, which was not paid. That, of course, as you all know who handle bonds, was a trifling shrinkage, considering the fact that perhaps even the whole of the five thousand dollars was not paid at that time; but I believe the Savings Banks of the United States must come eventually to realize this when they attempt to invest on those lines, that they must be prepared to lose a fair-sized portion of the money, because that is money which liquidated currency must be based upon liquid assets.

Now then, we use in Louisiana collateral, that we call commercial paper, but which the Board do not consider commercial paper. We can handle 30, 60 or 90 day paper, and so forth; and I don't think in the experience of any banker in the State of Louisiana, when a mortgage falls due, the property can be sold. In other words, we have what we call a mortgage, in order to foreclose a mortgage, one year shall elapse after the mortgage becomes due before the property can be sold. In our sister State of Mississippi they make it necessary that unless the money is paid within ten days the property will be sold. In the State of Louisiana the laws of Louisiana regarding Savings Bank investments are very liberal, and men who manage the greatest institutions of this country are wise enough to invest in any securities that they cannot realize on.

Mr. TETER: Inasmuch as I seconded the motion, I am perfectly willing to agree to that, that it be referred to the Committee. I would like to say a word in this connection before I sit down. Now, coming from one of the principal intermountain States, I think this is a move in the right direction. I come from Oregon, from the agricultural section of that State, and I am connected with the Savings and Loan Law, or some other particular committee, if there is not a Convention in the future. I think there is nothing more important for the welfare of the Savings Banks than to have some kind of an arrangement which will enable them in their States—"it is not necessary in our State—\"it is not necessary in other States, to enable them to invest a certain amount of their funds in securities that insure immunity from loss; and I do not believe any possible bank legislation in the future will enable them to do business with us; and I think it would be the safest thing in the world to allow the Savings Banks in different sections of the country to invest their funds in some form of liquid assets; do I not think there is anything better that you can do in the country; I do not think there is any subject before the Convention which will accomplish a greater and than to have that resolution passed and adopted before the Regional Board.

Mr. DINKINS: Inasmuch as the author of the resolution has asked for its withdrawal and that the motion has agreed to do, out of courtesy to him, it should be done. Do I understand that?

Mr. ROBINSON: Do I understand that the withdrawal of it refers it back to the Committee?

Mr. TETER: As I understand it, the withdrawal of it refers it back to the Committee.

Mr. HAWEY: Yes, I refer it back to the Committee—everybody in this resolution that Mr. Schmider said, I am not going to second. I think this is a move in the right direction. I come from Oregon, from the agricultural section of that State, and I am not a National Banker. Now, I am perfectly able to believe the truth of what was said here a while ago, as to different conditions existing in different sections of the country; it was my privilege to be in Chicago last year just about the time the war broke out, and I was somewhere between the lines, and put up posters in Savings Banks requiring depositors to get a certain amount of notice before they could get their money. I sat there telephoning my people out here and down at the stock exchanges and the big banks to get these securities, I am not sure how, I am not sure how, that conditions would prevail throughout the whole country. We did not even feel a ripple of it out here on the Coast; at least, not in my Branch. It was our privilege to have the money and the depositors in the Savings Banks did not ask for money at all. It is different in different sections; and to some extent different in the provinces where the paper, from New York, I think this is a move in the right direction.
I think these main elements of people is they have confidence in the management and it is generally known, as has often been said, that if people know they can get their money any time, they do not wish to have it made liquid, and that the people know that they can get their money when they want it, they do not want it; but if they cannot get it, they want it awful bad. Last week I was in Portland, and when the man in Portland, I took occasion to see him, and I asked him what the chances were of having changes made in the Federal law so that Savings Banks would be allowed to realize upon their assets—of course there would be a law before Savings Banks could come in, and he expressed himself as being favorably disposed to have such an amendment added to the Act.

Now, I think this motion is a move in the right direction, that we should urge Congress to adopt this law; they do not have to adopt this law in the same form as Congress adopted the Agreement for such a situation. As a Savings Bank we keep a certain amount of one's assets in liquid form. We know the necessity for it, and if Congress would pass such an act we would at least have the benefit of the requirements of such an act. I think we should call the attention of Congress to the situation and understandably attention will be given to this, will relieve the situation, and that is all we need. You know what the effect of the Vreeland-Aldrich measure was last year, and you know what the effect of the Vreeland-Aldrich measure was last year, and you know how it affected us. It is an American maxim that people will do better if they are not forced to lose. If we make some step forward we are that much better off. As far as I am concerned, I think we have here more progress than it is impossible to think of abandoning it. I would rather go about it a little. Isn't this true, that the diversity of opinion has centered around the general interest, and it is a step forward to get a committee of that kind to act upon this thing. The Presiding Officers: I will consent to that.

The object of that is this. In the East, we have in New York and several other States, small, long-time banks, such as approved under the Vreeland-Aldrich Act; we haven't any commercial paper. Any bank having commercial paper under the present law can make arrangements with its own Interstate bank to get a discount; and thisние divergence was for the purpose of opening a way that the bank could shorten its paper, and under the law of the State could not purchase thereof, might possibly come within the reach of the benefits of the Federal Reserve Act. It is a hard proposition to put up for the whole country, when our laws are so different and the investments are so different, and that is what makes it impossible to think of leaving this kind of a thing. The Presiding Officers: Is that your pleasure, that the motion pass without a committee?

THE PRESIDENT: Yes. The Presiding Officers: The subject of that is this. It has been said that the character of the do that we are asking to do something that the law does not permit a Regional Bank to do? The Presiding Officers: That is my idea, that we have—to secure that authority through legislation. This is in the East, the laws are so different, and let us give the committee as much power as possible. The Presiding Officers: The object of that is this. In the East, we have in New York and several other States, small, long-time banks, such as approved under the Vreeland-Aldrich Act; we haven't any commercial paper. Any bank having commercial paper under the present law can make arrangements with its own Interstate bank to get a discount; and this divergence was for the purpose of opening a way that the bank could shorten its paper, and under the law of the State could not purchase thereof, might possibly come within the reach of the benefits of the Federal Reserve Act. It is a hard proposition to put up for the whole country, when our laws are so different and the investments are so different, and that is what makes it impossible to think of leaving this kind of a thing. The Presiding Officers: Is that your pleasure, that the motion pass without a committee?

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SAVINGS BANK SECTION.

Mr. Edwards: I move that the Secretary be directed to deposit a ballot for the persons nominated by the Nominating Committee.

(Portion daily seconded, and on being put to the vote was decided carried.)

The President: I hereby cast one ballot for the names set forth in the Nominating Committee's report.

The President: Have you cast the ballots?

Mr. Edwards: I have the honor of presenting to you the names of Mr. N. F. Hawley as President, Mr. George E. Edwards as Vice-President, Mr. J. H. Edwards as Secretary, Mr. H. P. Beckwith and Mr. Dinkins as members of the Executive Committee.

The President (Mr. Knox): I congratulate you upon your decided choice. Mr. Hawley will now please step forward. Mr. Hawley come forward.

Taking President Knox: It will be my greatest pleasure to pin upon your bosom the badge of your office. You have now been in office for the past year, as much of that was absorbed by the retiring President and previous Vice-President, much to the good of the Association. But I shall warn you to prepare yourself for some work that will add much to the next Convention and as much as done by any Vice-President.

Mr. Edwards: I beg leave to thank the gentlemen for the compliment.

(Incoming President Knox: I have no complaint to make. In other times I have been in office for the past year, as much as the retiring President and previous Vice-President's, much to the good of the Association. But I shall warn you to prepare yourself for some work that will add much to the next Convention as much as done by any President.)

Mr. Knox: I would like Mr. McWilliams to be so good as to step forward.

(Incoming President McWilliams: It would be a true pleasure to me to serve the Section in any capacity, and I am prepared to do so. I would like to add the word "power"—if the Board is limited by the power they have they could not do much, but the idea is to let them do as they can.)

Mr. Peterson: You have all heard the amendment and we have to put the amendment to a vote unless Mr. Teter accepts it.

Mr. McWilliams: What original motion is it that was it?

The President: That it be referred to a committee with power.

Mr. Hawley: With whatever power it finds itself in possession of.

The President: We will put the amendment to a vote unless Mr. Teter accepts it.

Mr. Peterson: I hope we can do nothing to disturb Mr. Teter.

Mr. McWilliams: The question was to put the amendment to a vote. (Motion put to vote and carried.)

Mr. Peterson: The motion was that the President withdraw the amendment, and then come back to the session and find it was not agreeable with the main body?

The President: All we can do is to refer to our committee.

Mr. Peterson: Pardon me.

The President: Referred to our committee. It is also provided in our by-laws that if it is not discussed here it may be brought in another form.

Mr. Hawley: The question is whether it is not covered by the resolution that will come before the committee.

The President: The gentleman in question, in presenting it must give the customary fifteen days' notice.

Mr. Peterson: We can withdraw it.

The President: Yes, we can withdraw it.

The President: The party who is responsible for it will see that they are also responsible for its withdrawal. It was presented to them, but it might possibly go over them, and then we cannot go over fifteen days; so, the responsible for it will know of how this matter was handled and that it was presented under the law.

The law is a peculiar thing when we consider it.

Mr. Edwards: In the midst of this discussion, I think this has been lost sight of, that Mr. Edwards' paper be received and passed upon our order of business, but it has not been referred to or in the discussion of the law.

The President: Mr. Edwards' paper will be received and placed on the file and placed upon the minutes of the session. Now what is your pleasure, gentlemen? (Motion put to vote and carried.)

NOMINATIONS AND ELECTIONS.

The President: The next business before this session is the report of the Nominating Committee, nominating the officers of this Section for the ensuing year, the committee having been appointed yesterday. I will state that the appointment of a Nominating Committee does not prevent anyone from presenting the name of any other person whom he desires to place in nomination for any office. The action of the Nominating Committee is not in any way final, and I am merely making a suggestion. Mr. McWilliams, the Chairman of the Committee, will now make the report.

Seattle, September 7, 1915.

Mr. President and Members of the Savings Bank Section:

Consistent with the standing resolutions of the Savings Bank Section, your Nominating Committee was confronted with a most difficult problem. However, after seeking much advice and after earnest consideration—having only the best interests of the Savings Bank Section in mind—we have the honor to place in nomination the following gentlemen:

F. C. Dinkins, President; Geo. E. Edwards, President Dollar Savings Bank, New York City.

For Members of the Executive Committee to serve three years: J. H. Edwards; Mr. Hawley, Trustee, Horton Trust and Savings Bank, Seattle, Wash.; H. P. Beckwith, Vice-President Northern Savings Bank, Fargo, N. D.; James Dinkins, Vice-President Jefferson Commercial & Savings Bank, Minneapolis, Minn.

Respectfully submitted,

Mr. McWilliams: I move that the nominations be closed.

(Motion seconded, and on being put to the vote was decided carried.)

(Nominations declared closed by the President.)
all that I can for the savings bank institutions of this great country. I thank you.

THE PRESIDENT (Mr. Hawley): Is there any further business to come before the Section? If not, I have been requested by the Secretary to announce that there will be a meeting of the Executive Committee immediately upon the adjournment of this Section. If there is no further business—

MR. DICKINS: I think it will not be out of place to express the gratification of this Section and their appreciation for the able manner in which the retiring President has conducted the affairs of his office in this Section, and I think we should indicate to him our gratitude and appreciation of the work that he has done for the Section. I move, therefore, that we tender an expression of appreciation and gratitude of this Section to Mr. Knox.

(Motion was seconded by several members and was thereupon put to vote.)

THE PRESIDENT: Are there any remarks? If not, all those in favor will say aye.

(The motion was declared unanimously carried by the President.)

MR. DICKINS: I would like, along this line, to offer a motion that it be the sense of this Convention that we tender to the bankers of Seattle and their associates, and to the Reverend A. W. Leonard and the gentlemen who addressed us here this morning, our appreciation of their efforts in our behalf that have made this Convention such a success. In putting that motion I shall ask for a rising vote.

(The motion was seconded by several members. Motion put to vote and carried by a standing vote and declared unanimously carried.)

THE PRESIDENT: The motion is unanimously carried and the Secretary will be requested to give the thanks of this Convention to Seattle bankers for their entertainment in our behalf. The meeting will now be adjourned.

Adjournment.

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UZAL H. MCCARTER, President