

BANKERS' CONVENTION SECTION

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THE CHRONICLE.

THE COMMERCIAL AND FINANCIAL CHRONICLE is a weekly newspaper of 96 to 112 pages, published in time for the earliest mails every Saturday morning, with the latest news by telegraph and cable from its own correspondents relating to the various matters within its scope.

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A complete index to the advertisements appearing in the present issue of the Bankers' Convention Section will be found on pages 86 and 87.

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 fact, international exchanges gradually turned in our favor. Our cotton exports were not cut in five as predicted, but exceeded 92 per cent. of the previous year's volume. Our copper industry was not ruined, but has been stimulated. Our stock exchanges have not been overwhelmed by a flood 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 Sproule, 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 geographers 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,
Pilots 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 that as a world-builder; it found the national wealth estimated at less than three thousand millions and it is now fifty times that. If anybody protests that the rail is receiving credit for too large a share, let him try to imagine what the country would now be had it been restricted to the highway even in the best form, for without the rail we should not have had the automobile. Perhaps some of the men who listened to Dr. Hill may have recalled that it is scarcely forty-eight years since "Seward's Folly," the purchase of Alaska for a little less than seven and one-quarter millions in gold. The folly then lay in the ignorance, which was generally shared; Russia realized as little what she was selling as Mr. Seward realized what he was buying, and in his mind the transaction was not much more than a settlement of some differences by a stroke of diplomacy.

We are not attempting any paraphrase of Dr.

Hill, merely following along the line of direction of his thought. "New" sections so desire railroad that almost anything is promised if capital will only come forward and build; when the sections are built up, the obligation and service are forgotten and the road is denounced as a devourer. As the "Chronicle" has suggested, if it were only feasible to suspend all rail operation for a few days, there would be a most wholesome lesson taught, for human nature never appreciates advantages until it has lost them. More and more service, for less and less pay, is the demand; it ought to be enough that this is unjust and unreasonable, but it is also impossible.

The delusion, never expressed in words so that it can be looked at, that a railroad is a sort of huge Afrite of service which can run independently of rest and food, still persists; it is a third entity, neither the government nor the people; it is "owned" somewhere. Suppose it were owned by Germany, or by England, or by Wall Street, or by the most misrepresented and denounced family in the country? In no case could there be an evasion of the law of self-interest that would cause the richest man on earth to abandon an unprofitable property concerning which he could see no hope; if he could neither use nor sell it, he would abandon it to 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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BANKING SECTION

AMERICAN BANKERS' ASSOCIATION

41st Annual Convention, Held at Seattle, Wash., Sept. 8 and 9, 1915

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“Economic and Political Summary of the Generation Just Closing.”

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 this 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 produc-

tion. 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 ABUSE 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 the one great popular ideal. It was growth and size that we were aiming at. It was the invitation of capital to investment that seemed the highest good. We were all absorbed in the chase for the dollar. Professions became commercialized and the success of a man was measured more by his ability or luck in amassing money than by his character or public usefulness. It was an age of the formation of great corporations, and then of the combination of those great corporations again into trusts. 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 corporations for the officers and directors to issue, with the same nonchalance and certainty of their being complied 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. Warnings 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 1900 and 1910 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 largest 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 derision and flaunted 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 entrenched power. It may take years, but "all the people cannot be fooled all the time." I listened to a most interesting speech by the worthy president of a railroad that has been brought to grief through the headstrong defiance of popular will by his predecessor, in which he set forth in plaintive but forcible language the present subjection of the railroads to official regulation. I could not but contrast his manner and matter with what his predecessor would have presented to such an audience ten years ago.

THE ANTI-TRUST LAW

A similar change can be traced in the effect and enforcement of the anti-trust law, though this has been brought about in the course of judicial interpretation and decision rather than by amendment. In 1890 Congress passed the Sherman Act to forbid restraints of interstate trade in the forms of trusts and monopolies, leaving to the courts to enforce the law and interpret the general terms. The first decision was, unfortunately, narrow, and the great industrial and railroad combinations repeated the error which had been made in respect to the interstate commerce law and flouted the new measure. It took twenty years of executive prosecution and judicial construction to show the power that was in the law, and to-day no investment is made, no combination is carried through without the utmost anxiety and care on the part of those who are promoting it to avoid violation of the terms of that comprehensive statute.

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 rousing 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 leviathan of the people be 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 legislatures 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 time of great prosperity, when wages are good and employment constant, everybody is comfortable and snug with a consciousness of power. There is a full opportunity for the play of the forces of class jealousy and discontent with inequality, and the popular delusion spreads that legislation can do anything. Schemes for forcing, not equality of opportunity, but equality of conditions, are proposed. Measures are adopted to strike at the successful without distinction as to whether their success is dependent upon legitimate methods or otherwise.

The close and absolute supervision over the management of railroads and the restriction upon the rates that are charged by them in interstate commerce and in commerce within states, together with the increase, or the maintenance, of wages through the power of the trades unions, have ground the railroads between the upper and nether millstones and prevented a fair return upon their capital. The solvency of some is threatened, and all this to the detriment of the business of the country, and especially to the comfort and happiness of wage earners dependent on normal business and a normal demand for labor.

We 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 reacts upon that of all the others. This is no reason why we should not repress injustice and take away its opportunity 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 capitalistic abuse of 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 parcels 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 disenthroning 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 employe and the employer were framed in the interest of the employer. The single employe 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 a body has proven a real inconvenience and a real interference with the employer's prosperity, which makes it a powerful leverage in maintaining their reasonable demands. On a rising market the combination of laborers can compel their employers to give a just share of the increased profit of their joint product in the form of advanced wages, and on a falling market they can restrain the employer from undue haste in making a cut. Of course, wages are determined in a free market by the law of supply and demand and no 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 because they constitute a majority of the community, for the members of trades unions and organized labor are very much in the minority even among wage earners; but they are a forceful, well-directed, compact body, active and influential in every local community as well as in the nation at large, and are supposed to hold a balance of power in many legislative and congressional districts. They have been able to moderate the severity of the common law against their class, to impose upon employers obligations in respect to the safety and health of the place of labor and the use of safety appliances in dangerous employment, to abolish the inequitable fellow servant rule and to obtain workmen's compensation acts insuring the workmen against disabling accident. Some of these workmen's compensation acts are in operation, but the principle has been accepted, and I doubt not in the course of time, when properly

worked out, they will inure to the benefit not only of the employe but the employer and the community.

These are the advantages of trades unions. We should know that they have come to stay and to remain powerful factors in the progress of the community. But evil tendencies have appeared in such combinations, just as in combinations of capital. Trades unionism has tended to create a dead level of industry and skill among wage earners. By securing the same pay for the good worker and the poor one it takes away the motive in the individual workingman for greater industry and higher skill. These tendencies, we may hope, trades unions themselves will seek to mitigate and neutralize for their own good.

But the chief ground for criticising the recent policy of trades unions is the fact that the power they have legitimately acquired by combination and have properly used for the betterment of their conditions, they are now attempting to abuse by seeking to place organized labor in a privileged class. Congress and legislatures have not deemed it necessary to take the same pains to impose detailed restrictions upon the possible abuse of the power of trades unions as in the case of railroad companies and trusts. To those who are injured by the abuse of their power by trades unions ordinary principles of law offer remedies which are probably sufficient. But the unions are not content with this freedom from special legislative restriction. They are demanding from legislatures and from Congress that common law and equitable remedies be suspended against their methods of industrial warfare, which have been declared to be illegal by the courts. They have succeeded in some of the states, as they have succeeded in England. They have partially succeeded in Congress, but not as fully as their leaders represent, in the passage of what is called the Clayton Act.

COMPOUND AND OTHER BOYCOTTS.

The Anthracite Coal Commission appointed by President Roosevelt, which settled the anthracite coal strike, and which contained a representative of organized labor upon it, made a report that the compound boycott was one of the most cruel and illegal instruments that could be evoked in a labor dispute, and they strongly condemned it. There are three kinds of boycott—the primary boycott, the secondary boycott and the compound boycott, so called. When a body of workmen withdraw from employment and notify their employer that unless he complies with their demand they will not work for him, nor will they patronize him in any way—that is what is called a primary boycott. It is legal and always has been. They may use the normal inconveniences that such withdrawal from employment and withholding of custom enable them to inflict on the employer to induce him to a compliance with their terms. When they enlarge the field of inconvenience to him by trying to persuade others to sympathize with them in withholding custom or valuable association of any sort from the employer, they are engaged in a secondary boycott.

The Clayton bill in my judgment makes legal a secondary boycott of this description, and it thus authorizes the use of an instrument in industrial warfare that may work unjust hardship.

The compound boycott, however, is much more dangerous to the community, and it would be a serious public injury to make it legal. It seeks to draw into the controversy by compulsion members of the community who have no normal relation to the issue between the contestants in the labor dispute.

A is an employer and B is the body of employes in a trade union and C is a customer of A. If the B trade union has a dispute with A, and B notifies C that he must withhold his custom from A or B will boycott him also, this is a compound boycott, both against A and C.

It was illegal at common law and gave an action for

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 fight 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 hat 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.

UNDUE RESTRAINT OF CORPORATIONS.

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 curtailment 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 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 combination 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 retracing. 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 carrying on 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 and the referendum. After a study of the working of these innovations, I do not hesitate to say that it proves the unwisdom of such changes. If it be true that a people have not information and intelligence to select from their own number competent and honest agents to do their work, they certainly have not the capacity to perform the much more difficult task of passing useful judgment on statutes, frequently difficult to construe or understand. Again, the duty imposed upon the people in legislating by initiative and referendum is so much more burdensome than that imposed by the representative system in selecting agents to do this work that the majority of the voters too frequently refuse to perform their electoral duties, and thus leave to a minority of the electorate the decision of important questions submitted by referendum. The majority of the electorate thus show that they do not approve the reference to them of such difficult questions. The statistics show that at the same election at which officers are to be elected, and measures referred are to be voted upon, the proportion of those who vote upon the measures is rarely more than 60 per cent. of those who vote for candidates, and not infrequently is as low as 25 or 30 per cent. thereof. In the election of 1912 in Oregon the electors were called upon to vote upon

the question of adopting thirty-one complicated statutes. In order to explain the issues thus presented the state published a volume containing 250 closely printed pages and circulated it among the voters. I ask this intelligent audience to look into their hearts and answer me truly, and say how many of them in preparation for such an election would read diligently through that volume of 250 printed pages. It would be on subjects with many of which they were not familiar. Much or all of it would be the dryest kind of reading. Then I ask those who think they would read such publication how many of them after reading it would think their judgment upon the statutes worth anything.

The initiative gives the power to anyone who can induce five per cent. of the electorate to sign his petition to frame a legislative bill and compel its submission to the electorate, and this without amendment or discussion as to form. It is a great burden upon the electors and eliminates all possibility of that wise adaptation to the real public needs that illuminating discussion and reframing so often give to laws when they are passed by Congress or a state legislature.

THE BUSINESS OF LEGISLATION.

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 real evil is to 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 informing 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 than in our cities and states that even a temporary success in such a community 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. Yet 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 inapplicable to a community of any considerable size, especially to a community in which the people live in different settlements remote to 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 an ambitious rival through misrepresentation in the press and the hasty judgment of the minority 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 shall 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 misrepresentation 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 litigants 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 appropriations bill in such a procedure rest upon the same sanction. The success of our popular government, in promoting the happiness of all the people, depends upon the justice and equity with which it reconciles the rights and power of the whole people with the rights of minority and of individuals. Such justice and equity has been obtained by the adoption of a written constitution and the interpretation and enforcement of it by an independent judiciary whom the people took pains to surround with every protection against popular passion or congressional or executive restraint. The system of representative government is an institution hammered out in the struggle for liberty by our Anglo-Saxon ancestors for eight hundred years. The system of written constitutions and an independent judiciary has vindicated itself in the strenuous life of the Republic for 125 years and there is nothing in the actual results of the initiative, referendum and recall that commends them as a substitute.

PARTIES ARE NECESSARY.

What is true with respect to the state is true with respect to the party. Parties are essential to popular government. In no other way practically can the will of all the electorate be interpreted and embodied in affirmative action, legislative and executive. The selection of candidates by a party is a matter in which the community may properly take an interest and with respect to which the legislature may properly pass laws to prevent abuses which have arisen in party government. But the question which I moot is whether the selection of candidates at a general primary has tended to the elimination of corruption or political machine rule and the selection of better representatives of a party. I say without hesitation that it has not. Certainly it has not with respect to the many offices to which it applies, when the persons to be selected are not persons of whose qualification the public can, in the nature of things, have any intimate knowledge. The standard of judges in those states where the candidates are selected by a general primary has notably and perceptibly become inferior to those who were selected under the old convention system.

The convention system gave rise to abuses. Bosses and machines were able to control the convention, but even under the worst boss and the worst machine the convention was a body with a sense of some responsibility growing out of its desire to nominate a ticket which would win in the election; and therefore while it may have nominated many machine candidates whose

selection did not make for the public interest, it frequently nominated men of strength and popularity and high character in order that the ticket might be a vote-getting one. Under the system of the general primary there is no such responsibility. Especially is this true in the selection of the subordinate officers. Circumstances of no real or proper significance in the selection of qualified candidates affect the choice in such cases. If the initial letter of the candidate's name comes early in the alphabet, and he is first in the list of candidates, he may receive thousands of votes more than the man whose name begins with W. Anything that gives a man notoriety or conspicuousness in the community, however unimportant in showing his qualifications, attracts votes to him because the voters have no other means of identifying or discriminating between the many candidates. The man who advertises himself most in the newspapers has a great advantage. The general primary in the opportunity which it offers to the use of money in organizing a campaign, expended, not corruptly but merely in giving publicity to the candidate, greatly increases the power of money. I have known man after man, worthy of party preference, who has declined to enter a primary contest because of the financial burden that a successful issue imposed.

MACHINE CONTROL OF PRIMARIES.

Nor is it true that the general primary is any less subject to the control of a machine and the boss and a political organization than a convention. Primaries are usually attended by a minority of the party. In other words, the result is much affected by the number who can be aroused to come out to vote, and that depends upon organization. This places in the hands of the politicians who have an organization the means to control.

In America we have been greatly influenced by the success that our people have shown in the invention of machines to reduce the amount of labor needed and the cost of production, and we cannot get over the idea that political evils can be remedied by a change in political machinery. I don't mean to say that one form of machinery in politics is not better than another, but I do mean to say that everyone will fail, or will suffer in its operation if the electorate do not perform their electoral duties. The representative system in legislatures and in conventions will work well if the people who ought to vote will turn out, and it will work for the reasons I have stated a great deal better than the initiative and referendum and the general primary. But we should realize under any system the politicians will control, if the people fail in their electoral duties. These so-called reforms and their popularity are a sincere expression of the desire of the people to make short cuts and to avoid the evils of a failure of the people to do their duties. It is a futile policy, as experience is showing. We find the so-called bosses still controlling under the general primary, and we find the reformers as bitter against the result of the general primaries when they are defeated as they were against the convention. We may, therefore, expect a wise reaction from this attempted infusion of "more democracy to cure the evils of present democracy."

Another marked tendency of this generation is the growth of the spirit of universal brotherhood. It has shown itself in the sense of responsibility that rich men who have accumulated great fortunes have manifested in enormous donations to every variety of philanthropic activity. They have shown this not only by the size of these contributions but by the foresight and labor with which they have formulated the provisions and created the instrumentalities for their useful application. But not among the rich alone has this feeling spread. The organization of all sorts of charitable societies and the unselfish activities and devotion of

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 peaceable 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.

"Self Defense."

BY HENRY D. ESTABROOK of Noble, Estabrook & McHarg, Councillors at Law, New York.

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 work. 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 inaccessible, have been brought low—dissolved—held in solution—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, transfixed into a level waterfront, the very choicest warehouse property 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 squirt-gun big enough, water in motion will lift a mountain out of its socket and batter it into batter, and that *that* is all 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 resolvable 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 world through the thoughts of men. "The world," he says, "stands upon ideas, not upon iron or cotton; and the iron of iron, the fire of fire, the ether 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 fallow and perdu for the working out of some great design, so the American government was founded on brand new ideas; it and its 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 the 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; be ours 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?
Sing me 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 above,
Thy brother every man below;
So long, dear land of all my love,
Thy name shall shine, thy fame shall glow."

Please observe that these poets have a way of making 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 accomplishments 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 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 cormorant 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 principle 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—towards 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 so mighty."

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. Is 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. Groping, vacillating, jealous, discontented, costly and chaotic even as popular government, from its very nature, is doomed to be, we Americans would not exchange the adumbrations, the auroras, the mists 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 as a separate sovereign, and looking only to her separate interests, should deem herself over-populated and so fall to hankering 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, particularly the luxury of sovereigns? 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, owing 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 everyone of us to 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 kingleit, prince and princelet, together with all their preposterous claims of divine rights—together with all the pomps and frauds and shams of royalty—have been banished from the earth. So far from being the Vicar of God, a King is a monstrosity conjured out of Pande-

monium by the people themselves as a punishment for their own wickedness and folly—an 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 exalting one man 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 republic, administered by a judge and the elders of the tribes. Kings they had none, and it was held sinful to acknowledge any being under that title but the Lord of Hosts. And when a man seriously reflects on the idolatrous homage which is paid to the persons of kings he need not wonder that the Almighty, ever jealous of His honor, should disapprove a form of government which so impudently invades the prerogative of heaven."

"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 elated with success, and attributing it to the generalship of Gideon, proposed 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, 'I will not rule over you, neither shall my son rule over you. THE LORD SHALL RULE OVER YOU.' Words need not be more explicit; Gideon doth not *decline* the honor, but denieth their right to give it; neither doth he compliment them with invented declarations of his thanks, but in the positive style of a prophet charges them with disaffection to their proper Sovereign, the King of Heaven.

"About one hundred years after this they fell again into the same error. Laying hold of the misconduct of Samuel's two sons, who were intrusted with some secular concerns, they came in an abrupt and clamorous manner to Samuel, saying, 'Behold thou art old and thy sons walk not in thy ways; now make us a king to judge us like all the other nations.' And here we cannot but observe that their motives were bad, viz., that they might be *like* unto other nations, i. e., the heathen; whereas their true glory lay in being as much *unlike* them as possible. 'But the thing displeased Samuel when they said, Give us a king to judge us; and Samuel prayed unto the Lord, and the Lord said unto Samuel, Hearken unto the voice of the people in all that they say unto 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 that asked of him a king. And he said, This shall be the manner of the king that shall reign over you: he will take your sons and appoint them for himself, for his chariots, and to be his horsemen, and some shall run before his chariots, and he will appoint them captains over thousands, and captains over fifties, and will set them to ear his ground and to reap his harvest, and to make instruments of war, and instruments of his chariots; and he will take your daughters to be confectionaries, and to be cooks and to be bakers, and he 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 standing vices of kings), 'and he will take the tenth of your men servants, and your maid servants, and your goodliest young men, and your asses, and put them to his work; and he will take the tenth of your sheep, and ye shall be his servants, and ye shall cry out in that day because of your king which ye shall have chosen. AND THE LORD WILL NOT HEAR YOU IN THAT DAY.' 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 our king may judge us, and go out before us and fight our battles.' Samuel continued to reason with them, but to no purpose; he set before them their ingratitude, their folly, he cried out, 'I will call unto the Lord and He shall send thunder and rain' (which was then a punishment, being in the time of wheat harvest), 'that ye may perceive and see that your wickedness is great which ye have done in the sight of the Lord, IN ASKING YOU A KING. So Samuel called unto the Lord, and the Lord sent thunder and rain that day, and all the people greatly feared the Lord and Samuel. And all the people said unto Samuel, 'Pray for thy servants unto the Lord thy God that we die not, for WE HAVE ADDED UNTO OUR SINS THIS EVIL, TO ASK A KING.' These portions of the Scriptures are direct and positive. They admit of no equivocal construction. That the Almighty hath here entered his protest against monarchical government is true, or the Scripture is false."

THE WAR A FAMILY FEUD,

Fellow citizens, the bloody, beastly war raging in Europe—the outcome of a family feud among royal kinsmen—is of no immediate concern to this country except as some of the belligerents have trampled our rights as neutrals. As for these aggressions, we have entered our protest and recorded our resentment. It is hardly probable that the situation at the worst will involve us in armed conflict, though it may lead to reprisals and demands for reparation. Both reprisals and reparation we *could* forgo, at whatever cost of prestige and national honor, rather than challenge combat with our superiors in strength. But what stuns and almost stupefies us is the sudden discovery to ourselves of how far we have separated ourselves from kings and all they stand for and from all those who share the sordidness of their ambitions. Neither the Atlantic nor Pacific measures 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 masquerade 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 dead as a cracked cymbal. Is there any magic in the name America to lull the lust and greed 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 kingly foot shall ever rankle the clean earth of our Western World. Do we propose to keep that oath?

WEAKER THAN DISHWATER.

No nation threatens us in so many words; but who is oblivious to hints and intimations that speak louder than words? We boast our strength to repel attack when we know we are weaker than dishwater. While every other nation has been preparing for aggression we have not made ready even for defense. Is this state of embeccility to endure? Shall we continue to listen to a wandering Voice as imbecille as our condition? When this Voice was recently removed from the counsels of our government we thought, good easy souls, we had gotten rid of it, and were ready to cry out with Isaiah, "We have been with child; we have been in pain; we have, as it were, brought forth wind." Has Mr. Bryan proven himself so good a prophet in the past that we can 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 repudiate a moiety 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 leap to arms and put to flight the bullet-tested soldiery of Asia or of Europe is worse 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 temptation 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," said he, "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 grave, 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—as 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 easily 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.

MENACE 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 not the least debt of gratitude which America owes to Providence is 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 incentive to foment

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 volunteer should be to his country, not simply to a locality. It may cost the militia of our several 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 tinsel, but of a different metal and a better mettle. The concerns of any particular State are inconsequential compared with the concerns of the nation. 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 been 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 grow 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 Lieutenant 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 shining their shoes, brushing their clothes, polishing their accoutrement 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 had seen 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, slipshod, country bumpkins, with more legs than a centipede and more arms than Briareus—as awkward and clumsy as Newfoundland puppies; and in a year's time I had found myself envying their elegance of carriage, their poise and pose, their self-possession—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 these 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 as valuable to them as all their knowledge, and in the event of war they would not like Col. Bryan have to be taught their "hay-foot" from their "straw-foot." A million or so of such citizens 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 farther 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. Time was when the American flag covered the seven seas; and the ocean highways, which are always paved and cost nothing for repairs, were as much ours as England'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 commission.

Liberty! Liberty! what tyrannies are committed in thy 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 relative 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 disabled, 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, and do not begrudge my contribution to them in the way of 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 unequal 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 American 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 requirements 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 encourage them to build ships—isn't that so? The cheapest encouragement it can offer is to permit our shipowners 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 limitations 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 inducements 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 new fields of endeavor—it would mean the employment 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 lengthened 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 an enlarged conception of her mission. Heretofore, the church aimed to get the Christian life into the individual and then sought to get the individual into the church. This program is well and good but it is not large enough. The Church must do more. She must seek to get the life and spirit of Christ into all phases of community life. She must make bad community conditions good and good community conditions better. To this end, a careful community survey must be made.

Every community has its own peculiarities and presents its own peculiar problems. A careful and intelligent survey will indicate clearly the task that should be done and the assets at hand with which to work them out. Because this program has been followed in a practical way in the church I now serve, I am asked to state what we have done, and whether the results obtained justify the methods employed.

The survey revealed good school advantages for our children, but offered at the same time room for improvement. We set out at once to establish in our community a high school doing the quality and quantity of work required to place the school on the accredited list of high schools. Opposition was at once encountered. The cry was raised in many quarters "Our school tax is

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 improve the quality of livestock kept on his farm; fourth, something to raise the standard of life in the home; fifth, 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 grass; if he works well, the advantage of having such an agent will appear."

Farmers as a class are "riotously individualistic." They boast of their independence and exercise it with great freedom. Pronounced individuality is a most

excellent characteristic, but when pushed so far as to destroy the spirit of needed co-operation, it becomes a hindrance rather than a help in building ideal economic social and community relationships. Farmers more than any other class of people need the benefits that may accrue through the practical exercise of the sane co-operative spirit. This agent, by his work, has wisely led the people in co-operative measures and caused them to see the advantage of practical community co-operation. He purchased alfalfa and ground raw limestone in carload lots and furnished the farmers with these articles greatly to their advantage. He also purchased a concrete mixer to be used in building concrete foundations, sidewalks, feeding floors and such other things as make for permanent and useful farm improvements. Under his direction, several more co-operative measures are contemplated. Among other, the purchase of an alfalfa cultivator, which purchase, when made, will result in economy and real profit to all the members holding shares in the cultivator. Mr. Eckhardt, our county advisor, says, "As far as we now know on the majority of soils in our section of Illinois, three things are necessary in order to maintain soil fertility unimpaired and at the same time pursue agricultural methods with profit. Limestone to sweeten the soil and make possible the growing of legumes; the growing of legumes to furnish humus and combined nitrogen available for plant food, and phosphorus. This last element can best be supplied by applying raw ground rock phosphate to the soil. When these three things are wisely used in agricultural practice, we may say farmers can indefinitely furnish feed and foodstuffs for the people and maintain unimpaired the crop-producing power of the soils. Our Co-operative Agent has helped to make possible the use of these articles. As a consequence the best methods of agricultural practice are being followed by several members of this club. Those who really understand the import of this statement will pronounce this achievement as something greatly worth while.

One great cause for dissatisfaction with farm life grows out of the fact that the farmer's wife is compelled to do so much laborious work. As a rule, she performs her tasks with inefficient equipment. Consequently, she becomes discouraged and dissatisfied, she longs to leave the farm and go to the city, where she may have modern conveniences and release from the excessive burdens imposed upon her. The club meetings are held at the homes of the various members. When one farmer installs some improvement in his house, all the women of the neighborhood sooner or later come to see this improvement. As a result, the improvement made in one home is duplicated in other homes. In this fashion many burdens incident to life on the farm are so removed that the farmer's wife can do her work easily and have some time for leisure, culture and recreation. The organization of this club has done much to bring about this desirable result. There are homes in this community now equipped with hot and cold water, gasoline engines for pumping water, running the washing machine and performing such other burdens as will lighten housework on the farm.

Social barrenness of rural life is also a source of discontent both among the young people and women on the farm. Under the auspices of this club social gatherings are held once a month throughout the year in such fashion as to furnish sane, wholesome and satisfying social conditions. So popular are these social gatherings that almost all the young people, children, women and men, old and middle-aged, are invariably present at these gatherings. The Hayseed Glee Club furnishes music; the young men engage in athletic sports; the women discuss items dealing with questions of home

economics, while issues of national import furnish topics for conversation among the men. Cafeteria lunches are served by the women and all have what they call a "delightful time." What I am saying is, this club has solved for this community the problem of rural social barrenness and helped to make country life what it should be, the most desirable life to be found anywhere.

One of the most perplexing problems confronting farmers in the corn belt is the problem of land tenancy. At the present time from thirty to forty per cent. 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 tenancy.

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 farm. 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 are 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 commanding 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. RAUSCH, 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 lilac 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 home 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 on like this? 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 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 very 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—my ranch is not a success and this little girl will have to keep house for me and five little brothers and sisters. The baby is two. My daughter has been at school from the time she was five years old, but she has never had a lesson in house-keeping. 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 wherefor 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 their future.

People say that our great grandmothers did nearly all their own work, made the clothing, visited the sick, took care of the garden and had their church duties as well as the care and bringing up of a large family. So they did, but think of the quiet, regular life they lived 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 and wanting to be better than their neighbors. So you see it is hard to introduce a change. Was it not Lord Bagot who said, "There is no path like the path of a new idea."

In the country there is a wonderful opportunity to buy up a real home. There is a chance for the children to

be given responsibility. In a home where there are comforts and conveniences, books and music, there is a chance for real happiness. Often you hear a man say I had to move to town on account of my wife and daughter. Perhaps in that home there were no modern utensils, no washing machine and nothing to lighten the work. Also no hours for recreation and social life. Men seem to have more opportunities to meet other men. You will notice at a farmers' institute that there are many men, but often the wife is at home doing the work. When I get the men together I have to tell them of the wonderful ways of making the housekeeping easier. One farmer told me that my lecture of a previous date cost him \$150 because he put water in the house, linoleum on the kitchen floor, bought a new stove, washing machine and other things, and that it was worth it as his wife was younger and happier than she had been in fifteen years. Another time I said that the men had everything in the barn that was new and labor saving and I knew some women had to use an old tomato can for a dipper. After the lecture a big shy-looking farmer came up and said: "My! you ain't afraid to say things and you made me feel small as a petanot. My wife has that tomato can for a dipper, but how did you know it? But I am going to the store now to buy her a good dipper and I'm going to buy a new stove too." No girl should be married until she has a talk about the future finances with her husband to be.

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 have a pride in it. Teach the mothers not to let the girls go to high school with such 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 elaborate 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 tea or coffee or pickles. If you take care of a child's stomach for the first seven years of life 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 con-

sidered only half educated. There are many rich people who work harder than poor ones. Life is like one great carpet and some of us have to weave the dark body threads and others put in the gay ones. We could not have our carpet without the body threads just as we could not have the world as it is to-day without the workers. They are the back-bone of our nation. It does not matter what kind of work we have to do as long as we do it well. You can make your work dignified, no matter what the work is. If you are ashamed of your work, the work will never be done right, and you can never be a happy person. We must do our work well, and we can make our work and our life what we will. There is no more glorious work for women than that of housekeeping, and the woman who makes a home, prepares the meals, washes the dishes three times a day and makes the clothing for the little children is the woman who is entitled to all honor and glory. The woman who is her own housekeeper and mistress can so dignify labor that housekeeping will be considered the finest kind of a profession. Half the battle in any fight is to love the work we have to do and to have enthusiasm for it. Do what you have to do to-day and do it well. Do not envy other people but be satisfied with what you have.

Every mother and father should see to it that their daughter is inspired with the art of good housekeeping and feels that when necessity arises she can do her own 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 about housekeeping and who want to polish every nail in the attic floor so as to show that they are good housekeepers and have everything bright and shiny.

Every woman, rich or poor, should be acquainted with the art of housekeeping, and her greatest pleasure should be in making her home an example which the children will never forget. The future lives of her children depend in a great measure upon the mother's wise counsel and good advice, and one good mother is better than twenty teachers.

Realizing that the truest and fullest life is to be in the home as housekeeper and home maker the twentieth century woman prepares herself for her life work, just as an engineer, or a physician, prepares himself. She studies under those who have made thorough and scientific research into every phase and department of the home. She learns how to plan her own house, that it shall be simple, convenient and comfortable, full of light and sunshine and sanitary in every way; how to furnish and equip it in good taste, and with reasonable expenditure of money; how to keep the house sweet and clean, and wholesome without sacrifice of too great time and effort; how to leave out the drudgery, substituting for it wholesome, happy labor; how to plan and prepare her meals that well-balanced, well-served, satisfying meals shall be the rule of the home. She learns the wise and economical expenditure of money; how to cut, fit, sew; how to care for the babies; how to nurse the sick; how to make strong, healthy animals of her children—the relation of good food, proper exercise, fresh air, and sunshine to good health. She learns the laws relating to the development and growth of the mind and soul.

Women have hated housekeeping because they have not had the proper tools and the right spirit. Everyone bought a sewing machine when they were invented, and it must not be long before every woman has a good stove and a good dish washer. I believe that every woman should have proper utensils so as to get through her

work quickly. You men come home and find a tired wife. So you go off to visit a neighbor or you sit down and read the paper for hours. That reminds me of a story I heard yesterday. "Come on, Jamie, lets play house," suggested four-year-old Alice to her twin brother. "All right," he agreed, "you get the broom and be the mother and I'll get the newspaper and be the father."

A little cabin of one or two rooms out on the prairie is often so cozy and homelike, that people love to stay there for a few days and it may be the home from which some great man comes. How much useless money is spent on cheap furniture, ugly rugs, plush curtains, and sofa pillows. Thousands of dollars are wasted every year in buying very ugly and cheap vases and bric-a-brac. Think of the care bestowed upon them. A man will spend one hundred dollars for an article which will be seen in his living room by every caller, but he will begrudge five for something which makes the kitchen more comfortable for his wife.

Growth does not depend upon food alone, but on the right kind and the proper preparation. Many children starve in the midst of plenty, because it is not the right kind of food. If suitable food is given early in life, it will make fine, strong, healthy men and women who are capable of doing good mental and physical work. Many of our criminals come from the tenement districts and the slums where the food is very badly cooked.

What can the woman do for the home and the nation? By being a perfect home-maker, she not only makes a happy, perfect home, but her influence is what makes the nation great. If the woman in the home brings her sons up in 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 has 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 home life. It is true that if domestic work disappears, 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 home 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 politest of people. Do not have company manners. Keep your manners polished as you keep your face clean—first, because self-respect 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 no control over them 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 ever. 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 living. But every successful business woman longs for her own home, because it is a place where she can make comfort and happiness for those who love her, and be protected from the stress of daily life.

I could tell you of hundreds of women who are earning 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 womanly. She loves 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 untidiness 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 appearance, self-confidence, cheerfulness of attitude and willingness to take responsibility.

Let the children take responsibility. Have you forgotten 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 your mother give you a penny to buy some molasses taffy, a licorice stick or some other wonderful concoction 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 sometimes 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 30 or 35 for sliced bacon bought at the butcher's. True, it is sliced thinly, it is good quality, and it is convenient and handy to have on an emergency shelf. But I am speaking 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 4,500, said that in nineteen 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 housekeeper 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 community who is striving to make the home a better place to live in. Stephen Girard said that the recipe for happiness 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 degrees removed, and an old hat dragged down over his ears. 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 actually fitted him. He was swelled 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 makes 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 humiliating 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 homes or our neighbors won't have good homes. Many a woman sacrifices her health because she thinks she has to work all day. The curfew 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 matter how good a housekeeper she may be, the woman who interferes with comfort of the family and the development of the home is a poor mother. Every woman should learn to be thrifty; to my mind that does not mean at all to be stingy. Thrift is the guarding of one's possessions in such a way that they are constantly increasing. Thrift is spending 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-confidence and peace of mind. Happiness consists of earning 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 in the young women, for they will be the ones to bear and bring up the future men and women. Our girls should be taught the value of money. 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 is 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 \$688 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 to-day 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 mere commonplaces, but which are really deserving of more notice than they have received.

First, it should be borne in mind that it was necessary to frame the new law so as to provide for a complete change in our note issuing and credit basis, yet, at the same time, so accomplish this as to cause no disturbance 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 to hold a considerable share of country bank deposits and in turn deposit one-half their reserves in Central Reserve banks. 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 385 to 982 member banks with a nominal capital ranging from \$4,808,000 to \$21,624,000—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 regiments 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 7,000 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 with big gains 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 must say first, you must admit that the old scheme of reserves was, to say the least, very faulty. 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 reserves 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, and provided it complies with the not onerous provisions of the law and rules of the Federal Reserve Board, 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 additional security above the 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 super-abundance or redundancy 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 short-time commercial paper, as heretofore described. This feature of the law is something that American banks of this generation have had no experience with and it is perhaps not easy for them to adjust themselves to it. Many of them have been taught to believe that loans should be made preferably against securities as collateral, such for example, as well known stocks and bonds. To them the new plan seems revolutionary, or at least difficult to comprehend. In point of fact it is the basis upon which banks of issue in our own country, before the Civil War, and practically all European countries have operated. The theory upon which the issue of notes on short-time paper is justified and preferred to the idea of issuing notes against good bonds is that if bank note currency is to be really flexible, it must expand or contract in volume exactly as the business of the country expands and contracts. Furthermore, it must be based on articles of daily use and necessity, articles which like food and clothing are being consumed and therefore bought and paid for every day. This, experience here and abroad has taught, is a better basis for currency than Government bonds or any other slow or long-time investment security.

In what I have said, I have tried to explain briefly

some neglected features of strength in the new banking law. To me they are important. Experience has taught me that the greatest necessity in modern industrial life is intelligent organization. Without it we cannot secure co-operation or efficiency. It was a misnomer to call the old banking system a system. If it was a system, it was so against the spirit of the law which created it, and came about by purely adventitious methods. Now, we have what can really be called a system—7,600 or more banks grouped into twelve districts, each district headed by a central bank, which, being the mutual, jointly owned bank of all the member banks of the district, should serve the necessary purpose of creating an organization in a hitherto unorganized aggregation of units.

These Reserve Banks belong to the banks so largely represented here. They are created and managed by your directors. The Federal Reserve Board, a quasi-governmental body, has no desire to interfere with their management. It is obviously our aim to have the spirit of the law complied with, and our duty to have the letter of the law obeyed, but we have no thought that it will ever be necessary to adopt harsh or arbitrary methods to accomplish that purpose. We are glad to exchange views with you, glad of your suggestions and criticisms. While only two of our number are bankers of experience and training, all are equally desirous of making the system a success, and we know full well that success cannot be had unless the member banks as well as the business men of the country fare well under its operation. We hear much of the danger of competition of the Federal Reserve Banks with member banks. It isn't strange perhaps that in a time when business is poor and a plethora of money exists that there should be those who resent the fact that Reserve Banks are permitted to enter the open market—but those who really study the question, will soon realize that these open market operations at most are negligible when compared to the aggregate of such operations by state and national banks. The rediscounting of commercial paper of member banks by the Reserve Bank is the chief function of these banks, and while it creates some competition in dull times with large banks who have heretofore rendered this service for their correspondents, it, too, is negligible in volume and in busy times would be welcomed. The fact that the new law lowered reserve requirements, of course released reserve money which competed with previously existing funds and tended to lower interest rates, but that will soon adjust itself when business improves.

Per contra and over against all the arguments which the skeptic and the grumbler may assert, I ask you to consider the benefits of organization and co-ordination of effort, resulting from the grouping of banks into districts, each under a strong mutually owned bank.

If you gentlemen who are complaining of the ruinous effect of competition brought about by the Reserve System, will apply yourselves loyally to the task you can make this Federal Reserve System, chartered as it is under Federal law, the bulwark against the fiercest kind of competition, unfair competition, competition which makes for payment of high rates of interest for bank or individual deposits, or else retains or encourages other equally absurd practices.

You know these things better than I, and I believe you can find a way to abolish many of these absurd schemes, and by means of your Reserve Bank, create a real system—a system in fact as well as in name—which will make 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.

“Boys and Girls.”

By PROF. T. J. NEWBILL, University of Washington, Seattle, Wash.

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 performed at 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. Think, forty per cent. of all the products of the soil 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 city lies 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 improvement of home life and living conditions.

The attitude of the younger 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 of the club members is the highest conservation, 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 an 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, but the examination that the world for success demands; success so often is entirely different from the examination 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 boys and girls, whose pores are open, looking for the best wherever they can find it. Start them right, catch them young, and with twice as many productive years ahead our work is more worth while. Attention to our boys and girls, then, is really putting the grease where the squeak is, economically.

Too many of the older farmers have sold out everything and moved into town in search of a place generally where they can die cheap. Let's make partners of our boys and girls in the home-making and farming business, and watch the great difference resulting. Let's teach them to be producers, earners, owners, and savers, as well as how to spend wisely. Let's dignify home pursuits. They have been digging Latin and Greek roots

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 if we 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 our girls into clubs for some of these worthy home enterprises, such as the Corn Clubs, Pig Clubs, Poultry Clubs, Garden and Canning 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 wait 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. Lend 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 be a farm boy with such an opportunity. As a result, community types of breeds have resulted. Community marketing and community co-operation in the purchase of a sire for the whole community. Ethel May Harney, the little girl who purchased her sow, kept her records, did her own work, produced pork at a cost of three and one-half cents per pound, 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

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 Canning 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 calf?

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 barnyard you are a different Banker to the whole family thereafter, 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 actively 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?

Committee and Officers' Reports—Banking Section.

Annual Report of the General Secretary.

NEW YORK CITY, August 16, 1915.

To the American Bankers' Association:

GENTLEMEN: I respectfully 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 so.

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 business 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 justified in practice. As it is now organized, the Executive Council has a greater efficiency and a 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 Chamberlin, Old Point Comfort, Va., May 3, 4 and 5, 1915. The absentees were few 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 methods 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. It is equitable, and it is so divided geographically that every State has representation based on the number of its members in the Association; thus each State contributes an influence on the work of the Association and develops an interest in it that could probably not be so well secured in any other way.

SECTIONS OF THE ASSOCIATION.

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 year, during the period in which I have served the Association, where there has been such hearty co-operation between the Sections and the various officers of the Association.

The Trust Company Section has had problems of serious import to consider and has been most active in the promotion of discussion of these problems, particularly in their relation to trust company affairs 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.

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, M. W. Harrison was chosen as his successor. Mr. Harrison has taken hold of the work with much vigor and has shown such initiative and resourcefulness as to insure continued progress. Not only are the general interests of the members of the Section being carefully studied; but the thrift 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 a year of thrift 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 chosen 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, 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 that is made. During the past year the Institute has shown an increase in membership and there has been manifested even a stronger desire on the part of its officers and members to broaden its work and bring it to the highest point of excellence. The Bankers' Health Commission, which grew out of Institute needs, has been making decided progress, and it is confidently predicted that its development will show the wisdom of those who organized it.

The State Secretaries Section has been in co-operation with the Association at all times and in all phases of the general work. The assistance of the State Secretaries has been particularly valuable in committee work and in that field where joint action of committees of the American Bankers' Association and the State associations was necessary to the greatest efficiency.

To Secretaries P. S. Babcock, E. G. McWilliam, M. W. 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.

Secretaries 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. It is, however, with a feeling of much satisfaction that their promotion to new fields of labor was a distinct recognition of their ability.

Great credit is due to George E. Allen, Educational Director of the American Institute of Banking. His alertness, zeal, energy and resourcefulness have had much to do with the progress 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-Bulletin during the illness of W. W. Waine, the associate editor. For some months Mr. Allen carried this work along in addition to discharging his duties to the Institute.

NATIONAL BANK SECTION.

At the Convention in Detroit in 1912 a petition was presented by a number of National Banks asking that a National Bank Section of the Association be organized. At that time the Council did not look with favor on the proposition. In the new constitution provision was made for such a Section, and if the Council consents it can now be easily organized. I understand that a proposal to organize such a Section will be submitted to the Executive Council at the Seattle Convention. There are apparently reasons why the proposal should be favorably received. All the National Banks are members of the Federal Reserve system. Experience has already shown that changes in the Federal Reserve Act are desirable and, in respect of some provisions, are necessary. Moreover, the interpretation of the Federal Reserve Act through the rules and regulations promulgated by the Federal Reserve Board, is a matter of great importance to National Banks. It would be within the province of a National Bank Section to consider all matters pertaining to the amendment and interpretation of this law, and there would seem to be much work for such a Section.

JOURNAL-BULLETIN.

At the Convention held in Richmond last year there was discussion in the Council meeting as to the scope of the *Journal-Bulletin*. The tendency had been to keep the Association's publication within narrow lines. However, there was a growing

demand on the part of the members for a widening of its field and the consequent increase in its usefulness. As a result of the discussion at Richmond and by authorization of the Administrative Committee, the *Journal-Bulletin* has been greatly improved, in my opinion, within the year. This result has been achieved and the development of the publication is largely due to the acquisition of A. D. Welton, now editor, and George Lewis, now associate editor. At the Richmond meeting 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 the reports and matters of some of the departments in the form of supplements. This committee reported at the Spring Meeting, there being a majority and minority report. These reports were referred to the Administrative 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 from others the copy of the *Journal-Bulletin*.

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 as time passes.

LEGAL DEPARTMENT.

No division of the Association's activities has developed more in importance than the Legal Department under the able conduct of General Counsel Thomas B. Paton. The department had outgrown its offices, and a 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's report 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 patient study, deliberate thought and absolute correctness. No opinion goes from Mr. Paton's office until it has had 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 can now report this as an accomplished fact. The last State to organize was Rhode Island, which formed an association early in April of this year.

The State Bankers' Associations are not such in name only. There is not an ineffective organization in the list. Their activity and progressiveness depends, of course, to a large extent on the size of the State and the number of banks which contribute to the support of the organization. In a large number of instances, however, the work that is being done by these State Associations is not excelled by that of any organization of any kind or class in the country. With this aggregation of State Associations and the American Bankers' Association there is a combination which is unrivaled in its powers and potentialities.

As in the past, the General Secretary has endeavored, so far as time has permitted, 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 Banking. He attended the conference held under the auspices of the Agricultural Commission in Chicago in July, the joint convention of the six New England States at New London, Conn., the meeting of the Maine National Bankers' Association, and the State Conventions of Florida, Maine, New York, and Michigan. In this manner contact is obtained with some thousands of bankers, as the conventions had uniformly a large attendance. The Association has also been competently represented at many State Conventions by President William A. Law, Vice-President James K. Lynch, General Counsel Thomas B. Paton, Assistant Secretary William G. Fitzwillson, B. F. Harris, Chairman Agricultural Commission; George E. Allen, O. Howard Wolfe, B. A. Ruffin, Secretary of the Insurance Committee; L. W. Gammon, 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 it 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 *Journal-Bulletin* has given added emphasis to the importance of the creation of this department. The publicity work done for the Association has reacted to the general advantage of banks and bankers. Success has been achieved in placing before business men and the public generally information as to the function of banks, of the position banks hold in the economic scheme, the workings of the Federal Reserve Act, and, when necessary, efforts have been made to correct false impressions in regard to banking and to place the banking interests of the country in the proper light when they have been subjected to unfair criticism and undeserved attack. Mr. Welton's long experience, his ability as a writer and his versatility have made him a most valuable addition to the official force of the Association.

COMMITTEES.

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 15,000.

The Administrative Committee has held twelve meetings since the adjournment of the Richmond 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 members lives in New York and the other two are within easy distance of the general offices; 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 has acted was giving authority to the General Secretary to secure more space adjoining the present offices; the selection of Old Point Comfort as the place of the Spring Meeting; fixing the dates of the Seattle Convention and numerous details in connection therewith; authorizing the Insurance Committee to arrange with burglary insurance companies to furnish certain information regarding attacks on banks, with the understanding that much benefit would accrue to the members of the Association therefrom; it was understood that the proposal be later submitted to the Protective Committee for its consideration. The Administrative Committee also authorized the discontinuance of the money order. The American Surety Company, which issued these orders, had declined to continue their issuance because of insufficient support to make the business profitable.

The Insurance Committee, which has its own office in Richmond and a secretary who devotes much time to the work of the committee, has had an active year. Its work is now intertwined with the Legal Department, Membership Committee, Protective Committee and the Library. Particularly effective have been its efforts in reducing the cost of burglary insurance. In co-operation with several of the State Bankers' Associations, it is expected that premiums on such insurance will be reduced twenty per cent. This would mean a saving of \$140,000 a year to the members of the Association. In several States this reduction in cost is already in effect.

The new fidelity bond is coming into general use. This bond gives a protection to members of a kind that has never before been had. Many of the State Associations are now appointing insurance committees with which the Insurance Committee of the American Bankers' Association has co-operative relations. The Secretary of the Insurance Committee, Mr. Ruffin, has visited several of the Conventions of State Associations, before which he has made effective addresses. This work is bound to result in benefits to the Association in increased membership as well as in influence.

The Committees on Law and on Federal Legislation are both well organized. The Committee on Law has been particularly active during the past year in the Association's proposed legislation in the States of the Union; the Legislatures of many States having been in session. The Federal Legislative Committee, while not so active, has been interested in the many phases of Federal legislation. Reports of the work of these Committees will be given in full by the General Counsel, who is the legal adviser of these Committees.

The Finance Committee and its sub-committees have given adequate consideration to the various 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 Banks, National Banks and Commercial State Banks, was appointed at the last Convention and directed to confer with the Federal Reserve Board in regard to amendments to the Reserve Act whereby it would become more desirable for State Institutions to join the Federal reserve system. After considering the question the committee deemed it wise to withhold action until 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 Legislative 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 Paton during the past seven years.

CURRENCY COMMISSION.

At the Richmond Convention it was decided to continue the personnel of the Currency Commission. There has been no occasion for activity during the year. As the Federal Reserve Act passes beyond the experimental stage and the necessity for its amendment is demonstrated, there will be work for the Currency Commission to do and it should be continued in order that the Association may be ready for action 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 reform.

AGRICULTURAL 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, 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 of the Union and the attendance was by no means confined to bankers and agricultural committees of banking associations. There were many farmers present, and the agricultural colleges and agricultural journals all sent representatives. The Banker-Farmer movement seems to be one which requires diplomatic handling, but the possibilities which it unfolds for effective work more than justify the efforts 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 Gammon, 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, these reports give all necessary information and should be read carefully by members.

Some time before the Spring Meeting of the Executive Council a studied effort was made by the detective agency formerly employed to create dissension and discord among members of the Association and of the Executive Council. Members of the Association were solicited and requested to write to the members of the Council in their respective States complaining of the work of the Protective Department. Recourse was had to misrepresentation. The result was that the questions involved came up at the Spring Meeting of the Council and were freely and fully discussed. Former presidents of the Association and others familiar with the incidents and causes that led to a change in detective services made full statements to the Council, and the exact facts, which brought about the severance of relations with the detective agency formerly employed, were brought out and made a matter of record. After the discussion the resolutions which follow were adopted without a dissenting vote, and the General Secretary was directed to read these resolutions at the next Convention of the Association:

"Whereas, The Protective Committee has made a detailed report establishing to the satisfaction of the Executive Council the efficiency of the present Protective System, and

"Whereas, It is desirable that the membership shall be advised of this satisfactory condition of the Association's protective feature; therefore be it

Resolved, That the Executive Council hereby expresses its entire confidence in the Protective Committee and the William J. Burns International Detective Agency, Inc., and be it further

Resolved, That the Executive Council hereby recommends the continuance of the contract with the Burns Agency, and be it further

Resolved, That the General Secretary is hereby directed to read to the Convention in meeting assembled in Seattle, this resolution for their information."

The Executive Council instructed the General Secretary to send a copy of these resolutions to every member of the Association and to invite the members to correspond freely with the general offices and to make such suggestions as they might deem advisable for the improvement of the service. Members were also invited to make whatever criticisms seem to them necessary.

The letters received have, almost without exception, been commendatory and the expressions of satisfaction with the service have been general. The action of the Executive Council in authorizing a renewal of the detective contract with the Burns Agency has been generally commended.

That there may be no misunderstanding whatever as to the nature of the service rendered by the Protective Department, and to the end that every member may have exact information, it seems desirable to state that all cases which come within the rules 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 communication with New York must be had and that a large amount of red tape stands in the way of immediate action, is false.

L. W. Gammon, the manager of the Protective Department, is untiring in his attention to the details of the work in which he is engaged. He has proved his value by years of efficient work and his competent handling of the thousands of cases which 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 also unanimously adopted by the Executive Council:

"Inasmuch as the personnel of the Council is constantly changing, testimony in regard to the facts of this matter shall be taken, to be at all times available for the further use of the Executive Council of the American Bankers Association, and that a Committee of three be appointed to secure testimony from those conversant with the facts, the same to be filed with the General Secretary, to be available at all times to members of the Association but not to go into the Proceedings."

LIBRARY.

The report of the Library and Reference Department is made by Miss Marian R. Glenn, Librarian. The Library has made progress in the past year. The advantages it offers have come to be more widely understood and appreciated. However, there is still a considerable part of the membership of the Association which is either not acquainted with or has made no use of the vast store of useful information which the Library contains, nor is there general understanding of the availability of this matter for those who wish to make use of it. The Association is indebted to many organizations, libraries, bankers and individuals for contributions of books, pamphlets, magazines and newspapers whereby it has become possible largely to increase the efficiency of the reference service. The success of the Library is due to the zeal and enthusiasm of the Librarian, and the success will increase as the Library grows.

FINANCES.

The report of the Treasurer shows a cash balance on hand of \$38,097.75, as against a balance in 1914 of \$20,152.70 and a balance in 1913 of \$5,479.29. This year's balance is the largest that has been shown in some time. It must not be understood that expenditures have not been freely made in every direction where the interests of the Association required and where the work of the Association could be made more effective thereby. It is recommended that the Finance Committee set aside for investment a portion of this balance. The early date of the Convention made it necessary that special effort be made to secure all outstanding bills of the Association. All bills have been paid to the end of the fiscal year.

OFFICE IMPROVEMENTS.

Under authority of the Administrative Committee additional space was added to the general offices of the Association. General Counsel Paton now has more commodious and satisfactory rooms, and the library has been enlarged so that it occupies twice the former space. There was also a rearrangement of the corridors and the reception hall and an adjustment of the smaller office rooms. This work was done at the expense of the Hanover Bank Building Corporation. The changes necessitated some refurnishing, and new equipment of a substantial kind was purchased. The offices are now completely equipped and have an appearance that reflects credit on the Association, while the rearrangement is calculated to expedite business.

ROUTINE WORK.

During the fiscal year just ended, we sent out from the General Offices more than 551,000 letters, circular letters, Proceedings, *Journal-Bulletins*, etc. The following statement shows the volume of mail and express matter in detail:

FIRST-CLASS MAIL MATTER.

Letters.....	10,279
Circular Letters.....	87,383
First-class mail other than letters, such as typewritten lists, etc.	3,025

100,687

SECOND, THIRD AND FOURTH-CLASS MAIL MATTER.

Journal-Bulletins, including those of A. I. B.	363,857
Codes	900
Signs	922
Lists of Members	16,333
Packages	1,595
Postal Cards	843
Pamphlets	230
	<u>384,68</u>
Total A. B. A. Mail Matter	485,367

SECTIONS AND DEPARTMENTS.

Total First-Class Mail Matter	31,299
Total Second-Class Mail Matter	19,870
	<u>51,169</u>
Total Mail Matter	536,536
Express Packages	14,476
	<u>551,012</u>

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 15,010, a net increase of 290. The addition to the membership was not so great as 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 993 holds the banner for membership; Pennsylvania is second with 937 and Illinois is third with 920. The largest increase for the fiscal year is in Kansas, which has a net gain of 42. Iowa is next with a net gain of 31.

August 31, 1914	14,720
*Erased from the rolls through failure, liquidation, consolidation and withdrawal, December 1, 1914	924
Membership	13,796
August 14, 1915, new members joined during the year	724
*Regained members (secured from the above)	490
	<u>1,214</u>
August 14, 1915, Membership	15,010
A net increase for the fiscal year of	290
A net loss for the year in failures, consolidations, etc.	218
A net loss for the year in delinquents	216
	<u>434</u>
Making the actual gain in new members	724

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:

	Paid Membership.	Annual Dues.
September 1, 1875	1,600	\$11,600.00
September 1, 1885	1,395	10,940.00
September 1, 1895	1,570	12,975.00
August 31, 1905	7,677	127,750.00
August 31, 1906	8,383	137,600.00
August 31, 1907	9,251	150,795.00
August 31, 1908	9,803	162,507.00
August 31, 1909	10,682	175,352.00
August 31, 1910	11,405	188,934.00
August 31, 1911	12,072	198,530.00
August 31, 1912	13,323	213,752.50
August 31, 1913	14,100	229,324.48
August 31, 1914	14,720	233,915.00
August 14, 1915	15,010 (estimated)	238,508.90

INCOME.

Interest on Bonds and Corporate Stock	\$4,730.00
Interest on Bank Balances (estimated)	2,800.00
Estimated Annual Dues for Fiscal Year Ending August 31, 1916	238,508.90
	<u>346,038.90</u>
Making Total Income, year ending August 31, 1916	\$246,038.90

MEMBERSHIP BY YEARS.

Year.	Membership.	Gross Loss by Failures, Merger, Delinquents, etc.	Net Loss by Failures, Merger, Delinquents, etc.	Gross Gain	Net Gain
1897	2,813	371	...	982	611
1898	3,424	248	...	783	535
1899	3,915	211	...	741	530
1900	4,500	234	...	819	585
1901	5,504	200	...	1,313	1,113
1902	6,354	186	...	1,159	973
1903	7,065	313	...	1,139	826
1904	7,563	500	...	1,120	620
1905	7,677	1,038	...	1,152	114
1906	8,383	337	...	1,043	706
1907	9,251	434	...	1,302	868
1908	9,803	691	...	1,243	552
1909	10,682	760	374	1,639	879
1910	11,405	781	298	1,504	723
1911	12,072	1,304	405	1,971	667
1912	13,323	790	330	2,041	1,251
1913	14,100	744	359	1,521	777
1914	14,720	894	384	1,514	620
1915	15,010	924	434	1,214	290

MEMBERSHIP OF STATES AND TERRITORIES HAVING LESS THAN 100 MEMBERS.

(As of August 14, 1915.)

Alaska	14	Canada	44
Arizona	70	Cuba	24
Delaware	40	Hawaii	16
Nevada	27	Isle of Pines	2
New Hampshire	69	Republic of Panama	2
New Mexico	69	Porto Rico	4
Rhode Island	47	Philippine Islands	3
Utah	80	Mexico	16
Vermont	77		
Wyoming	86	Total	690

MEMBERSHIP.

DIVISION OF BANKS IN ASSOCIATION, AUGUST 14, 1915.

State or Territory.	Nat'l.	State.	Private.	Trust Co.'s.	Sav. Bks.	Total.
Alabama	59	85	2	23	9	178
Alaska	3	10	1	0	0	14
Arizona	12	37	0	20	1	70
Arkansas	43	154	2	27	2	228
California	203	290	6	36	82	617
Colorado	108	85	8	17	8	226
Connecticut	69	11	8	39	47	174
Delaware	21	1	1	15	2	40
District of Columbia	13	3	4	3	15	38
Florida	49	122	5	12	4	192
Georgia	86	277	8	18	12	401
Idaho	46	79	1	9	1	136
Illinois	318	279	218	70	35	920
Indiana	148	149	40	50	3	390
Iowa	193	145	52	18	200	608
Kansas	179	440	2	5	4	630
Kentucky	74	79	1	24	4	182
Louisiana	33	124	1	22	5	185
Maine	57	0	0	35	20	112
Maryland	80	35	24	19	27	185
Massachusetts	154	2	28	58	106	348
Michigan	84	153	45	8	162	452
Minnesota	175	265	9	4	6	459
Mississippi	30	122	0	14	2	168
Missouri	93	352	22	41	30	538
Montana	52	133	19	12	1	217
Nebraska	149	230	4	7	2	392
Nevada	10	16	0	1	0	27
New Hampshire	47	1	0	7	14	69
New Jersey	180	24	3	96	17	320
New Mexico	35	23	1	9	1	69
New York	402	262	146	92	91	993
North Carolina	61	95	1	31	7	195
North Dakota	109	208	0	3	3	323
Ohio	235	129	63	53	113	593
Oklahoma	200	202	0	9	1	412
Oregon	76	84	10	11	7	188
Pennsylvania	572	92	51	187	35	937
Rhode Island	18	1	2	19	7	47
South Carolina	28	119	1	10	18	176
South Dakota	82	208	3	8	7	308
Tennessee	70	111	1	49	9	240
Texas	290	148	27	54	1	520
Utah	22	42	4	4	8	80
Vermont	42	0	0	22	13	77
Virginia	97	112	13	14	10	246
Washington	70	201	17	23	9	320
West Virginia	79	91	2	19	4	195
Wisconsin	116	231	2	10	19	378
Wyoming	32	48	1	5	0	86
Canada	0	42	2	0	0	44
Cuba	1	19	3	1	0	24
Hawaii	4	6	2	4	0	16
Isle of Pines	1	1	0	0	0	2
Republic of Panama	1	0	0	1	0	2
Porto Rico	0	3	1	0	0	4
Philippine Islands	0	3	0	0	0	3
Mexico	0	15	1	0	0	16
	5,411	6,199	868	1,348	1,184	15,010

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 home May 17, 1915. For many years Mr. Russel was a conspicuous figure at the Conventions of the Association. He was a man of great ability, uniform 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 appropriate action on his death.

W. W. Waine, for eight years a faithful employee of the Association and with many friends among the members, died April 17, 1915. The Executive Council gave fitting recognition to his services by continuing him on the payroll during his illness of six months and by the further payment to his widow of a portion of his salary for several months following his death.

APPRECIATION.

It is once more the pleasure of the General Secretary to express his appreciation for the assistance and the courtesy extended to him by the Executive Council, the Departments, Sections, Committees and Officers of the Association, Vice-Presidents of States and State Secretaries. He is grateful to the general membership of the Association for loyal support, friendly and encouraging letters and the warm welcome he has received when brought into personal contact with bankers throughout the country.

In the activities of the Association during the past year the connection with President Law and the members of the Administrative Committee has been always agreeable and helpful. President Law has been a frequent visitor at the General Offices and has taken a keen interest in all affairs of the Association. No one could be associated with him without being impressed with his earnestness and sincerity of purpose. To Treasurer Hoopes, to Assistant Secretary William G. Fitzwilson and to the employees of the Association in the General Offices are given assurances of appreciation. Their hearty co-operation has made the work of the General Secretary more effective as well as more agreeable.

SEATTLE.

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

Those who have never visited the great Northwest, the Empire City on the Northwest border of our great country, will look with amazement on the achievements of a city that is yet young in years. Banker guests of Seattle will find unbounded hospitality, energy, pluck and perseverance—the characteristics which have made Seattle great.

The bankers of Seattle have been enthusiastic in carrying out the plans for this Convention. There has been hearty co-operation on the part of the entire business community of this section.

To the Clearing House Association of Seattle and the associated banks of the city the General Secretary wishes, for himself and with the full knowledge that he expresses the views of the members of the American Bankers' Association, to say that the Convention will be long and gratefully remembered.

Respectfully submitted,

FREDERICK E. FARNSWORTH,
General Secretary.

No Report of Currency Commission.

The Currency Commission has been quiescent during the year, and the following letter from the Chairman of the Commission, A. Barton Hepburn, indicates the reason why:

THE CHASE NATIONAL BANK,

NEW YORK, N. Y., August 10, 1915.

FRED. E. FARNSWORTH, ESQ., GEN. SECY., AMERICAN BANKERS' ASSOCIATION, NEW YORK CITY.

MY DEAR MR. SECRETARY: I am in receipt of your valued favor of August 8, asking whether it is desired to have a meeting called of the Currency Commission of the American Bankers' Association coincident with the meeting of that Association at Seattle, September 6.

By informal discussion and correspondence with different members of the Currency Commission it was deemed unwise to have a formal meeting of the Commission or to take part in any formal action at the present time, for the reason that the Federal Reserve Bank Law, recently enacted, has only been in practical operation since the middle of November, 1914. Sufficient time 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 a money plethora ever since the bank commenced operations has minimized its functions and the volume of its business; the law has not been subjected to any strain or test such as would naturally follow a 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 defects of the Federal Reserve 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, or additional provisions desired 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 Commission at present; I hope very much, however, that any members of the Commission who may be present at Seattle will hold an informal meeting, exchange views and indulge in a general discussion, that we may be better prepared for action at such subsequent time as the full Committee may be convened.

Very truly yours,
(Signed) 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 prefer a broad outline of the general features of the work rather than be burdened with too much specific detail. The matters contained in this report will all be comprehended under the three main 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 for necessary action all subjects of Federal legislation favored or opposed by the Association, and the General Counsel has acted as the adviser and active attorney of the committee, subject to its direction. In favoring or opposing specific measures before congressional committees and interviewing members of Congress, in circularizing the membership and enlisting their support and co-operation and that of other persons, organizations and bodies for or against certain measures, in exercising control in the matter of publicity or non-publicity with reference to Federal legislation and in keeping track of all bills introduced in Congress in any way affecting banking interests, noting their progress and constantly advising with the committee in respect to all such bills.

During the Sixty-third Congress over 500 bills, original and amendatory, introduced in Senate and House, have been examined; 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 range of activity has included the urging of bills of lading legislation, which passed the Senate but failed in the House; opposition to the interlocking directorate legislation, which, after being modified in the House, was eliminated from the Clayton bill by the Senate, but put back with further modifications by the conferees and became law; the procuring of modifications during the pendency of the Income Tax and the War Revenue Acts, and active connection with a number of other bills and amendments. General Counsel has in charge, in behalf of the Committee on Federal Legislation, certain matters of amendment of the Federal Reserve Act to be urged in the Sixty-fourth Congress; also of the Income Tax Act, among others, the elimination or modification of the collection at source provisions, as to which much preliminary work has already been done; the promotion of bills of lading legislation, and other subjects of legislation which will not be specified in detail. The report of the Committee on Federal Legislation covers much of this more fully, and further specification in this report is unnecessary. In connection with the Income Tax Act, General Counsel has been successful in some instances in procuring a reversal of rulings by the Internal Revenue Commissioner in the interest of members of the Association, and some of the objectionable interpretations are among the subjects as to which amendment of the Act will be sought.

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 Counsel during the past six years to draft in behalf of the Association and urge, under the auspices of the Law Committee, forms of bills or statutes designed to make the law of the different States uniform and adequate upon the subjects covered. The uniform statutes on negotiable instruments, warehouse receipts, bills of lading and stock transfers drafted by the Commissioners on Uniform State Laws have also been recommended by the Association and urged in the different States. This work has been prosecuted through the active agency of the State Bankers' Associations, whose legislative committees and secretaries have met with considerable success in past years in securing the passage of the different uniform laws and special measures recommended by this Association. This year has been no exception, for a large number of measures recommended by this Association have been passed by the different State Legislatures. The report of the Committee on Law will contain full and detailed information on this subject, but a brief summary indicating the

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:

Title.	Enactments		Total Enactments.
	This Year.	Previous Years.	
Negotiable Instruments Act.....	47	47	47
Warehouse Receipts Act.....	3	30	33
Bills of Lading Act.....	3	13	16
Stock Transfer Act.....	5	5	5
False Statements Act.....	7	20	27
Derogatory Statements Act.....	5	15	20
Checks without funds.....	6	25	31
Burglary with explosives.....	20	20	20
Forged or raised checks.....	22	22	22
Payment of deposits in two names.....	3	26	29
Payment of deposits in trust.....	2	21	23
Competency of bank notaries.....	2	9	11
Deposits of minors.....	5
Refusal of check through error.....	4

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 many questions of interpretation of particular provisions and has caused certain changes in forms of commercial paper and in methods of business. In connection with these problems, General Counsel has been consulted from time to time by officials of some of the Federal reserve banks as well as by members generally, and has participated in the framing of documentary forms and discussed and rendered opinions upon questions of interpretation of 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 thereunder being deemed unjust by 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 committee 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 asking for opinions or advice as to the law and statutes of a 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 in a manner satisfactory to the member interested, and the finding of necessary time for study and research upon numerous questions without infringing upon the time required for important constructive and legislative work, has been one of the most serious problems the General Counsel 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.

The past year has been a very active one for the Protective Department, owing to the unsettled 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.

ARRESTS.

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

Cases not disposed of September 1, 1914.....	94
Arrests since September 1, 1914.....	326
	420
Convicted.....	232
Released, escaped, insane or died.....	79
	311
	109

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

BURGLARIES, HOLD-UPS AND SNEAK THEFTS.

From September 1, 1914, to July 31, 1915, there have been 13 burglaries and 16 attempted burglaries, with a loss of \$11,995.84; 27 hold-ups with a loss of \$59,520.72, and 6 sneak thefts with a loss of \$19,540.00. A number of these cases have been that of strictly amateur operators, where they entered the bank but did not get into the safe or vault.

COMPARATIVE BURGLARY TABLE.

Since the inauguration of the protective feature the following figures are given for your information as to attacks on members and non-members:

Non-Members.....	1,495	Loss.....	\$2,130,196.42
Members.....	425	Loss.....	259,047.17
Difference.....	1,071		\$1,871,149.25

FORGERS AND BOGUS CHECK OPERATORS.

During the past fiscal year there has been no marked increase in the number of forgers and bogus check operators so far as the professional operator is concerned; but there has been a considerable increase in the operations of the amateur operator.

PHOTOGRAPHS.

The Department now has 4,322 photographs of criminals, comprising "yegg" burglars, hold-up men, sneak thieves, forgers, worthless and bogus check operators, with a complete record of each.

CORRESPONDENCE.

During the period referred to above the Department has received 29,639 reports and other communications from our Detective Agents—The Wm. J. Burns International Detective Agency, Inc., also received 1,172 letters and telegrams—and has written 2,569 letters and telegrams. These figures do not include circular letters and similar communications.

OFFICES OF OUR DETECTIVE AGENTS.

The Wm. J. Burns International Detective Agency, Inc., now have twenty-three offices of their own in this country, four foreign offices, and one correspondent at Des Moines, Iowa, also one special representative at Jacksonville, 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 these 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. Brodnax, who is looking after the interests of their 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 Executive Council 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 renewed 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.

INSPECTION TOUR.

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 Spokane, which I will inspect on my return East 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 Greeley.

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 what is being performed 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 as a separate supplement, which appears to have met with favor on the part of many of our

members. At the end of June each year we will publish an index relative to each party mentioned each month. This index can be bound with the supplement each year.

In conclusion I might state that the records of this Department are in excellent shape, and the work of the Burns Agency under my supervision has continued to improve since they have had our contract, and at the present time the work is handled in a very satisfactory manner.

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

L. W. GAMMON,
Manager.

Report of the Treasurer.

DALLAS, TEX., Sept. 2, 1915.

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 \$36,097.75. The cash on hand September 1, 1914, was \$20,152.70. During the year the receipts have been \$252,232.15 and the disbursements \$236,287.10. 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 \$3,992.88, in 1913 it was \$5,479.29, and in 1914, \$20,152.70.

The drafts for membership dues, 14,696, which were sent out the first of September, called for payments of \$235,805.00, an increase of nearly \$5,000 over the previous year. With the prospect of increasing the investments 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 American Bankers' Association will 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 agreeable 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:

	Par Value.	Carried On		Cost
		Books At	Market Value	
Chicago, Burlington and Quincy, Ill., Division, 4's due 1949.....	\$50,000.00	\$47,400.00	\$46,500.00	\$50,843.75
Chicago, Burlington and Quincy, Joint 4's due 1921.....	12,000.00	11,600.00	11,589.00	11,559.09
Atchison, Topeka and Santa Fe, General Mortgage 4's due 1995.....	30,000.00	28,500.00	28,600.00	30,825.00
New York City Corporation, Registered 3½'s due 1940.....	30,000.00	26,500.00	25,680.00	25,506.67
	\$122,000.00	\$114,000.00	\$112,369.00	\$118,734.51

In closing I wish again to thank the Association for the honor I have had.

Respectfully submitted,

J. W. HOOPES,
Treasurer.

Report of the Library and Reference Department.

MARIAN R. 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 own time, or that of his employees, in hunting for 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 cost each one of them much to have a clerk find it, but the total cost of having twenty people look up the same thing twenty times is worth saving if the purpose could be as well served by having one central source—the Association Library—supply it to as many members as may want it. When this process is duplicated in hundreds of banks and multiplied by the number of questions asked daily, the annual cost of such waste effort, even in small banks, must be a larger item of ex-

pense than necessary, now that the Association has a Library to serve as a clearing house for financial information wanted by members.

The Library keeps a record of banking events, of Federal Reserve system development, currency discussion, convention addresses, and financial articles. Its business is to collect everything that can be found in print on banking practice, to loan it to officers and employees of member banks, and to answer inquiries that do not come within the province of the Sections or any other department.

The Library grew out of the suggestion of General Secretary Farnsworth, who found that the banking business was without a central source of that information for which bankers were writing to headquarters, and with which it was necessary the Association should provide its members, since no library then in existence specialized in banking practice.

That was nearly four years ago. Now two rooms are required to shelve the books, to file the traveling loan collection of thousands of clippings and pamphlets, and to provide space for systematically carrying on the card indexing and reference work; 7,500 records have been added to the card catalog during the past year, and 11,000 additions made to the traveling loan collection. Special efforts have also been made to complete the collection on credit practice, the Federal Reserve system, and agricultural credit.

Of the 2,700 volumes now in the Library, only about 500 have been purchased, most of the books having been secured as gifts, by exchange or as permanent loans. As material from the traveling loan collection has been in more active demand, very little has been spent on books since the Library was started, and the reference collection has been kept down to as small a working basis as possible.

General collections on money and banking are to be found in the Library of Congress, the John Crerar Library in Chicago, the New York Public Library, the private Library of Professor E. R. A. Seligman, and in several university libraries. But it remains for the American Bankers' Association to give 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 when it was found that an American library was about to secure it.

Such a library should be developed systematically by dividing the country into sections, and making a thorough annual canvass of some one section; by advertising for material, writing to 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 stores. A beginning should be made, during the coming year, with the New England States, since it is there that much valuable early pamphlet literature exists, if it can be found.

It would not be necessary to make large annual appropriations for the purpose, as many of the reports and pamphlets which the Library needs can be secured without cost if Association members will co-operate by making the Library a depository for everything they can find in their own banks and communities in the form of currency pamphlets, local histories, State reports, bank bulletins, etc. During the past year the Librarian secured some valuable material by making a trip to the private library of the late Senator Aldrich and to a Boston library which had discarded some books and pamphlets that could not have been found in the market, had it been desirable to purchase them.

For the present, however, the historical aspect of the Library should be kept secondary to its possibilities for immediate practical services to Association members. It must be a labor-saving business adjunct first. As American banking develops under the Federal Reserve system, and the stimulus of international business opportunity, the range of bankers' interests is increasing. In addition to the usual requests, they are beginning to ask for material on general public questions, on industrial conditions, business organizations, and the trend of economic thought in relation to banking.

There is a growing literature on such subjects, and the rising generation of bank officers and employees who are graduates of the American Institute of Banking, expect the Library to supply that to which they would otherwise not have access, either through lack of local library facilities, or unwillingness on the part of their banks to purchase books for their use. Only those books will be added to the Association Library, however, which seem to have value as a stimulus to present business or as a permanent contribution to American banking thought.

From now on, Association members will want more information on foreign banking and business. The new publicity department will require research work of a more analytical nature than has been expected of the Library thus far, and, while

it is not possible in a short report to describe in detail all the demands now being made upon it, or to forecast future ones, it is evident that the Library is outgrowing the narrow field of its original functions.

During the past year 10,800 books and reference articles have been loaned to Association members. In addition to the queries 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 upon which it 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-one 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 OF 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 in the Senate. The Pomerene bill, which is substantially the Uniform Act adapted for Federal enactment, passed the Senate of the 63d Congress but failed in the House. With the three States added this year, the Uniform Bills of Lading Act has now been enacted in fifteen States and one Territory, as follows:

Maryland.	Pennsylvania.
Massachusetts.	Louisiana.
Connecticut.	New Jersey.
Illinois.	Alaska.
Iowa.	Rhode Island.
Michigan.	Idaho.
New York.	Washington.
Ohio.	Vermont.

UNIFORM WAREHOUSE RECEIPTS ACT.—This Act has been passed by the legislatures of Idaho, Arkansas and Oklahoma during the present year. It is now the law in thirty-three States. It was introduced in Arizona, but failed to pass.

UNIFORM STOCK TRANSFER ACT.—This Act was passed by the legislature of Idaho but was vetoed by the Governor. In Minnesota the Bar Association also caused the Act to be introduced but did not succeed in having it passed. It has heretofore been passed in ten States.

FALSE STATEMENTS FOR CREDIT.—New Hampshire, New Mexico, West Virginia, Wisconsin, Oklahoma, Florida and Wyoming passed our Association measure on this subject during this year. In Illinois the Legislature passed the measure closely following the text of our bill, but it was vetoed by the Governor. In a number of other States the measure was introduced but failed to pass. This Act has now been passed either in the form recommended or by other form of enactment of the same purport, in twenty-seven States. The Act as passed in Wisconsin differs from the Uniform Act in one material point. It provides that the statement must have been relied upon in granting the credit and actual financial loss thereby sustained, while the Uniform Act requires merely that the false statement should have been issued with intent that it be relied upon, and there is no necessity thereunder of proving actual financial loss in order to obtain a conviction. The Act as passed in Florida also adds the feature that credit, money or goods must have been obtained, in order to convict.

DEROGATORY STATEMENTS AFFECTING BANKS.—Our measure on this subject has been passed in five additional States, Delaware, Florida, Kansas, New Mexico and North Carolina. It was introduced in Minnesota but rejected by the committee to which it was referred. This Act is now a law in twenty States.

CHECK WITHOUT FUNDS.—Our Association measure on this subject has been passed this year by the legislatures of Nebraska, North Dakota, Ohio, Kansas, Vermont and Delaware. In Vermont the penalty provision has been changed so as to make the offender liable in a civil action to the person injured, in which, for want of property, his body can be attached. In Delaware and Nebraska the phraseology of the law has been considerably changed. In Kansas the law as enacted also differs from our bill. In the States of Colorado, Florida, Idaho, Indiana and Washington the legislatures have made new enactments on the subject this year which take the place of the former laws.

In all, thirty-one States have special measures on this subject, being either the measure recommended by our Association or other form of statute with like object in view.

BURGLARY WITH EXPLOSIVES.—No additional States have enacted this measure during the present year. It has been

enacted down to date, either in the form recommended or a law of substantially the same purport, in twenty-two States.

FORGED OR RAISED CHECKS.—Our Association bill on this subject has not been enacted this year in any State. Twenty-two States have heretofore passed the measure.

DEPOSITS IN TWO NAMES.—Delaware, Idaho and Missouri have passed our bill on this subject during the present year. In Maine the law, which was previously enacted, has been changed so as to include loan and building associations and also to authorize payment to the legal representative of the survivor. In Washington in a new act passed this year authorizing the incorporation of mutual savings banks, there is a section covering joint deposits. This is in addition to the existing statute on the subject, which relates to deposits in two names in banks or trust companies. Twenty-nine States now have our Association measure on this subject, either in the exact form proposed or substantially similar form of enactment.

DEPOSITS IN TRUST.—The States of Idaho and Delaware have passed this year our bill covering payment of deposits in trust. Laws authorizing payment of deposits in trust have now been enacted in twenty-three States.

COMPETENCY OF BANK NOTARIES.—The State of Kansas has passed our bill relative to competency of bank notaries. Minnesota has also passed a law under which notaries who are officers, directors or stockholders of corporations are authorized to take acknowledgments of instruments wherein the corporation is interested, to administer oaths to officers of the corporation and protest paper owned or held for collection by the corporation. This is virtually of the same purport as our bill but in different phraseology.

Our Association measure is now in force in eleven States.

REFUSAL OF CHECK THROUGH ERROR.—The bill newly drafted last year by our General Counsel to protect a bank from excessive damages where it refuses payment of a check through error, has been passed this year in Idaho, Montana, Oregon and New Jersey. It also passed the Senate in South Carolina and in Utah, but failed 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.

DEPOSITS OF MINORS.—The legislature of New Mexico has newly enacted a provision (Section 48 of the new Banking Law) that "banks may receive deposits directly from minors and pay the same to their order." In Idaho, Maine, Missouri and Montana the legislatures have also amended their laws relative to payment of deposits to minors.

GENERAL BANKING LEGISLATION.—A large amount of legislation has been passed in many of the States during 1915 relating to the organization, powers and operation of banks and other financial institutions. It will be impracticable to attempt to present in this report a reference to all the legislation which has been passed this year relating to or affecting the banking business. There is on file in the office of the General Counsel, or in process of accumulation, all the State legislation, original and amendatory, relating to banks. Reference only to a few general features will be here made.

New and improved general banking acts have been passed this year in the States of Missouri, Montana and New Mexico. In Alabama, California, Florida, Idaho and South Dakota the banking laws have been amended in a number of particulars.

Bills for the guarantee of bank deposits were introduced this year in a number of States. In Arizona, Iowa and North Dakota bills of this character failed to pass, but in South Dakota the legislature has enacted a revision of the banking law and added provisions for the guarantee of bank deposits. The new law provides for a Depositors' Guarantee Fund Commission, and for the maintenance of a guarantee fund by assessment upon the banks of one-quarter of one per cent. on the average daily deposits. It will become a law upon approval by the people after submission to vote at the next general election to be held in 1915.

The following States have passed laws during the present year empowering State institutions to become stockholders in the Federal Reserve Banks: California, Delaware, Idaho, Iowa, Kansas, Maine, Michigan, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota and Washington.

Last year such laws were passed in Kentucky, Louisiana, Massachusetts, New Jersey, New York (contained in new revision of the banking law), Ohio (Special Session), Virginia, South Carolina and Texas. In Mississippi also the new banking law of 1914 provides that "No part of the stock of any bank, except regional reserve banks, doing business in this State, shall be owned by any bank under the provisions of this Act." The exception doubtless constitutes an implied authorization to own Federal Reserve Bank stock.

During 1915 a number of State legislatures have passed specific legislation making it lawful for National Banks, when authorized under the laws of the United States, to exercise trust powers within the State. These are Colorado, Indiana, Iowa, South Dakota, Vermont, Virginia and Washington. In Colorado, Indiana, South Dakota and Washington State banks are also given trust powers. Similar legislation as to National and State banks was passed in Ohio in 1914. On the other

band, New York in 1914, in the new banking law, expressly restricted 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 purport; in New Hampshire a law has been passed depriving all banks, including National Banks under the Federal Reserve System, from transacting any probate business, and the new banking law of Missouri contains a provision prohibiting other corporations from encroaching upon the powers of trust companies.

New Jersey, Missouri and Connecticut have passed laws this year authorizing acceptances by banks and trust companies of drafts drawn by their customers payable at a future date, and New Jersey and Missouri add an authorization to issue letters of credit authorizing holders to draw such draft. The time limit of such draft is fixed by New Jersey and Missouri at one year, and by Connecticut at six months. The aggregate of all acceptances is limited by Missouri to the unimpaired 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. The total amount which can be accepted for any one customer is fixed by New Jersey and Connecticut at 10 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 or in the cities of Boston, Providence, New York or Philadelphia, or of State banks or trust companies in Connecticut authorized to issue acceptances; limiting the amount invested in acceptances of any one bank to thirty per cent. of capital, surplus and profits of 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.

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 or on time not exceeding one year; and Massachusetts authorized trust companies to accept drafts "growing out of transactions involving the importation or exportation of goods having 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 specific subjects of legislation.

The following preamble and resolution has been presented to the Law Committee 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 Convention through the Law Committee of the American Bankers' Association, to be presented at its annual meeting, Seattle, Wash., September 7th, 1915:

Whereas, The Savings Banks of the United States, in a large degree, maintain the equilibrium of public confidence; and,

Whereas, This public confidence is largely determined by the knowledge on the part of the people that they can at all times secure their funds from the Savings Banks; and,

Whereas, The Savings Banks have required from their depositors in time of necessity a notice of withdrawal of funds varying from thirty to ninety days on account of the non-availability of currency; and,

Whereas, During the times when the said notice of withdrawal has been enforced the Savings Banks have had to sell some of their securities at a great sacrifice; and,

Whereas, The said notice of withdrawal should only be enforced under the same extreme conditions as the Federal Reserve Law provides for the suspension of reserve requirements of the members of the Federal Reserve banks—that is, only in times of great national peril; and,

Whereas, It is the function of a Savings Bank to supply capital rather than credit; and,

Whereas, It is not general that the Savings Banks are permitted by the State laws to use their funds for the purpose of advancing credit; and,

Whereas, The Federal Reserve Law does not permit securities other than commercial paper to be used for the purpose of obtaining currency from the Federal Reserve Banks;

Therefore Be It Resolved: That the Savings Banks Section recommends that the Law Committee of the Association prepare for the dual approval of the Executive Council and General Convention, in accordance with Article V, Section 16A of the Constitution, a draft of statute in amendment of the Federal Reserve Act to the following report:

First—Permitting the Savings Banks to secure currency through the intermediation of any bank, member of the Federal Reserve System.

Second—That such currency may be obtained upon the security of certain government and municipal bonds and short-term obligations of the kind and character described in the Aldrich-Vreeland Act.

Third—That such right should be given to the Savings Banks only in the event of necessity, and under the authority of the Federal Reserve Board.

And that, upon such dual approval, the enactment of such amendment be asked of Congress through the Committee on Federal Legis-

lation, as provided in the constitution, and, if possible, the endorsement by the Federal Reserve Board of such proposed amendment be secured.

After due consideration, the Law Committee feels that the proposition is so far-reaching in its effect and so contrary to the provisions now on the statute book, that it would not be wise to recommend the proposed amendment without further consideration.

Report of the American Institute of Banking Section, Robert H. Bean, 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 fundamental purposes of the Institute nor to record the fact which we believe is known to many of you, that this year has witnessed greater progress in the standardizing and perfecting of the study courses than during any previous year since the organization of the Section.

In such a work as is undertaken by the Institute, there must of necessity be a long period during which the ideas and suggestions 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 there 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 laid in recent years upon the history of banking economics and a study of current problems of financing, especially the Federal Reserve System and the development of foreign trade. These subjects have 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 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 more systematic and uniform the study work than has been possible heretofore.

To fully justify its existence and perform its best service, the Section must through its administrative officers keep in intimate touch with the individual Chapters to the end that they may be assisted and advised, if necessary, and in return receive from them the experience of successful educational undertakings in the particular section of the country in which they operate. This is made possible by the plan of study courses now being presented to the local Chapters and which offers promise of much success.

Believing that such an important undertaking as the revision of the Institute Text Book should feel the experienced hand of the expert, the Executive Council authorized and designated a Board of Regents composed of two bankers and two educators. This Board has performed invaluable service during 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.

Funds contributed by member banks to local Chapters are, to a greater degree than ever before, being used for educational purposes and may I venture to suggest that no contribution should be made without the express stipulation that it is to be applied to the needs of the Chapter in carrying on its educational work.

The incorporation of the Correspondence Chapter, bringing as it has into one group, the country Banker-Member, has worked out most advantageously and while the number has not increased 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, one year ago, appointed an Assistant to the Educational 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 during the larger part of 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 hide genius 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.

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 unflinching effort to maintain the high standard of Institute ideals, and a purpose of bringing about at all times the greatest good for the greatest number.

During the past year the Institute has experienced a marked growth in members. While the number of Chapters remains at 60, the combined membership is now 15,606, which includes 1,339 Correspondence Chapter students. This is a gain for the year of 1,543, of which gain 407 was in the Correspondence Chapter. The number of Institute graduates has increased 373, and now stands at 1,510. There has been a steady increase in membership in the larger and more successful Chapters. 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 successful, we have strongly urged the formation of study classes which would be enrolled in the Correspondence Chapter and whose educational work would be supervised by the Educational Director.

Following is a statement of Institute receipts and expenditures covering the fiscal year from September 1st, 1914, to August 14th, 1915, inclusive, classified in accordance with the directions of the Institute Executive Council:

SUMMARY.

Total Receipts.....	\$33,474.90
Total Expenditures.....	28,158.57
Balance, August 14th, 1915.....	\$5,316.33

Department of Public Relations.

Since it was formally organized last fall the Department of Public Relations has been chiefly concerned in remaking the JOURNAL-BULLETIN as the matter of first importance in a work which takes account of the attitude of the public toward banking. As the medium of the expression of correct views on banking and allied economic topics, it seemed important that the publication of the Association be brought to the form from which it may develop into 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 co-operation 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 JOURNAL 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 it more convenient for handling and for reference. It has taken out of the JOURNAL a report which had no place in a publication of the kind demanded by the members.

Other changes that have been made in the arrangement of the JOURNAL-BULLETIN are technical and designed rather to show in the result than in the method. A constant effort is being made to secure articles of high class, and it is 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 dissemination 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 to which publicity material is put. One distributed, it reappears in unexpected places, in unexpected form 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 impossible to reduce to figures the extent of the use of an article. In one instance an effort to count results showed publication in twelve newspapers whose combined circulation was nearly three million; that is to say, the one article, approximately a column in length, had nearly three million circulation.

It is, at least, of equal interest and importance that there is constant contact with a large number of correspondents, reporters and writers, and that the relations so established make possible a service which is of benefit to the American Bankers' Association and the newspapers as well. This field of operation is being constantly enlarged and will be made more comprehensive as time permits.

The Department has been in constant consultation with the

Sections and departments of the Association, and its facilities and services have been freely extended in co-operation with the work being done by the Sections and departments.

A. D. WELTON,
Manager.

Report of Committee on Federal Legislation.

The following report omitting certain paragraphs was made at the Spring Meeting of the Executive Council, and is now presented to the Association as it covers the activities of the Committee during the greater part of the Association year and until after the close of the 63rd Congress:

The Committee on Federal Legislation have kept in close touch with all matters of legislation affecting the interests of members of the Association which were introduced in the last Congress. The 63rd Congress was memorable in respect to continuity, having been in continuous session during practically the entire two years of its existence, beginning with an extra session immediately after the inauguration of President Wilson which merged into the first regular session in December, 1913; the long session continuing up to October 24, 1914. The short session began in December, 1914, and, by operation of law, closed on March 4, 1915.

During the sessions of the 63rd Congress, four principal measures became law in which the Association was especially interested:

The Income Tax Act, approved October 3, 1913.

The Federal Reserve Act, approved December 23, 1913.

The Clayton (Interlocking Directorate) Act, approved October 15, 1914.

The Emergency Revenue Act, approved October 23, 1914.

During the progress of the Income Tax bill through Congress, our Committee acting through its individual members and General Counsel of the Association, secured its modifications by the exemption of mutual savings banks and also an amendment to make it clear that no deduction at source would be required in respect of interest of bank deposits, but did not succeed in the larger effort to eliminate entirely the provision as to the withholding at source nor to restrict such provisions to the mere giving of information at source. Shortly after the passage of the Income Tax Act, the policy was determined upon of urging its amendment so as to do away with the collection at source feature entirely or, if that could not be attained, then to seek its amendment by providing for information at source, eliminating deduction and collection, and also simplifying the provisions of the law. A number of bills were introduced in the 63rd Congress along these lines, but the Committee on Ways and Means to which these bills were referred, announced that they would not take action on any bills of this character during that Congress. Our Committee propose to conduct an active campaign to procure amendment of the Act by the 64th Congress, and part of its activity will be devoted to the accumulation of detailed evidence, which will show the great expense to which banks are put in carrying out the collection at source, provisions of the law, and that such provisions are not necessary so far as the Government is concerned.

Since the passage of the Federal Reserve Act on December 23, 1913, three amendments have been adopted:

The act of August 4, 1914, which amended Section 27 to make more generally available the temporary provisions of the Federal Reserve Act, relating to national bank circulation.

The Act of August 15, 1914, amending Section 19, subsections b and c of the Federal Reserve Act, relating to reserves.

The Act of March 3, 1915, amending the Federal Reserve Act, relative to acceptances by authorizing the Federal Reserve Board in its discretion to increase the amount of acceptances, based on the importation and exportation of goods which a member bank may discount and a Federal Reserve Bank rediscount.

The Clayton Anti-Trust bill, so far as it related to Interlocking Directorates of Banks was opposed by our Committee and General Counsel acting in our behalf. A number of modifications were secured in the House while in the Senate still great success was attained, for the Interlocking Directorate provisions were entirely eliminated. They were restored to the bill, however by the conferees of the two Houses and thus finally became law. The various steps taken during the progress of this measure have been detailed in previous reports and need not be repeated. The Interlocking Directorate provisions do not take effect until two years from the passage of the Act, and it is the intention of our Committee to urge the amendment of the Act by the Sixty-fourth Congress by the elimination of these unjust provisions.

The Emergency Revenue Act is, of course, but a temporary affair, for it provides that no taxes shall be levied thereunder after December 31, 1915. As originally introduced it provided a special tax upon banks of \$2 for each \$1,000 of capital. Our Committee filed a protest with the Committee on Ways and Means against the injustice of this provision for the reason that such tax, by singling out one class of corporations instead of spreading the burden over all corporations alike, was discriminatory and unfair. We urged a readjustment of the

bill 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 unjust to single out one class of corporations alone instead of distributing the tax burden over all corporations alike. An active campaign was conducted through circulars to all the Clearing Houses and State Bankers' Associations in the United States, to whom it was suggested that they make immediate independent protest and that their members present arguments to individual Senators and Congressmen. As a result of this agitation the proposed 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 House and Senate during the 63rd Congress, none of which finally passed that body. These included the bills relating to Rural Credits, Postal Savings Legislation, to authorize cumulative voting for bank directors, the guarantee of bank deposits and a number of other subjects.

In the matter of Rural Credits space 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 understood to be postponed until the next Congress, awaiting further investigation, the Senate in passing the Agricultural Appropriation bill added a rider (being the McCumber bill, S. 6,632), providing for Government loans to farmers on bond and mortgage at five per cent. through the agency of national and state banks, the Government to issue 4½ per cent. ten or twenty-year debenture bonds and sell them to investors. The House thereupon passed the Agricultural Appropriation bill, but substituted for the McCumber rider the provisions of the Hollis bill (S. 5,542), which as modified followed the general lines of the Federal Reserve Act, providing a Federal Farm Loan Board, Federal Land banks in Federal Reserve districts and local loan associations with minimum capitalization of \$10,000 to loan on farm mortgage security and sell the mortgages to the land bank of the district, the latter to issue investment bonds based upon the mortgage security. The House, however, added a provision calling for the purchase by the Government from the Federal Land banks of not exceeding \$50,000,000 yearly of farm loan bonds, the Government to provide means therefor by the issue of Panama Canal bonds bearing interest at 3½ per cent. The Senate and House conferees, however, eliminated the Rural Credits feature, being unable to agree, the chief point of difference being the inclusion or exclusion of the Government aid feature. No Rural Credits legislation was therefore enacted by the 63rd Congress except that the following provision, inserted by the conferees in the Agricultural Appropriation bill, became a law:

"There is hereby constituted a joint committee of the Senate and House of Representatives to consist of the chairman of the Senate Committee on Agriculture and Forestry, the chairman of the House Committee on Agriculture and the chairman of the committees on banking and currency of the two houses and the two other members of each of said committees to be designated by the chairman of the respective committees, and it shall be the duty of said joint committee to prepare, after such investigations as may be deemed necessary, and report to the Congress on or before January 1, 1916, a bill or bills providing for the establishment of a system of rural credits adapted to American needs and conditions. The sum of \$10,000 is hereby appropriated, the same to be immediately available out of any funds in the Treasury not otherwise appropriated, to defray all necessary expenses of said joint committee, payment of said expenses to be made upon vouchers approved by the chairman of said joint committee, who shall be selected by the committee."

Bills were introduced in the 63rd Congress to amend the Postal Savings law, which limits deposits of any one person to not more than \$100 per month with total deposit 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 funds to be deposited in other than member banks. Without detailing the history of this legislation, a bill (H. R. 7,967), finally reached the President 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 \$500 for each depositor upon which no interest should be paid. This bill, however, was vetoed by President Wilson on September 11, because it contained a provision allowing postal savings funds to be deposited in other than member banks. Following this veto, bills were introduced in House and Senate along the same lines, with the exception of the feature disapproved by the President and later a rider was attached to the Post Office Appropriation bill, wherein the postal savings depositor was allowed to have an interest-bearing deposit of \$1,000 and an additional \$1,000 without interest in the discretion of the board of trustees. This rider after passing the House was struck out by the Senate and the entire Post Office Appropriation bill failed to pass before close of the session. As a consequence, the Postal Savings law, with reference to deposits in the 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 either been opposed or at all events not the active proponents. Concerning legislation which the Association has affirmatively favored in the 63rd Congress, our Committee has been active in urging the passage of S. 387, the Pomerene bill, relating to Bills of Lading. This bill passed the Senate unanimously on June 9, 1914, but failed in the House. We had the same success in the Senate of the 62nd Congress, with like result in the House. Our Committee are preparing an active campaign for the promotion of this measure in the 64th Congress and we trust to have better success. Conditions of legislation in the 63rd Congress which it was impossible to overcome, crowded out 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 policy of the Federal Reserve Board to require rediscounting banks to give full and complete information as to the financial responsibility of the borrower, it would seem important that Congress should supplement this by legislation punishing borrowers who make false statements to any Federal Reserve or member bank.

Supplementing the above report, the following matters are presented:

At the Richmond Convention the Association authorized the appointment by the President of a Committee of twelve, representative of the four classes of banks, "to confer with the authorities at Washington in order to secure the adoption of such amendments to the Federal Reserve Act, as should make it more desirable for state banking institutions to join the Federal Reserve System." The Committee of twelve made a report at the Spring Meeting of the Executive Council, in which they concluded:

"The Committee has given careful consideration to the subject before it. The Federal Reserve System having been in force so short a time it is impossible for your Committee at this time to offer any constructive suggestions as to amendments to the Federal Reserve Law. We recommend that the matter be referred to the Federal Legislative Committee."

The report was adopted by the Executive Council. Pursuant to such reference the Committee on Federal Legislation has given consideration to the subject, but is not yet prepared to make suggestion of amendments. In the meantime, the Federal Reserve Board on June 7 issued a circular stating it to be the aim of the act to embrace in the system all types of banking institutions, state banks, trust companies and national banks, and announcing it would use its broad discretionary power to accomplish this object and this was accompanied by a set of regulations governing admission, conduct and withdrawal of said institutions. The Board stated that "the problem presented is to find a basis upon which these different types of banking institutions may thus be associated, which will be fair to each and will not require greater uniformity of operation than may be necessary to the attainment of the purposes of the Federal Reserve Act." The full text of the circular and regulations was published in the Journal of the Association for July, 1915. It is too early to determine what effect this action of the Board will have upon a situation not adequately covered in the act itself. The subject will be dealt with in a future report.

In connection with the movement in charge of our Committee to procure amendment of the Income Tax Law by the elimination or modification of the deduction at source feature, permitting banks to deduct taxes paid on shares and other amendments of the Act, we are pleased to report that a committee of the National Tax Association are also working on this subject and at the recent convention of that Association in San Francisco, a report of the Committee on Taxation was adopted recommending generally a complete restatement and clarification of the law and making seventeen specific recommendations of amendments, among them, for modification of the collection at source feature and introduction of a system of information at source; calling for returns by partnerships the same as by corporations; allowing individuals to deduct losses where gains would be taxed; permitting corporations to deduct amounts received as dividends.

Our Committee are prepared to conduct an active campaign during the sessions of the 64th Congress, in behalf of the measures placed in its charge which are advocated by this Association, as well as in opposition to such proposed National legislation as may be derogatory to sound banking and to the interests of the members of this Association.

On behalf of the Committee, I desire to offer the following resolution—which was approved by the Administrative Committee—and is now recommended for adoption by the convention:

Resolved, That an attempt be made to procure an amendment of Section 19A of the Federal Reserve Act so as to give member banks not in the Federal Reserve or central reserve cities, the option of keeping 4 per cent. with any national bank in any reserve or cen-

tral reserve city in the United States, or within a radius of 300 miles of the member bank, or within the Federal Reserve District, in addition to the option the member bank now has of keeping such 4 per cent. in its own vaults, or in the Federal Reserve bank.

Our Committee also suggests the urging of a proposed amendment to Section 5,219, of the United States Revised Statutes, so that the same shall read as follows:

"Nothing herein shall prevent all the shares in any association from being included in the valuation of the personal property of the owner or holder of such shares in assessing taxes imposed by authority of the State within which the Association is located, or where such taxes are imposed upon the income of personal property instead of upon personal property, nothing herein shall prevent the income derived from said shares from being included in the income of the owner or holder thereof in assessing such taxes; but the Legislature of each State may determine and direct the manner and place of taxing all the shares of national banking associations located within the State or the income therefrom, subject only to the two restrictions that the taxation shall not be under more burdensome conditions, or at a greater rate than is assessed upon other moneyed capital or income in the hands of individual citizens of such State, whether or not such capital or income comes into competition with that of national banking associations, and that the shares of any national banking association owned by non-residents of any State or income derived therefrom shall be taxed in the city or town where the bank is located and not elsewhere. Nothing herein shall be construed to exempt the real property of associations from either State, county, or municipal taxes to the same extent according to its value as other real property is taxed."

We recommend that the above be approved by the convention.

Report of Insurance Committee.

Mr. Chairman, Ladies and Gentlemen: Your Committee on Fidelity Bonds and Burglary Insurance has previously reported to you the compilation of improved fidelity bond and burglary policy forms, which forms have been copyrighted by the American Bankers' Association, and a majority of all of the principal insurance companies of this country have been licensed to execute them. These copyright forms have from time to time been examined by many authorities, including insurance experts, insurance commissioners, attorneys for banks, etc., and your Committee has, without exception, been able to show in every instance their superiority over any other forms heretofore offered the banks by the American insurance companies. Many thousand copies of your Committee's reports have been distributed among member banks; wide correspondence has been inaugurated with as many 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 by members of this Committee before State Bankers' Associations, all looking toward an introduction of these copyright forms, together with the other insurance service of your Committee, to the member banks, and yet there are many banks not using these forms. The insurance companies avoid selling the banks our more liberal forms wherever possible, substituting more restricted forms of their own, and using our forms only to meet competition, or upon the insistence of the applying bank.

Your Committee cannot too highly emphasize the importance of an adequate protection to the bank in the form of bonds or policies purchased. The Supreme Court of the United States in a recent decision, Justice Holmes writing the decision, used the following language: "What the insured cannot do is to take a policy without reading it, and then when he comes to sue at law upon the instrument, ask to have it enforced otherwise than according to its terms." Your Committee through the co-operation of the Protective Department receives a prompt report upon every burglary or robbery committed against a member bank and reported to that Department. Your Committee upon receipt of each such report immediately tenders its services to 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, assisting oftentimes to the material advantage of the bank, but we have found so many cases of inadequate coverage because of the use of antiquated and restricted insurance forms, that we deem it important to emphasize this part of our report. For instance, we were recently requested by a Pennsylvania bank to pass upon its form of bond, and found that one of the largest and most representative insurance companies of the country was continuing to sell the bank an old bond form originally executed in 1902. The insurance companies themselves in the last few years have provided much improved policy and bond forms, but none of them as yet are as broad in their coverage as the copyright forms of the American Bankers' Association, and your Committee earnestly recommends that these forms be continually kept before the member banks, and that all banks be invited to call upon this Committee for a report upon their present policy forms wherever the copyright forms are not being used.

Your Committee further desires to submit to the member banks the need of caution in accepting endorsements or riders attached by the insurance companies to their bonds or policies and tending to change the conditions thereof. We desire particularly to point out the danger of making statements or applications by the bank when applying

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 bonds to give what is known as a "cut off" agreement under which the bank warrants at the time of the renewal of its bond that all of its accounts have been audited up to that date, and found correct, and the insurance company upon delivery of the renewal will have no liability under the previous bond. It is manifestly impossible for any bank to warrant all of its accounts, including inactive and savings accounts, to be correct upon a given date in each year, and yet under the "cut off" agreement the protection of the bank depends upon its ability to warrant the correctness of all accounts on given dates. It is necessary to attach endorsements to the burglary insurance policies from time to time in order to meet the varied requirements of different banks, and your Committee has accordingly drawn the license authorizing the insurance companies to execute the copyright burglary policy, so that endorsements are required to be submitted by the insurance companies to your Committee for its approval. We respectfully urge that the member banks obtain a report from this Committee upon any endorsements or riders or other agreements not provided for in the face of their policy or bond.

In the settlement of claims, your Committee has found the insurance companies usually ready and willing to settle within the limits of the policy or bond contract. We have advanced the theory, however, that a reputable insurance company catering to the business of 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, failing to do so, should settle claims upon a more liberal basis than the restrictive provisions of old contract forms. We endorse very heartily this disposition shown by a leading insurance company in a recent burglary settlement with a member bank in which the insurance company used the following language: "In view of the fact, however, that the safe was burglary proof, and we would have granted limited coverage outside of the chest had it been requested, we decided to assume a full pro rata share of both the money and damage loss." Settlements of this sort will tend most to insure a mutual confidence between the banks and the insurance companies.

Your Committee in its report to you of October 12, 1914, outlined the small amount of losses on burglary insurance of member banks as compared with the premiums paid by the banks. Our figures were compiled after the most painstaking and lengthy work, and we believe them to be accurate. There are various reasons for the small amount of burglary and hold-up losses in member banks, among them being principally the efficient work of the Protective Department of the Association. At least one representative American insurance company, the Casualty Company of America, having its home office in New York, has recognized this condition, and has submitted a proposal 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, \$700,000 per annum for their burglary insurance, a 20 per cent. saving means \$140,000 per annum. The matter was made the subject of a special report by this Committee to the Executive Council May 3, 1915, and was referred by the Council to the Administrative Committee with power to act. With the approval of the Administrative Committee, and further with the approval 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 includes most of the burglary insurance companies of 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 that are needed. More than one bank has suggested to your Committee the possible violation of laws involved in the so-called insurance combine. 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 cover 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 co-operate with the insurance interests fully so far as possible, and to obtain the use of better policy and bond forms, the more satisfactory settlement of bank claims, and a modification of insurance rates wherever the conditions might warrant, by a fair and logical presentation of the facts to the insurance companies. Much opposition is, of course, shown by the insurance companies to the wide use of our copyright forms; occasionally some insurance company objects to the discussion by your Committee of the settlement of claims; concerted opposition may be expected to the reduction in the cost of burglary insurance above outlined. Your Committee, however, insists that it is possible to continue this work with friendly and co-operative relations with the insurance companies.

Your Committee feels justified in expressing its satisfaction at the results of its work to date, and respectfully expresses the hope that it will meet with your approval.

OLIVER J. SANDS,
Chairman.

Detailed Report of Proceedings.

FORTY-FIRST ANNUAL CONVENTION, HELD AT SEATTLE, SEPT. 6, TO SEPT. 9, 1915

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, 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 Rt. Rev. F. W. Keator, Bishop of the Diocese of Olympia.

INVOCATION.

BY THE RT. REV. F. W. KEATOR, BISHOP OF THE DIOCESE OF OLYMPIA.

Almighty Everloving God who doth from Thy throne behold all the dwellers upon earth. It is meek and right that in all our undertakings we should seek Thy presence and favor. With Thee is all power and might. Without Thee nothing is strong, nothing is holy. Therefore, O our God we would acknowledge our entire dependence upon Thee and yield to Thee high praise and grateful thanks for all Thy goodness toward us in the past days as we seek Thy presence and guidance in the days to come.

Let Thy blessing continue to rest upon this land of our homes and our labors. Bless those set 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. And do Thou so direct and rule us that we would do justly, love mercy, and walk humbly before Thee all our days. Whatever dangers may threaten do Thou protect and defend us, and out of all the unrest of our social, commercial and political life do Thou bring peace and happiness.

Now O God we ask Thy blessing upon this assembly of men called to a great work, and charged with a great responsibility. Help them to be worthy of every confidence reposed in them. Help them to discharge faithfully every trust committed to them. Direct them this day and throughout this convention with Thy favor, and further them with Thy continued help, that in all things that they may do Thy will and set forward Thy kingdom of righteousness and peace.

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 to-day 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 few words 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 delegates 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 business 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 came here to do may be well done. It has been arranged, I understand, that the sun will shine to-morrow, so that you may have an opportunity to see the beauties of the Northwest.

We, of course, in Washington, are proud of our State. We speak of its wonderful and rapid growth. We boast occasionally of its resources. We also recognize the fact that it is one part of the great combination of States, and that the success of all of the States is that which brings success to us. The reason for this gathering to-day is so that the minds of the different portions of the United States may exchange ideas, and from such exchange that there may come forth information that will bring about better and still better conditions to all.

We are delighted to have the bankers of the United States meet here in this great Northwest. We hope that we may have an opportunity in the days that are to come to show you more of it, and we feel that as a State we will be benefited, commercially and industrially, by your presence.

I am delighted to add a word of welcome this morning, and I certainly hope that each and all of you may enjoy every moment that you spend with us. We trust that your visit will bring about that

condition of mind which will induce many of you to look westward when that period comes that you are looking about for a place to spend your vacation, rather than that your eyes should in the future be turned across the Atlantic to European shores for your holiday. We are great believers in the motto of Seeing America First, and in seeing America first in order to have well seen it we believe that you will have to come to the great Northwest. I thank you.

PRESIDENT LAW: Mayor Gill, of the city of Seattle, comes at this point on the program to extend an additional word of welcome to us.

Address of Welcome by Hon. Hiram C. Gill, Mayor of the City of Seattle.

Mr. President and Gentlemen: I suppose I have the greatest privilege that ever fell to the lot of the ordinary man that has to do business with bankers. I can look into the faces of a large number of so-called malefactors of great wealth and talk unlimitedly, and they can't say a word back. (Laughter.)

Gentlemen, I have no time to dwell on what we have in this city. I am glad so many of you are here from the East, so that you can learn what this city really is. We welcome you, and we don't care whether you spend a nickel or not, or whether you sleep on a haystack, you are welcome just the same. We are seeking to enlighten the people of the United States about this great Coast, and about this part of it in particular. I welcome you to a city from which even you may learn much, for I know that many of you have labored under the impression that the great Northwest was a country of freaks and legislative fads. Well, it has been so a great deal in the past; but it isn't so any more. This is a city from which you of the East will learn that democracy is going to rule you, and it is a good thing for you bankers to learn that while you have time to learn it. May be some of you at one time in your lives had to work for a living; I don't know, I never saw very many bankers that did, but some of you probably did. (Laughter.) I am saying this as a means of impressing upon you how cordially I welcome you. I offer you on behalf of this city a welcome just as cordial as you or I might have years ago dreamed a bank president would have extended to any of us.

PRESIDENT LAW: Gentlemen, there seems to be a remarkable unwillingness on the part of the Governor and also on the Mayor's part to go into details as to the city of Seattle and the State of Washington. I had expected that they would give us valuable information as to the resources and characteristics of this city and State and load us up with interesting facts, because personally I believe that they are here.

Now we are going to hear from a banker, and I throw out this suggestion before introducing him. We really want Mr. Backus to tell us something about this great city.

M. F. BACKUS: (President Seattle Clearing House Association, interposing) Mr. President, I think Mayor Gill will give us a little more extended talk, and I cheerfully yield part of my time to him.

PRESIDENT LAW: We will gladly hear further from the Mayor.

MAYOR GILL: I always try to make an address of welcome brief. As a general rule, I don't believe in dishing up a lot of statistics, but what your President has said impressed me. Usually Governor Lister goes into these matters. The last time we met he didn't leave me anything to talk about except the dog pound and the rat laboratory. (Laughter.)

Now, speaking about this city. To-day by our last Government estimate Seattle contained 337,000 people. It has 250 miles of asphalt paved streets. It has a \$6,000,000 park and boulevard system, which has been paid for. It has a lighting plant—and those of you who are interested in the great financial circles of the country may have read some unfair criticisms about it, but it gives this city the lowest lighting rate of any city in the United States, running from five and a half kilowatts to seven-eighths of a cent to the consumer; and, notwithstanding all criticisms, it is an absolutely safe profit-paying investment to this city. Seattle has a water plant owned by the municipality, which furnishes water to any eight-room house in the city for fifty cents a month. This water is brought to the city from the mountains a distance of thirty-eight miles. Seattle ranks nineteenth as having the lowest tax of any city in the country. It has manufactures comparable to those of any city of its size in the country. It is the leading salmon packing center of the world. It handles practically all of the commercial business of Alaska to-day. The County of King, in which you sit to-day, is one of the richest counties in the State. It cost \$200 an acre to clear this land, and now it is one of the greatest dairy counties in the United States. We have a condensed milk plant, which is now beginning to furnish condensed milk to you people in the East, and the cans are made within eighteen miles of this city. Those are our resources. Sometimes we talk about our lumber, but if I begin to talk about lumber I'll get in bad with the Democratic Administration, and I don't want to talk politics, which is the one thing we are suffering from out here. (Laughter.) We will be glad to show you everything that we have. We admit that we have made some municipal ownership mistakes.

That is, some people did—none of us who are in the chair these days. Not speaking egotistically at all, I assure you that we have the cleanest municipal administration and the best legislation of any city in the United States, and you men of finance can investigate and ascertain those facts for yourselves. You can learn a great deal from this city and profit by our mistakes, because so sure as the sun rises you will shortly meet in other States and cities with woman suffrage, with the initiative, with the referendum and the recall. We've got them all. (Laughter.) But the people are learning, and the banker must begin to learn that his day of legislation is passed and gone, and that he must meet and legislate with the people. If you don't, gentlemen, your deliberations in the future will not amount to much. If you do, you will control the situation, because in the last analysis the people are wise and they are just.

Now, gentlemen, anything we can do for you we will be only too glad to attempt. (Applause.)

PRESIDENT LAW: Thank you very much, Mr. Mayor. What I said was not at all in any spirit of criticism; it was simply a suggestion, and I am very glad that Mayor Gill accepted it, because I am very sure we have enjoyed his remarks about this city's statistical position.

We are now going to hear from Mr. M. F. Backus, President of the Seattle Clearing House.

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

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

Governor Lister has extended to you a hearty welcome to the Evergreen State. Mayor Gill has bidden you welcome to our Queen City of Puget Sound, and I now extend greetings from the Associated Banks of this city, and on their behalf take pleasure in bidding you welcome to everything else in sight. And is there not good reason for our extending this united welcome? The Scriptures tell us that Abraham entertained angels unawares. We have the advantage over Abraham in knowing the character of our guests, who, while they have not yet all fully qualified as angels, we have no doubt will do so later on.

It is very fortunate, indeed, that this Convention is held in Seattle this year, because next year the State is to be dry, and, notwithstanding that we produce a fine quality of grape juice, some of you might experience a certain feeling of disappointment.

The Seattle Clearing House Association appreciates the honor conferred upon it by your acceptance of its invitation to hold your forty-first annual Convention here "in the geographical center of the Union," and welcomes you, one and all, from whatever State you hail, all the way from Coney Island, from Key West, or San Diego to Mount Rainier. A great many people do not realize the fact that the geographical center of the United States, including Alaska and the Aleutian Islands, lies a little northwest of this city, and that Seattle is therefore located just where the West begins.

"Out where the hand clasps a little stronger,

Out where the smile dwells a little longer—

Out where the West begins.

"Where there's more of singing and less of sighing,

Where there's more of giving and less of buying,

And a man makes friends without half trying,

Out where the West begins."

We welcome you to our great forests and our mighty rivers. We welcome you to our snow-capped mountains and our fruitful valleys, to our azure lakes and our beautiful inland sea studded with a thousand

"Sea-girt isles,

That like to rich and various gems inlay

The unadorned bosom of the deep."

We welcome you to the broad field of priceless opportunity foretold by Mr. Seward nearly sixty years ago, when he said: "The Pacific Ocean will become the chief theatre of events in the world's great hereafter." We welcome you to the port on the Pacific Ocean lying nearest to Japan, to China, and to Asiatic Russia. Here you may take ship, and sail by the shortest possible route from the United States "westward and farther west until West is East," visit Yokohama, Vladivostok, Shanghai, Hong Kong, and Singapore, and then return by this same shortest route and receive our cordial welcome once more.

We welcome you to the entrepot for the great future commerce of Alaska, the only part of this country left for the pioneer and the seeker after adventure, a land of untold latent wealth, its waters teeming with the choicest food fish, its hills filled with coal, copper, and gold—a land so vast in extent that if every human being on the face of the earth, every man, woman, and child who breathes the air, were set down within its boundaries, there would be less than five persons to the acre. Nowhere else in the world to-day are there such opportunities, such natural resources, awaiting the hand and intelligence of man for their development. And I can further promise that if any of you will visit that great unexplored Empire to the North you will receive a hearty welcome there also.

Three events of highest importance to future business, especially on this Coast, have occurred since the last meeting of our Association at Richmond on the James, each of which, in turn, has received a sincere welcome. These are—the operation of the Federal Reserve Act; the opening of the Panama Canal, and the passage of the act authorizing the construction of railways in Alaska. While in the welcoming line I will say that we all welcome the marked change in public sentiment which promises to end what has been aptly termed the "reign of terror" under which business has struggled for the past eight years. We welcome the passing of the "muckraker." We welcome the

recent decision of the Federal Court in the case of the United States Steel Corporation, and the more recent order of the Interstate Commerce Commission on the appeal of the express companies for permission to charge living rates. We welcome our billion-dollar international trade balance, and likewise our ten-billion-dollar harvest of farm products just now being garnered. We welcome the fact that we are changing from a debtor to a creditor nation. We welcome the "noble army" of American tourists who are just now learning to "See America First."

Among the things which we hope to welcome in the near future may be mentioned—an end of the terrible European war; a restoration of decent conditions in Mexico; a reform in our shipping laws, which will make it possible to re-establish an American Merchant Marine and enable us to operate ships from the Pacific Coast under the American flag; and as more directly concerning the banking fraternity some plan which will attract the State banks and trust companies into our Federal Reserve System, for only thus will the new system ever become fully successful.

Seattle boasts much of her excellent terminal facilities, and I must not impair her reputation in this regard, but just let me add that one distinguished party who is said to be on his way to whom we will all join in extending the heartiest of welcomes when he arrives, whose acquaintance we shall be delighted to renew once more, is old "General Prosperity." God speed him!

The bankers of Seattle most cordially welcome this meeting of the American Bankers' Association, and earnestly hope that its deliberations may result in working out much that shall prove good, not alone for the Associated Banks, but for all the people of this broad land, from Canada to Mexico, from the Pacific to the Atlantic—the land which we all so highly honor and hold so dear.

Our hands, our hearts, our homes are all open to you, and to all of them we bid you welcome.

PRESIDENT LAW: On behalf of the Association I thank the Governor, the Mayor and the President of the Clearing House Association for their words of welcome. I would repeat what Mr. Knox, the President of the Savings Bank Section, said so aptly yesterday: We have seen all around us the work of your hands in Seattle, but the hospitality that you are showing us is the work of your hearts. Mr. Backus has succeeded in smashing forever the tradition that a banker is never an orator.

This Association is often seriously advised to select a permanent meeting place and cease its journeyings from North to South and from ocean to ocean; However, we have always decided that it was advantageous to hold our annual gatherings in widely separated sections of the country in order to bring about by travel and intercourse that closer understanding which is essential to intelligent banking co-operation.

We have recently met with the Puritans and Pilgrims in Boston; with the Cavaliers and Huguenots in Richmond, and now we stand in the presence and breathe the influence of those who made your traditions and fixed your standards, creating the ideals which for generations will shape your lives and those of your children—the Pioneers.

While your State was a part of Oregon Territory, these hardy Americans, actuated sometimes by a desire for wealth, sometimes by love of adventure, and oftentimes by the American instinct that seeks to conquer difficult situations, followed the trail across the waste and fought a tireless war, not only against hostile man but against the contending forces of nature. As has been well said of the "Forty-niners," "The cowards never started and the weaklings died on the way." The Pioneers gave an inspiration to their brethren in the East by undertaking great tasks and completing them at all hazards.

In the pursuit of fur-bearing animals, in the development of fisheries, in the lumber camps, in the mining camps, in the accomplishment of engineering feats, in the construction of harbor improvements, in the development of hydro-electric power, in the construction of lines of transportation, they and their sons had the faith that enables men to remove mountains and cast them into the depths of the sea. As Rudyard Kipling's "Sons of Martha":

"They say to the mountains, be ye removed, they say to the lesser floods, run dry;

Under their rods are the rocks reproved, they are not afraid of that which is high;

Then do the hilltops shake to the summit, then is the bed of the deep laid bare;

That the Sons of Mary may overcome it, pleasantly sleeping and unaware."

In the East we are apt to dwell upon the historic events of the past: Here you are thinking more of your vigorous present and brilliant future, but the Seattle and the Washington of today could never have existed but for the sacrifices and toil of those brave men who set up their rude huts at Astoria and at your own Alki Point, and it is well to recall their deeds on this occasion.

The vices of the Pioneers were generally manly, frank and aboveboard, their virtues were simple and basic. They taught universal respect for women, the defiance of ill fortune, fortitude in the face of disaster and courage till death.

At some future time as our labor requirements become fully supplied, when your population has increased in density, you will be in a position to utilize your own raw material, and much more that you will import. With your wealth of coal and hydro-electric power, Seattle will become a much more impor-

tant manufacturing city, drawing its 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 Orient and to your nearby agricultural territory, thus retaining the labor cost upon what you fabricate and perfect, as well as the commercial profits earned here in this unexcelled port, blessed with climate, nearby fuel and forests beyond comparison.

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

But the Seattle of to-day, equipped with exceptional railroad and water transportation facilities, with a back country of untold natural wealth, with strong basic industries, with civic and educational advantages, with a courageously aggressive people, is steadfastly doing its share of the world's work.

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

Annual Address of the President, William A. Law.

These annual gatherings are milestones which mark our banking progress.

Since our Richmond Convention last October many events of vital importance have been crowded together, often too swiftly for realization and analysis, so seriously have they affected our lives and fortunes. A farther perspective will result in clearer vision.

We are meeting in the midst of strange 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 strong men and of innocent women and children.

In Europe 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. After recovering from the first paralyzing shock, our leaders began energetically and resourcefully the task of repairing shattered confidence and effecting the resumption of normal commercial activities and industrial operations. Transportation interruptions by sea and land were overcome. Emergency measures previously provided gradually enabled banking transactions to proceed along the usual lines; the stock exchanges were opened on December 12 under certain restrictions after having remained closed about four and a half months, and international and domestic traffic have since been conducted under abnormal influences and extraordinary difficulties.

During the year you have seen sterling exchange rise to its maximum price of two generations, and sink to its minimum. You have seen interest rates uncomfortably 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 combined effects of tariff changes, the unusual shifting of prices of both raw material and products under war conditions, and recently the demoralizing competition for skilled labor by the contractors for war supplies. As soon as business is resumed on a large scale we are going to face most unusual labor conditions. Practically no immigrants are coming in at the present time; our normal movement averages about 100,000 per month.

Those industries concerned in the production and distribution of food stuffs have been least injured. Leather has been strong and active; the automobile industry has been surprisingly stimulated, due in great measure to the war. On the other hand, textiles have been irregular and difficult. Construction and all products purchasable by the railroads have been slow and dull. Our coal tonnage exceeds the combined tonnage of the products of agriculture, forests, manufactures and animals. The success of many of our railroads, therefore, depends upon manufacturing activity. The railroads have been suffering from a fourfold burden of decreased tonnage, decreased freight rates and the increased costs of labor and money, but they are pluckily overcoming their difficulties.

As a whole, production is irresistibly increasing; unemployment is slowly and steadily decreasing; distribution is quietly broadening.

The unprecedented prices for some of our agricultural and industrial products have revitalized stagnant labor generally, besides strengthening the position of our most important interest—farming. The United States has grasped its unique opportunity to become a larger factor in international finance and commerce. Every business man's life has been affected more or less by these events. Some have used their opportunities to advantage, while many others have sustained severe losses because they were so situated that they could not adjust themselves profitably to the suddenly changed conditions. New political problems have been thrust upon our officials for immediate solution.

Last Fall, when Europe needed the surplus of our two most bountiful crops, wheat and cotton, we harvested for the first time, by a rare coincidence, over 930,000,000 bushels of wheat and gathered over 17,000,000 bales of cotton; hence our amazing international credit trade balance for the year ending June 30, 1915, amounting to \$1,094,000,000. This immense balance has created serious exchange problems for European merchants and governments. Let us not forget, however, that over \$220,000,000 of this export excess as compared with the previous year was caused by the decrease in imports of raw material in connection with our retarded industrial activity accompanied by idle-

ness and suffering on the part of wage-earners in many of our manufacturing centers.

Several of our strongest assumptions have proven erroneous. Our stock of gold was not exhausted by foreign shipments; in fact, international exchanges gradually turned in our favor. Our cotton exports were not cut in five as predicted, but exceeded 92 per cent. of the previous year's volume. Our copper industry was not ruined but has been stimulated. Our stock exchanges have not been overwhelmed by a flood of distressed American securities sold at sacrifice prices by European holders, but we have readily absorbed all offerings. Our issues of emergency currency amounting to \$384,000,000, and of Clearing House Loan Certificates amounting to \$212,000,000, nearly \$600,000,000 in all, did not long remain outstanding, but reduction and redemption took place promptly and they were practically all retired by the middle of January, 1915. The timely visit of Sir George Paish, the special representative of the British Treasury, paved the way for a perfect understanding as to the soundest and simplest methods of resuming international trade with and payment to Great Britain, who is our largest customer, buying annually from us, if we include Canada, over \$1,000,000,000 worth of merchandise or about three times as much as our next best customer, Germany. Our fundamentals were never more sound than now. At the present time the iron market, the barometer of our national trade, is strong and active. We are witnessing activities in metals, both as to production and fabrication, beyond precedent, and the producers of steel, copper, zinc and other metals have seen soaring prices as well as new records in volume. As always we have sold most of our products in the form of raw material, other nations deriving the profit from manufacture. The New York Stock Exchange is vigorously celebrating its new lease upon life with a speculative orgy in some issues which is causing thoughtful men no little concern. This is caused mainly by the unprecedented plethora of funds congested in New York City, where funds were loaned as low as 1 per cent. on call.

On November 16, 1914, the Federal Reserve Banks were opened, starting too late to afford relief during the financial stringency, as the retirement of emergency currency was by that time in full swing. Unfortunately, this contraction was not sufficient to meet the reduced requirements of commercial depression combined with speculative inactivity, and for the past six months at least we have been suffering acutely from redundant currency, a condition in many respects more dangerous than a stringency. We have not as yet an elastic currency. Contraction ceased when emergency issues were retired, and substantial amounts of Federal Reserve notes are being steadily put out, adding to the unhealthy plethora. We have witnessed rates so low that neither banks, customers nor investors are benefited. Cheap money induces speculation and unsafe credit expansion. The recent activities on stock exchange would have occurred in some other class of securities even if the war stocks had not taken the center of the stage. Excessive speculation, as always in the past, will follow the presence of redundant money until the proper devices for contraction are perfected and operated.

The Federal Reserve Act provides a comprehensive plan for American banking co-operation. 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 most hopeful sign. The principal features of the system will remain a part of our permanent banking fabric, but in all probability there will be various amendments to the act as their necessity becomes apparent. National banks located in the larger cities should be authorized to operate branches. Our principal cities are growing rapidly in area as well as population, and oftentimes banking facilities are required in remote sections where sufficient business does not exist at the moment to cover the overhead cost of first-class management for an independent institution. For the sake of economy and convenience it should be possible for a national bank to have a reasonable number of branches in any part of the city in which it is located, if the population exceeds 200,000. The utility of such a plan has been proven by the experience of State-chartered institutions in several of our cities—notably in Detroit, New York and New Orleans.

The strength of the Federal Reserve Board in shaping the conduct of the twelve banks has given us in many respects practically a central bank, but without its economy and simplicity. The advocates of a central bank have noted with approval arrangements made for contribution to the central gold fund in Washington and the numerous regulations for the conduct of the twelve Federal Reserve Banks laboriously perfected and promulgated by the Federal Reserve Board just as the head office of a central bank would have performed the same function.

As yet nine of the twelve banks have had no general opportunity to demonstrate either their usefulness or their earning capacity. They are all well managed by the practical and experienced men selected as directors by their owners, the national banks of the country. It is certain that they will earn more than their dividends under normal business conditions because they are operating under a distinct advantage over other banks of similar size, in that they do not pay either interest on balances or circulating notes, taxes or exchange charges, and have eliminated the more expensive and risky processes of modern banking. The national banks have deposited a portion of their reserves as required by law; the collection system has been put into effect to a moderate extent and a reserve of about 250 millions in gold assembled.

As indirect benefits the system teaches the superior value of liquid assets in the form of short-time commercial paper, and will in due course of time effect general co-operation in mobilizing reserves and stabilizing interest rates. The system has designated official leadership in national finance, and later on will probably create a real international discount market, assisting the establishment of our trade with the other nations.

In the meantime, the discrimination against bonds by the Federal Reserve Act, coincident with the other difficulties of the railroads, has served to aggravate the economic changes which have caused enormous shrinkage in the values of securities held by national banks.

The Federal reserve system has not yet been fully tested. The country still awaits 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 all commercial banks, no matter where their charters are derived, together with the Secretary of the Treasury, should finally co-operate with the system if we are to co-ordinate all elements in our sphere of commercial finance.

In completing the Panama Canal, and opening it to the ships of the world, we have shown what American brains, resources and courage can do in winning where other nations have failed. To-day the people of the Atlantic seaboard are sharing with you the effects of this big undertaking upon exports and imports. In the construction of the waterway there is glory enough for all, and with the story of the Panama Canal will be linked forever the names of Roosevelt, Stevens, Wallace, Shonts, Goethals, Gaillard and Gorgas. The digging of this fifty-mile ditch completed a plan that had been in the minds of men for over four hundred years. It cuts in half the ocean distance between Seattle and New York, and in its creation of new values compares with the other two great trades made on behalf of this country—the one by Jefferson when in 1803 he made the Louisiana purchase from France for \$15,500,000, and the other by Seward when in 1867, during the Presidency of Andrew Johnson, he bought Alaska from Russia for \$7,200,000. The complete canal will probably cost \$325,000,000, and aside from its commercial value and strategic importance in time of war will rank with the noted engineering achievements of the century.

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 immigrants who will probably rush to our shores; to compete vigorously with the stronger nations in seeking foreign trade.

Shall we have made heavy sacrifices and assumed serious risks for the sake of humanity, or shall we have ceased advocating the cause of the oppressed of other countries? Shall we find that on account of the enormous profits exacted from the dire necessities of the belligerents we have devoted our attention more to material gain than to the moral and spiritual influences which should accompany our traditions regarding human liberty? We are on the eve of world-wide changes in every department of life. The responsibility rests upon each of you who are the leaders in thousands of communities to use your influence with wisdom and conservatism in shaping sentiment and the conduct of affairs.

The new Constitution of the Association has now been tested for two full years; practical use has demonstrated the wisdom of its framers. The Constitution imposes large responsibilities upon the Administrative Committee, which meets at frequent intervals, and in the interim between meetings exercises the powers of the Executive Council. The members of this important committee become thoroughly conversant with the varied activities of the Association and advise promptly and frequently 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 personnel of all committees that at no time is one of them composed of new and inexperienced members.

Your aggressive and industrious General Secretary again announces an increase in the total membership of the Association, which for the first time exceeds 1,500. The Association has grown steadily in membership and has been for many years a center for the crystallization of ideas and action on all manner of banking subjects. 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 numbers 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. Comparatively few of our members realize the diversity of the Association's interests, its numerous functions and the wide range of its possibilities for usefulness.

This organization, originally formed by the voluntary action of a few bankers, has specialized its work and organized one department and one Section after another until now its operations cover every field of banking co-operation possible for such a body. Many who have its interests sincerely at heart feel that the creation of additional Sections is unwise. The General Offices are thoroughly organized and, under the exceptional executive supervision of your General Secretary, transact a vast amount of conscientious, well-finished work. But the organization is capable of still greater efficiency, which may be brought about by centralizing and combining the operations of the several Sections in the hands of one Assistant Secretary.

In the matter of finances you will note the increased income which is reflected in the cash balance on hand at the end of the fiscal year of \$36,097.75 as compared with \$20,152.70 for 1914. Upon the same basis the income for this year amounts to \$238,508.90 as compared with \$233,915 for the year 1914.

The affairs of the American Bankers Association have been conducted upon the theory that, as the dues are comparatively small, it is better not to decrease them but rather to expend wisely and judiciously and for the benefit of all our members any increased income.

During the year the twelve Federal Reserve Banks have responded to our invitation and, with the consent of the Federal Reserve Board, have become members of our Association.

At Richmond there was appointed a Special Committee of Twelve to confer with the Federal Reserve Board and consider possible amendments to the Reserve Act which would make membership in the new system more advantageous, or less disadvantageous to the State banks. Circumstances have made it impracticable for this Committee to accomplish the objects for which it was appointed. After a careful consideration of the matter at the May meeting of the Executive Council it seemed best to recommend the discharge of the Committee from further labors.

The premier banking event of the year is, of course, the opening of the Federal Reserve Banks. Your Association has, for many years, repeatedly urged upon Congress the necessity for banking and currency reform. Finally, in 1906, you appointed a Currency Commission, of which the Hon. A. Barton Hepburn was elected chairman, and he still holds that position. This Commission is composed of active and experienced bankers representative of all parts of the country, and was charged with the duty of assisting legislators in framing a suitable banking law. Without going into details as to the various operations of the Commission, it is sufficient to say that during the whole time the Federal Reserve Act was in the making the Currency Commission of the American Bankers' Association was in close touch with the situation and frequently, by friendly criticism and counsel, directed the legislation along wise lines. The Commission is still in existence and while it is quiescent, it awaits only the demand of necessity for further participation in creative labors.

The important educational work of the Association, which is conducted through the offices and efforts of the American Institute of Banking, continues to be quietly and efficiently performed. With an increased and increasing number of students and with the improved methods which result from long experience, this phase of your work yields to none in importance and in the value of results achieved. It is a work not only of to-day, but of the future. Thousands of the junior officers of banks are entering upon their duties more thoroughly equipped than their predecessors and the banking profession as a whole is bound to derive great benefit from the Institute's work. In perfecting the complete course of instruction the Institute has had the invaluable co-operation of the Board of Regents, of which Professor O. M. W. Sprague of Harvard University is the chairman, and the other members are: Prof. E. W. Kemmerer, of Princeton University; Harold J. Dreher, of Milwaukee; C. W. Allendoerfer, of Kansas City, and George E. Allen, of New York.

Under the auspices of your Agricultural Commission a notable conference was held in Chicago July 7 to 9, 1915. The chairman of the Commission, B. F. Harris, has brought this work to a high degree of success. He has succeeded in interesting not only the bankers but the farmers and the farm journals, which are co-operating earnestly and giving important and highly valued publicity. The work of the Agricultural Commission is highly important. It affects our greatest interest—farming—and is rapidly bringing about a closer understanding between the bankers and that large body of their customers who directly or indirectly derive their living from the cultivation of the soil.

The Insurance Committee is getting excellent results from its efforts to improve the form and reduce the cost of fidelity bonds, and burglary insurance.

The Finance Committee, which was constituted to supervise the finances of the Association, is performing its work adequately and with results which show in the splendid condition of the Association. The Committees on Law, Federal Legislation and Membership have also given strict attention to their duties along their respective lines.

The work of the Sections of the Association has been performed to the signal satisfaction of members. Three of the sections have had special matters to enlist their attention, and the State Secretaries Section has always been in co-operation with the Association. The Trust Company Section has been studying particularly the provisions of the Federal Reserve Act which relate to the admission of State banks. The Savings Bank Section is preparing for the hundredth anniversary of the establishment of savings banking, and the Secretary of the Clearing House Section had an active participation in devising the new plan for check collections under the Reserve Act. The vacancy caused by the resignation of E. G. McWilliam as Secretary of the Savings Bank Section, has been filled by the election of M. W. Harrison who has taken up the work with intelligence and vigor. The position of O. Howard Wolfe, who resigned as Secretary of the Clearing House Section to accept a banking position, has not yet been filled.

The Legal Department of the Association, guided by the master hand of General Counsel Paton, has developed a field of service generally used by the members and highly appreciated.

The Protective Department, whose conduct requires close attention to an infinity of detail, has been conducted along the lines of practical usefulness and has had the commendation of the membership.

During the year the Department of Public Relations, which was established by vote of the Executive Council on October 15, 1914, has been organized under the management of A. D. Welton, whose training in journalistic and civic work equips him exceptionally for this responsibility. This Department is intended to disseminate through the JOURNAL-BULLETIN and through other channels such information as will keep the public in touch with the activities of the Association and will also keep the members of the Association advised in regard thereto. It has developed rapidly into an exceedingly useful part of the Association's machinery and yet we feel that at present it is only in its infancy. You have doubtless noted the marked improvement in the form and character of the JOURNAL-BULLETIN and the quality and arrangement of its editorial matter. It is the purpose of the Council that these improvements shall continue until the JOURNAL-BULLETIN wins recognition as an authoritative financial force.

The Library and Reference Department is discharging its duties and awaits your requirements before more books of reference value are added. The collection is being constantly increased at the discretion of the capable and industrious librarian.

WILLIAM A. LAW,
President.

THE PRESIDENT: Unfortunately, Sir Richard McBride, Premier of British Columbia, and who was to have added greetings from the Northwest, is unable to be with us to-day. So we will omit that part of our program.

The next item in the order of business is the Memorial to the late George H. Russel, who was the President of this Association at one time. I believe Mr. Swinney has some resolutions to offer.

Memorial to George Howard Russel.

The death of our ex-President, George Howard Russel, occurred at his home on Monday, May 17, 1915. Mr. Russel was sixty-seven years of age, born in Detroit November 29, 1847.

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

He was not born to a life of ease. At the early age of sixteen he was placed upon the threshold of the future to hew 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 apt 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 know 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 so mixed in him that nature might stand up and say to all the world, 'This was a man.'"

Years added experience to his knowledge without abating his mental vigor. In his business life he softened the sometimes necessary asperity of his action by the kindness of his manner, and often gained by persuasion what would have been lost by 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 worth is warrant for our grief."

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 had he held in trust; loving nature, familiar with the poetic side of things; touched to enthusiasm by the beautiful thought, the brave word and the generous deed; full of magnetism, friendly in manner, candid and kind in speech; modest, but persistent; loving and gentle in his family; physically fearless; intellectually honest; thoroughly informed; hospitable, unselfish, sincere and loyal—he was, indeed, a splendid replica of the noblest work of God.

"The record of a generous life,
Runs 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 over twenty-five years. In 1891 the bankers of Michigan showed the high esteem in which they held him by electing him President of the Michigan Bankers' Association. In 1898 he was elected President of the Bankers' Club of Detroit, and was Chairman of the Detroit Clearing House Association at the time of his death.

He had a very wide circle of friends among the banking fraternity of the United States. He was a very loyal supporter and took deep interest in all branches of this Association. His commanding presence and great magnetism in attracting friends made his face very familiar at Council meetings and conventions of our Association, at which he was always present if it were within the possibilities.

His city and State suffer great loss by his death. In the business world where he has for years been so prominent, his imprints are many. It may be well said of him that "The wheels of industry sing his praises, the white wings of commerce salute him."

He left a record behind him of which any man might well feel proud, and his name is a household word among the bankers of the United States.

His untimely death robs the American Bankers' Association of one of its strongest and most loyal members. Multiplied words will not enrich the universal respect and affection he commanded in life; formal phrases of condolence cannot assuage the sorrow that is so deeply felt by his family and friends. And to his bereaved family we extend our most heartfelt sympathy.

"Heaven calls us different ways."

"So we wither, one by one, and drop into the sear and yellow leaf, and relentless fate blows us into the dark valley of the Shadow of Death. Out of the sight of the memory of the living and the useful, but with faith ever green in our hearts, we shall live and bud again in a spring beyond the skies."

"Then let us stretch our hands in darkness,
And call our loved ones o'er and o'er;
Sometimes their arms shall close about us,
And the old Voices speak once more."

COMMITTEE:

(Signed) WILLIAM LIVINGSTONE,
Chairman.

THE PRESIDENT: I understand Mr. Swinney moved the adoption of those resolutions.

(Motion seconded and unanimously carried.)

THE PRESIDENT: Personally, I wish to say that I enjoyed the pleasure of Mr. Russel's acquaintance from the time he was first elected President of this Association; and through many years of delightful fellowship and of business correspondence. He was not only a sane banker and a patriotic citizen, but we can truly say of him that he was a Christian gentleman.

We will now have the annual report of the General Secretary.

Annual Report of the General Secretary.

Mr. President and Members of the Association: For some three or four years, it has been customary for the various reports of the officers of the Association to be printed and distributed to those who attend the Convention. With the increased 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 action taken by the Executive Council. And 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 Secretaries 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.

[Mr. Farnsworth's report in full as Secretary will be found on pages 110 to 114 of this issue.]

Report of Treasurer.

THE PRESIDENT: You all have in hand the printed report of the Treasurer of the Association, Mr. J. W. Hoopes, of Dallas, Texas. Mr. Hoopes is absent, and therefore as his report is in print, we will not read it.

[For the report of the Treasurer see page 116 of this issue.]

Report of General Counsel.

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.]

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, this yellow covered pamphlet, be received and filed, without reading.

(Motion seconded.)

THE PRESIDENT: Are there any remarks? The motion is made and duly seconded that the reading of the reports be dispensed with in order to save time. All in favor say aye; opposed, no. It is carried.

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 Executive Council.

GOVERNOR BAILEY: 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 general meeting.

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

They are the administrative force of this body. They are the selected members and delegates chosen from each State. I feel the American Bankers' Association can well trust the affairs 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 Convention.

(Motion seconded.)

MR. HENRY R. WILLIAMS, Utica, New York: I think a large part of this body would be pleased to know, Mr. President, in brief, some of the principal reasons for changing from the

Pinkerton agency to the Burns agency. Not in full, but briefly. If the Secretary could give us that information I know it would be favorably received by a number of those present.

GOVERNOR BAILEY: I do not think this is the opportune time to handle such a subject, nor is this the place. The Executive Council is the administrative force of the American Bankers' Association, to take up these matters of this kind. It is not a proper place to take it up, on the floor of the Convention, as it is a subject which can be taken care of much better and given proper consideration by this body which has the time to do it.

Without any effort to shut off discussion, I move the previous question in order to get it to a vote.

THE PRESIDENT: Gentlemen, you have heard the moving of the previous question. It calls for an immediate vote. All in favor say aye; opposed, no. The ayes have it. It is carried.

That brings up Governor Bailey's original motion, approving the action of the Council. That motion was duly seconded. All in favor say aye; opposed, no. It is carried.

Now, in the matter of "Amendments to the Constitution," you will find on pages 22, 23, 24, 25 and 26 of the official program sundry suggested amendments. All of these come to you with the endorsement of the Executive Council, and with a recommendation that they be adopted.

GENERAL SECRETARY FARNSWORTH: I would like to say to the gentlemen here, and to others, in regard to this resolution just passed, that in a recent number of the JOURNAL-BULLETIN there was published a full report prepared by an ex-President of the Association, which explains why the change was made from the Pinkerton agency to the Burns agency. It was written by an ex-President, who took part in the controversy.

We will now take up these proposed amendments to the Constitution and By-Laws.

In pursuance of Article 11, Section 1, of the Constitution, I would say that these amendments, which are lengthy, have been printed in the JOURNAL thirty days in advance, and they are printed in this program, and the President says they have been considered by the Council.

I will explain them. First, we will go to page 22 of the printed program. You will find "Federal Reserve Banks as Special Members."

The twelve Federal Reserve Banks joined the American Bankers' Association. The Federal Reserve Board expressed the opinion that it was their desire and wish that the Federal Reserve Banks should not take active part in the political side of the activities of this Association, and were not to hold office. So, to cover that, the Administrative Committee proposed the following change in the Constitution. That gives them practically an Honorary Membership, special members shall not be bound by resolutions or declarations of policy by the Association, its Executive Council, or any of its committees.

THE PRESIDENT: Gentlemen, are there any remarks on the adoption of this amendment to the Constitution? (No response.) The Chair will entertain a motion that this amendment be adopted.

MR. FREDERICK W. HYDE, Jamestown, New York: I move you that the amendment just read by the Secretary be adopted. (Motion seconded.)

THE PRESIDENT: Was there any dissent on the part of the Council to this recommendation, Mr. Secretary?

GENERAL SECRETARY FARNSWORTH: All of the amendments which are proposed here, with one exception, were passed by the Council unanimously, and are recommended to this Convention. There was one which was not by unanimous vote, and I will call attention to that when we reach it.

THE PRESIDENT: This amendment we are now voting on was unanimously recommended by the Council.

All in favor say aye; opposed, no. It is carried.

GENERAL SECRETARY FARNSWORTH: The next is in relation to the membership of Administrative Committees.

Amend Article V, Section 15 (d), of the Constitution by inserting after the words "President of the Association" the words "and the last living ex-President," so that section 15 (d) as amended will read as follows:

"(d). The Executive Council at its first meeting as aforesaid shall elect from its membership one person from the one-year class, one person from the two-year class, who, with the President of the Association, and the last living ex-President, shall constitute the Administrative Committee, and whose membership shall expire with their membership in the Council, and annually thereafter shall elect one person from the two-year class, to fill the vacancy occasioned by the expiration of term. Any vacancy occurring by death, resignation, or other cause, shall be filled by election from the same class for the unexpired term."

The object of the proposed amendment is to give to the Association the benefit for another year of the experience acquired by the retiring President as a member of the Administrative Committee. The Administrative Committee is a committee which meets frequently during the year in consultation with the officers in New York City, and which is the committee which has the power and the authority to act for the Executive Council.

MR. FREDERICK W. HYDE: I move the adoption of the amendment as read.

(Motion seconded.)

THE PRESIDENT: You have all 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; we will consider.

On page 23 there is a suggested amendment in relation to "membership dues."

MR. WILLIAM G. EDENS, Chicago, Ill.: I move the adoption of the amendment.

(Motion seconded.)

THE PRESIDENT: Are there any remarks? (No response.) All in favor say 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 is 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 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 for these States who do not elect before the Convention, that the members of the Council from those States be allowed to have representation, and that the members of the Council and the members of the Nominating Committee hold over until these States meet. This has been prepared so there can be no perpetuation of officers. They must meet after our Convention and elect officers. The State of Illinois has over nine hundred members in the American Bankers' Association, and it should have a full representation at the Convention.

MR. W. H. BURKS, Wellington, Kan.: I move we adopt the amendment.

(Motion seconded.)

THE PRESIDENT: All in favor of the adoption of the amendment say aye; opposed, no. It seems to be carried; it is carried and the amendment is adopted.

GENERAL SECRETARY FARNSWORTH: The next subject relates to "National and State Legislation." It is proposed by the General Secretary and the General Council.

This is the proposed amendment which was approved by the Executive Council with some dissenting votes. In other words, this amendment was approved by the Law Committee and the Federal Legislative Committee of the Association. 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 for dual approval of the Executive Council and General Convention, and action, if approved, in accordance with Article V, Section 16 (a), of the Constitution."

The object of this proposed amendment is to clarify what is already the law of the Constitution, but which is sometimes misunderstood. The Constitution provides the method and machinery by which the Association urges proposed legislation affecting members, namely, (a) consideration and presentation through Law Committee, (b) dual approval by Executive Council and Convention, (c) 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 on 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 legislatures independently, without receiving the approval as provided by the Constitution; and it may happen in the future that a Section, acting as an independent organization, may independently urge 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 purport. To make it clear that all subjects of legislation originating in a Section must first come up for 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. HINSCH, Cincinnati, Ohio: I move that the amendment be adopted.

(Motion seconded.)

THE PRESIDENT: Mr. Hinsch moves the adoption of this amendment, and the motion is duly seconded. Are there any remarks? (No response.) All in favor say 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. It has developed at the Convention that the members of the Nominating Committee, with the alternates from two or three States, are not present, and I have been requested by the representatives of the States of Iowa, Kansas and Louisiana to see what could be done, as it seems quite important or desirable that those States be represented on the Nominating Committee, which holds its session immediately after the first session of the General Convention.

I was asked whether a member of the Nominating Committee could appoint a proxy. I said 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 in one or two States the member of the Nominating Committee had been given power to appoint a substitute. I advised him that 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 representative and the alternate are both absent, to act at this meeting. I have done so, and I thought some member from some State would bring it up; but it has not been done and I will read what I have prepared as an amendment; Amend the By-laws by adding after the second sentence of By-law Fifth, as amended:

"In the event of the absence from the General Convention of both the member 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 elect 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."

Now, if the members from any State desire 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. EDENS: If we had to offer it under that By-law, our Vice-President is not here. What would we do then?

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.

MR. EDENS: I offer that as an amendment.

MR. GEORGE E. WEBB, San Angelo, Texas: I second that amendment. Our Vice-President, as well as the member of the Nominating Committee, and the alternate, are all absent; and we want some relief.

MR. PATON: As amended, this reads:

"In the event of the absence from the General Convention of both the member 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 elect a substitute who shall serve as member from such State at the forthcoming meeting of the Nominating Committee. In the absence of the State Vice-President, any three members may call certain meetings. 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: I suggest that three members be authorized to call a meeting, but it might be a majority only that has power from any State, to elect.

I suggest that it be that any three members may sign a call, but a quorum to transact business for the State shall be a majority of the delegates attending the Convention from that State.

(Motion seconded.)

THE PRESIDENT: Do you accept that amendment, Mr. Hirsch?

MR. HIRSCH: I do.

MR. BURKS: The amendment says that the call shall be made when signed by three delegates. I would suggest that that be legal when signed by one. There might not be three delegates from a State. There might be only one.

THE PRESIDENT: Mr. Hirsch, do you accept that amendment?

MR. HIRSCH: I do not. I believe a State which is not able to send more than one representative is not entitled to a vote.

MR. BURKS: I think a State which has a man who has courage enough to come across the country and pay his own expenses is entitled to a vote.

I would suggest that any one member may call the delegates together, and that a majority of the delegates from that State shall constitute a quorum to transact the business in question.

(Motion seconded.)

MR. HIRSCH: I am willing to accept that if the representation is three or more from any State.

MR. BURKS: That any member can call a meeting, but it will

take a majority of the members from any State to transact business. That is absolutely fair, and if a man has the courage to come across the continent to represent his State, and to pay his own expenses, he should be permitted to represent his State.

MR. EDWIN T. COMAN, Spokane, Wash.: What provision is there in this resolution for giving this notice, and how are the members to be sure that there will not be three or four different members who would call meetings?

MR. BURKS: That is easy. No snap judgment will be going on as there will be some fellow smart enough to get the roster from the headquarters.

MR. DINKINS: I move that the whole matter be referred to the Executive Council.

GOVERNOR BAILEY: That would disfranchise some of the States which should be represented here. It is purely a matter of fairness and is not vital; and it is simply saying that the State should not be disfranchised because some man who is appointed does not come.

THE PRESIDENT: Has Mr. Dinkins' motion a second? (No response.) If it has not a second, I will proceed to put the motion that this be referred to a special committee. You have heard the motion, that this whole matter be referred to a special committee to report back this afternoon. All in favor say aye; all opposed, no. The motion is lost.

We will now come back to Governor Bailey's amendment, which was not accepted by Mr. Hirsch.

GOVERNOR BAILEY: In the event that a member of the Nominating Committee or the Vice-President is not attending the convention, that any authorized delegation from that State shall have a right to call a meeting of the delegates of that State, but a majority of the delegates attending this Convention shall constitute a quorum for transacting business for that State.

(Motion seconded.)

MR. BECKWITH: If any member may call a meeting, there might be four or five members who might call four or five separate meetings.

GOVERNOR BAILEY: But you could not have four or five majorities of the same delegation.

MR. BECKWITH: This is not a matter of sentiment and it is not a matter of disfranchisement, and we should not make this appeal because there is only one member. That member, according to the action contemplated, that man might be the president of the meeting, the secretary of the meeting, of the Nominating Committee, and he might nominate himself, and he might do that because the gentleman referred to is supposed to have "the courage to cross the continent." Any State which has not sufficient interests to send more than one delegate is not entitled to a vote here.

MR. EDENS: Take the State of Arizona. Mr. John J. Swinney is the delegation; he is the Vice-President, member of the Nominating Committee and the rest. He has been in Arizona thirty-four years and is considered as probably the most responsible banker in the State. In this case we should recognize quality, and we should not disfranchise anyone. All the States have practically complied with the fundamental provisions of the Constitution, and their Vice-Presidents authorized to 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 political methods of a party operating in the section you come from. I support the amendment as offered by Governor Bailey.

(Calls for the "Question.")

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

Now Mr. Hirsch's motion comes up. All in favor of Mr. Hirsch's motion will say aye; and opposed, no. It is carried.

The Amendment to By-Law Fifth as finally adopted is as follows:

"In the event of the absence from the General Convention of both the member of the Nominating Committee and 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 elect a substitute who shall serve as member from such State at the forthcoming meeting of the Nominating Committee.

"In the absence of the State Vice-President, or the member of the Nominating Committee, or if alternate is not attending the Convention, any authorized delegate from that State shall have the right to call a meeting of the delegates of that State, but a majority of the delegates attending the Convention shall constitute a quorum for transacting business for that State.

"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."

THE PRESIDENT: The time has now arrived for us to have the address of Mr. Delano, who is a member of the Federal Reserve Board.

We esteem it a great privilege to have this great opportunity of hearing him, as he is a man who knows men; he knows banking, and he has had a personal acquaintance with big business, and at my urgent invitation he has come clear across the con-

minent to address you on the subject of Federal Reserve Acts.

I am sure we will all derive interest and profit from what he has to say on this subject most interesting to-day to all of our members. Mr. Delano, gentlemen. (Applause.)

HONORABLE FREDERIC A. DELANO: When I accepted the seductive invitation of your President, I did so under the misapprehension that I could speak informally to you as man to man; but as the time approached I began to receive demands for manuscript, and my long experience as a railroad man convinced me more and more of the advantage of terminal facilities. (Laughter.)

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 able address, and I desire to say to Mr. Delano that the bankers of this country are as much interested as he is in making the Federal Reserve System a great success; and I assure him that he may rely upon the help that is to be given to him by the great body of the bankers.

MR. H. I. STUART, President Union National Bank, Pasadena, Cal.: Mr. President, would it be in order to move a consideration of one of these amendments? I would like to do so if it would be proper at this time.

PRESIDENT LAW: What does the gentleman from California refer to?

MR. STUART: It is in regard to National and State legislation. It is with great reluctance that I bring the matter up, but it strikes me that in this day of rapid-fire legislation that we in California—or the people in any other State, for that matter—should not be called upon to consult the Executive Council, or any other body, if in their opinion they deem it necessary to take steps to combat some injurious legislation that is proposed in their State. Now I do not think any such amendment as that ought to be countenanced.

PRESIDENT LAW: The amendment to which the gentleman from California refers specifically exempts from its operation any emergency situation that might arise.

GENERAL SECRETARY FARNSWORTH: With the permission of the Convention, I would inquire if the gentleman understands the amendment to which he refers to be applicable to any matter of State legislation?

MR. STUART: That was my understanding. Yes, sir.

GENERAL SECRETARY FARNSWORTH: I would state to the gentleman from California that the amendment to which he refers does not affect the action of any State Association, but that it was framed and introduced simply for the purpose of co-operation, 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 committees of the American Bankers' 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: Mr. Stuart, are you satisfied with the explanation of Mr. Farnsworth?

MR. STUART: Yes, sir.

PRESIDENT LAW: Members of the Convention, we come now to the matter of announcements. I understand that Mr. Farnsworth has several announcements that ought to be made at this time.

ANNOUNCEMENTS.

GENERAL SECRETARY FARNSWORTH: I am requested to announce that the Los Angeles Clearing House Association has established headquarters in the Alexandria Hotel, in that city, for the benefit of bankers visiting Los Angeles following this Convention; and all bankers, and the ladies accompanying them, are accordingly invited to visit the headquarters on Saturday, September 18, and days following. All who desire to have hotel accommodations reserved for them in Los Angeles are requested to communicate with Mr. E. G. McWilliams, at the Hotel Calhoun in Seattle, who represents the Los Angeles Clearing House Association for that purpose.

I desire to read to the Convention a telegram just received from the President of the Missouri Bankers' Association:

"FRED E. FARNSWORTH, Secretary American Bankers' Association, Seattle, Wash.:

"I desire to extend greetings and most cordial good wishes to the members of the American Bankers' Association assembled in Convention at Seattle.

"I regret exceedingly that unavoidable circumstances prevent my attendance. May your meetings be the most pleasant and profitable in years. We confidently expect the next Convention to meet in Kansas City." (Applause.)

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

I am requested to announce that all persons holding railroad certificates should present them at the registration 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 3 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 practiced law for a while, and then removed to New York City, where he is regarded as one of the ablest orators of the metropolis, and I know that you will enjoy hearing him.

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 delegates be in their seats promptly at 2 o'clock.

PRESIDENT LAW: Gentlemen, I will be here promptly at 2 o'clock, and if there is a quorum present we will start the afternoon session at that time.

Gentlemen, the motion to take a recess until 2 o'clock is now in order.

MR. FRED W. HYDE, 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 is carried and the Convention stands adjourned until 2 o'clock.

Adjourned until 2 p.m.

AFTERNOON SESSION.

WEDNESDAY, SEPTEMBER 8, 2 O'CLOCK.

PRESIDENT LAW: The Convention will please come to order.

Gentlemen, the first item on the program for this afternoon is the report of the Trust Company Section, and we will receive this report from President Mason of the Trust Company Section.

REPORT OF TRUST COMPANY SECTION.

MR. JOHN H. MASON (Vice-President Commercial Trust Company, of Philadelphia, Pa.):

Mr. President and Members of the American Bankers' Association: On behalf of the Trust Company Section I beg to report that the past year has shown a most satisfactory growth, and the membership in the Section is now 1,363, which is the largest since its organization. Probably the most important question that has confronted the members has been the advisability of entering the F. R. S.

The general opinion seems to be that for the present at least the policy of watchful waiting should be pursued until ample time has elapsed to ascertain the benefits of the act as it pertains to the National Banks.

However, it is my opinion that the question of joining the F. R. S. must of necessity be left to each individual member of the Section.

It is not my intention to go into details and thereby take up the valuable time of this meeting, and I will beg leave to file the report of the Section with the General Secretary.

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 withdraw from the American Bankers' Association as reported in one of the morning papers, there is not a particle of foundation for such a statement.

We may have our differences of opinion, in fact we should have them, but the present is the time for the bankers throughout this country to stand together and work in unison, no matter whether they be chartered by the Federal Government or the commonwealths of the different States.

I thank you. (Applause.)

PRESIDENT LAW: Next in order is the report of the Savings Bank Section, which will be presented by Mr. Hawley.

MR. N. F. HAWLEY, Treasurer Farmers & Mechanics Savings Bank, Minneapolis: Gentlemen, the report of our Section is on file and I beg leave to be excused from reading it, as it will appear in the printed Proceedings of the Convention.

PRESIDENT LAW: Unless there is objection, the report need not be read. Next is the report of the Clearing House Section. That will be passed at present, as the President of that Section appears to be absent.

I will next call for the report of the State Secretaries Section.

MR. W. W. BOWMAN, Secretary of the Kansas Bankers' Association, Topeka, Kan.: Mr. President and Members of the American Bankers' Association, I take pleasure in presenting the following report:

REPORT OF THE STATE SECRETARIES SECTION.

MR. BOWMAN: This Section, the smallest perhaps in the A. B. A. family, is the largest in point of self-esteem. It is composed of forty-nine secretaries of as many State Bankers' Associations, each one of

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 legislative bodies in the country, and periodically break into Congress and Federal administrative bureaus. They represent nearly 25,000 banks, and co-operate with all the State bank departments, or, rather, vice versa, 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 president when and where and what to sign. He dictates resolutions, voices vigorous protests, reaffirms allegiance to himself and alternately "views with great alarm" or "points with pride," and upon due provocation proceeds gently to inform all recalcitrant nonconformists where they may go. All association committeemen, moreover, have long since learned where to resort for instructions.

Such is the aggregation—called the Organization of Secretaries, constituting the Secretaries Section of the A. B. A. This relation springs not from lineal consanguinity; it is rather a state of conjugality, and, unlike some similar relationships, is happily one of congeniality. No distinct department of American Bankers' Association activity is committed by the A. B. A. to the House of Secretaries, hence this report need not concern itself with any particular account of the deeds done in the body. The Secretaries congratulate Secretary Farnsworth, and congratulate all the sister Sections, and bid them all press forward until they become as great as the Section to which this report relates; and congratulates also the whole American Bankers' Association for its marvelous development and unparalleled achievement which dates mainly from the institution and adoption of the Secretaries Section into the big family. We here plight our faith and pledge anew our fealty, remind not for sixty days, but for the war; and stand ready to perform any duty, wear any uniform, or hold any office whenever or wherever the A. B. A. may stand in need of expert and highly professional services.

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.

MR. ROBERT H. BEAN, President of the American Institute of Banking Section: I present to the Convention the following:

Report of the American Institute of Banking Section.

[The report of this Section is printed on pages 118 to 119.]

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

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

Report of the Currency Commission.

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

PRESIDENT LAW: Next in order is the report of the Committee on Law. In the absence of the chairman of the committee, I will ask General Counsel Paton to read the report.

GENERAL COUNSEL PATON: Mr. Crabtree, the chairman of the committee, is not able to be present at the Convention on account of illness in his family, and he has sent on this report, which I will now read.

Report of Committee on Law.

[The full report of the Committee on Law may be found on pages 117 to 118 of this publication.]

PRESIDENT LAW: I note that Mr. Van Vechten of the Clearing House Section is present, and I will call upon him to make a report for that Section.

REPORT OF THE CLEARING HOUSE SECTION.

MR. RALPH VAN VECHTEN: Mr. President and Gentlemen: In the absence of the officers of the Clearing House Section, I beg leave to make an informal report.

The membership of the Section has increased to 185, largely through the efforts of our chairman, Mr. Vincent. It takes in now practically every clearing house in the United States. We have continued our work on the numerical system, until it is now in use on 90 per cent. of the checks and drafts in the reserve cities and the larger cities of the country, and in from 75 to 80 per cent. of the smaller cities. The Numerical Committee has been continued.

In the matter of clearing house examinations, I regret to say that there has been no progress made during the past year excepting in an educational way. No new cities have taken up the matter of appointing examiners. I think this is mainly because of the passage of the Federal Reserve Act, and many bankers are in doubt as to the wisdom of appointing a clearing house examiner. However, we believe that there is bound to be a close co-operation between State and Federal examiners and clearing house examiners, and that there will be no effort on the part of the Federal Reserve Boards in the various districts to discourage clearing house examination. As a matter of fact, the examination of the clearing house examiners is as different from the ordinary examination as an appraisal is different from an ordinary audit. The work of the clearing house examiner is more in the line of valuing securities, based upon local knowledge gained through the experience of the examiner in the particular city. We believe there is no question as to the ultimate co-operation of the clearing house system and the Federal Reserve System, but temporarily it is halting the work.

In the matter of statistical reports of clearings, we have made some progress. The attempt of the clearing house section to have reports made on total transactions instead of on actual clearings has been such that we have found by comparison in some cities that where the actual transactions have increased the clearings have decreased—thus showing the necessity for the installation of our method. We are glad to report that some progress is making in that direction. Bradstreet's Agency is now obtaining reports on that basis from some twenty-five cities, and as other cities are brought in line those statistics will become of much greater value than are the present clearing house statistics.

In the matter of country clearing houses, I am glad to report that New York has adopted the system, and this has been largely because of the efforts of our Section. Yesterday we listened to a most interesting programme at our meeting. Indeed, it has never been my pleasure to attend a meeting where we had better addresses. On the whole, we feel that our Section has become well established, and that we are making as good progress as could reasonably be expected, although we had the misfortune to lose our secretary, Mr. Wolfe, who resigned in June to take a position with a national bank in Philadelphia that he had left some years before to come with us.

PRESIDENT LAW: This is a very interesting report, gentlemen. We will now receive the report of the Committee on Federal Legislation, which will be presented by Mr. W. H. Bucholz, of Omaha, Nebraska.

MR. W. H. BUCHOLZ, Vice-President Omaha National Bank, Omaha, Neb.: Mr. President and Gentlemen of the Convention. The following report, omitting certain paragraphs, was made at the spring meeting of the Executive Council:

Report of the Committee on Federal Legislation.

[For the text of the report of this committee see pages 119 to 121.]

THE PRESIDENT: As the hour has arrived at which we were to have Mr. Estabrook's address, we will postpone until after his address the consideration of these two sets of resolutions which the Chairman of the Legislative Committee has just presented to you.

I had the pleasure last summer of hearing again Mr. Estabrook, who is a member of the New York bar, and I took early opportunity of inviting him to address this Association. He is a very unusual orator. A man who was born in Nebraska, who made a success in Chicago, and then answered the call to New York, where he is now living. He is a prominent member of the American Bar Association and we are very fortunate in the fact that he addressed the American Bar Association at Salt Lake City just recently and in that way was out on the Coast very nearly at the time this Convention met.

Mr. Estabrook will now address you. (Prolonged applause.)

Mr. Estabrook will speak on the subject "Self Defense," a subject never so interesting to us as it is at the present time.

"Self Defense" by Henry D. Estabrook.

[Mr. Estabrook's address, entire, will be found on pages 94 to 98.]

MR. CORNELIUS A. PUGSLEY, Peekskill, N. Y.: I am sure I voice the sentiment of this great Convention when I move a vote of thanks to the eloquent speaker of this afternoon for his admirable address.

MR. J. J. SULLIVAN, Cleveland, Ohio: I second the motion, and couple with it that our thanks be expressed by a rising vote.

THE PRESIDENT: You have heard the motion and the suggestion. All in favor will rise. (All rise.)

MR. CORNELIUS A. PUGSLEY: Mr. President and Gentlemen of the Convention. Great public questions and policies that are of vital importance to the nation should ever receive the earnest, thoughtful consideration of the American Bankers' Association. It seems eminently fitting that we should deal with public questions not only as bankers and as citizens of a mighty nation, but as trustees, in a measure, of the mighty forces of finance, business and industry. Nearly one hundred million people have their savings in our keeping, and are deeply interested in all that concerns the preservation and security of our republic, and I believe that this great association should earnestly support it. Our National Government is directing practical efforts to secure proper national defense. No true American citizen is for war, with all the attendant evils that follow human passion as expressed in modern warfare, and I would not for one moment suggest that we become a warlike people, but preparedness for war may be the surest guarantee of peace, provided we do not become preoccupied with warlike measures and policies, and because of our supposed preparedness seek to show our power. John Hay was right: "No chip on the shoulder, no swaggering before the world, but a firm stand and deeds when deeds are necessary." I believe the best, the most valuable service the bankers of the United States can render their country at this time is most heartily to sustain the administration at Washington in its efforts for practical national defense. (Applause.)

And it is a pleasure to me to present the following resolution and to move its adoption:

RESOLUTION APPROVING PREPAREDNESS FOR NATIONAL DEFENSE.

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

I move the adoption of this resolution.

(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 prior to the meeting.

However, if there is no objection, we have a perfect right to pass the resolution at this time.

Hearing no objection, I will put the question on the adoption of the resolution. All in favor say aye; opposed, no. (One voice) "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 belated negative vote does not overrule the fact that it was carried by a large, practically unanimous vote.

THE PRESIDENT: I declare the motion to adopt the resolution carried.

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

Is Mr. Goebel 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 on 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.)

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

INCOME TAX RESOLUTION ADOPTED.

(General Secretary Farnsworth read the second resolution, the one regarding the income tax.)

What is the pleasure of the Convention with respect to this resolution? The Chair hears no suggestion from the floor and, unless some motion is made, we will pass it.

MR. HINSCH: For the purpose of disposing of it, I move its adoption.

(The motion was seconded.)

PRESIDENT LAW: It has been moved and seconded that the resolution be adopted. Are there any remarks? If not, all in favor of the resolution will say aye; opposed, no. The ayes seem to have it, the ayes have it, and the resolution is adopted.

GENERAL SECRETARY FARNSWORTH: I would call attention to the program for to-morrow. There will be a report of the Agricultural Commission and action upon the report, and addresses by Professor Newbill and Miss Rausch, also a professor, of the University of Washington, and an address by Rev. W. W. Diehl, of Hinckley, Illinois, on the subjects named on the program that has been arranged for this symposium.

In the afternoon there will be a report of the Committee of Twelve, which was appointed to confer with the Federal authorities in respect to certain amendments to the Federal Reserve Act, and at 3 o'clock ex-President Taft will address the Convention.

Then there will follow the regular routine business of the last hours of the convention.

PRESIDENT LAW: Before entertaining a motion to adjourn, I wish to say that the program for the Agricultural Symposium includes what I understand will be some very interesting addresses. One of the speakers, Miss Rausch, is said to be one of the most celebrated women platform speakers in the country.

A motion to adjourn until to-morrow morning is now in order.

MR. C. A. PUGSLEY, of New York: I move that we do now adjourn.

(The motion was seconded.)

PRESIDENT LAW: All in favor of the motion will say aye; opposed, no. The ayes have it and the Convention stands adjourned until to-morrow morning, and we will meet promptly at half-past 9 o'clock.

Adjourned to Thursday, September 9, at 9.30 a.m.

SECOND DAY'S SESSION.

THURSDAY, September 9, 1915.

PRESIDENT LAW: The Convention will come to order.

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.

BY REV. M. A. MATTHEWS, D. D.; PASTOR FIRST PRESBYTERIAN CHURCH, SEATTLE.

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 Spirit, 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 his committees, and all who are in authority with him over this great body. Wilt Thou bless everyone connected with it, every delegate, the family of every delegate, the institution represented by each, and the great cause entrusted to thee, Thy servants. Wilt Thou give them the conscientiousness that they are Thy stewards and into them has been reposed the greatest confidence, the greatest responsibility. And wilt Thou give them strength and wisdom and power to lead us in correct thought, in correct acts, and in correct attitudes toward them and toward that which Thou hast entrusted to these by which we are to carry on the commerce and the business of this country.

Bless the absent members: Those who may be ill; keep each and every one now separated from his home and from his city, guide these when they will have finished this work in their further journeys, and permit them to be again reunited with their loved ones who are absent and to the work entrusted to them. Guide us through this day. Bless each one who speaks. Give him wisdom and power to say the thing which ought to be said. And, at last, when Thou has finished Thy will with us in this world, gather us to that Beautiful Home which Thou hast builded 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 this Commission, 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 that seventy thousand copies of the Banker-Farmer are being issued at this time. There are great possibilities for good in this work, and the indirect benefits accruing therefrom are really beyond computation.

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 sort of an 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 many of you know is not provided for in our Constitution. It is created by the Convention, it only lives at your pleasure from year to year, and you have the splendid opportunity of pushing along the Commission or of retiring 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 succeeding 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 one man movement, or a seven man movement by any means. The movement is so large, and it has spread so splendidly that if it only depended on one man or even on seven men it would not be worth while. Further than that, the Banker-Farmer has made a great impression throughout the country. We can tell this in a very practical way through the money that is coming in from bankers for subscriptions. The Banker-Farmer is just finishing its 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 largely responsible for the editorial work in the second volume.

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

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 outsiders, and we are able to give some helpful sugges-

tions. The commission comes before you each month with the Banker-Farmer, trying to tell you what the bankers throughout the 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 National life," as a great Chicago daily states, and Boston's oldest daily enthuses on our "Hyphen of Promise," and a conspicuous New York paper opines that our Banker-Farmer platform may be "the soundest bit of economic thought there is"—and most of the press of the country endorses your efforts in this great work in similar terms—will all this not encourage you to press on with greater energies!

Some of the authorities feel that our efforts are among the most effective and far reaching of all the agencies at work for a 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 chiefest planks in our platform.

And, speaking of citizenship and a new and real national life in these severe days—when all Europe is drunken, bereft of reason, and civilization is almost at a collapse—makes one feel that this most influential and representative of all associations of American business men should here in National Convention assembled take some high stand and help to define and express American public opinion in these 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 and its next Congress is confronted with the most portentous problems of this or any generation. The nation needs all the patriotism and unselfish strength and spirit of our people not alone to be equal to our own necessities and preservation, but to stand for the great verities, for all that our progenitors, and we and others like us, have done for humanity. A great annual meeting of serious men, it seems to me, is not worth while or mention in these epochal days if it neglects to say or to do some helpful strong service for the nation—and service makes us all akin.

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

The real size and importance 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.

This nation 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, then must we be equal to and aroused to the tasks as well as the rewards of self-government.

As a great Chicago daily has well said (the *Chicago Tribune*): "There ought to be a great propaganda in this country, a propaganda which should sweep away all the lesser propagandas now vociferous throughout the land—a propaganda of heart-whole Americanism. America needs Americans in this day, and in the days to come."

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

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

And right here, parenthetically, let me say that since I wrote these words on my memorandum, this Association has not been inarticulate, for yesterday we had that splendid resolution which was offered by former Congressman Pugsley, of New York, and which the Convention unanimously adopted. Its clear voice would and can awaken and reassure this nation. Then, too, in nearer and narrower view, we should speak to the people of thrift, for the vast waste and wiping out of the world's capital will require us to help and suffer largely in its refinancing—will require us to find the funds with which warring Europe may pay us for the food and munitions she must have of us—thus diverting much of our capital from the constructive and creative channels it would otherwise follow.

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 root of things. Some one criticized it that it was a far cry back to banking, but I want to say to you that the welfare of the average man and woman is what makes banking successful. The Department of Agriculture has recognized the wonderful opportunity to do service, 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. Newbill, who is in charge of the junior work for boys and girls in the Uni-

versity of Washington, whom I now have the pleasure of presenting to the Convention.

"Boys and Girls," by T. J. Newbill.

[Mr. Newbill's address will be found on pages 108 to 109 of this publication.]

MR. B. F. HARRIS: On behalf of the banker we must recognize that the banker is leading in offering the prizes for the Corn Clubs and the Pig Clubs of the boys, and the canning and other clubs of the girls.

Except for an address on a banking subject by one of our few women bankers, the American Bankers' Association has never had the privilege of being addressed by a woman. And it is our great pleasure to present to you today, Miss Mary F. Rausch, Assistant Professor of Home Economics, at the University of Washington, in Seattle, who will talk on another fundamental subject: "Thrift in the Home," and I hope she will have time to tell us something about these new groups.

What a Good Home Means to the Community, by Miss Mary F. Rausch.

[The reader will find Miss Rausch's address on pages 101 to 105.]

MR. R. S. HAWES, St. Louis, Missouri: Mr. Chairman, would it be out of order at this moment to present a special resolution of thanks for that most wonderful and inspiring address. Every man who has heard it here must go home with a deeper thought, and his heart must beat higher; and every woman here must feel she has a duty to perform, and that it is her duty to follow behind the instructions 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 than such a vote of thanks. All in favor will signify by rising.

(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 holding these three-day meetings in different parts of the country! And then think, too, what the banker and his wife, by co-operating, can do to introduce such work in their own home community.

We have one more speaker on our program this morning, and just before introducing him, I want to call attention to these six banners which are hanging around on the stage and from the balconies, which were used at our July conference in Chicago. They were borrowed afterwards by three State Associations, lastly by Wisconsin and shipped here by Wisconsin in order that we might have them here to display the sentiments of this Association.

All throughout the United States we are finding vacant churches. There is a wonderful work that the country churches can do, not alone in the line of the country churches' direct work as we know it, but in teaching and speaking in the direct terms of the soil. And Doctor Diehl, who spoke at Chicago, will close this splendid program with an address on what the country church can and must do—DOCTOR W. W. DIEHL.

"What the Country Church Can and Must Do," by Rev. W. W. Diehl of Hinckley, Ill.

[Dr. Diehl's address will be found on pages 99 to 100.]

MR. LESLIE BUTLER, of Hood River, Oregon: I would like to make one remark apropos of this splendid address to which we have just listened. I live in Hood River, Oregon, in a community where we have been trying just these things that the speaker has been talking about. We have built up a community church there; we have endeavored to inculcate into our farmers the necessity and the value to them of breeding pure bred stock, and I want to say that our efforts have been most successful and I cordially endorse all that has been said on this important subject.

MR. FRED W. HYDE, Jamestown, N. Y.: Mr. President and Gentlemen: Great as is our admiration for Miss Rausch's address, and without any desire to detract in any way from the unanimous expression that we gave her by our vote, I think we must remain loyal to ourselves, and I therefore move that we give an affirmative vote of thanks to Prof. Newbill and to Dr. Diehl for the magnificent addresses which they have delivered before this Convention.

(The motion was seconded.)

CHAIRMAN HARRIS: Gentlemen, all in favor of the motion which has been made will say aye; all opposed, no. It seems to be unanimously carried.

MR. HYDE: Mr. Chairman, let us make it vociferous. Let us have an AYE!

CHAIRMAN HARRIS: All in favor of the motion will say aye. It is now doubly carried. (Applause.)

MR. HOLLIDAY: I would like to say that in all my experience in attending these meetings this has been the most interesting and profitable of any, and I sincerely hope that we will continue

this committee and go forward in this grand work. I feel that it is the greatest work that the American Bankers' Association has ever undertaken.

CHAIRMAN HARRIS: Having heard these three addresses, gentlemen, you have some idea of what occurred during our two days' conference in Chicago last July.

Now, with the deep appreciation of the Agricultural Commission extended to each of these three speakers, and expressing our thanks to the administration, and particularly to President Law for the support and encouragement he has given us, I as the representative of the Agricultural Commission now surrender the gavel to the President of the Association for the further business that is to come before the Convention. (Applause.)

MR. ROBERT F. MADDOX, of Atlanta, Ga.: I am sure that we have all greatly enjoyed this Agricultural Symposium. Now, if it is in order, I have a set of preambles followed by a resolution, that I would like to introduce on another subject. May I do so, Mr. President?

PRESIDENT LAW: By unanimous consent, it may be introduced. There being no objection, the gentleman from Georgia may read it.

RESOLUTION LOOKING TO A MODIFICATION OF COTTON CONTRABAND ORDER.

MR. MADDOX: 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 it, as a result of the war now existing abroad, has already suffered seriously; and,

Whereas, The crop of 1914 was marketed at low prices, with consequent loss and hardship to the cotton planters; and,

Whereas, Following the advice of recognized financial and commercial authorities, the planters greatly reduced the acreage in cotton this year, and, in their endeavor to promote as far as lay within their power the general welfare; and,

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

Whereas, The President of the United States and the Federal Reserve Board have shown a commendable zeal in the premises; therefore, be it

Resolved, That this Convention commend 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 order, and that it is the hope of this Convention that these efforts will be continued until the threatened peril to this great industry has been averted.

PRESIDENT LAW: In the matter of the introduction of resolutions from the floor of the Convention, the Constitution of the Association says this:

"The presiding officer shall, without debate, submit the following questions to the convention: Shall the resolution—or the subject matter proposed, as the case may be—be considered by the convention?"

Now we are going to vote upon this question: Shall this resolution presented by the gentleman 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 gentleman from Georgia is at liberty to make any remarks that he wishes in support of it.

MR. MADDOX: I can only say that we in the South, we very much appreciate all that the Agricultural Commission has done; it is no more interesting to the people of the West and the Northwest than it is to our people in the South. Now, we have been making progress slowly down our way. Since the European war began, I suppose the South has suffered more heavily than any other portion of these United States. We have one chief staple, and, while the price of that has fallen to the lowest point it ever sold for in years—in fact, below the cost of production—our friends of the West and Northwest have been enabled to sell their wheat at a dollar and a half a bushel. I believe the time has come in this great Republic of ours when there is no sectional feeling, when prejudice has disappeared, and when it is recognized that any misfortune that affects the people of one section, likewise affects the people of the entire country.

Therefore, sir, I have offered this resolution.

PRESIDENT LAW: Does the resolution meet with a second?

MR. R. S. HAWES, of St. Louis, Mo.: I take great pleasure in seconding the resolution.

PRESIDENT LAW: Gentlemen, you have heard the resolution, which has been moved and seconded. Are there any remarks upon it?

MR. JAMES K. LYNCH, of San Francisco, Cal.: I fully sympathize with the purpose of the resolution as I understood it, but I want to feel sure that there is nothing in it which might embarrass the President of the United States in the course which he is pursuing, and therefore I would request that it be read again.

MR. MADDOX: The matter to which Mr. Lynch refers has been very carefully considered by us, and we do not see how this resolution can be objected to. The resolution reads:

Be It Resolved, That this Convention commends the President of the United States and the State Department for the efforts that have already been made looking to a modification of the said contraband

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 averted.

MR. LYNCH: I think that is satisfactory.

PRESIDENT LAW: All in favor of the resolution will say aye; opposed, no. Gentlemen, the resolution is unanimously adopted.

MR. SECRETARY, have you any announcements to make?

GENERAL SECRETARY FARNSWORTH: Nothing at this time, sir.

PRESIDENT LAW: It is customary to appoint a committee to draft resolutions expressive of the appreciation of the Convention for the hospitalities and courtesies received, and I will therefore appoint as such committee the following gentlemen:

MR. JAMES T. DISMUKES, of St. Augustine, Fla.; **MR. CHARLES F. BLINN,** of Boston, Mass., and **MR. THEODORE E. WIEDERSHELM,** of Philadelphia, Pa.

I cannot declare an adjournment of this morning's session until I add my word of appreciation and delight to these most inspiring addresses; and I congratulate Mr. Harris and I personally thank each of the speakers who have so delighted us.

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

Adjourned until 2 p.m.

AFTERNOON SESSION.

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

PRESIDENT LAW presiding.

PRESIDENT LAW: The Convention will come to order.

We have reached on our program the matter of the report of the Insurance Committee; and in the absence of Mr. Oliver Sands, of Richmond, who is Chairman of that Committee, the report will be made by Mr. H. P. Beckwith, of Fargo, North Dakota.

Report of Insurance Committee.

[The report of the Insurance Committee is printed on page 121.]

PRESIDENT LAW: Gentlemen of the Convention, what disposition will you make of the Report of the Insurance Committee?

MR. J. B. PHELAN, of North Dakota: I move that the report be approved and adopted and the committee continued.

PRESIDENT LAW: The chair would suggest a division of that question.

MR. PHELAN: Then I move the adoption of the report.

(The motion was seconded.)

PRESIDENT LAW: All in favor of this motion will say aye; opposed, no. It is carried.

MR. PHELAN: Now I move that the Committee be continued for the ensuing year.

MR. P. W. GOEBEL: I desire to amend that motion so far as to provide that the same gentlemen who are now on the Committee be continued. I offer this amendment because those men have done good work, they have worked on the subject for several years, and if we were to change the personnel of the Committee now, it would take the new men six months or a year to become familiar with the work.

MR. PHELAN: I accept the amendment to my motion.

MR. GOEBEL: Then I second your motion if my amendment is incorporated in it.

PRESIDENT LAW: The General Secretary calls my attention to the fact that before acting upon this we should hear the report of the Committee of Twelve, appointed at the Richmond Convention.

COMMITTEE OF TWELVE FOR DEALING WITH FEDERAL RESERVE REGULATIONS FOR ADMISSION OF STATE BANKS, DISCONTINUED.

MR. GOEBEL: The Chairman of the Committee had to leave for his home yesterday, and he requested me to present the report. You all remember that this Committee was appointed by the Convention a year ago at Richmond, and is therefore a Convention Committee. It was composed of representatives of each of the classes of institutions composing membership in the Association in order to facilitate regulations of the Federal Reserve Board, so as to make it desirable for state banks and trust companies to enter the Federal Reserve System. The Committee has had three meetings, and has made some recommendations to the Federal Reserve Board. We soon found that it was a mistake to appoint such a committee, as all the matters that could come before the Committee might be much better looked after by the Committee on Federal Legislation, which is a Constitutional Committee of the Association. For that reason about all that I want to report is that the matter is settling itself. The Federal Reserve Board has issued its first set of regulations, and the Committee on Federal Legislation is amply qualified to look after matters.

I move, Mr. President, that this Committee be discontinued and its membership discharged.

(The motion was seconded.)

PRESIDENT LAW: Gentlemen, you have heard the report made on behalf of this Committee and the motion that it be discharged—with the thanks of the Association, of course. All in favor of that motion will say aye; opposed, no. The motion is carried.

Now the question will be put upon the motion last made

by the gentleman from North Dakota, that the Committee on Insurance be continued for another year with the same membership. All 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 and Gentlemen: The Agricultural Commission is a convention committee, and therefore can only be continued by action of this convention. Those of us who were present this morning are, I am quite sure, thoroughly convinced that the Commission should be continued. I regret that every one now 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. B. E. SMYTHE, of Bronxville, N. Y. : I second that motion.

GENERAL SECRETARY FARNSWORTH : 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 announcements.

GENERAL SECRETARY FARNSWORTH : Sir Richard McBride, Premier of British Columbia, has sent the following telegram : "It would have given me the greatest pleasure to be with you. May I add British Columbia's sincere greetings and best wishes for your convention." (Applause.)

(The General Secretary then read invitations from the San Diego Clearing House Association, and from the Salt Lake City Clearing House Association, inviting delegates in attendance at the convention to visit those cities, if possible, on their return home, and promising to secure hotel accommodations and entertainment for all persons who could find it convenient to accept the invitation.)

PRESIDENT LAW : Just before we adjourned for luncheon a Committee on Resolutions was appointed. I understand that Committee is now ready to report, and I will call upon Mr. Dismukes, its chairman, for the report.

REPORT OF COMMITTEE ON RESOLUTIONS.

MR. JOHN T. DISMUKES, of St. Augustine, Fla. : Mr. President, Members of the Convention, and the ladies who honor this occasion with their presence. It is my pleasure to have been appointed on a committee which has attempted to set forth their appreciation of the courtesies which have been extended to this body by the State of Washington, the City of Seattle, and more especially the ladies of Seattle. I have attended many conventions of this Association, having only missed one in the last eighteen years, and it 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. These occasions give a person the opportunity to meet people from every section of our grand old Union. I say that advisedly, because I fought and bled—I didn't die, happily—in the Confederate Army, but it is a pleasure to me to meet the old veterans who fought on both sides (Applause), and I do not know of any city where I ever attended a convention where there was so much joy expressed in all the surroundings, especially in the beautiful flowers which reflect the gladness of the hearts of the people among whom we have been entertained upon this occasion. The hospitality has been so generous and the perfume from the flowers so overpowering, that I am at a loss to express further what my feelings really are, and so I come down to the cold facts as enunciated by the Committee of which the President did me the honor, by placing my name first, of making me chairman :

We, the undersigned Committee, beg leave to offer and suggest the adoption of the following :

Resolved, That the American Bankers' Association appreciate the courtesy extended by the State of Washington, through its Governor, and the courtesy of the city of Seattle, through its highest officer, to the bankers who personally, and through their Committees have done so much for the members of the Association, but especially are we gratefully appreciative of the beautiful and elaborate entertainments tendered by the ladies of Seattle to the visiting bankers and their wives and daughters, with whom will linger memories as sweet as the flowers which frame the pathway to each and all of the entertainments, to the whole people of Seattle, to the press of the city and the United States, to the various speakers who have favored us with such splendid addresses, to the business and trade organizations of Seattle, its clubs and all others who have contributed to the warm welcome so generally extended and so happily enjoyed.

The members are particularly appreciative of the courtesy extended to each of its members by the various officers of the Association during their stay in Seattle; also to the various officers for the faithful

and efficient manner in which the work of the Association has been conducted during the past year.

This report is signed by the other members of the Committee, Theodore E. Wiedersheim, Charles P. Blinn, Jr., and myself.

PRESIDENT LAW : What is your pleasure in respect to the report of the Committee on Resolutions?

MR. W. E. PURDY, of New York : I move that the report be approved and the resolutions adopted.

(The motion was variously seconded.)

PRESIDENT LAW : All in favor of the motion will say aye; opposed, no. The motion is unanimously carried and the resolutions adopted. (Applause.)

WELCOME TO EX-PRESIDENT TAFT.

PRESIDENT LAW : Ladies and Gentlemen, this is much more than an ordinary session of our Association. This magnificent audience reflects the attitude of this country towards one of its citizens whom we have never and can never compensate adequately for the big official tasks of all sorts which he has performed in all latitudes and in all longitudes (applause); therefore it has seemed appropriate to invite the Governor of the State of Washington to introduce him, and Governor Lister has kindly consented to do so.

But, as representative of the American Banking Association, your Chairman wishes to say just a word about how Americans love a good sportsman. (Applause.)

They love a man who can lose gracefully. They love a man who can meet with triumph and disaster and treat these two 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 us all. And to-day he is much more generally admired and liked than ever before in his great career. (Applause.)

A great judge must be not 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 large talents.

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

GOVERNOR ERNEST LISTER : Mr. President, our Distinguished Guest, Members of the American Bankers' Association, Ladies and Gentlemen: The appalling conditions existing in which so many of the nations of the earth are involved, are bringing about a condition that will materially add to the responsibilities of the United States; and as a result of those conditions the United States, rather than Europe, in the very 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 in good hands, and that you will exercise 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 advice of those to whom has been given the opportunity to gather information that will be of value.

There is no citizen of the United States who has had greater opportunity than has the distinguished guest of to-day, and every good citizen of the United States appreciates the fact that while the greater part of his life up to the present time 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 are here for the purpose of listening to the former President of the United States.

It has been said by the President of your organization that the actions of the former President who is with us to-day, since the election held a short time ago, have endeared him to the people of this country. That feeling reaches far beyond party lines, 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.

GENERAL SECRETARY FARNSWORTH: Under a change in the constitution, consideration of invitations for the next Convention is referred to the Executive Council, but as a matter of courtesy to the organizations which have extended invitations they are presented to the Convention.

I have several communications which have come from various organizations in different cities. I have an invitation 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. HAWES, of St. Louis, Mo.: As a Missouri banker I desire to urge upon the assembled delegates here to speak with their members of the Executive Council in behalf of the great 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 bullded 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; the city wants you, and we men from the State ask you to come that we may show you.

PRESIDENT LAW: Are there any further remarks?

MR. ELWOOD S. BARTLETT, 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 a speech was 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 speaking in behalf of my home city.

I present to you an invitation from the Atlantic City Bankers' Association, from the presidents of every banking institution there, from the Mayor, the Chamber of Commerce, the Hotelmen's Association, the Atlantic City Publicity Bureau, and the President of the New Jersey Bankers' Association, inviting you to hold the next Convention in that Queen of all seaside resorts.

To the great majority of you Atlantic City needs no introduction; it has a world-wide circle of friends, but to those who perchance may never have been there I would say that it is the greatest convention city in this country. During the last year 226 conventions of various kinds have been held there, and it has averaged 156 conventions per year for the last ten years. Atlantic City is within one hour of Philadelphia and three hours of New York City. Its principal hotels, which are located along the famous boardwalk, can accommodate 10,000 visitors, and there are 250 other hotels in the city. So you see the hotel accommodations will be more than sufficient. The boardwalk extends along the ocean front for ten miles, and through the heart of the city it is 60 feet wide. It is entirely unobstructed on the ocean side except for four piers, the shortest of which extends out 1,000 feet and the longest 2,500 feet, and upon these piers are located our convention halls.

I most cordially extend to you an invitation to come to Atlantic City next year, and bask in our delightful sunshine and breathe into your lungs the life-giving ozone which is always with it. (Applause.)

MR. FRED W. HYDE, of Jamestown, N. Y.: I move that the selection of the place for holding the next Convention be left to the Executive Council.

MR. J. J. SULLIVAN, of Cleveland, O.: Before a vote is taken, I desire to say that next year Cleveland will present to the Association an invitation to hold its Convention of 1917 in that city.

MR. SOL WEXLER, of New Orleans, La.: Mr. President and Gentlemen. I do not think it is wise to depart from the time honored custom of selecting the place for the next Convention on the floor, and I move that the next Convention be held in Kansas City, Mo. I think it is only proper that the gentleman who is to be the Vice-President of the Association should have the privilege of taking his seat on his native heath.

MR. A. J. FRAME, of Waukesha, Wis.: I will second the nomination of Kansas City, but I desire to say that at the request of the Merchants & Manufacturers' Association of Milwaukee, that city very earnestly expresses the hope that the 1917 Convention be held there.

MR. J. W. PERRY, of Kansas City, Mo.: I had not intended to say anything, until after our friend from the wide boardwalk made his speech. Now, we have no boardwalk in Kansas City that is 60 feet wide. We don't need any. We have not as many hotels perhaps as Atlantic City, but I want to assure you that such hotels as we have will be placed at your disposal without any raise in rates, and that every home in Kansas City will be open for your entertainment if you decide to come there next year.

MR. BARTLETT: Regarding the increase in rates charged by hotels, permit me to say that the Atlantic City hotels do not practice that sort of thing; on the contrary, the Hotelmen's Association contributes 10 per cent. of the gross receipts that

they take in from Conventions towards entertaining the delegates.

MR. W. B. HARRISON, of Oklahoma City, Oklahoma: I would like to second again the 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 will also send large delegations. 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 attendance at the convention if it is held in Kansas City will be at least three times that at the Convention here assembled.

MR. WEXLER: 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 of Mr. Wexler that Kansas City be recommended to the Executive Council as the place to be selected 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 of that motion will say aye; opposed, no. The motion is carried.

(One delegate voted no).

MR. HAWES: Gentlemen of the Convention, on behalf of Kansas City, I thank you.

PRESIDENT LAW: Next is "Unfinished Business."

GENERAL SECRETARY FARNSWORTH: No unfinished business, Mr. President.

PRESIDENT LAW: Communications from the Executive Council.

PRESIDENT LAW: Is there anything coming under the head of Resolutions?

GENERAL SECRETARY FARNSWORTH: No communications.

NOMINATIONS AND ELECTIONS.

PRESIDENT LAW: Next is report of Committee on Nominations, which report will be presented by Mr. Edens.

MR. W. G. EDENS: Mr. President and Delegates of the American Bankers' Association: At a meeting of your Nominating Committee held yesterday in the ballroom of the Hotel Washington at 4.30 p.m., in which forty-four members of the Committee were present, the following persons were unanimously nominated for the positions named in your Association for the ensuing year:

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

For Vice-President, P. W. Goebel, President, Commercial National Bank, Kansas City, Kan.

That is signed by two of the members of the Committee; and this morning, after this report was formulated, the Delegate from Alaska, Mr. Samuel Blum, of Valdez, qualified as a member of the Nominating Committee and joined in the report, thus making it a unanimous report.

PRESIDENT LAW: It becomes a duty of the Chair to announce that it is not incumbent or necessary that this Convention shall adopt this report. They have a perfect right to adopt it or to reject it. They have a perfect right, also, to nominate anyone from the floor; but it has been our custom to have names presented in nomination in this way.

MR. H. P. BECKWITH: I move you that Mr. Lynch be elected President of this Association and Mr. Goebel elected Vice-President of this Association, and that the Secretary be instructed to cast the ballot of this Association for these gentlemen as officers of this Association for the ensuing year.

NOTE.—Under the new constitution, the Convention did not elect other officers than President and Vice-President; the Vice-Presidents 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 "Unanimous" 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. Beckwith moves to adopt so much of the report of the Nominating Committee as relates to Mr. James K. Lynch, being President for the ensuing year. All in favor will say aye; opposed, no. It is carried.

MR. EDENS: I move the Secretary cast the unanimous vote of the Association for Peter W. Goebel, Kansas City, Kansas, for the position of Vice-President of this Association for the ensuing year.

MR. ———: I move the Convention cast its vote for Peter W. Goebel.

MR. J. J. SULLIVAN: The motion usually made and acted upon in a case of this kind is that the Secretary be instructed to cast the ballot of the Convention as a whole for the gentleman named. That has been the custom of this Convention for years; and I make that motion.

(Motion seconded.)

PRESIDENT LAW: You have heard the motion of Mr. Sullivan; all in favor say aye; opposed, no. Mr. Goebel is duly elected.

GENERAL SECRETARY FARNSWORTH: The General Secretary casts a vote for Mr. Peter W. Goebel, of Kansas City, Kansas, for Vice-President of the American Bankers' Association for the ensuing year.

PRESIDENT LAW: Mr. Lynch!

(PRESIDENT-ELECT LYNCH comes to the front of the stage.)

PRESIDENT LAW: Mr. Lynch, it is with a peculiar pleasure that I pin this badge upon you and notify you of your election to the Presidency of this Association. First, on account of the great service which you have rendered to this Association in past years; and, secondly, on account of my admiration of your manliness and ability.

PRESIDENT-ELECT LYNCH: Gentlemen of the Convention, Ladies and Gentlemen: The King of Israel once said to his adversary, "Let not him that girdeth on his armor boast as 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. Estabrook, of New York. There was not a man nor a woman in the audience who was not stirred to the core by his utterances. You have heard the honored former President of our United States give a well-considered analysis of the results of the generation which has passed—the things which they have done and the effect of them. You have no time to listen to a speech from me. I have but to say, "Thank you!" Thank you on behalf of the Pacific Coast, which you have honored in bestowing upon one of its Native Born Sons, the highest honor which an American Banker can have. And on my own behalf, Gentlemen of the Convention, fervently and earnestly, I thank you. Mr. Goebel, of Kansas City, our Vice-President. He needs no introduction at my hands. I have seen a great deal of his work and I know he is the kind of man who does not advertise, but he is there "with the goods." He is not one of the leaders that carries bells, but one of the wheelers that helps to pull the wagon.

(President-Elect Lynch pins Vice-President's badge on Vice-President-Elect Goebel.)

VICE-PRESIDENT-ELECT GOEBEL: Gentlemen of the American Bankers Association, I am deeply gratified for the very high honor to which you have advanced me. I appreciate it more than I can tell you; but I also appreciate the traditions of the American Bankers Association, which say that the Vice-President shall never be heard when the President is about. For that reason, I simply, again, thank you, and say no more.

PRESIDENT-ELECT LYNCH: Mr. Arthur Reynolds of Chicago will now come forward; and he needs no introduction to this audience at my hands.

SILVER SERVICE FOR RETIRING PRESIDENT LAW.

MR. ARTHUR REYNOLDS (Addressing President Law): Mr. Law, I can appreciate that it is with relief and regret that you lay down the arduous duties imposed by the office of President of this great association. Relief, that your work has been successfully terminated; and regret, that the time has come for you to give up such pleasant duties.

You have sustained the dignity of the Association, and your efforts have reflected great credit upon yourself.

As a mark of approval of the membership of this Association, and with the wish that you carry home with you a slight token of their sincere friendship and affection, I have been requested to present to you this silver service. And it is hoped that through its use you may be reminded of the good-will of all of us. No matter over what road your activities may lead you in the future, it is our wish that your path may be strewn with roses, and that health, happiness and prosperity may attend you and all the members of your family.

PRESIDENT LAW: Mr. Reynolds, and gentlemen of the Association; I cannot say what I would like to say. I do not know how.

It has been a great pleasure and a privilege to serve you as your President. I have appreciated the honor. I hardly think there has been a day since I became President that I have not given the matter some thought and attention; and if my poor efforts have met with your approval I am doubly honored.

I want to say just one word about the other men who have worked in this Association with me: They are workers; you have a splendid organization in the office from the General Secretary down, and I believe I have had the friendship and support of every one of them. Some of them are so capable that I have always wondered how we could keep them, as I know they are in demand in other fields where there is greater remuneration.

In regard to this beautiful silver service which you have presented to me, I thank you most heartily for it. I do not need that to make me think of your kindness; but still I value it very highly. But most of all, I value the strong friendships I have made among the members of this Association through my offi-

cial connection with them. This silver might be stolen or burned, but the memory of those friendships nothing can ever take away. (Applause.)

GENERAL SECRETARY FARNSWORTH: I wish to announce that there will be a meeting of the new Executive Council at 7.30 to-night in the ballroom of the Hotel Washington.

MR. J. J. SULLIVAN: Mr. President, I think we owe it to the bankers and to the citizens generally of Seattle to tender them a vote of thanks.

PRESIDENT-ELECT LYNCH: That has already been done, Colonel.

MR. J. J. SULLIVAN: I beg your pardon; I was absent during part of the time.

PRESIDENT-ELECT LYNCH: But there is no objection to giving them a vote of thanks a second time, for I think they are certainly entitled to it.

MR. FRED W. HYDE, Jamestown, N. Y.: I move you, sir, that the Convention be now adjourned without date.

(Motion seconded.)

PRESIDENT-ELECT LYNCH: All in favor of the motion to adjourn say aye; opposed, no. It is carried and the Convention adjourns sine die.

Organization of National Bank Section

At the Conference of National Bank representatives on Tuesday, September 7, 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, Fred W. Hyde, Cashier of the National Chautauqua 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 Committee:

J. Elwood Cox, High Point, N. C.; Oliver J. Sands, Richmond, Va.; W. H. Bucholz, Omaha, Nebraska; H. E. Otte, 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.

BY-LAWS ADOPTED BY THE NATIONAL BANK SECTION.

Section 1. Any National Bank, member of the American Bankers' Association, shall be eligible to membership in this section.

Section 2. The administration of the affairs of this section shall be vested in a President and a First Vice-President of this section, and an Executive Committee of six members who shall serve until their successors are chosen and appointed.

Section 3. The President and the First Vice-President and also the ex-President for a period of one year following the expiration of his term as president, shall be members ex-officio of the Executive Committee. All other ex-Presidents shall act in an advisory capacity to the Executive Committee, and may attend its meetings and participate in its deliberations, without, however, being entitled to vote or to reimbursement for expenses incurred in attending meetings.

Each State shall be entitled to a Vice-President of the Section; such Vice-President shall be elected by the National Bank representatives, whose banks are themselves members of the National Bank Section of the American Bankers' Association, in attendance at the annual Convention of the State Bankers' Association of their State. In the event of failure to so elect the Vice-President shall be appointed by the President of the Section. These Vice-Presidents shall hold office from the annual meeting of the Section next following their election or appointment until the next annual meeting of the Section. The State Vice-Presidents shall act in an advisory capacity to the Executive Committee, but shall not be entitled to vote.

Section 4. The Executive Committee shall select its own Chairman from among its members, and shall also select a Secretary of the Section, subject to the approval of the Executive Council of the American Bankers' Association, who may or may not be a member of the Section.

Section 5. The Executive Committee shall be elected at the annual meeting by the members of the Section, two being elected each year to serve for a period of three years. At the first election after the organization of the Section, two members shall be elected to serve for one year, two for two years, and two for three years, and thereafter members shall be elected for three-year terms, except in case of a vacancy, which shall be filled by an election for the unexpired term. No officer or member of the Executive Committee shall be eligible for re-election until one year following the completion of a full term of office.

Section 6. The Executive Committee shall have the entire administration of the affairs of the Section between annual meetings, and may adopt all necessary rules covering the business of this Section.

Section 7. This Section shall meet annually at the time and place of the Convention of the American Bankers' Association.

Section 8. The Executive Committee may be called together at any time by the Chairman.

Meeting of Executive Council.

Immediately following the adjournment of the Convention, the Executive Council met, with the newly elected President of the Association—James K. Lynch, Vice-President, First National Bank of San Francisco, California—in the Chair.

New members of the Council were installed, and the first business taken up was the election of General Secretary, Assistant-Secretary and General Counsel, and the present incumbents were each unanimously re-elected.

A contest developed for the office of Treasurer, there being three candidates in the field: N. P. Gatling, Vice-President, Chatham & Phenix National Bank of New York; E. M. Wing, President of the Batavian National Bank of La Crosse, Wisconsin, and McLane Tilton, Secretary of the Alabama Bankers' Association, Pell City, Alabama. Mr. Wing was elected on the sixth ballot.

FORMATION OF NATIONAL BANK SECTION APPROVED.

Routine reports were then presented, and the formation of a new Section in the Association, to be known as the National Bank Section, was formally ratified and approved.

KANSAS CITY PLACE OF NEXT CONVENTION.

Kansas City, Missouri, was decided upon as the place to hold the next Convention, and it was informally agreed to set the date from September 21 to 26.

The Council then adjourned.

TRUST COMPANY SECTION

AMERICAN BANKERS' ASSOCIATION

Twentieth Annual Meeting, Held at Seattle, Wash., September 7, 1915

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Can Congress Confer Trust Powers Upon National Banks?

By HENRY M. CAMPBELL, of Campbell, Bulkeley & Ledyard, Counsellors at Law, Detroit, Mich.

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 stir 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 it 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 con-

ferring 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 socialistic principles of paternalism and a rejection of those 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 made by individuals acting 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 essential to 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 act as trustee, executor, administrator or registrar of stocks and bonds, under such rules and regulations as the said Board may prescribe."

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 fill volumes of our state statutes. They vary in 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-

graph of four lines, if valid, all these statutes may be set at naught and the Federal Reserve Board, at its pleasure, may authorize such national banks as it may select to exercise all of these powers, under such rules and regulations as it may prescribe, which rules and regulations must prevail over any state law; otherwise, the exclusive control of the Federal government over its own system of banking would be destroyed, as "it is well settled that the United States statutes relative to national banks constitute the measure of the authority of such corporations, and they cannot rightfully exercise any powers except those expressly granted, or which are incident to carrying on the business for which they are established."—*First National Bank vs. Converse*, 200, U. S. 438.

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 lawfully do so itself, can it delegate such authority to the Federal Reserve Board?

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 state be effective?

First.—The authority of Congress to create a corporation with power to act as trustee, executor, administrator and registrar of stocks and bonds, or which is practically the same thing, to confer such power upon an existing corporation, must be found in the Federal Constitution. The United States Government is one of limited powers, and Congress possesses only such powers as are expressly enumerated and such incidental or implied powers as are necessary to give effect to the powers expressly conferred. This proposition has been recognized since the foundation of the Government. An examination of the Federal Constitution discloses that there is no express authority in Congress to create corporations for any purpose. It has, however, implied authority to create them when they are appropriate instruments for carrying into effect the powers of government expressly granted. Early in the history of the government, the question of the establishment of a United States Bank arose, and the power of Congress to create such a corporation was sustained on the ground that the bank was one of the instrumentalities of government "necessary and proper for carrying into effect the powers vested in the government of the United States."—*McCulloch vs. Maryland*, 4 Wheat. 316.

The limitation of the authority of Congress to such matters as are national in character and necessary to the administration of the affairs of government is graphically put by Alexander Hamilton, in an opinion given by him when Secretary of the Treasury, on the constitutionality of the charter of the first bank of the United States, in which he says:

"It is conceded that implied powers are to be considered as delegated, equally with express ones. Then it follows that as the power of erecting a corporation may be as well implied as any other thing, it may as well be employed as an instrument or means of carrying into execution any of the specified powers, as any other instrument or means whatever. The only question must be in this as in every other case, whether the means to be employed, or in this instance, the corporation to be erected, has natural relation to any of the acknowledged objects or lawful ends of the Government. Thus a corporation may not be erected by Congress for superintending the police of the city of Philadelphia, because they are not authorized to regulate the police of that

city. But one may be erected in relation to the collection of taxes, or to the trade with foreign countries, or to the trade between the states, or with the Indian tribes; because it is the province of the Federal government to regulate these objects, and because it is incident to the general sovereign or legislative power to regulate a thing, to employ all the means which relate to its regulation to the best and greatest advantage."—26 Harvard Law Review 672.

The right of Congress to create national banks rests upon the same grounds and is subject to the same limitations—Davis vs. Elmira Savings Bank, 161 U. S. 283.

No one will contend that the right to act as trustee, executor, administrator or registrar of stocks and bonds is in any sense necessary to the administration of the affairs of the Federal government. Neither is such right an integral or essential part of the business carried on by national banks. It is not a banking function. Therefore, Section 11 (k) cannot be sustained upon any theory of implied powers.

The distinction between banking and acting as trustee is fundamental. In the case of the bank the relation between it and its depositor 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 powers which originally belonged to them being 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 to 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. Neff, 95 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 ex-

pressly 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 to 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 powers and perform 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 their powers under strict supervision and regulation, no reference being made to national banks.

Here 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 its laws, 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 Mississippi, Oregon, South Carolina and Tennessee express the opinion that on complying with the laws 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 Alabama, California and Texas are of the opinion that national banks cannot act as executors or administrators in their respective States, but do not express any opinion as to the right to act as trustee or registrar of stocks and bonds. 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 in contravention of the laws of their respective States for national banks to exercise the powers specified in the section. The Commissioners of Banking of Pennsylvania and of 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.

On principle the latter 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 contravened by the exercise of such powers by a corporation not subject to the 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 permitted by the States 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 supreme sovereign power. Sovereign power 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 affairs, and permit Congress to designate 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 before 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 the district in which the State is located, or both of them, have given adverse opinions. In Michigan and Illinois legal proceedings are pending in the Supreme Courts of those States to determine the question.

The second proposition is significant as emphasizing the arbitrary character of the powers conferred. It rests solely with the board to determine, at its pleasure, whether to grant a permit would be for the best interests of the applying bank. This opens a wide field for speculation as to the possible use or abuse that might

be made by future boards of this discretionary power. What the board may give, the board, or a subsequent board may take away.

There is also something repugnant in the idea that a man from one part of the country, unfamiliar with local needs, possesses the power to impose his ideas upon a far distant community with which perhaps he has nothing in common, and of whose ideas and necessities he is ignorant. Local self-government is not a matter of grace and favor, but of constitutional right.

Certainly it is not unreasonable to question the wisdom of conferring such great powers upon any set of individuals, however wise or disinterested they may be, particularly when they are not selected by the people whose interests are affected, and are not responsible to them.

I have been unable to discover any general demand on the part of the people for this surrender of their right to regulate their own local affairs. Before any permits were issued by the Federal Reserve Board, the chairman telegraphed to each of the Federal Reserve Banks, asking them to obtain the opinions of their respective counsel as to the eligibility of national banks to act in trust capacities under the laws of the various 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 those 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 in submitting this, its annual report, to the members of the Section, begs 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 existing turmoil throughout the world brought with it new conditions, for the solution of which precedents were lacking.

That actual disturbance did not arise in some instances was undoubtedly due to the confidence felt by the public in the inherent strength of the financial institutions and their ability, 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 these benefits may be obtained, but the public looks only 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 on half time, or less, during the greater part of the year, except in those special cases arising through "war orders" and while it is difficult to accurately forecast the future in its business aspects, there are many who believe that, generally speaking, trade will not improve for the manufacturer until either new tariff legislation has been obtained or sufficient time shall have elapsed to permit business to adjust itself to met present tariff conditions.

Dull business conditions mean heavy deposit lines for the Trust Companies. That, in turn, necessitates the careful consideration of the question as to the profitable employment of funds on hand. In this connection the caution which this Committee would extend at this time is important. It urges extreme conservatism not only in the extension of your business, but also in the handling of it when it has been obtained.

The various subcommittees of the Executive Committee have been faithfully engaged in performing their several tasks and detailed reports of their activities will be submitted for your consideration.

The Executive Committee has been most busily employed during nearly the entire year. In that time many matters requiring the combined wisdom and judgment of the entire Committee have arisen and most cheerfully have its members responded to its calls, freely giving their time and service to the interests of the Trust Companies of the Country.

FEDERAL RESERVE LAW GRANTING TRUST POWERS TO BANKS TO BE TESTED.

The most important matter to receive the attention of your Executive Committee was the consideration of that portion of the Federal Reserve Act in which the granting of Trust powers 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 appeared, through its Legislative Committee, before the Federal Reserve Board in Washington and stated its views as to the constitutional doubt. It, at the same time, requested the Federal Reserve Board to seek the advice of the Attorney General of the United States upon the whole question. The Federal Board declined to take that step. It contended that it was no part of its duty so to do, and insisted that the burden of proof rested upon those raising the question of constitutionality. Then there seemed to be nothing left for your Executive Committee to do but to test the question of constitutionality in the Courts, and at a special meeting called for the consideration of that question, with a quorum present, the officers were instructed to retain the Counsel and push the matter as rapidly as possible, carrying it, if needs be, to the United States Supreme Court for final adjudication. It was agreed in this connection that the expense of the litigation is to be borne by the Trust Companies individually and that it is not to be paid out of the funds of the Section. This action of the Executive Committee was subsequently confirmed at the spring meeting of the Committee, when a more general attendance was present and will, I trust, meet with your approval at this Convention.

In compliance with their instructions the officers retained

the services of the Honorable John G. Johnson, of Philadelphia, and the Honorable Henry M. Campbell, of Detroit, to represent the Section in its test of the constitutional questions involved, and in their selection the Committee feels it has obtained Counsel of the highest eminence and ability, who will diligently and expeditiously prosecute its contention.

The Section is most fortunate in having Mr. Campbell present as its guest today, and he will fully explain the progress of the litigation up to the present time.

Your Committee has given the whole Federal Reserve Act in its relations to Trust Companies the fullest study and consideration. Again, through its Legislative Committee, it appeared before the Federal Reserve Board and made suggestions as to the necessity of certain changes in the Act before, in its judgment, Trust Companies as a class would join the Federal Reserve System.

It also raised the question of certain regulations issued by the Federal Reserve Board and made some suggestions in relation to them. While the Reserve Board has met your Committee's suggestions in *some particulars*, nevertheless it is the judgment of your Committee that the Federal officials have not as yet gone far enough in this regard to permit it to advise the Trust Companies of the country to join the system. On the contrary, it is the judgment of your Committee that certain necessary changes in the Act itself, as well as in the regulations of the Board, ought to be made, before the Trust Companies should consider entering the Federal Reserve System.

Your Committee has met, in its deliberations, the consideration of these questions with an open mind and with the belief that there should be one banking system governing all classes of financial institutions. It has been treated by the members of the Federal Reserve Board with the greatest courtesy and consideration and it is with unfeigned regret that it has been unable to arrive at a conclusion different from that which is here submitted. In its judgment it would be well for the Section to refer the subject to the new Executive Committee for further consideration and study, and it accordingly makes that recommendation.

The so-called Model Trust Company law adopted at the last Convention in Richmond has been published in the Bulletin of the Association, and distributed to the members. It is again earnestly commended for adoption to those States where there is not in force, at the present time, legislation requiring State supervision of Trust Companies.

To the Trust Company official as well as to all bankers and others the future is clouded. Never before in the recollection of the present generation was the necessity for patriotism to our country and loyalty to our President so necessary, and while it is the earnest hope and prayer of every thinking man that war may be averted by our country, it is the firm conviction of your Committee that, if such a catastrophe should occur, the bankers of the United States will prove their devotion to their country by a united and concentrated support—financial as well as moral—of those upon whose shoulders the responsibility of carrying on the war may fall.

Report of Committee on Legislation.

Mr. President and Members of the Trust Company Section:

At the annual meeting of the Trust Company Section of the American Bankers Association which was held on Tuesday afternoon, October 13, 1914, at Richmond, Virginia, your Committee on Legislation was increased to seven members, three of whom were to be members of the Special Committee of twelve to be appointed by President Law, of 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 a separate report 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 State Chartered Institutions 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

Federal Reserve Board, all of which has been amply covered in the report submitted to you a short time ago by Chairman McCarter. The result of the meeting was that the Federal Reserve Board modified to some extent its Rules and Regulations and interpreted certain portions of the Act with the aim of making membership in the Federal Reserve System more attractive to the State Chartered Institutions.

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 each 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 capacities; however, they failed utterly to convince 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 this portion of the Act is unconstitutional and as it has already been stated to you the Trust Company Section has retained Messrs. John G. 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, we feel convinced that our contention of the unconstitutionality of this provision will be maintained.

All of which is respectfully submitted.

UZAL H. MCCARTER.
RALPH W. CUTLER.
F. H. GOFF.
OLIVER C. FULLER.
A. A. JACKSON.
JOHN W. PLATTEN.

Report of Protective Laws Committee.

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 called.

A majority of the bills introduced affecting Trust Companies, were drawn 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 seems desirous 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 given to accept paper maturing at a future date, and to purchase and sell the acceptances of others.

Colorado has authorized its banks to establish Trust Departments and requires that trust funds should be kept separate. Connecticut Trust Companies must now maintain a reserve fund of 12 per cent on demand and 5 per cent on time deposits, not less than four twelfths of which must be in cash. Idaho, North Carolina and Vermont have limited the use of the word "Trust." The States of Missouri, Montana, New Mexico and South Dakota adopted new banking and Trust Company laws. 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. Oregon has named a Commission for the purpose of drafting a Trust Company law for presentation at the next session of its legislature. Washington has provided for administration of banks and Trust Companies by State Bank Examiners, and the code relating to false entries by Trust Company officers makes the crime a felony instead of a misdemeanor. Massachusetts now requires National Banks, empowered to act as Trustee, to make annual return to Tax Commissioner of property which would be liable for taxation if held by any other Trustee in the commonwealth.

Trust Companies in Detroit and Pittsburgh have been especially active in their opposition to Paragraph K, Section II, Federal Reserve Act.

Eight States, Michigan, Arkansas, South Dakota, Iowa, Kansas, North Dakota, Oregon and West Virginia have passed new blue sky laws regulating the sale of securities.

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 the desirability for obtaining legislation in all States permitting a Trust Company to accept and execute trusts in any foreign State as well as in the State in which it is created, has not been determined, and several States, including North Carolina, have specifically denied such a privilege.

Respectfully submitted,

E. E. FOYE,
E. D. HULBERT,
C. O. PATCH,
LYNN H. DINKINS,

Report of Secretary.

To the Members of the Trust Company Section:

GENTLEMEN: I am pleased to report a year of growth and endeavor to serve the interests of our membership throughout the country.

The reports of your Executive Committee and of your several sub-committees show the major activities of your officers. Serving as Secretary of these various committees I have at all times endeavored to carry out the work entrusted to me, and it is unnecessary to further refer to what has been well set forth in these several reports which you have heard. I am pleased to report that the membership has shown very gratifying and continual growth. On September 1, 1913, we had a membership of 1,363. The new Constitution adopted at that time made it necessary for some 510 companies enrolled in both the Trust Company Section and the Savings Bank Section to elect in which Section they wished to remain. Over sixty per cent. elected to remain in the Trust Company Section, so that on September 1, 1914, we had a membership of 1,201. Under the amendment to the Constitution adopted at that time enrollment was allowed to associate members. That amendment provided that companies doing both a Trust and Savings Bank business could enroll in both Sections so as to receive the advantages of such enrollment, but could only vote in one Section. Under that provision 148 companies have enrolled as associate members and with the increase of twenty-three members our total enrollment to-day is 1,372.

I am gratified to report that our finances are in more satisfactory condition, as shown by the financial report annexed hereto. The credit balance of \$969.01 has been transferred back to the general funds of the Association. There is also on the general books of the Association a credit balance of \$1,430.64 from the profits of the books of "Forms for Trust Companies."

On May 7 last there was held the Fifth Annual Banquet of the Trust Companies of the United States, members of the Trust Company Section of the American Bankers' Association. From press comments and letters and statements from many of those present, it may safely be said that this banquet was perhaps even more successful and enjoyable than those of previous years. Beyond question this Trust Company Banquet takes rank with any banking function of the year. This is evidenced not only by the demand for seats by Trust Company institutions, but by the gratifying demands from other financial institutions. At this dinner there were present over six hundred representative Trust Company officials, bankers and others coming from thirty-five different States in the Union. For the information of those of our members who have not attended any of these banquets, it is proper to say that the entire expense is met by the subscriptions of those present and no expense whatsoever attaches to the Section or to the American Bankers' Association.

It has been my pleasure and duty during the year to further the interests of the Section in every direction possible, both by articles and interviews contributed to the financial press and by correspondence and interviews with many of our members. Your Secretary's office is always open and we are always pleased to see any of our members and to answer to the best of our ability any and all questions that may be brought to us.

September 1, 1914, to August 15, 1915, inclusive.

CREDITS.	
By appropriation of Executive Council.....	\$8,500.00
By sale of Trust Company Proceedings.....	42.40
By sale of New York State Banking Law.....	5.00
	\$8,547.40
DISBURSEMENTS.	
Salaries.....	\$3,795.40
Proceedings 1914.....	975.03
Executive Committee meetings.....	955.63
Rent.....	805.04
Postage, stationery and printing.....	488.79
Convention expenses.....	144.40
Legislative Committee.....	272.39
Traveling expenses.....	133.54
Incidentals.....	125.00
Telephone and telegrams.....	49.61
New York State Banking Law.....	18.00
Express.....	15.56
	\$7,578.39
Credit balance.....	\$969.01

Detailed Report of Proceedings.

Twentieth Annual Meeting TRUST COMPANY SECTION, Held at Seattle, September 7, 1915.

Seattle, Wash., September 7, 1915.

The Trust Company of the American Bankers' Association convened on Tuesday, September 7, 1915, at 10 a. m., and was called to order by the President, Ralph W. Cutler, President of the Hartford Trust Company of Hartford, Connecticut.

PRESIDENT CUTLER: The twentieth annual meeting of the Trust Company Section of the American Bankers' Association will please come to order. We will have the pleasure of listening to a prayer by the Rev. Carter Helm Jones, of this city.

PRAYER.

By REV. CARTER HELM JONES, PASTOR OF THE FIRST BAPTIST CHURCH OF SEATTLE.

Almighty and most merciful God our Heavenly Father. We call upon our souls, and all that is within us to-day to bless Thy holy name. We thank Thee that Thou art creator, preserver and server, inspirer and saviour of men. We thank Thee that Thou art our father, and that, like little children, we can come and lean upon Thy great heart and listen to the music of Thy loving heart of peace. We thank Thee for our fellowman. We thank Thee for Him who came and taught us not only to love God the Father, but to love our neighbors and so establish in a broad and beautiful way the universal brotherhood of man. We thank Thee for human society. We thank Thee for commerce, which is the high interchange between man and man, between mind and mind, between heart and heart, between life and life. We thank Thee that competition is more and more giving way to co-operation. We thank Thee for the glory of helping one another.

Bless now, on this glad day, this meeting of men solemnly charged with significant responsibilities. We thank Thee for the great Association they represent. We thank Thee for the important Section in which they meet. We pray that Thou wilt bless the institutions they serve, and the country, the nation, and the world. O! God give them wisdom, and grace, and courage, and patience, and that beautiful courtesy which they have won through the years that binds them one to another. We pray that their ideals may always be lofty, that they may always put manhood above money, character above coin, life above lucre. And as they come to our beautiful city we pray that Great grace may characterize their meetings and joy come into their hearts.

God bless our land and country. We thank Thee for all the way Thou hast led us. We thank Thee for this beautiful intermingling of varying races and nations that have made the composite power of our great Republic, and may we not, as the pharisees, lift our eyes and thank God that we are not as other nations, but walking softly, walking humbly, walking gratefully, we thank Thee that while the nations of the earth, so many of them have been swerved into the maelstrom of martial passion, and into awful international strife that peace is upon our borders.

O! God may we preserve peace—a peace that is based on justice and righteousness in the form of brotherhood. And upon Thy servant the President of the United States of America may such unusual wisdom and grace come that he shall be enabled to guide us, and lead us that we may become the leaders of the sisterhood of nations in that way that makes for peace and righteousness and brotherhood.

And to Thy name, the name of the Father, the Son, and the Holy Spirit, be present and everlasting praise, Amen.

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

Address of Welcome, By E. Shorrock, President of the Northwest Trust & Safe Deposit Co. of Seattle.

Mr. President and Gentlemen: There have been those who have suggested that the welcome which Seattle Bankers would extend at this time would be of a somewhat mixed character, and that the best we should do would be in some degree to play the role of Mother Hubbard of Nursery fame.

I do not deny that there was some hesitation on the part of the Banks to incur the responsibility involved in extending hospitality to so large and distinguished a gathering; at the same time it may positively be asserted that since the decision was finally taken, no stone has been left unturned to make every preparation suitable for the occasion. I have yet to learn that hesitation in incurring responsibilities is not infrequently the best assurance that once they are assumed they will be fully met, and I confidently expect that your verdict at the end of the week will be more than favorable.

It is true that Seattle, like many other cities in the country, is not now at her best from the point of view of business prosperity, though she is holding her own with most of her neighbors. Moreover, we are bearing some heavy burdens due to the rapidity of our growth, and to the great improvements we have made in the past ten years. We have, however, something to show for our expenditures. If you seek a monument of our past and present citizenship, we can only say:

"Look around." We are not in a position to embark upon any new undertakings, or to try new municipal experiments. We have, however, not wasted our patrimony in riotous living, but have laid the foundations of a great city. If this has somewhat strained our resources, we believe that our children will rise up to bless those who have borne such a burden to such an advantage. Naturally, we have surroundings not to be surpassed by those of any other commercial city in the world, and, commercially, we believe the future of Seattle and the Northwest is more than assured.

In addition we believe that the moral tone of the community, a matter which is always of interest to bankers, stands high, and that we are in the forefront of development in this direction.

On behalf of the Bankers of Seattle, I invite you to form your own judgment of these things, as we most heartily welcome you to all that has been provided for you.

Reply to Address of Welcome and Annual Address of the President, Ralph W. Cutler.

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 1,200 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 greeting.

We desire also to thank the citizens of Seattle and the trust companies and banks of the city for the generous hospitality so delightfully extended to us. Your preparations for our entertainment are so perfect that we shall, without doubt, enjoy ourselves to 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 Accomplishments." 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. Is a hill in the wrong place? You take down buildings; sluice the hill by hydraulics; carry away the earth in immense pipes to fill up the undesirable tide lands; make areas for useful purposes; put the buildings back on the lowered site, and by doing all these things you increase the grand list of the city for the benefit of the community.

Is a larger deep-water front considered desirable? You build a canal-lock connecting your beautiful Lake Washington with Puget Sound, and thereby increase your water-front sevenfold. Your electrical possibilities are almost limitless.

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 boulevards, can be kept clean and sanitary.

Your vital statistics show that you seldom or never die—the rate being the record for the United States.

Do you want music and the fine arts? The best talent in the world comes to you.

By your steamship lines and your railroads you can reach every point on the globe. Where expense is involved you never hesitate. In fact, you set us all a tremendous example of what courage and brains can accomplish. You don't wait for things to turn up—you do things.

In a fitting verse by an unknown author, I salute you:

Somebody said that it couldn't be done,
But he, with a chuckle, replied,
That "maybe it couldn't," but he wouldn't be one
Who would say so, till he'd tried.
So he buckled right in, with a trace of a grin
On his face. If he worried, he hid it.
He started to sing as he tackled the thing
That couldn't be done—and he did it.

There are thousands to tell you it couldn't be done;
There are thousands to prophesy failure;
There are thousands to point out to you—one by one—
The dangers that wait to assail you;
But just buckle in, with a bit of a grin,
Then take off your coat and go to it;
Just start in to sing as you tackle the thing
That "cannot be done," and you'll do it.

Fellow Members of the Section:

On this twentieth anniversary of the birth of the Trust Company Section, I desire you to make a brief mental comparison of present conditions with those prevailing at that time. In the first instance, preparation by the Trust Company Section of a "Book of Forms," gathered from many sources in a most painstaking manner, and from which the best was selected, has helped to bring order out of chaos, and to standardize the methods of conducting business. The forms used by up-to-date trust companies are now clear and simple, and make

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 judicious work in this direction, and by results accomplished, to which Trust Companies can point with pride, the public mind has at last become convinced that the settlement of an estate, or the execution of a trust by the Trust Company rather than by the individual, or even the family lawyer, is the surest and best way to secure the exact fulfillment of the wishes of the decedent. Whereas, many years ago, even the officers themselves may have felt some doubt as to the perfect efficiency of the Trust Company to accomplish all it was organized to do, I feel confident that, at this time, as the result of actual experience all doubts have been dispelled; and I venture the statement that, almost without exception, the wills of officers of Trust Companies represented here to-day designate the particular Trust Company with which they are connected as the instrument to carry out their wishes. Otherwise, I should feel like claiming the methods of that company were imperfect in some important particular.

Voluntary Trusts—seldom established twenty years ago—are becoming 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.

Our *trust officers* to-day are almost invariably, and quite necessarily, lawyers of marked ability and legal training, the best to be found in their community.

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. This system has added a great safeguard against the over-issuance of securities, and the transfer agent has often proved to be a valuable check on attempted fraud.

The *registration of commercial paper* is developing along practically similar lines, and will grow to be an ordinary business custom as time goes on.

A very important idea in Trust Company affairs has come into prominence with the establishment of the "Cleveland Foundation" in the city of Cleveland, Ohio, under a plan formulated by Judge F. H. Goff, president of the Cleveland Trust Company—my predecessor in our Section. Announcements of the establishment of *Foundations* have been made in:

Milwaukee (Wisconsin Trust Company),
St. Louis (St. Louis-Union Trust Company),
Los Angeles (Security Trust and Savings Bank),
Spokane (Union Trust and Savings Bank),
Chicago (Harris Trust and Savings Bank).

The plan has been proved to be practical and efficient. You are all familiar with the general scheme. In my opinion, it seems especially adapted to cities where the population is between two hundred and fifty thousand and a million, and to communities where many men of large means, having made their fortunes at home, and being actuated by a spirit of benevolence, loyalty, and civic pride, desire to establish a fund to be used locally, for the uplifting and education of men and women, and the upbuilding and beautifying and developing of the city of their birth or residence. The Trust Companies, by their very organization and prominence, are peculiarly adapted to foster and care for such public-spirited gifts, and I believe the idea will ultimately be adopted in many more cities of our country.

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

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.

They now have an established position in public confidence and esteem, attained by fair treatment, and hold a field the invasion of which, at present threatened by a rival interest, would be a serious menace to our well-merited prosperity.

In the world's work substantial progress has been made by your Section during the past year. It is not my purpose to anticipate the reports of the Secretary of the Section, and the chairmen of your important committees. These gentlemen have all prepared complete details of the work which has fallen under their special care, and you will find their several reports to be of great interest.

Many important matters have claimed the earnest and prompt attention of your executive officers and the Executive Committee. As you will presently be officially informed, it was deemed imperative during the past year to take immediate action looking toward the protection of most vital interests, threatened by the operation of the Federal Reserve Act, and affecting all Trust Companies. Although in taking this step considerable expense was involved, we did not hesitate, so great was our faith in your cordial co-operation and support.

And now that we are once more assembled in Convention, we come before you to render an account of our stewardship, and we trust that you will be satisfied with the performance of the duties you have committed to our charge.

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.

Report of the Executive Committee by Uzal H. McCarter.

[The report of the Executive Committee is printed on page 142 of this publication.]

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 situation if there is anybody desiring discussion on the report, I would suggest that the question 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, gentlemen?

MR. JOHN H. HOLLIDAY (President Union Trust Co. of Indianapolis, Ind.): I move that action upon the report be postponed until after Mr. Campbell's address.

(The motion was seconded.)

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

MR. McCARTER: May I speak once more, Mr. President, for the purpose of reading a telegram that I have just received from Mr. John W. Platten, President of the U. S. Mortgage & Trust Company of New York, one of the members of the Executive Committee, who unfortunately was unable to be here having been detained at the last moment by important business, and whom we had expected would address the convention in connection with Mr. Campbell.

PRESIDENT CUTLER: The convention will be glad to receive the message.

MR. McCARTER: The telegram, in addition to being the longest one I ever received, containing 450 words, is replete with figures which make me dizzy.

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

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

UZAL H. McCARTER, Esq.,

Chairman Executive Committee, Trust Company Section, A. B. A. New Washington Hotel, Seattle, Wash.:

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 in order to express my thanks and appreciation for the very courteous invitation extended to me to make a few remarks at the annual meeting of the Section.

Having just completed the compilation of the total resources of the Trust Companies of the country in connection with the publication by our company of the forthcoming edition of the "Trust Companies of the United States," I am able to give you the latest figures. The total resources as of June thirtieth, nineteen hundred and fifteen, amount to six billion three hundred and thirty million dollars, an increase of four hundred and six million dollars over those of June thirtieth, nineteen hundred and fourteen, which figures compare with an increase of three hundred and thirteen million dollars in the total of eleven billion seven hundred and ninety-five dollars resources of the national banks during the corresponding period. The percentage of increase for the Trust Companies is more than double that for the National Banks and the total resources of the Trust Companies are equivalent in volume to fifty-four per cent. of the total resources of the National Banks, as against forty-three per cent. in nineteen hundred and eight.

When we consider the significance of these figures and recall that subsequent to the outbreak of the European war the New York City Trust Companies alone participated to the extent of thirty-seven per cent. in the one hundred million dollar New York City loan and twenty-three per cent. of the forty-five million dollars subscribed by New York financial institutions to the one hundred million dollar gold pool and the prominent part taken in the financing of foreign bills, the belief is justified that the Trust Companies are destined to play a still broader and increasingly important role in the country's financial activities.

It, therefore, seems of vital importance if the fullest development of the nation's resources is to be accomplished, that every step be taken calculated to co-ordinate along acceptable lines the country's now more or less disconnected financial units, the necessity being for further and concerted action to secure amendments by Congress of the Act which will render it desirable for State institutions to become members of the Federal Reserve System.

Expressing the hope for a successful outcome of the labors of the Section,

(Signed) JOHN W. PLATTEN,

President, United States Mortgage and Trust Company, New York.

PRESIDENT CUTLER: 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?

LYNN H. DINKINS (President Interstate Trust & Banking Co., of New Orleans, La.): I make that motion, sir.

(The motion was seconded.)

PRESIDENT CUTLER: Gentlemen, you have heard the motion. Is there any discussion of it? If not, all in favor of the motion will say aye; opposed, no. The motion prevails.

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: What will the Convention do with this report?

THEO. G. SMITH (Vice-President International Trust Co., of Denver, Col.): I move that it be received and placed on file. (The motion was seconded.)

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

Next is the report of the Committee on Protective Laws.

Report of Protective Laws Committee, by Lynn H. Dinkins.

[We print this report on page 143.]

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 Leavitt & Johnson Trust Company, of Waterloo, Iowa): I make a motion to that effect, Mr. President.

(The motion was seconded.)

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

The next business in order is the Report of the Secretary, which will be presented by Mr. Philip S. Babcock, the Secretary of the Section.

Report of the Secretary.

[The Secretary's report appears on page 143.]

PRESIDENT CUTLER: Gentlemen, what action will you take in respect of the report of the Secretary.

MR. MASON: I move that it be accepted and filed.

(The motion was seconded.)

PRESIDENT CUTLER: It is moved and seconded that the report of the Secretary be accepted and filed. All in favor of that motion will say aye; opposed, no. The motion is carried.

MR. MASON: So that we may expedite matters, as I am sure all the delegates here will want to indulge in the festivities provided for them by the Seattle Bankers if they can, I would move that a Nominating Committee of Five be appointed by the President, which Committee shall receive names in writing from the delegates present from which they shall select five persons as members of the Executive Committee for the term ending in 1918, said Committee to report back to this convention for our action.

This will mean that it will be necessary to take a recess of a few minutes for each member to express his views on a piece of paper and hand the same over to the Nominating Committee, and then the Nominating Committee can continue to do their work while the rest of the business of the convention is being carried on.

PRESIDENT CUTLER: Is the motion seconded?

(The motion was seconded.)

All in favor of the motion will say aye; opposed, no. It is carried, and I will declare a recess of ten minutes.

PRESIDENT CUTLER: The convention will be in order. I will appoint as Members of the Nominating Committee:

John H. Mason, Vice-President Commercial Trust Company, Philadelphia, Pa.

James D. Hoge, President Union Savings & Trust Company, Seattle, Wash.

William G. Bumstead, Director Title Guarantee & Trust Company, Jersey City, N. J.

Henry A. Bell, President Citizens Trust Company, Paterson, N. J.

Theo. G. Smith, Vice-President International Trust Company, Denver, Colorado.

The principal topic for your consideration at this Convention is the exceedingly vital question of the relation of the Trust Companies to the Federal Reserve Act—with all which that implies—and I hope that, after the stated address upon the subject, you will discuss it from every point of view. The problem presents differing phases in the various sections of the country, and, if concerted action on the matter is deemed advisable at this time, in my judgment, it should be treated by the Trust Company Section in a comprehensive manner, and in the desire to act solely for the best interest of the Trust Companies—not only in the large cities—but also all over the United States.

And to this end I bespeak your most careful and broad-minded consideration of the whole question.

It is a pleasure to introduce to you Mr. Henry M. Campbell, of Detroit, Michigan, who will address us upon the subject, "Can Congress Confer Trust Powers Upon National Banks?"

"Can Congress Confer Trust Powers Upon National Banks," by Henry M. Campbell.

[The full text of Mr. Campbell's address may be found on pages 137 to 141.]

MR. McCARTER: I move that the thanks of the Convention be expressed to Mr. Campbell for his most instructive address, and that the same be received and filed and the officers of the Section instructed to publish it in pamphlet form and distribute it to the members of the Section.

JAMES C. CUNNINGHAM (Vice-President for the State of Washington): I heartily second that motion.

PRESIDENT CUTLER: It was a real pleasure to hear this address, and what impressed your President more than anything else was the tone of confidence and sincerity which was woven into the fabric of it. All in favor of the motion which has been made will say aye; opposed, no. The motion is carried.

Now, gentlemen, we will have the privilege of discussing this subject. Speeches are limited to five minutes each.

MR. FRANK W. BLAIR (President Union Trust Company, of Detroit, Michigan): Mr. President and Gentlemen, Mr. Campbell has covered the ground so thoroughly and his logic is so convincing that no one here can doubt, at least, that there is some question as to the legality of section K of the Federal Reserve Act. It does not seem to me out of place at this time, therefore, to call attention to some of the results for the information of Trust Companies. What I want to say to you will include quotations from several court decisions.

Years ago, when the requirements were simple, all trusts were managed by individuals. As the country grew in population and in wealth business enterprises grew even more rapidly in magnitude and complexity. It then became advisable—not to say necessary—to create an agency capable of executing in the most efficient manner trusteeships which could not be effectively handled in the old way and which at times required the employment of larger amounts of capital than could be secured by an individual trustee. This requirement led to legislation authorizing the performance of trust functions by corporations organized for the purpose. In the several States such legislation varied in form, according to the nature of the laws governing the management of trusts and the requirements of business life. The growth through the years of this class of institutions, which came to bear the name of Trust Companies, is ample evidence of the value of the services performed by them. It should be borne in mind that this growth has always been accompanied by a clear defining of the trust field and a clearer line of demarcation between trust business and banking business. It should be borne in mind, also, that it has been followed by laws, and changes in laws, placing an increasing obligation on the corporate management of trusts. Such laws are based on the Constitution of the United States and on the experience and common sense of business and have been crystallized by usage.

Congress now endeavors to obliterate this business recognition of the Trust Company and merge those lines of business which as above stated have by experience and usage defined themselves as being separate and distinct.

The effort of Congress is as Mr. Campbell ably sets forth not only contrary to the constitutional rights of the State, but is contrary as well to the development of the law according to its principles as notably defined by Mr. Estabrook, when he says that the development of the Law Merchant was according to its principles and quotes Justice Holmes: "The Life of the law has not been logic; it has been experience." It has in attempting to lodge in the Federal Reserve Board the power to authorize national banks to take unto themselves fiduciary relationships heretofore restricted to individuals or to institutions organized for the purpose and operating under charters or authority granted by the State in which the trust property was located, aimed at a change of a character so revolutionary that, of necessity, it demanded our attention and action. Prompt attention and equally prompt action on the part of the Executive Committee of the Trust Company Section resulted in the proceedings to determine the validity of paragraph "K."

Congress being entirely without authority to confer fiduciary powers on National Banks all acts performed by the latter when working under permits granted by the Federal Reserve Board are ultra vires and void.

Thompson, in his excellent work on corporations, says: "Perhaps the most general statement of the doctrine of ultra vires is that a contract of a corporation which is unauthorized by, or in violation of, its charter or other governing statute, or entirely outside of the scope of the purpose of its creation is void in the sense of being no contract at all because of a total want of power to enter into it; such a contract will not be enforced by any species of action in a court of justice; being void ab initio it cannot be made good by ratification, or by any succession of renewals; and no performance on either side can give validity to the unlawful contract, or form the foundation of any right of action upon it."

It seems proper, therefore, at this time to give caution and warning as to the outcome of what may arise from the endeavor of national banks to perform trust functions.

Suppose for instance a corporation gives a trust mortgage to secure a bond issue and later defaults and that, when the bank endeavors to foreclose, some stockholders of the corporation opposes the action on the ground that no legal authority rested in the bank to accept or administer the trust. The effect of such a defence to the foreclosure might be far reaching, but at the very least, there would result a delay beyond the usual time required for foreclosure, while the matter was being carried through the court, which would cause large expense and possibly serious loss to the bondholders.

Or, suppose a bank acting as trustee should convey title to a piece of vacant real estate to a purchaser and the latter erects a building upon it. A dissatisfied beneficiary of the trust might cause the title to be attacked and, even if he eventually did not succeed in causing the property with its improvements to be returned to the trust estate, the purchaser would be put to trouble and expense.

Other hypothetical cases will suggest themselves to you at once.

Is it not astonishing that some of our national bank friends, in the face of this situation, are accepting trusts and for the sake of a small fee, are subjecting their clients to the possibility of litigation and to serious pecuniary loss as well? It cannot be said in their behalf, that they are proceeding without a realization of possible results, as the widest publicity has been given to the briefs of our counsel and the opinions of other eminent authorities.

If losses occur, mind you, they will fall upon the trusts and not upon the banks, as it is doubtful if the latter are subjecting themselves to danger. The Supreme Court in the case of *Central Transportation Company vs. Pullman Company*, 139 U. S. 24, at page 48, says:

"Charter of a corporation, read in the light of any general laws which are applicable, is the measure of its power, and the enumeration of those powers implies the exclusion 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 contracting with a corporation to take notice of the legal limit of its powers; the interest of the stockholders 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 powers conferred upon it by law."

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 of the constitutionality of Paragraph "K," so emphatically before them, I cannot conceive how they can accept trusteeships at this time without violating the principles 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 protection of their clients in the one case as in the other?

MR. McCARTER: Mr. Sharrock has suggested to me an amendment to my motion which was carried a while ago, with respect to the publication of Mr. Campbell's address, and I would like to amend my motion—with the consent of the gentleman who seconded it—and make it include Mr. Blair's address as well, so that both addresses will be incorporated in pamphlet form and distributed to all members of the American Bankers' Association.

MR. CUNNINGHAM: I seconded the original motion, and I will cheerfully second this amendment to it.

MR. MASON: While this has in view a very desirable end, I think it would be a mistake for this Section to send out these addresses to the members of the American Bankers' Association generally. It would be treading on their toes perhaps, and I think we should confine our activities, especially at the present time, to the members of our own Section.

MR. McCARTER: The National Banks have not hesitated to come into our domain and tread upon our toes. Why should we hesitate about this? I think the time has gone by when diplomacy is going to gain anything. Right is going to win upon this question. I urge my motion, Mr. President.

MR. SHORROCK: If I may do so, I would state that the reason I suggested this is that it involves a legal question. It is not a matter of mere opinion. It seems to me that it is well for the members of this Association to learn just what the situation really is, and what is aimed at by this motion is to disseminate information. It is not to attack anybody or anything. It is to disseminate information to those who at the present time may entertain different opinions, that is all.

PRESIDENT CUTLER: If there is nothing further to be said the question will be put. All in favor of the motion will say aye; opposed, no. The motion prevails.

The question now comes on the original resolution as amended. All in favor of the resolution as it is now amended will say aye; opposed, no. The ayes have it, and the resolution as amended is adopted.

MR. BRECKENRIDGE JONES (President of the Mississippi Valley Trust Co., St. Louis, Mo.): I would inquire whether any of us have the privilege upon our own initiative and at our own expense, for example, of reprinting these addresses and sending them out. I have in mind that not only banks, but lawyers and judges of our courts would be interested in the subject, and I think it would have a good effect to send these addresses to such people.

PRESIDENT CUTLER: Undoubtedly, Mr. Jones, members would have that privilege.

One of the members of the Executive Committee, Mr. Hulbert, has prepared an address for us, but being unable to come to Seattle, he has sent it on, and Mr. Henry F. Bell has kindly consented to read it to the convention.

MR. HENRY F. BELL: Mr. President and Gentlemen: The address, which I have been asked to read is as follows:

Three Important Obstacles to Federal Reserve Membership, by E. D. Hulbert.

The rules recently promulgated by the Federal Reserve Board for the admission of State Banks to the Federal Reserve System contain, so far as I know, everything that State banks have asked for. So far as the Federal Reserve Board is concerned, I believe it has done everything that it ought to do or can properly do to give this country "A unified banking system, embracing in its membership the well-managed banks of the country, small and large, State and National."

I believe practically all commercial bankers are strongly desirous of having this condition brought about, but there are some objectionable things in the present situation which it is not in the power of the Federal Reserve Board to correct. I wish to refer particularly to three, namely, the multiplicity of control, the granting of trust powers to National banks and the prohibiting of common directors.

At present there appear to be four distinct departments of the Government having separate control over member banks. No one can tell where the authority of one leaves off and the other begins. There are the Treasury Department, the Comptroller's Department, the Federal Reserve Board and the Federal Reserve Banks. State banks entering the system would still be subject to the control and supervision of State authorities, making an additional master. I hope this will finally be settled by placing the supervision and control of the member banks of each district in the hands of the Federal Reserve Bank of that district under the supervision of the Federal Reserve Board. 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 immeasurably superior to any supervision that can be exercised by the Comptroller's office. I believe the office of Comptroller of the Currency has always been filled by exceptionally able and competent men, and the examinations conducted by that office have been as thorough and intelligent as we can ever hope for under any political system. Yet failures of National Banks have been so common as to discredit our whole banking system.

Our experience with Clearing House Examinations, however, has demonstrated that bank failures can be prevented by proper supervision. I believe there has not been a single failure under that 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 which had gotten into unsatisfactory shape under political supervision.

I am aware that the new rules intend to place the supervision of the State banks entirely in charge of the Federal Reserve Board, and it must, of course, be assumed that the present Secretary of the Treasury and Comptroller of the Currency assent to this, as they are both members of the Federal Reserve Board. It does not seem quite clear, however, that future Secretaries and Comptrollers will be bound by this action as the law only says that the Federal Reserve Board may authorize the Comptroller of the Currency to forego examinations of State banks. It seems to me it would be much more satisfactory if all member banks were treated alike in this respect.

Regarding the exercise of trust powers by National Banks, so far as I know, no one pretends that this was put in the law to serve any public purpose. No one pretends that such service can be performed by National Banks any better or as well as it is being performed by trust companies organized under State laws. According to the best legal advice we can get, this part of the law is unconstitutional. A movement has been started by our trust company organization to test the constitutionality of this section of the law. It seems to me there should be no hesitation in doing this as no question of public welfare is involved except, perhaps, on the side of the trust companies.

The most serious objection of all is the prohibiting of common directors. Congress has decreed that where there is a common ownership of stock there may be common directors, but that where the ownership of stock is not common there shall be no common directors of member banks. This, manifestly, is intended to legitimize those cases where National Banks have organized trust departments, calling such departments separate corporations, although no certificates of stock are issued and there is not much to indicate that the department is a separate corporation, except a statement to that effect on the back of the stock certificates of the National Bank. This, of course, is done for no other purpose than to enable the National Bank to do, through its trust department what it could not do as a National Bank, and such trust companies automatically become members of the Federal Reserve System, without becoming

stockholders or being subject to the provisions of the Act relating to supervision or reserve. On the other hand, a great majority of independent trust companies have directors in common with National Banks and other trust companies.

Every one familiar with the subject knows that such directorships interfere in no way with the competition between these banks unless there is somewhere in the background a common control of these institutions which would exist just the same if there were no common directors. In fact, we know that in the few instances where there is common control of great financial institutions, those who exercise the control are not directors in any of them.

I am strongly of the opinion that the Federal Reserve Act is a real reform in our banking system and that panics involving the general collapse of credit and suspension of payments will be unknown in this country in the future. I believe that when the next crisis approaches, State banks doing a commercial business will be compelled to join the Federal Reserve System for self-protection. It 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.

It was expected when 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 and would bring the desired results.

PRESIDENT CUTLER: I am authorized by Mr. Campbell to say that if any members desire to ask him any questions he will endeavor to answer them.

MR. JONES: I would like to ask Mr. Campbell what 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 issue now and will probably come before the court in October. The other is an action of a little 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 granted the powers and it applied to the proper State official who has authority to grant licenses to Trust Companies for a license, and that official refused to issue the license. Then the bank applied by way of mandamus to the Supreme Court for an order compelling the issuance of the license. In that case we are privileged to appear and file briefs and argue the case. We have practically arranged for similar proceedings in Massachusetts, in which State Trust Companies do more of a National Banking business than is done by Trust Companies in perhaps any other State. Possibly in one or two other States proceedings will be instituted. You see, each State may present a little difference so far as the question of local law is concerned. In some States there is an express provision, in other States there is a limited consent, and in still other States nothing is said about the matter. Of course, the constitutional question lies back of them all. We were in hopes that the Federal Reserve Board would co-operate with us to expedite the trial of these cases. In Michigan, the bank interested, which was the First National Bank of Bay City, requested 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, but it has been covered so intelligently and fully 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 the fact that if the Federal Reserve Board can do many of these things that it is said it can do and is trying to do, why, it seems to me that would be giving up rights that the State has. For instance, the State creates a Trust Company with certain powers to do certain things in the State. Now the State has 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 had in mind for a long time that the making of this Federal Law general cannot be done; that is, it cannot be made to cover State institutions in the way that it does national institutions. The reasons for this are obvious. We all know that our Trust Companies have to do with local matters. The Federal Government does exercise authority through many channels. I happen to be a member of our State Board of Regents, and I know that there are many Federal laws that we come in contact with in the way of getting funds from the government, but they do not undertake to say what we shall do with those funds. We get funds from the same source that the agricultural colleges in California and Florida get them, but we are too far North to use them for the propagation of the same fruits. You see, conditions differ in the different States, and I do not think that a general law could be made applicable to all the varying local conditions.

MR. SHORROCK: As I understand Mr. Campbell, there are two methods by which this matter is being dealt with: One is that of the Constitutional provision under the Federal Law, and the other is the power of the States. Now, I would inquire if both of those questions are being raised in the proceedings that

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 unconstitutional, everything would necessarily fall because 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 these proceedings will of course depend upon whether the Act is in contravention of the State law. If it is, then under the terms of the Section itself the Federal Reserve Board would be without power; and undoubtedly the State court would prefer to dispose of the question on that ground rather than to go into the broader question of the constitutionality of the Section. But if it should happen that the State court should be of the opinion that it was not in contravention of the State law, then the question of constitutionality is presented, and only in that event. I am inclined to think that in almost every case that question will be disposed of in accordance with whether the Section is found to be in contravention of the State law or not. I would like to get a case, 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 amendment which I think will be passed by the Convention this Section will be without power to take any action in the premises. What has already been done has been on the initiative of certain individual Trust Companies believing that it was for the best interests not only of the Trust Companies themselves, but—at least, I for one—believing it was for the best interests of the National Banks. I cannot understand why they are willing to assume these responsibilities when there seems to be so much doubt as to their right to do so.

If it is not out of order, I move 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 of as being in the best interests of the Trust Companies of the United States.

(The motion was seconded.)

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, will the expenses incurred in these litigations be borne by this Section or 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. It has no power to use its money for such a matter. The expenses will be paid out of the voluntary contributions of individual Trust Companies, and as a matter of fact certain Trust Companies in the East have practically agreed to stand the expense.

MR. McCARTER: I might say that an opportunity will be afforded to all Trust Companies to eventually step up to the Captain's desk and settle (Laughter).

PRESIDENT CUTLER: Gentlemen, all in favor of the motion made by Mr. Mason will say aye; opposed, no. It is carried.

MR. EDWIN CHAMBERLAIN (Vice-President San Antonio Loan & Trust Co., San Antonio, Texas):

Would a motion be in order to accept and file the report made on behalf of the Executive Committee?

PRESIDENT CUTLER: Yes, sir, if no further discussion is desired the chair was about to suggest such a motion.

MR. CHAMBERLAIN: I move that the report made by the chairman of the Executive Committee be received and filed. (The motion was seconded.)

MR. JONES: There is one recommendation in that report that I do not 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. McCARTER: That is not a recommendation, if you will pardon me. It is merely advisory to the Trust Companies.

MR. CHAMBERLAIN: 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 new committee.

MR. D. F. GUINAN, of Mahanoy City, Pa.: The remark which has just been made creates a line of thought with me that I think is uppermost in discussing this question. I believe the spirit that should be manifested is that of co-operation with the Federal Reserve Law rather than combating it.

MR. MASON: I would say that we are not combating the Federal Reserve Act in any way. What we are striving to do is to test the constitutionality of a provision in that act. Many of us are cordially in favor of the Federal Reserve Act, but there is a question in our minds as to the constitutionality of a certain portion of it.

MR. JONES: I heartily accord with the idea that we should meet this matter in a spirit of co-operation. As to whether Trust Companies and State Banks should come in under the act or not, is a question. If they are advised not to come in, why, reasons should be given. Personally, I do not like to vote upon this proposition as it stands. I do not want to see this section put forth a recommendation to Trust Companies not to go in to the Federal Reserve System until certain amendments have been made to the Federal Reserve Act, without indicating

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 in or not, and I have some reasons why I have hesitated about it, but if I was going to come before the public with a recommendation that the Trust Companies should not go in I would feel it incumbent upon me to give the reasons why, and to state what amendments to the law I thought should be made.

MR. CHAMBERLAIN: I think the motion I made covers fully what Mr. Jones suggests. My motion was simply that the report of the chairman of the Executive Committee be received and filed, which would carry the report over 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 views 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. What those amendments are to be can only 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 objections. Maybe six months from now that can be done.

MR. JONES: But the question whether Section K of the Act is constitutional or not has nothing to do with whether we shall come in or stay out, has it?

MR. McCARTER: Certainly it has.

PRESIDENT CUTLER: Gentlemen, this discussion should be confined to the motion made by 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: Was 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, and the report of the Executive Committee is received and filed.

MR. McCARTER: For those kind words, on behalf of the Committee, 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.

Recess was then taken until 2.30 p.m.

AFTERNOON SESSION.

PRESIDENT CUTLER: The Convention will come to order. The first business this afternoon will be a general discussion of any topics that may be proposed. Has any member anything to suggest under this head?

MR. LYNN H. DINKINS, of New Orleans, La.: I wish to direct the attention of the Section to the proposed amendment of By-Law VI, under the caption "National and State Legislation." Under the terms of the amendment it is proposed to curtail the activities of various committees that have to do with legislative matters, and to require that all matters of legislative interest be first submitted to the Law Committee of the A B A for approval before being pushed by the Section.

I desire to offer a motion that the representatives of this Section on the Executive Council of the American Bankers' Association be directed to oppose any such amendment; and I especially move that Mr. McCarter be directed to remain in Seattle until this question has been disposed of and instructed to work and vote against the amendment first, last and all the time (laughter and applause).

(The motion was seconded.)

MR. MASON: I presume Mr. Dinkins' motion refers to the amendment which will be introduced in the convention of the American Bankers' Association. Now, I have a very warm spot in my heart for Mr. McCarter and I know that he wants to get away. The Executive Council of the American Bankers' Association has already approved that amendment, and it will go before the Convention and will undoubtedly be passed. The incoming Executive Council, of which I have no doubt Mr. McCarter will be a member, will have nothing to do with that amendment. So we are powerless to express our views and cast our vote in the general convention when it passes upon the matter.

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 morning, and will be unable to remain to participate in that convention. However, there are many men with broad shoulders and big fists here, and I think it is the duty of every Trust Company man—of every member of every Section outside of the National Banking Section—to oppose an amendment of this kind. It seeks to curtail the autonomy of the Section, and makes us subservient to the general body. Some day they will go too far. They have taken many steps already in this direction, and it is attempts of this sort that will do more to disrupt interests in the general affairs of the American Bankers' Association than any other thing. Those of you who are in town to-morrow should attend the convention, and when this amendment comes up, vote against it even though you don't speak against it.

MR. DINKINS: The amendment reads plausibly, and I question whether with just the facts presented in the proposed amendment any of us would seriously object to its adoption; but we think that behind it is an intention to restrict the activities of this Section.

MR. W. C. HEPPENHEIMER, of Jersey City, N. J.: It seems to me that this amendment only affects proposed legislation. Nothing is said in it about our instituting any action to test the constitutionality of the Federal Reserve Act.

PRESIDENT CUTLER: Gentlemen, is there further discussion? If not, all in favor of 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 carried.

Now we will proceed with the regular order, which will be the roll call of the States. The reports of the States Vice-Presidents are always very interesting, and many of them come 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 this year than for some years past. All of the Trust Companies showing 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 this Department 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, 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 some good men were forced to make the sacrifice, give up their business, and go into politics. If this precaution had not been taken, the banks and Trust Companies might have been harassed, and perhaps put out of business through improper and manifestly unfair laws.

Regretting my inability to be present in person, I am,

Yours very truly,

N. E. PRUMER.

COLORADO.

DURANGO, 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.:

From the accompanying transcript made from the report of the State Bank Commissioner it will be seen that there were twenty Trust Companies in the State in 1914 and only nineteen in the year 1915. Notwithstanding the decrease in number, the total resources show an increase for this year about one and one-fourth million dollars. The proportion of Trust Companies to other banks in the State is small, there being over two hundred banking institutions of various kinds in Colorado. Those who have reported to me individually speak very hopefully of their prospects. The principal business in all of them is probably the Savings Department, there being no exclusive Savings Banks as I recall at the present time in Colorado. The growth of the Trust Company business in the larger cities, such as Denver, Pueblo and Colorado Springs, has been very considerable and I believe that with the continuous and gradual development of the State and the natural and constant increase of wealth and deposits, Trust Companies will be made use of more and more and are bound to rapidly increase in size and influence. Our laws are very favorable to Trust Companies and the tendency is more and more to make use of their services rather than the Commercial Banks, and investors are looking more than ever to Trust Companies for advice

and for the purchase of investment securities. There has been one important event during the year, which is the amendment to our Trust Company law by the legislature permitting National and State Banks to enjoy Trust Company privileges in conformity with the Federal Reserve Act. I doubt very much the inclination of National Banks to perform any considerable Trust Company business and also doubt the desire of investors and managers of estates to have them do so. The Trust Company records of increase and improvement show rather a decided need in the community for such companies; and the general character of service rendered in our large cities has been such as to place them in line with the large Trust Companies of the United States.

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

CONNECTICUT.

C. S. Boies, Treasurer, The Seymour Trust Co., Seymour, Conn.:
As vice-president of Connecticut of the Trust Companies Section of the American Bankers' Association, I am pleased to make the following brief report:

The past year has been very unusual in many ways in Connecticut. 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 many 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 an increase in assets for nine months of \$6,421,992.67, and with the large increase shown the latter part of the year, the increase will, no doubt, be well over eight million dollars, for the full year, one of the largest in our history. Surplus and profits have also shown a substantial increase. There have been seven new Trust Companies organized and opened for business since September 1, 1914, and one State Bank retired by consolidation, making a net gain of six, or a total of fifty-nine State Banks and Trust Companies.

State Banks in Connecticut, of which there are only three, and Trust Companies are practically identical.

The Connecticut Association of State Banks and Trust Companies was organized January, 1915, and forty-two Banks and Trust Companies are represented therein. As this was a legislative year in Connecticut, there were a number of changes in our banking laws, principally as follows:

Our State Banking Department was changed from a double to a single-headed commission form. Acceptances were made a legal investment under certain restrictions. Savings deposits in National Banks were indirectly taxed the same as our Mutual Savings Banks, and savings deposits in State Banks and Trust Companies.

Under certain conditions, State institutions are to be examined in future in conjunction with the Federal examiner. New pledge of stock law and our reserve fund law was amended to conform to the Federal Reserve Act, so our State institutions may join the Federal Reserve System. However, none appear to have taken advantage of the privilege up to the present time.

The Trust and Judiciary Departments of our Trust Companies are showing a very substantial increase through the State.

The educational and publicity campaign referred to by one of my predecessors is apparently bearing fruit, and our people are beginning to realize institutions organized and equipped to handle Trust Funds and estates can do so to much better advantage than the individual.

While general business is picking up rather slowly, we are looking forward to a good full business, and the Trust Companies will, no doubt, as in the past, get their full share.

IDAHO.

SEATTLE, WASHINGTON, September, 7, 1915.

REPORT OF VICE-PRESIDENT FOR IDAHO OF TRUST COMPANY SECTION,
OF AMERICAN BANKERS' ASSOCIATION.

(Trust Officer, Title and Trust Company, Portland, Oregon.
Formerly Secretary, Idaho Trust Company, Lewiston, Idaho.)

In Idaho the Trust business is in its infancy, and while there are eleven (11) institutions in the State subject to the supervision of the banking department which have trust powers, there are but two (2) which are actively pushing the trust business, one in Lewiston, and the other in Boise.

The population of the State is scattered and engaged principally in agriculture, stock raising, mining and the manufacture of timber, and is necessarily rural in its character; therefore, it is not probable that a Trust Company can operate in that State with any large degree of profit if it restricts itself to the practice of Trust functions, except it be in the three or four principal cities of the State, and there conducts a long and active educational campaign.

Until 1911, Trust Companies were organized under the general corporation act, and by special charter. In 1911 the original of the present banking law went into effect. Except those companies doing a title business, all Trust Companies are authorized to do a banking business under this law, and with the exception of the two companies mentioned, all Trust Companies in the State treat their Trust powers as a species of side-line.

The banking act provides that a minimum capital of a Trust Company shall be fifty thousand dollars (\$50,000), regardless of the population of its place of business, and sets forth the usual purposes for which a Trust Company may be incorporated, otherwise the Trust Companies are subject to the same regulation as the banks. This apparent neglect of Trust Company Regulation is no doubt due to the small volume of Trust business which they do. The act was mod-

ified by the thirteenth legislature, which modification became effective during the present year, permitting banks and Trust Companies to purchase Federal Reserve Bank stock, and restricts the use of the word trust. Of the eleven (11) Trust Companies in the State, eight (8) are members of the Trust Company Section of the American Bankers' Association.

Respectfully submitted,
R. L. SHEPPARD.

KANSAS.

MR. PHILIP S. BABCOCK, Secretary Trust Company Section, A. B. A.

DEAR SIR: Replying to your letter of July 15th, I beg leave to submit the following report showing the condition of Trust Companies in Kansas at the present time and a brief history of the work done during the year:

Trust Companies actively engaged in the State at present have combined resources of \$3,529,753.03. Liabilities, \$3,529,753.03. The growth of Trust Companies in Kansas is interesting, but in brief, all I can say is that the Trust Companies are growing in popular favor. There is no friction between the Kansas Banks and the Trust Companies. The tendency now is for the banks in the larger centers to combine their common interests in one good strong company in their locality to care for the growing needs of their customers along Trust Company lines.

In short, the successful future of these organizations is now assured in our commonwealth.

SCOTT HOPKINS.

Topeka, Kansas.

MAINE.

ROCKLAND, MAINE, August 13, 1915.

GENTLEMEN: In accordance with a circular letter sent out under date of July 15, 1915, by your Secretary of the Trust Company Section, American Bankers' Association, under the roll call of States, the following clause is found: "To be answered by the Vice-President of the Section in brief written reports dealing with the history of the Trust Companies of the several States during the preceding year and with the conditions under which they are now operating and other matters now pertaining to them." As Vice-President of the Trust Companies Section for the State of Maine, I beg leave to submit the following report:

So far as I am able to learn none of my predecessors in office has ever made any report, and therefore there is no guide in the way of information or forms as to prior knowledge on the subject at my command.

The fiscal year for Trust Companies in Maine ends in October of each year, and the last full Bank Examiners' Report closes in that month of 1914, with a supplementary report ending April 24, 1915, from which all available data can be obtained. Taking the history and growth of Trust Companies in the State we find that in 1895 there were seventeen Trust Companies with a capital of \$1,400,800.00 and surplus deposits representing gross assets of \$6,641,586.99. This in October, 1914, about twenty years, had grown to forty-six Trust Companies with eighteen branches and a capitalization of \$3,665,400.00 and gross assets of \$68,371,362.27.

The report of April 24, 1915, not only shows no gain in assets but a shrinkage of some \$60,000.00 from the previous six months, this with the profits under normal conditions, being due almost wholly to a depreciation in values, and a scaling down of investments to market prices, representing in many cases large amounts. Two of the smaller Trust Companies have been in the hands of receivers for two or three years past, and an additional one was overtaken by financial trouble in May last.

One new Trust Company and three branches represent the gain in organization in the past year.

Taking into account the business depression prevailing, with few exceptions, in all lines of endeavor throughout the country, it can be reported that the Trust Companies of Maine are in a sound and prosperous condition.

The Bank Examiner informs me that during the last session of the Legislature, closing in March of the present year, nothing was taken from or added to the powers and duties of Trust Companies in Maine. By his ruling all Trust Company directors must now be the bona fide owners of not less than ten shares of stock.

Respectfully submitted,
R. A. BUTLER,
Vice-President of the Trust Company Section of Maine.

MARYLAND.

REPORT OF L. S. ZIMMERMAN, PRESIDENT, MARYLAND TRUST COMPANY,
BALTIMORE.

A comparison of recent reports of the Trust Companies of Maryland with those of the previous year indicate a healthy condition, and quite generally an increase in business and earnings. Naturally, this is very gratifying in view of the unsettled conditions which have prevailed during the period and the uncertainties of the immediate future. Comparatively little new business has been undertaken, the general attitude on the part of most of the Companies being to forego promises of large profits in order to conserve resources.

There has been no legislation affecting Trust Companies in this State, this being an off-year in the meeting of the Maryland Legislature.

Up to the present time no Trust Company in the State has made application for membership in the Federal Reserve Association, and there are no indications that such action is under consideration.

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 noticeable increase of the use of these institutions by people who have not heretofore availed of their services.

MISSOURI.

MR. JAMES E. BROCK, of St. Louis: As Vice-President for Missouri, I have the honor to report that there are sixty-seven Trust Companies in our State, with total resources of \$155,122,775.67; capital, \$29,623,600; surplus, \$17,835,101.01; net undivided profits, \$4,946,297.75, and deposits of \$167,433,941.91, of which \$30,000,000 are savings deposits. There is a gradual growth in the popularity of the Trust Companies over individuals in the acting as trustees in all fiduciary relations.

At the annual Convention of the Missouri Bankers' Association in May a committee was appointed to consider the matter of the relation of State Banks and Trust Companies to the Federal Reserve System. There are 1,348 State Banks and Trust Companies in Missouri, and up to this writing only two have joined the Federal Reserve System.

While the general financial and commercial conditions in the commonwealth are sound, there seems to have been no inoculation of the "watchful-waiting" germ to the end that all lines of business are practically at a standstill. Capital remains timid, 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 exempt 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 negotiation of farm loans. Quite a number of our State banks took advantage of this law and placed their capital in farm 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, taking from banks and Trust Companies the right to deduct the securities 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, after the expiration of the time for the introduction of new bills, by the legislators themselves through a Governor's bill to ratify, in this State, the clause in the new Federal Reserve Law, permitting banks to exercise 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 law is 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 publicity, and it was introduced as the Governor's bill. It was discovered by mere chance, 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 Sifting Committee of the Senate, and, as it was a Governor's measure, it was liable to become a law, but by effective work it did not pass the Sifting Committee. The Trust Companies should have had a hearing before this measure was introduced. However, there may be an explanation for this, as there are only three Trust Companies, I believe, in the State, which do not have affiliations with commercial banks, and the rest of the companies did not act, so it left it to us to defeat the measure. Our position as a Trust Company should not be submitted to the vicissitudes of a Commercial Bank; that a Trust Company's is a dead man's business and the Commercial Bank's is a live man's business; that one leaving his estate wants it to be left where it is not subject to any of 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 our State, and this law is a new one, but more executors and trustees are being appointed now than when the law was first passed, and the time is not far distant when the business will be a large one in our State, as we have a prosperous community and there will be a great many large estates.

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 showing a remarkable growth—more than for many years—and the growth is very substantial. Our bank clearings, building permits and post office receipts all show a large increase.

OHIO.

GEORGE F. HART of Cleveland, Ohio: Mr. President and Gentlemen: The Trust Companies of our State have for some time felt the necessity of having an organization of their own for the purpose of studying subjects pertaining particularly to trust companies, and a meeting was called for June 22nd last at Cedar Point, the day preceding the meeting of the Ohio Bankers' Association, for the purpose of forming an organization of the Trust Companies of the State. This meeting was well attended, and an association was formed under the name of "The Trust Companies Association of Ohio"; a constitution was adopted, and officers and an Executive Committee elected.

From the reports which we have received it is apparent that the Trust Companies of the State have been prosperous; deposits have increased, and there has been a fair demand for money.

RHODE ISLAND.

REPORT OF A. J. POTHIER, VICE-PRESIDENT, TRUST COMPANY SECTION A. B. A. FOR RHODE ISLAND.

The Trust Companies of Rhode Island are in first-class condition, conservatively managed, and have added \$2,109,124.84 to their assets during the year ending June 30, 1915.

A. J. POTHIER, Vice-President.

SOUTH CAROLINA.

SEPTEMBER 1, 1915.

MR. PHILIP S. BARCOCK, Secretary Trust Company Section, A. B. A. DEAR SIR: I beg to submit this as my annual report.

Very little affecting the interest of Trust Companies has occurred in South Carolina during the last year. No legislation has been enacted on this subject worthy of mention. The business of Trust Companies in this State has been below normal, owing to the fact that few new enterprises have 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.

RICHMOND, VA., August 10, 1915.

P. S. BARCOCK, Esq., Secretary American Bankers Association, 5 Nassau Street, New York, N. Y.

MY DEAR MR. BARCOCK: 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.

I am sending you, as Vice-President from Virginia, a short statement which can hardly be called a report nor be found to contain any matter of general interest. It is justified only by the desire that Virginia be represented on roll call.

Very truly,

E. L. BEMISS.

VIRGINIA.

E. L. BEMISS, 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 somewhat involved for this State by the difficulty in determining just what institutions are in fact Trust Companies. The name alone does not suffice to answer this question.

In the State of Virginia 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 affiliated, in one form or another, with the Trust Section. It is not probable 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 license under the Federal Reserve Act to enter into the Trust Companies' field of operation. The assumption by them of Trust Company functions was authorized by a special act of the Virginia Legislature this 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 fundamental functions of the Trust Company are clearly distinct from those of the Commercial Bank, the operations of each of these institutions should, as far as possible, 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 become a member of that system, they do not believe that Trust Companies should do so because in such event they would have to accept restrictions that would greatly curtail the value of their services to the public. It, 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 comprise those that will promote development, assume trusts and undertake matters requiring time for their accomplishment.

Because no such principle as this has prevailed in Virginia, it is not possible to give comprehensive statistical data of the business 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 co-operation, an energetic campaign of publicity resulting in awakening the public to the advantages of the corporate executor and fiduciary. This has brought a marked increase of business of this kind to the Trust Companies during the past year. There has also been a notable growth 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.

WASHINGTON.

JAMES C. CUNNINGHAM, of Spokane, Wash.: During the year 1914 there were organized in this State twenty-nine State Banks and five

Trust Companies. Two State Banks changed their names and three liquidated. The last annual report of the State Bank Examiners showed that there were thirty-three Trust Companies and 254 State Banks doing business in our State. The total resources of all the State Banks and Trust Companies have increased during the year largely. There is no way of ascertaining just how much real Trust Company business there is in the State at the present time, but I believe it will be possible in the next annual report to give a full and complete statement of it. We have had in contemplation the formation of a Trust Company Association. Practically all the Trust Companies in the larger cities belong to the Clearing House Association. The Trust Companies are authorized to act as depositories of State funds as well as court funds. Quite a number of the leading Trust Companies have been designated as depositories for postal savings funds.

None of the Trust Companies in our State have applied for membership in the Federal Reserve Bank, although some of them may conclude to do so in the near future.

PRESIDENT CUTLER: This completes the list.

SECRETARY BARCOCK: Our By-laws provide that when State Vice-Presidents 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, Virginia, and the Committee will be glad to have suggestions for Vice-Presidents 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?

SECRETARY BARCOCK: It is composed of ex-members of the Executive Council of the American Bankers' Association.

All delegates who have not registered in the Trust Company Section, at the registration headquarters, are requested to do so at once.

I am asked by General Secretary Farnsworth to announce that in addition to the clubs that have extended their courtesies in the little booklet that was distributed, the Elks Club and the Press Club also wish to welcome any delegates who will come to their quarters.

MR. SHORROCK: In connection with the point which has been discussed today—that is, the possible friction which may arise, due to the 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 recommend such steps as may seem necessary up to the time of the next Convention to safeguard and protect the interests of trust companies.

PRESIDENT CUTLER: Is that motion seconded?

MR. MASON: I do not think there is going to be any more conflict than there has been during the past year. However, I think the Trust Company Section will have what it has never had before, a representative on the Committee on Federal Legislation, in the American Bankers' Association and I think it unnecessary to pass a motion to appoint any committee.

PRESIDENT CUTLER: The motion was not seconded. Now, is the Committee on Nominations ready to report?

MR. MASON: Yes, sir.

REPORT OF COMMITTEE ON NOMINATIONS.

Out of thirty-six names suggested by various members here to-day the Committee reports the following nominees for membership on the Executive Committee whose terms will expire in 1918:

Arthur Adams, Vice-President of the New England Trust Company, Boston, Mass.
James M. Pratt, Vice-President Guaranty Trust Company, New York.
Oliver C. Fuller, President Wisconsin Trust Company, Milwaukee, Wisconsin.
Lynn H. Dinkins, President Interstate Trust & Banking Company, New Orleans, La.
Theodore G. Smith, Vice-President International Trust Company, Denver, Colorado.

I may state that Mr. Hoge, who was appointed on the committee, we were unable to find. We had four members, but only three voted for the nomination of Mr. Smith—Mr. Smith voted against himself.

PRESIDENT CUTLER: What is the pleasure of the Convention with respect to this report?

MR. McCARTER: I move that the Secretary cast one ballot for the election of these gentlemen.

(The motion was carried.)

PRESIDENT CUTLER: All in favor of the motion will say aye; opposed, no. The motion is carried, and the Secretary is directed to cast the ballot.

SECRETARY BARCOCK: Mr. President, I have cast the ballot as directed.

PRESIDENT CUTLER: Then I declare these gentlemen duly elected. (Applause.) This terminates the services on the Committee of one of its most faithful and efficient members. Mr. Herbert A. Rhodes has been faithful to every trust im-

posed upon him; there has never been a meeting of the Executive Committee at which he has not been present during his three-year term of office, and he has been most efficient in every respect, and I desire to make this testimonial a matter of record in the proceedings of the Convention.

MR. RHODES: I am very much pleased at the complimentary remarks of the President and the way they have been received by the Convention. I can only say that it has been a real pleasure to me to serve the Section, and I can assure you that I shall be glad to do everything I can in the future for the Section as I have in the past.

PRESIDENT CUTLER: Nominations for President are now in order.

MR. HOLLIDAYS: I take great pleasure in placing in nomination for the office of President Mr. John H. Mason, Vice-President of the Commercial Trust Company of Philadelphia. Mr. Mason has exhibited great industry in the interest of this Section, as is known to all of you, and he has spared neither time nor labor in striving to advance it. The Presidents of this Association have from start to finish been men of high character and ability, and I venture to say that I am taking no chances in predicting for Mr. Mason that, if elected to this office—as I feel he will be—he will be the equal, at least, if not the superior, of some of those who have preceded him.

(The nomination was seconded from various parts of the house.)

PRESIDENT CUTLER: Are there other nominations? If not, I declare the nominations closed.

MR. HEPPENHEIMER: I move that the Secretary cast one ballot for the election of Mr. Mason.

(The motion was seconded.)

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

SECRETARY BARCOCK: I have cast the ballot, Mr. President.

PRESIDENT CUTLER: I declare Mr. John H. Mason elected President for the ensuing year, and I appoint Mr. Heppenheimer and Mr. Johnson to escort him to the chair.

PRESIDENT-ELECT MASON: Gentlemen, I really do not know what to say. Of course, there was nothing fixed up about this. (Laughter.) Nobody had any idea that I was to be elected. Mr. Holliday, of course, fixed it all. Now, all I can say is this: That I cannot live up to what he says I am, but I will try the best I can.

LOVING CUP FOR RETIRING PRESIDENT CUTLER.

MR. McCARTER: May I have the floor? Mr. Cutler, you have served the Association through two terms on the Executive Committee, and three years as President, and have served it nobly and well. No hours have been too long, no labors too arduous, but what you have always responded most efficiently and courteously. Now, on behalf of this Section I present to you this loving cup, and in asking you to accept it we do so not in view of its intrinsic value, but in the hope that the metal of which it is made being enduring in character will ever bring to your mind the affectionate regard in which you are held by the Trust Company Section of the American Bankers' Association.

MR. CUTLER: Mr. McCarter and Gentlemen: It is extremely difficult for me to find words in which to express my appreciation of this testimonial. I shall ever treasure this cup and hold it as a memento of the delightful companionship I have here enjoyed.

PRESIDENT MASON: The next order of business, I believe, is nominations for Vice-Presidents.

MR. DINKINS: I desire to place in nomination for Vice-President Mr. Uzal H. McCarter, President of the Fidelity Trust Company, of Newark, N. J. I am sure that he will make an exceptionally good Vice-President, as he has made an exceptionally good chairman of the Executive Committee.

(The nomination was seconded.)

PRESIDENT MASON: Are there any further nominations? If not, I declare the nominations closed.

(On motion, the Secretary cast the ballot of the Section for the election of Mr. McCarter as Vice-President.)

PRESIDENT MASON: I declare Mr. McCarter elected Vice-President in a shorter time than that of any other man who ever held the office.

MR. McCARTER: I assure you, gentlemen, that I appreciate with my whole heart the honor you have done me, and I will endeavor to do the best I can to serve you in the position to which you have elected me.

MR. HOLLIDAY: I move that the thanks of this Section be extended to the banks and Trust Companies, and to the people generally of Seattle for their very courteous hospitality to the members of this Convention.

(The motion was seconded by various delegates.)

PRESIDENT MASON: All in favor of this resolution of thanks will manifest it by rising. It is unanimously adopted.

Gentlemen, I believe this concludes the business scheduled for this Convention, and I now declare this meeting of the Trust Company Section adjourned sine die.

CLEARING HOUSE SECTION

AMERICAN BANKERS' ASSOCIATION

Annual Meeting, Held in Seattle, Wash., September 7, 1915

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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 broad 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 the 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 depositors may readily obtain a supply practically without limit through discounting with the Federal Reserve bank. Instead of submitting their paper to a clearing house committee composed of their business competitors, banks will come to an impartial and disinterested source of supply for their needs for circulating medium.

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—and 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 obsolete 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.

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 to them 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.

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 chiefly 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 legal 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 rediscount.

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 abrasion 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 rediscounting 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 assenting to the plan. In eleven of the districts checks are credited and debited when received. In District Twelve it was deemed wiser 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 assenting 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 if 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, Alabama, might send that check direct to the payee 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 somewhat 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 Board at Washington of not less than \$1,000,000 gold from 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 \$54,000,000. This money is in gold 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-treasury, and thus the entire system is carried on with a remarkable saving of labor and expense.

In this connection 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 daily debited or credited in those books for the balance of its account in all the other banks. Each bank might at any time draw for specie on 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 foretell what a saving will be effected in actual shipments of coin

and currency and in the stabilization of rates on domestic exchange.

The clearing house organization, though shorn 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 helpful. 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 collection of that check with the utmost dispatch and a minimum 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 valuable purpose in co-operating with the Reserve banks to bring about more scientific credit methods. The adoption of standard forms of financial statements, greater insistence upon obtaining such statements periodically, more careful checks against undue extension of credit to certain borrowers—all these ends can be attained by concerted action only, and the available machinery for such action is provided in the clearing house organization. Already an example has been furnished in Cleveland, where

the clearing house has adopted resolutions making standard certain forms of statements recommended by the Federal Reserve Bank of Cleveland, and agreeing to require 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 likely 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 credit information, in which the Reserve banks could play a helpful part. Such a bureau, 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 uncertainty 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 wide 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 reason, 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, imagine that the several clearing house associations represented 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 certificates? Does anyone suppose that the banks in 500 smaller cities in this country exchange checks individually 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 settlement 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 annual meetings and sit here with solemn faces as if seeking 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 Gospel 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

paraphrase that thought 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 dividends. We are so optimistic at times that we are reluctant to make provision against any contingency that seems to be remote. Yet, if we look about us we see everywhere evidences of the thought that men take against emergency and disaster. There is a fender on every trolley car, life preservers on every ship, fire escapes on every building, a lock on every door, probably an accident insurance 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 protective devices I have mentioned will ever be used.

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 banking 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 economic laws as old as humanity itself. To some, banking is a matter of books and accounts; to others it is a process of note shaving; to still others, present company, of course excepted, successful banking consists in getting your depositors to send their checks all over the country and then deduct $\frac{1}{4}$ of 1 per cent. on the remittances. To others—and may their number increase to many thousands more than this room now holds—banking is at once

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 variance 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 end may or may not be open to question. Credit inflation is a danger guarded against by more kinds of banking laws 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 a method as the cash settlement, it is entirely sound since it is upon a reserve basis. 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 bank 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, the opinion was uniformly expressed that the reserve banks were willing to co-operate 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 cover and provide 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 set of adding machines and a force of girls to run them. As our friend, Mr. McKee, of Los Angeles, said in his now 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.

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 houses which, with the exception of Boston, include State banks and trust 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 act itself that prevents the reserve banks from accepting non-member checks for clearance if they should decide to do so. The act provides that the reserve banks may exercise the functions of clearing houses for their members. The settlement of balances is surely one of these functions, and since member banks cannot escape the relation of creditor and debtor with non-members, it would certainly serve the interests of member banks if the reserve banks should assist 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 sends these drafts 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, although member 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 the credit of A to the credit of B? and that "float," that element of cost all bankers should seek to reduce, arises solely because we still use the mails to carry the bit of paper, the authority to transfer credits from one point to another? When banks wake up to the fact that men's thoughts and wishes are now communicated by electricity, and not by ox-cart, as they once were, drafts, as between

banks, will give way entirely to telegraph and telephone transfers.

That condition is already at hand. Each week a clerk at Washington receives twelve telegrams which enable him with a few strokes of the pen to adjust the settlement balances of the most interesting and important

clearing of the country, that of the reserve banks through the Gold Settlement Fund at Washington. It is time, indeed, that the clearing houses of the country should take thought of putting their own settlements upon a more modern and uniform basis, especially since the way now presents itself.

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 words, 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, I have gone to just such sources for guidance in preparing the few thoughts which I wish to present to you.

I have addressed, so 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 these 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 fully intended to use it, we learn that "convenience" is defined as "fitness, suitability, 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 transported 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 would offer 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 differences between a City Clearing House and one for clearing country checks are the elements of time and the funds in which 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 definitely. The days in transit multiplied by the amount of the items gives the size of the "float," 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 practices, 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 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 had 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 uncollected checks for so long that we now seem to resent 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 discount and banks of issue. They 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 modified 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 co-operate 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 as logical an evolution as the city Clearing House. It 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 not reached any conclusion.

Another quotation, which is an interesting suggestion, is as follows: "As to whether country Clearing Houses 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-

til 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 Clearance 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 7,600 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.

If we are satisfied with the results in our collection departments, with what it is costing us to realize usable exchange, from out-of-town items, there is no need to agitate the question; but in those places where bankers are not so satisfied, where they may wish to reduce costs, get quicker and more direct service, the question may well be raised and pressed toward a trial.

This whole proposition, therefore, may be something for the Clearing House Section to work out. It would seem that there is not alone a wide field open for cultivation, but there is prospect of a good crop being harvested from earnest, well directed effort. It would be interesting to have a committee appointed by the President of this Section which would take the matter under advise-

ment, would inform such localities where collection of checks is a burden as to what is being done in other parts of the country, and what advantages country Clearing Houses possess over present arrangements; this is supposing that the bankers in such places are not able to work the problem out for themselves. Some of us are apt to wait until someone else prepares a formula, plan or system, or whatever else we wish to call it, which we can borrow or adapt to our needs by putting it into practice. In other words, a piece of machinery which some one else has tried and found satisfactory, and which comes to us with excellent recommendations, just as we buy an adding machine or some other time or labor-saving device. I am afraid that we shall be disappointed if we expect such a result. It seems that this matter of collecting checks has to be worked out for each case. Joint effort brings about good results, but as usual it lies with those who are to be benefited to make the effort and arrangements, whereby they reap the rewards for their ingenuity or skill. Reading between the lines one comes to the conclusion that the remedy lies in action to be taken by the affected banks; possibly through already existing Clearing House Associations.

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 co-operation, 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.

The Clearing House Bank Examination System.

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

Mr. Chairman and Gentleman: 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 excite a good deal of 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 there 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 them. 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 gaining 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 knew 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 competitor 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 houses because it put it within the power entirely of the examiner or the Committee of Management to break the credit of a house; because the ideas of credit are not always according to the same standard. One man may

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 cities, 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 entered 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 along 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 these 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 VECHTEN 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 there is not a banker in Chicago who would go back to the old system. The principal advantage of the clearing house examination is the fact that it acquaints the directors of the banks with the affairs of that particular bank. There is no other system heretofore devised that does that so effectually. In Chicago, the examiner makes out a detailed report of the condition of the bank, one copy of which he retains for

his files and the other copy of which goes to the bank itself. In addition to that he makes out a very brief report which goes to the clearing house committee. The clearing house committee report only deals with the savings features, but this detailed report covers practically every item in the affairs of that bank. After the examination the 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 of the bank and asking that particular director to go over it and acknowledge to him that he has done so, acknowledge to the examiner that he has done so. The result of that is that the directors come to know a great deal more about the affairs of the bank than they will in the ordinary course of business by attending meetings. Even the members of the executive committee of the bank, who are familiar with its affairs, or acquainted with the details of securities and investments that otherwise might not come to their knowledge through the absence from meetings or through inadvertence or through failure on the part of the officers to make reports. That, I think, is one of the strongest features.

Another feature of almost equal importance is the fact that in all our larger cities there are so many accounts that are common to nearly all the banks of those cities. Lines of credit which are of a local nature and are perhaps of vast importance in the particular community which are under no sort of control except through this method. In other words, if we wish to ascertain whether a certain corporation is expanding too fast, whether it is using too much credit beyond what we think is reasonable, we call on the clearing house examiner, who gives us those figures without disclosing the name of any bank, but simply gives us the figures or a memorandum, and we know the extent of that particular corporation's credit at that particular time.

Now, another matter. During one of the recent stringencies one of the smaller banks was being talked about. The bank was perfectly sound. But this talk reached a bonding company which was on the bank's bond for city deposits. The bonding company sent out word to its representatives to withdraw from that bond. You know what would have been the result of such a withdrawal at such a time. Mind you, this was during a severe stringency. The representative of the bonding company came to me and asked my advice about it, and I asked him the names of his directors, his local directors, and he submitted them and I said, "You go to this man," who was president of one of the banks. I went to this local director and I said, "Will you recommend that this bond be continued?" He says, "I will recommend that the bond be continued if the clearing house examiner will tell me that the bank is sound." He called up the examiner over the telephone and the examiner said that the bank was absolutely sound. The director immediately telephoned to the New York office of the company and the bond was continued. Now, things of that kind are mentioned as an illustration of the possibilities of the system and its benefits. Those things are coming up all the time. We, in Chicago, would not be without the system.

I am very glad to have heard Mr. Lowry's talk, and I want him to know that I appreciate the spirit of it. I do not think there is any conflict between a system of clearing house examinations and a system of governmental examinations, whether carried on under the direction of the Federal Reserve Board or of the Federal Reserve Bank or of the Comptroller of the Currency. The examiners in Chicago cooperate. A recent examination of our bank was made simultaneously by the clearing house examiner and by the Government examiner, and both profited by it. I thank you.

Mr. JESS: Just for information, let me ask this: In our city it takes an examiner a year to get around. If we asked what is the credit or the line of credit outstanding of a certain concern, how does the examiner get at that?

Mr. VAN VECHTEN: He calls up all the banks and knows where the accounts are, and calls for the information.

Mr. HINSON, of CINCINNATI: Gentlemen, I regret very much to state at the present time that Cincinnati does not enjoy having a clearing house examiner. We were one of the first cities to put in an examiner, but it was unfortunately just at the time the Federal Reserve Bank had been established, and our examiner had an opportunity to better his condition and resigned. But owing to the fact that there was some ambiguity as to whether or not the clearing house examination could be conducted under the Federal Reserve Act satisfactorily, we concluded to wait, and we are still waiting. The system, however, is one that I can endorse, especially as it is applied to different matters. Shortly after the inauguration of the system, one of our banks got into trouble. When we knew of the trouble we called upon the Government to look in. The result was that the banks of the city of Cincinnati undertook to guarantee the deposits of this bank after making a thorough examination of the institution, and for three months we ran the bank. I was personally one of the directors temporarily of that institution. I turned up each morning at nine o'clock, and was on the job from nine to ten, and then again from four to five in the afternoon. We liquidated many of the loans, and got the bank into such good condition that at the end of three months stockholders came in and put in a million dollars, and we turned the bank back to them, and the bank is in a prosperous condition to-day. I personally would favor the employment of an examiner, and I think that will probably be done at a very early date. I thank you.

Mr. JONES: We would now like to hear from Cleveland.

COLONEL SULLIVAN, of CLEVELAND: Gentlemen, I regret that I was late getting into this meeting, and hence was deprived of the very great pleasure that I should have had, I am sure in listening to my friend, Mr. Kiesewetter, on the general subject of his address. I very much enjoyed the address of Mr. Lowry, and I heartily concur in all of the salient features of the address. It was well thought out, and it was well and admirably expressed. The general idea in it was very good and worthy of your serious consideration. I think that his

reference to the clearing house and the Federal Reserve Act will ultimately operate very smoothly, and harmoniously, and profitably.

I will say that in the matter of standardized statements from borrowers, we have had that in Cleveland for some time now, as was said by Mr. Lowry; and we are in perfect harmony with all the bankers there. It worked out properly, and I think it will be productive of great good and saving to the fraternity at Cleveland.

As to the matter of clearing house examinations, we have had a clearing house examiner at Cleveland for three and a half years, and we are very well pleased with the examiner and with the working of the system. Mr. Van Vechten explained the workings of the clearing house examinations very fully, so fully, in fact, that I know I could not add anything to it. What he has stated regarding the workings of the system in Chicago applies to Cleveland. We have a good man, who has given careful and intelligent attention to the examination of all the banks, National Banks, and Trust Companies and Savings Banks. As I have said frequently in the past, after becoming familiar with the examination, so long as that system continued in vogue in Cleveland, there will be no failure of a bank in the city of Cleveland. So strong is my belief in the system that is in operation with us, and so strongly do I believe in the intelligent discrimination of our examiner, that no bank can fail. As was stated by Mr. Van Vechten, if a bank is found to be weak in any respect and the examiner acquires advice, he submits the statement to the Clearing House Committee, not the clearing house, but the Clearing House Committee, which consists of five members, of which I happen to be one, and he submits the information and we diagnose the case, and we give advice that we feel is necessary. And the operation of the system has been truly admirable and worthy of emulation by every one of you gentlemen. (Applause.)

Mr. WILSON, of LOS ANGELES: Gentlemen, as for myself, I am a little bit bashful. But we have with us to-day one of the greatest bankers in the United States, and one of the finest bankers of Los Angeles, who can treat this subject better than I can. I refer to Mr. Jess.

Mr. JESS: Gentlemen, I hope no one will take Mr. Wilson seriously. He knows, however, that I am an enthusiast on this question of special examiner. It is a matter that we have tried out as fully in Los Angeles perhaps as any other city of the United States, and perhaps have extended the system further, because we not only have the banks of the city of Los Angeles under the supervision of our special examiner, but we have got the outside banks. We have got a very large number of banks in the State of California outside of the city under the same supervision. We have extended the examiners organization to include banks outside of the city. We concluded that it is quite as essential for us to know the condition of those banks that are in our suburbs as it is to know the condition of the banks that are in the city. I look upon the mission of the special clearing house examiner as a compliment to that of both National and State examiners. He is intimately acquainted with the conditions that prevail in the locality that he presides over. He knows intimately the character of the business men and the accounts, and he is better able to judge many things than are either the State or National examiners. With a good special examiner the clearing house committee of a city is in receipt of advance information that enables them to lock the door before the horse is stolen, and there is no excuse, with a good examiner, for any bank to inconvenience its depositors if all do their duty.

Mr. JONES: Let us hear from Philadelphia.

Mr. WOLFE: There is nothing that I can add for Philadelphia, except to say that Philadelphia, I think, if I am not mistaken, was the second clearing house to adopt the clearing house examination system. The system that we have there is identical with that in Chicago, St. Louis and Cleveland and other cities. There is just one incident that did occur in Philadelphia some time ago that may interest you gentlemen if you are not familiar with it, aside from the testimony that is given here to-day. We had a trust company fail in Philadelphia some years ago. You may remember it. The trust company has since been reorganized and is open for business. At that time a great many depositors came to the national banks, as perhaps happens in most every city where there is a failure in a State bank. Then about a year or two later another trust company failed and more depositors came to the national banks, and the result was that a great many of the trust companies, not a great many, but many of them afterwards joined the clearing house. Why? Because they got the benefit of the clearing house examination; that was the primary reason. So that to-day I think that any bank in Philadelphia 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 a condition to hold its own in a stringency as those banks that are members of the clearing house association. I do not know whether that has been the experience in other cities or not, but we have seen it there, and whenever there is the least trouble with State banks who are not members of the clearing house immediately there is a flood of all depositors to the banks that are members of the clearing house, because those are protected by the examination.

Mr. ROACH: I cannot add anything to what has been said already about the clearing house examination. We have of course found it very satisfactory. I know of no reason why it should be changed in any particular.

Mr. CRANE, of MINNEAPOLIS: Gentlemen, I am very glad to say a brief word on the system of the clearing house examinations that was put in operation in Minneapolis. Shortly after the system was put in operation in Chicago I believe the Minneapolis bankers recognized 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 established, St. Paul requested that she be permitted to join with us, and since that time a system of examination has existed in both cities

Jointly under the same examiner. We were very fortunate in securing a very capable man for that work, Mr. Kerst, who had been State bank superintendent, and our system was thoroughly organized and has been an unqualified success. We have been obliged to make some changes following the organization of the Federal Reserve Banks, due to the fact that Mr. Kerst was made Federal Reserve Agent, and only recently examiner in chief in charge of the bank examiners for the control of the currency for the Ninth District. We have secured a very competent man to take his place, 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 would be possible under our present arrangements for a bank to get so deeply into difficulty as to inconvenience its depositors, or in any way reflect upon the banking system. Our methods of examination are very similar to those in Chicago. The examiner, perhaps, carries his criticisms a little further than they do there, in that a complete report is made to the directors, and the examiner by calling the Board of Directors together and going over in detail everything which the examiner can criticize. And in that way he has found it always easy to correct bad methods, or to work out any proper improvements in the individual bank. I think that we have had only very few occasions where it has been necessary to take to the Clearing House Committee any unfortunate situation, and in every instance those have been worked out very satisfactorily. I can say that I am sure that the banks of Minneapolis and St. Paul would feel that they had lost one of the most important adjuncts to our Clearing House system if we were to in any way abridge our Clearing House examinations.

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 to-day, 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. In looking over the different Sections of this Convention, I have come to the conclusion that this is the money-making Section. This is the Section that I notice that some of the leading bankers of the United States are associated with and are to-day. This society is very good, and hereafter whenever I am identified with any National Convention it will be with this Section.

I want to say a word to those gentlemen here who have not got an examiner in their city. The question was raised with us six years ago. For five years we were discussing the feasibility of having an examiner. But we were all conservative or skeptical or afraid of each other—afraid that some information in our bank would leak out which would injure us. And not until a year ago last July did we secure an examiner. We secured a man who was thoroughly trained in banking both on the Canadian side and on this side. He is a quiet, unassuming, persevering gentleman whom we all trust, and to-day we would think as much of discharging our cashiers as to lose the services of Mr. McLean. We have in our association gone so far as to take up public charitable donations, for instance, and political donations. As you know a great many banks are drafted each year with certain donations. In Spokane they are all referred to the clearing house. There is a committee that once a year makes all the donations to the charitable institutions. They are not parsimonious in their donations, but they give to each charitable institution that which they think they deserve. In regard to information leaking out, that suspicion has been entirely dispelled. Instead of secrecy with regard to certain borrowers, in regard to certain men who were doing business at several banks, instead of throwing about them the cloak of secrecy 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 might borrow. He does not necessarily say how much he has borrowed at each different bank, but the banks know how much he has. Mr. McLean made his report to the Executive Committee of the clearing house in July of this year, 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 condition of any member or association to cause uneasiness. I found little precedent to guide me in shaping the affairs of the office, although I feel greatly indebted to the Clearing House Examiners of Tacoma, Los Angeles, San Francisco, and Portland for valuable suggestions. It is my belief that we have gone much further in Spokane in the exchange of information than have other cities, especially in regard to double borrowers; and I hope and believe this action has been fully justified in every way and especially by results. While it may be hard to call to mind specific cases where direct benefits can be traced to this office, no doubt more confidence exists among the members of this Association from the knowledge that direct information is obtainable. The tendency to credit street information has about disappeared. The disposition shown by Spokane bankers in bringing about sound principles of banking is very gratifying. The work of examining the different banks has been necessarily slow. I hope, however, that we will accomplish much more in this respect the coming year, and plan to make at least two examinations during the year of the associated institutions, and keep in close touch with their plans. I wish to emphasize the necessity among the bankers in this Clearing House of sound banking principles and sound banking practices. Whatever this office may have accomplished has been done through your co-operation, and only through your co-operation and confidence in your examiner, and each other can material results be obtained."

And then, in regard to the expense account, I want to say that the

expense account came within our estimate of seventy-five hundred dollars. Any time that any little thing is reported to the examiner by any bank that some other bank has done something that is unethical, the examiner immediately takes it up, and it is nipped in the bud right there. It is not allowed to grow and become exaggerated. It is taken in hand at once, and I want to say that there never has been a time in the history of Spokane banking when their banks were in such perfect harmony as they are at the present time. Thank you.

Mr. FULTON, of New Orleans: Unfortunately for the people of New Orleans, the New Orleans Clearing House Association was somewhat dilatory in taking up the matter of the clearing house examination, and after one or two rather disastrous failures there we decided that we ought to have a clearing house examiner. The great trouble was that one of the banks did not trust the other and we thought that the board of managers would get too much information about the other banks' affairs. This, however, proved to be nothing but a myth. After we have had an examiner for three years I do not think that there is a banker in the city of New Orleans that would want to go back and not have an examination. We consider it one of the best things that we have got. We have an excellent examiner. One of our neighboring cities made him a very tempting offer to leave us in May, and for the last few months we were without an examiner. But fortunately we have been able to get him back and he has been in his position since the first of December. I think every city should establish the system without delay. We have found the information obtained of great value to us. The system is modeled after that of Chicago.

Mr. EDDY, of Portland, Oregon: The clearing house examination in Portland has proven to be very valuable, particularly from the standpoint of the double borrower. The banks there have worked close together in that respect. Mr. Loveland, here, the examiner, has worked out a very good system as to the manner in which they report the double loaning or double borrowing to any bank who wanted to get the information in that respect. If we want to find out on any particular day how much one particular borrower is borrowing we call up the discount department, and every day the discount department reports to Mr. Loveland the amount that borrowers borrow over five hundred dollars, and it keeps his records up to date. We all feel that the examinations and the assistance of Mr. Loveland gives us something that we could not dispense with under the circumstances. The details of the working out of the system are considerably similar to those of Chicago and other cities that have been explained to you.

Mr. BOURNIQUE, of Milwaukee: I can add nothing further to what Mr. Van Vechten has given. Our system is similar to that of Chicago, except that ours is handled by chartered accountants. But in time we will have our own examiners.

Mr. PRATT, of Kansas City, Missouri: Our examinations are very similar to those that have been described, with possibly the exception that we go a step further in a regulatory way. It was thought possible by our clearing house to regulate payment of interest on deposits. The clearing house ruled that no bank should pay more than two per cent. after 1909 on bank accounts, or more than three per cent. on certificates of deposit. That rule is enforced and for a violation of that rule we fine that fellow five hundred dollars and collect the money. Another thing that we have that is probably dissimilar is the report that our examiners make to us of past due items of loans to officers and directors and of stocks and bonds and of loans above a certain amount, according to the size of the bank. We haven't enough confidence in each other that we want the advice of our friends. And I do not believe that there is a man in Kansas City that resents a thorough examination of his institution. I do not believe that anyone has ever objected to telling the whole story. When the bank examiner comes up with a bad report he makes such explanations as he has to make before the clearing house committee, and from that the clearing house committee take it upon themselves to offer such advice as the situation demands. If that advice is not followed, of course our authority ends. But we say that you are now in the hands of the National Bank examiner and we will tell the department at Washington that we will no longer be responsible for that institution. And the rule is that they do exactly what we ask them to do. And for that reason also any bank in Kansas City that is a member of the Clearing House Association or one of our associated banks, we feel that they are good because we are going to make them good.

Mr. KIESWETTER, of Columbus, Ohio: We have had the clearing house system in Columbus, Ohio, for three or four years and it has been quite successful. Two little banks which might have caused considerable inconvenience to their depositors and caused a feeling of distrust possibly with regard to the larger institutions in the city, were reported by the clearing house examiner as needing attention and as being so unfortunate that they could probably not relieve themselves through their own means. So the clearing house took them over and paid the depositors and are working them out upon the recommendation of the examiner. We would under no consideration, I hope, go back to a situation where we would not have a clearing house examiner, because his reports are much more complete. They take him a good deal longer to prepare than any report that a State or National examiner does make. He lives with us all the time. He knows all of the borrowers. He is in a much better position to test and certify the quality of the assets of the members and non-members of our association. In the last analysis that is what your bank is good for anyway, the quality of your assets, not the ethical verification of the fact—that you have so many thousands of dollars in loans, so many thousand bonds, so much due from banks, and so much in cash. Any bookkeeper could do that. The quality of your assets is much more important and your National or State examiner does not state upon them as completely or as satisfactorily as the clearing house examiner. We are thoroughly well satisfied with it and I do not think that under any consideration we would change to the old way.

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 that all examiners are perfect. We hear some criticism from bankers in regard to matters that do not come before the Committee of Management, that the examiner had made an arbitrary ruling, for instance, that has been occasionally reported; and we have found sometimes that the examiner was wrong, and other times we have found that he was right; and we have found that at times the examiner needed to be broadened out a little as well as the banker, or to be checked up some. I had occasion not long ago where an examiner called me up, and asked me how many of a certain kind of bonds a certain party owned that was placed with us as collateral. I asked him why he asked that question. He said some institution wanted it. I told him that I would refuse to answer the question, as we had a bond department and I could readily see how it would be very valuable to me if I could call him at any time and get information about bonds, and further 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 I will be glad for you to report it to the Committee of Management, and let them give a ruling. Later, he reported to me that he had consulted the Committee on Management, and that they had said at first to go ahead, but when the report came back that I had objected to answering the questions, the Committee of Management said they would refuse. Therefore, he said he would revise his conclusion, and he said he did not think he ought to ask that question.

Now, on this question of examination, it is the question of examination by the Comptroller that had a great deal to do with keeping a great many of the State Banks without the Federal System. If the examinations were to take place by the Regional Banks the State Banks would feel that they were not subjected to the same sort of difficulties. For instance, take the National Banks. You may send an examiner from Texas up to Minnesota, as I knew of one occasion when that has been done. Suppose a man were to come into St. Louis from Florida. The man knows nothing about our local laws. And if he comes in and attempts to measure us up by a national yard stick we would be naturally exposed to criticism. I therefore think that the Federal Reserve Act should be amended or the Federal Reserve Board should make a ruling that any State institution, if it be examined, must be examined by an examiner experienced in or familiar with the laws of the State in which the examination is made. If we did that I think it would remedy an objection, which I have heard urged by a great many others, and which I have thought myself was an objection to a State institution, especially a Trust Company bank under State laws going into the Federal system. I believe the tendency will be for the examinations to go through the Regional Banks, and that we will have no difficulty then, because the directors there are familiar with the local conditions in their own districts, and the tendency will be for the examinations to go through the Regional Banks, and to a certain extent to minimize the importance of the Comptroller's office in that regard. I have no doubt that there will be great resentment on the part of the Comptroller, who wants to maintain the prestige and importance of his office while he is there. But I believe there is a great deal of resentment in having to make reports to somebody not in touch with local sentiment. We would like to have it through the Regional Banks. When that takes place and one or two other changes, I believe that the tendency will be in a very short time for the State institutions, the large banks and Trust Companies of the cities, to come into the Federal Reserve system, but not until this question of examination is determined a little further and progress is made in the method of handling it and until Federal Reserve Boards get where I feel they should be, bound by the law and not by their own will as to the power to be exercised by State Banks or Trust Companies, they will continue to stay out. I believe the law is all right. I think, of course, that the State Bank or Trust Company whether organized under a State or general charter should have a right to come in, subject to general rules and regulations. But then Congress put in nine things that had to be in those regulations, and which expressly intended to exclude others. Congress has a legislative power, and not the Federal Reserve Board. But when the Federal Reserve Board asks the Trust Company what part of your charter do you propose to exercise, in light language, it is none of your business. The Federal Reserve Board, I think, have misconstrued that law. They are assuming certain powers that are beyond their reach, and that is one thing that is keeping the State institutions out when they ought to be in. The one unified system—and I have been in touch with a great many of the State institutions of this country, and I am satisfied that there is a general wish to co-operate in this system—and I hope that some few changes will be made to enable them to come in, and when the movement starts, I think, there will be a great many of the larger institutions who will come into that system regularly.

MR. JONES: Now, is there any further discussion on the question of clearing house examination?

MR. HOLLISTER, of Grand Rapids, Michigan: (Addressing Mr. Jess) You were speaking of extending the operations of this system to the country adjoining Los Angeles. Now, I presume you will have both State and National banks outside of Los Angeles. Would they be subject to this examination of your clearing house examiner?

MR. JESS: Yes. There are twenty different banks outside of the city. In all, thirty banks under the control of our city, and they include the National banks and State banks and trust companies the same as they do in the cities.

I wish Mr. Wilson would give us one word in regard to the work he has been doing for us outside of the city of Los Angeles, and give testimony as to the successful operation of the extended plan. Mr. Wilson is one of the best examiners in the country. He has been the pioneer in this work. So we want to hear from him.

MR. WILSON: I bow to the will of my superior. Regarding this, as we call it, 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 and their coming in would be entirely voluntary on their part. We did not ask them to. They came and begged us to come and examine them. We told them what it would cost them if they wanted to pay for it and we would come and do it. They said they did not care about the cost but to come and examine them. So the first year they made an agreement that they would pay all expenses and we would make the examination. At the end of that time they drew up another agreement that was for three years. That is now in its second year. The first year we had thirty-one banks, and without any solicitation on our part the second year five others came in. We now have twenty-two banks in the city of Los Angeles and thirty-six banks outside of the city of Los Angeles. Those are in places so near to Los Angeles that it is very difficult for people to know whether the banks are in the city or outside. As it is now, we have let the light of day into the banks, so that within a zone of twenty miles of Los Angeles it would be difficult for a bank to close its doors. 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 examination no matter what it cost. During the times of 1914 in August, when we were all stood on our heads in about twenty-four hours on account of the war news we were somewhat interested as much or perhaps more in the banks immediately outside of the city than we were on the inside, because they had become to develop their plans to protect themselves, which meant increased difficulties for the banks in Los Angeles. So every morning we had a report from these 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 they did not ask for anything. So that if we had not had that system we would have been perhaps not in the condition we were in Los Angeles. We did not have to call time on safety deposits and we continued to pay gold to everyone that came and asked for it. We hope to extend the system and to take in the entire county of Los Angeles, and when we do feel that we are pretty secure and there will be no difficulty with any bank. One of the things that we did particularly for those outside banks was this: It was always contended that those men were not good bankers. So we put in a good deal of our time going around and talking to them and advising them as to their system and as to what they should do to complete it. And we do feel that we are making progress with the banks on the outside.

MR. HOLLISTER: Do you always have the bank examination and the State examination separate?

MR. JESS: Yes.

MR. HINSCH: In Cincinnati we adopted the rule that any Clearing House would be allowed to call for information from a bank as soon as they did subject themselves to the examination of the Clearing House Examiner.

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. Four of those banks were in the outlying districts. None of them were members of the Clearing House. Since that time the outlying banks have been tumbling over themselves to become members of the Clearing House.

MR. LOVELAND: In regard to the question of expense, the State Banking Board of Oregon has permitted the superintendents of banks there to accept the Clearing House Examiners' examination in lieu of one that is in use, so that he only makes one examination for the city of Portland.

MR. JONES: I believe there is little we can talk about in the banking business upon which we can agree so well as upon this subject of Clearing House examination. I think it seems to be very generally endorsed, and I am sure I expect it of those cities that have the system, that the system will be extended to other cities, and we will be glad to feel that our brethren in other places have the protection and benefit for themselves as well as for us by having this Clearing House examination. Are there any further remarks on this?

MR. SULLIVAN: We have seven National Banks and twenty-eight State Banks, and they are all members, and all subject to this examination, and we could not put them out if we wanted to. We wanted them in. About twenty-one Savings Banks are not members of the Clearing House. But they are all co-operating with us in the importance of the Clearing House examination, and with its operation in Cleveland we are so thoroughly pleased with it in all of its ramifications that if it cost three times its cost to us we would not abandon it. That is our standpoint. I commend it strongly to every city in the country.

MR. JONES: Mr. Chairman, I return the meeting to you. I am very much obliged to you, gentlemen.

MR. PERRY: I would like to ask Mr. Kelsewetter a question on the matter of exchanges in the Kansas City district, the Federal Reserve Banks are clearing up all member banks, and as a result the Federal Reserve Bank of Kansas City was running ahead. How to overcome that is a problem confronting us. If anyone can solve this we would like to have him to do so.

MR. WOLFE: Mr. Perry, did I understand you to say that the Federal Reserve Bank is running a debit on account of the exchanges they are handling of the Kansas City Clearing House?

MR. PERRY: No, the Federal Reserve Board requested the Federal Reserve Bank to put in a universal clearing system. All items are cleared at par of the member banks through the member banks. And as a result other banks do not do that in their district, so that it puts a burden on the Federal Reserve Bank of Kansas City of creating an exchange to clear all those items which they cannot do. There is no way of creating an exchange without something coming in. They run behind two or three million dollars at times. There is only one way we find of solving this, and that is the Kansas City banks them-

selves, making the deposits to overcome that difference. Now the question is, is there some other way to do it?

Mr. WOLFE: There is no other way to do it now. We are in a period of transition. The country bank will keep the maximum amount with the Federal Reserve agent to cover his deposits. If the time should come when the country bank will keep with the Reserve Bank, his 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 lopsided, because the country banks cannot put 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 co-operating to the extent that the bank of Kansas City is. There is no reason on earth 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 own members. In some districts the members charge pretty high exchange rates, and they are very reluctant to see any of that go. Therefore their Reserve Banks are collecting it.

Clearing House Organizations from the Standpoint of a Country Banker.

BY R. F. McNALLY, CASHIER CITIZENS NATIONAL BANK, CHILlicothe, MISSOURI.

Read before the Clearing 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 fifty-nine banking points where there are three banks, and thirty-six where the banks number four or more. In four of these ninety-five places there are Clearing House associations. Doubtless these figures are a fair average for the country as a whole. One of the things that stand out in our financial history has been the development of the Clearing House in our larger cities; such an aid in the transaction of the day's business is taken for granted, and it would be hard to imagine any of those cities doing without such an entirely satisfactory safeguard and convenience. The writer is not in possession of any statistics on the subject, but he questions if there ever has been a Clearing House in this country go out of existence, that at any time had a spark of vitality in it or had been intrusted with any functions worthy of mention.

The surprise is that the Clearing House idea has made such little progress in the country towns. After fourteen years' experience as cashier in a town of less than 8,000 population, with four banks until a year ago, when the number was increased to five, the writer not only believes in the perfect feasibility of the idea, but strongly is of the opinion that any town, regardless of its size, that has three banks should have such an association. Banking problems know no geography. They may be of far greater degree in the city, but there the bank officer does not, as is the case in the country, have to contend so noticeably with the unregulated competition, the personal equation carried to the "n"th degree, the calm insistence on the part of customers that each must be treated as a particular exception to any banking rules, and the many little vexations that make business harder to transact because of the impotence or more likely the timidity on the part of country banks that stands in the way of making and enforcing reasonable regulations in the handling of their business.

In reciting what has been accomplished in Chillicothe, Mo., since the organization of our Clearing House sixteen years ago, most of the points touched upon will be passed over by the city banker because he cannot imagine conditions being otherwise. However, it must be noted that with unrestricted competition strange things are possible, and there is not one of the things we have brought to pass in Chillicothe but what is of importance in nearly every town our size, and in many of larger growth.

The constitution and by-laws of the association provide for the annual election of officers, rotation in office so that no officer can succeed himself in the same office, representation for each bank in the list of officers, and prescribes the manner of making regulations for the clearing house, which must be done by unanimous consent. As there are no penalties for the infraction of rules or withdrawal from the organization it can be seen that it operates under a sort of gentlemen's agreement that may be terminated at any time. It is significant to relate in this connection that the rules are strictly enforced and that the association grows stronger and more helpful every year. Assessments are made for running expenses, and, except for extraordinary purposes these assessments hardly ever run over ten dollars a year per bank.

In the first place, on a modified scale of course, we use the same method for clearing checks that is employed in the large cities. For a month at a time each of the five banks in turn is made the meeting place of the Clearing House. At a fixed hour each day the representatives from the banks meet at the clearing bank and the checks are exchanged. The debit or credit, as the case may be, is paid to or by the clearing bank. Payment is optional in gold, currency or exchange. By custom, except in the case of very small differences, exchange has come to be used almost exclusively in payment. Meetings of the association during that month are held in the directors' room of the clearing bank.

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 or closing hours this is quite an item. All legal holidays are observed. Excepting on Christmas and the Fourth of July, it is amazing to see the number of banks that fail to take advantage of these days of relaxation that mean so much to their working forces.

Probably the regulation that has meant most to us is the provision for a fixed schedule for exchange and collection charges. Before the Association came into being, drafts were written for nothing and collection charges did not exist, except for the out-of-town maker of a draft, who could not help himself. No charge is made correspondents

for their remittances, nor the railroads, post-office, and the express companies, who otherwise would send their currency out of town. With these exceptions the rule is iron-clad, and applies even to the officers of the banks. It can readily be seen that this is found to be a neat source of revenue in the course of the year, and certainly it has reached a respectable total in sixteen years. It is also apparent that both for the bank and the customer it is most advantageous to have a fixed regulation of this kind.

Take the much-discussed letter from the Comptroller of the Currency on overdrafts. The two National Banks submitted this letter at the first meeting of the Clearing House, and invited the co-operation of the three State Banks in the abatement of this evil, a grievous one by the way that can be handled only by an uncompromising attitude on the part of the country bank. The banks viewed the matter alike, and in the name of the Clearing House drew up a pronouncement, stating unequivocally that after March 15 overdrafts would no longer be permitted. This was published in the local papers, and printed copies were sent all customers. To the surprise of the banks, the customers almost as a unit gave their hearty approval to this move, so with practically no trouble, the overdraft here has almost ceased to exist as may be shown from the comparison of a total of \$4,063 for all the banks in the statement of March, 1914, against a total of \$385 for the June statement of this year. These latter, it might be explained, are hang-overs still in the process of collection, not always an easy task, as no doubt all of us have had reason to learn.

No interest is paid on daily balances except on county and city funds and bank accounts. A uniform rate of three per cent. is paid on time certificates of deposit which must run at least six months. We have no savings departments. Customers are not enticed from their allegiance by the allurements of a better rate on loans. And that body of public funds which has caused so many feuds and aroused such unwise and bitter competition by reason of the location of treasurers' accounts does not disturb our serenity.

In time of financial stress our association has fulfilled its function in the same efficacious manner as in the cities. Perhaps at these times more than any other, have we found it distinctly of advantage to have that dependable co-operation so valuable in the adjustment of delicate situations.

We have had many opportunities in a civic way to be of aid. More than once have we been responsive to sweet Charity's call, as was the case last winter when we took in hand the raising of a relief fund for the Belgians. By good example and by concerted effort on our part several hundred sacks of flour were sent as the contribution from our county to this worthy cause.

Many other instances could be cited to show the good we have accomplished by our association and the tangible benefit we have derived from it. It was meant much to us measured by dollars, it has meant more in the friendly feeling and the united front it has made possible. We do not claim that the millennium has dawned for us in Chillicothe, we admit that our competition has not yet become the denatured article that would leave life without zest, that would tend toward a hide-bound conservatism reaching out to stifle the growth of enterprise, that would develop such a feeling of self-complacency as would make us financial Pharisees giving thanks, we are not like the banking publicans who stand outside the Clearing House and who feel unworthy or unable or unwilling to come within. We simply have learned to recognize that every banking point has its problems, that these problems are best solved when the banks can and do trust each other so that there may result an active co-ordinated force for good that will make possible the regulation of what should be regulated, the encouragement of what should be encouraged, and the elimination of what should be eliminated.

There are great possibilities in store for the country Clearing House. The advent of the Federal Reserve System gives a new status to the out-of-town check. It will soon have to be recognized that it is unprofitable as well as economically unsafe to send for collection to a city correspondent in some cases several hundred miles distant a check drawn on a point a few miles away. Such neighborhood items, as they may be termed, could be handled to great advantage through the country Clearing House. Perhaps the time is not yet ripe for the working out of this idea, but there seems to be a great deal of thought given to the most satisfactory way of collecting such items and this may be one solution.

Unquestionably, good judgment is shown by those banks who expressly prohibit their officers from signing bonds, but think how much peace of mind could be gained and pecuniary loss averted by

Clearing House regulation, especially where competition is keen for accounts of this nature, forbidding the bank officers affected to have anything to do, directly or indirectly, with the making of personal bonds, no matter how alluring the temptation or attractive the account.

It often happens that some banks in a town have a plethora of loanable funds, while other banks in the same place suffer from a scarcity. Would it not be much better for the banks themselves, and the community at large as well, to sink false pride and when such a condition obtains have the local banks carry each other instead of sending their bills payable to some far-off city. This is an arrangement not at all difficult of accomplishment when the proper Clearing House spirit has been aroused. Syndicates for the taking care of bond issues or public loans can also be the more easily formed, and a healthy spirit of independence in local matters not infrequently is built up. It naturally follows that a committee from a Clearing House is treated with much more respect by boards of equalization, or other bodies having to do with the adjustment of taxes, than would be the case if the banks as individuals had to present their claims.

What an enlargement and general improvement would be visible in the credit files if the banks in the small towns should insist on statements from borrowers. Would not the cause of better banking be greatly advanced if all the banks in those towns by mutual agreement should rid themselves of that hesitancy in asking for statements and insist on them as a prior condition to making loans.

If there were more of the small town Clearing Houses it would be possible to form groups. Here would be the opportunity to pool expense and employ examiners, so that each of the member banks could have examinations by their own auditors, as is the case in many of our large cities. Take the one item of bills receivable and an audit of this kind would be of immense value. This is where the shrewd borrower who scatters his loans so that he may obtain a total credit to which he is in no wise entitled would find himself at a disadvantage. With full information as to credits at the disposal of an impartial Clearing House Examiner, the limit borrower could be sternly kept in hand, the doubtful borrower carefully checked up, and the unsafe or rascally borrower very probably exposed and made harmless.

It may be stated that all the good that has been and can be accomplished in small towns is possible without the aid of a formal Clearing House organization. Much can be done, it is true, by the existence of a friendly feeling among the officers of the various banks, and more or less definite understandings can be arrived at that will cover local conditions for a time. In such cases, however, and at best they are decidedly isolated, there is no advantage gained by this looseness of method and understandings of this kind are only too easily shattered. The starting of a new bank, the filling of a vacancy by a too impetuous personality, the difference that may arise from a most trivial cause yet capable of starting unfair suspicion or inspiring unethical conduct, any of these things may be harmony shatterers of deadly virulence unless there is an agency at hand to iron out such difficulties at the start. Experience shows that in the true Clearing House there is almost invariably an atmosphere of honest deliberation, candid discussion, and fair-minded compromise.

It is feared by some timid souls that a Clearing House if started might be regarded as a sort of local money trust, thus begetting an even deeper hostility against the banks in the mind of that community. It is true that thanks to the agency of bank boards of directors which a Missouri banker once characterized as "organizations for the dissemination of information that should not be imparted," it is hard to keep Clearing House deliberations from becoming more or less public. In a way, this may be regarded as a salutary preventive against too drastic regulation. And, after all, this is a small disadvantage if there is gained an added co-operation that keeps competition within bounds, that makes impossible the presence of that bitter personal feeling which has been known to display itself in such bellicose men that encounters, legal and fistie become part of the day's routine.

Nobody questions the good made possible by Clearing House co-operation in the city, so why should not the movement be agitated in the country. The average small town is a virgin field for missionary work of this nature. When the towns are organized then the county and regional Clearing House may be the next step. If the city banker should take his rural brother in hand and give the movement his approbation, if it could be arranged to have the topic discussed at State and group meetings laying stress on the practical benefits to be derived, if certain towns should be singled out and a sort of financial evangelical campaign outlined for them, so great is the power of education in this adaptable age that it would not be very long before the small town that should have a Clearing House but has it not will be the exception rather than the rule.

In these days of unprecedented financial problems, with the rapid economic changes attendant on them, it stands out indisputably that the sound and successful system of finance must have co-operation as its corner-stone. We hear a great deal these days about intensive farming. Perhaps the time is closer at hand than we realize when the margin of profit will show such a tendency to hover around the vanishing point that intensive banking, as manifested in closer co-operation, rural and urban, will be worth our study more than ever before. We appreciate full well that in our business there is not going to be evolved any financial Burbank who is going to gather grapes of thorns or figs of thistles. How many of us from the small towns can say that our banks are entirely free from those thorns that shoot so vigorously from the impositions that we feel we have to submit to knowing we should not, and how well do we realize

that need of keeping careful watch on our financial soils lest the thistles of the dead beat take root in our assets.

The reason we have so few Clearing Houses in our small towns is not because they are not needed for their worth is too clearly demonstrated, not on account of the expense which is negligible, not on account of a spirit of indifference for we are too progressive for that, but chiefly because we are afraid to trust our competitors, although we ourselves invite the trust of others. Whatever else may be said, it must be recognized that true co-operation is impossible unless there is evident a trust in each other on the part of those co-operating. One of our thriving Missouri towns has adopted as its slogan "Learn to know your neighbor, you may like him." It would be well worth the while for the banks in many of our small towns to experiment with the suggestion "Learn to trust your competitor, then he will trust you."

As our friend, Mr. McKee, of Los Angeles, said in his now 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.

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 Houses which, with the exception of Boston, include State Banks and Trust 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 against is taken up with them. As a matter of fact, the principle has been laid down that there is nothing in the act itself that prevents the Reserve Banks from accepting from members non-member checks for clearance, if they should decide to do so. The act provides that the Reserve Banks may exercise the functions of Clearing Houses for their members. The settlement of balances is surely one of these functions, and since member banks cannot escape the relation of creditor and debtor with non-members, it would certainly serve the interests of member banks, if the Reserve Banks should assist 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 sends these drafts 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 such 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 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, although member 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 interests 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 the credit of A to the credit of B, and that "float," that element of cost all bankers should seek to reduce, arises solely because we still use the mails to carry the bit of paper, the authority to transfer credits, from one point to another? When banks wake up to the fact that men's thoughts and wishes are now communicated by electricity and not by ox-cart as they once were, drafts, as between banks, will give way entirely to telegraph and telephone transfers.

That condition is already at hand. Each week a clerk at Washington receives twelve telegrams which enable him with a few strokes of the pen to adjust the settlement balances of the most interesting and important clearing of the country, that of the reserve banks through the Gold Settlement Fund at Washington. It is time, indeed, that the Clearing Houses of the country should take thought of putting their own settlements upon a more modern and uniform basis, especially since the way now presents itself.

SAVINGS BANK SECTION

AMERICAN BANKERS' ASSOCIATION

Fourteenth Annual Meeting, Held in Seattle, Wash., September 7, 1915

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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 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 depositor 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, while the scarcity of currency made it exceedingly difficult for banks of deposit to respond to the calls made upon them. Large amounts were being withdrawn from banks in New York and Brooklyn, with a rapidly increasing tendency on the part of depositors to take alarm and create a run, while it was found impossible not only to sell securities except at a sacrifice, but more than all, to obtain the currency needed to pay the deposits.

"It was decided to at once advise the banks to enforce

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 rule 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 scatter the risks now 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 investments 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 almost 12 per cent. of their 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 bring about the main requirement of good banking—ability to pay liabilities upon demand. It did not do away with slow liquidation of securities and the necessity of requiring notices of withdrawal from depositors.

In 1907 Mr. Andrew J. Mills, of the Dry Dock Savings Bank in New York City, expressed the ideal as to savings 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: Availability, 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 "Panics 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 understanding of the depositor that his money is payable upon demand and the presentation of his pass book. Confronted with the requirement of a notice of withdrawal, he learns that his deposit is not payable on demand, but thirty or sixty days after demand.

Not only in fairness to depositors, but as a matter of policy, would it not be far wiser to invest a portion of our funds in short-time loans, 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, 1908, Mr. John Harsen Rhoades expressed the proper idea, saying:

"Is 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! Safety of principal—*payable on demand*—should be the aim of every savings bank officer and trustee. Unfortunately, in this great country of ours owing to our defective currency 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—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 which to convert securities will be necessary—*notices 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 yielding 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 secure, 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 in different sections of the country to disregard these fundamental principles of banking. While the invested funds of savings banks are ultimately deposited in commercial banks and used for commercial purposes, nevertheless, in investments savings banks should not encroach upon the field of commercial banks. While avoiding such encroachment, and looking always to the safety of the funds in their care, savings banks managers should carry at all times as a secondary reserve, a goodly percentage of short-time and readily convertible assets. Regulation of the investments of savings banks should be developed along these lines.

In the opinion of the Federal Reserve Board:

"The acceptance is the standard form of paper in the world's discount market, and both on this account, and because of its acknowledged liquidity, universally commands a preferential rate. By reason of its being readily marketable, it is widely regarded as a most desirable paper in the secondary reserves of the banks, and will help to provide an effective substitute for the call loan.

"Such acceptances are available as collateral against the issue of Federal Reserve notes, and the Bank will sanction a slight preferential in favor of acceptances bearing the endorsement of member banks."

A recent law of Connecticut gives mutual savings banks the right to invest 3 per cent. of their deposits and surplus in such acceptances, thus recognizing the safety and liquidity of this class of securities.

In an argument before the legislative committee, it was said:

"The desirability of making these acceptances a legal investment for savings banks cannot probably be better set forth than by quoting paragraphs 3 and 4, which appear on the 8th page of a booklet, 'Bank Acceptances,' issued by the Guaranty Trust Company of New York, and by simply adding the word 'savings,' they would read as follows:

"(3) (Savings) banks having surplus money which cannot be readily employed at the time, can invest it in prime acceptances which can either be held until maturity or sold in the open market, should such action be found necessary.

"(4) Acceptances of well-known institutions will more and more be sought as short-time investments, and will be especially valuable for such a purpose, principally on account of their ready marketability."

Of course, any form of security which would be acceptable by the Federal reserve banks as a basis for Federal reserve notes, would be in effect liquid. Under the provisions of the Aldrich-Vreeland Act, which is superseded by the Federal Reserve Act, there was issued during the fall of 1914 in round numbers \$368,000,000 in currency. Of this amount, \$54,230,000, or 14 per cent. of the total, was secured by State, county and municipal bonds. Much of the currency issued against these securities was obtained indirectly to assist in financing savings bank requirements.

In New York the savings banks hold more than \$469,000,000 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 high-class obligations do not now command the privileges to which such eminently safe 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 vast sum of \$2,200,000,000 on deposit, only \$50,000 is invested in two and three name paper, which would probably be acceptable for rediscount 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 sec-

tion of the country is to invest a certain proportion of its 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 4's of 1925. 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 disquietude, 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. This may be done through member banks authorized to act as intermediaries.

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 connection with the preparation of this paper an inquiry was made, "as to whether it is a good policy for savings banks to invest their funds in certain loans which could be readily turned into cash in the event of an emergency, and what proportion of their securities should be of a liquid character." I trust that the digest of the answers to this inquiry which has been distributed this afternoon will receive merited attention.

The opinions as to the kind of securities in which savings banks funds should be invested are varied, but there is practical unanimity of opinion that every bank should have a good percentage of its funds invested in readily convertible securities.

Massachusetts, which has most progressive laws relative to mutual savings banks, permits them to invest in certain classes of notes. The treasurer of one of the banks of that State says that such notes provide the bank with liquid assets and that the bank, during stringent periods of panics, has not been obliged to sell bonds, the personal loan maturities taking care of all extraordinary

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 standard is 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 depositaries 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 case 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 in-

vestments 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 Railroads and the People.”

BY WILLIAM SPROULE, President of the Southern Pacific Company

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 little publicity of the right kind. That elementary education on these 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 deploring 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 little 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 with any given transportation rate or rate condition is only temporary. The mere lapse of time suffices to create further demands that the service be rendered for less money. This follows the impulse of self-interest, and we all know that this impulse is not always safe or sound.

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 serve for opinions among people blinded 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 wealthy 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. Those 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 have for their depositors about eleven millions of the people. These depositors rely upon the ability of the savings bank to earn with safety and certainty enough money on their deposits to pay to the depositors a satisfactory rate of interest, with such a banking profit added as will maintain the integrity and solvency of the bank without question. 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. To state it 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. Nearly every man of 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 this 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. When the efficiency and standards of railroad properties are impaired 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 relation exists with respect to them.

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 stuffed full to overflowing, and yet the prosperity of this army of the people fall 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 directly 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 one shareholder means three employees. To maintain and operate the railroads takes not 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. Theirs 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. No matter who own the railroads, earnings and expenses, or income and outgo, are two blades of a shears. One blade cannot for long cut into gross earnings without bringing into activity the other blade which cuts expenses. Of expenses over 45 per cent. are for wages. In fact 70 per cent. of all the disbursements of the railroads (even when taxes, interest and dividends are included) are for the three items of wages, fuel and supplies. The railroads give good wages ungrudgingly. The contentions are rarely upon the wage schedule itself, but upon needless and embarrassing and complicated incidentals. What the railroads have to contend and urge, notwithstanding their desire to pay their employees well, is the plain fact that the railroads have not adequate income out of which to pay these wages. In the two decades from 1894 to 1914 the revenues from operation of the steam railroads increased 183 per cent., but the

expenses of operation increased 200 per cent. The number of employees increased 118 per cent., while the compensation of employees increased 213 per cent. I will state it another way. With the rates of 1904 as a unit the railroads would have earned about one hundred and sixty millions of dollars more than the earnings of 1914. While the railroad revenues were thus reduced in the sum of one hundred and sixty millions of dollars, the compensation paid to employees was in the same time increased by something over one hundred millions of dollars. This process cannot continue indefinitely. As an economic question it is impossible that the compensation of employees can continue to increase while the compensation of the employer continues to decline. There are in consequence millions of people, consisting of railroad employees and those dependent upon them, who can justly insist that the interests of the railroads be nurtured rather than ignored in the adjustment of transportation questions.

So we could move along into the various phases of human activity, only to find that the railroads and the people have interests common to an extent the people do not yet realize. When they do realize it they will wake up in their might to the fact that the railroads' prosperity is their prosperity. The people will rise to a knowledge that it is the function of the Government to be watchful of their interests as a whole, and then the one-eyed man no longer can be king. The people will demand breadth and scope and constructive purpose; they will demand that both sides and all sides of the railroad question be given equal and unprejudiced consideration. They will insist, in the interests of all the people, that the railroads be maintained in a condition of physical and financial strength and that they be released from "the tyranny of prejudice" and relieved from the paralysis of uncertainty.

Whether it be the shareholder, the bank depositor, the holder of insurance policies, the railroad employees and their people, or the public generally, all will do well to remember that amid the loose and casual talk about watered stock and over-capitalization it is no longer seriously contended that the railroad properties of the United States are worth less than the amount of their capital. Yet the earning power of the railroads upon the capital employed has so declined that at the present time out of every \$100 of gross earnings which comes into the treasury \$14 has to be set aside to pay interest upon bonds, although the bonds bear but a moderate rate of interest. These bonds were taken upon faith in the earning power of the properties and were issued in compliance with the laws of the land. They are held in this country and abroad, and this young and great nation can well see to it that the earning power of its railroad activities is maintained. Especially is this so since it is known throughout the world that the railroads have been under governmental scrutiny and control for more than a generation. It is true railroad financial administration may be criticised in spots, and just criticism is wise, but they are like certain dramatic points in a picture, they catch the attention but they do not tell the story. The people instead may be invited to survey the whole history of American railroading, from its pioneer beginnings, through unmaped difficulties and through periods of crisis when great administrators pledged their personal fortunes to save the properties, down to the present moment; and in a wide survey of fifty years it will be acknowledged that as a bank may fail without imperiling the banking system, so the long ordeal through which the American railroads have passed still finds the moral basis of railroad management upon a very high plane in which the American people may take becoming pride. In 1904 these railroads killed one passenger in carrying eighty-one millions the equivalent of one mile. Ten years after, in 1914, but one passenger was killed in carrying four hundred and ninety-five millions of people the equivalent

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 \$4.60. 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 to-day, 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 66 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 must 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 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 firm, 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 prophesy 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 capitalist 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 toilers 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 crash and the last to recover from it.

Now then, bearing in mind the rights of the people with respect to the railways, 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, watering, 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 in 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 railroading, 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 railway employee is \$404. In this country, where the lines are all owned by private capital, the average wage of a railway 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 13.7 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 hear 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, is substantially greater than the number whose capitalization exceeds the investment they represent. Our railways are capitalized for \$64,000 a mile, those of Germany for \$117,000, those of France for \$140,000, 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 people themselves 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 28,690 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 34,000,000 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. 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 railways to the Interstate Commerce Commission as of that date. These statistics show that 1,287 railway companies with 254,387 miles of line, have 622,284 stockholders of record. The amount of stock owned by them is \$8,985,764,125, or an average of \$13,958 per stockholder. There are two and one-half stockholders to every mile of railway, and the average amount of dividends received by each of them annually is \$625.

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 their value is impaired, confidence is destroyed, savings are 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.

The proper steps should be taken either by the passage of new laws or the stricter enforcement of those already existing, to stop such mismanagement and hold to personal accountability and punishment those responsible.

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 \$20,000,000,000 of railroad securities, we are confronted by a depreciation of \$2,000,000,000.

The responsibility for this rests somewhere, and if not on the railroads, where should it be placed? 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 to be found in the fact that they have suffered from increases in expenses and taxes which their management have been powerless to prevent, while the regulating authorities have refused to permit the advances in rates necessary to offset them.

Specific figures are here in order. Effective federal

regulation of railways began in this country in 1906. In the eight years to 1914 the average wage per employee on our railways increased from \$611 to \$810, or 33 per cent. The average taxes per mile increased from \$336 to \$568, or 69 per cent. With increases of 33 per cent. in the average wages per employee and of 69 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 54 per cent., in the eight years after 1906 it actually declined \$339, or 11 per cent. This decrease of 11 per cent. in the amount of net operating income with which to pay a return on the investment in the railways was accompanied by an increase of 20 per cent., or from \$59,624 to \$71,551 in their investment in property per mile. In 1906 the average percentage of returns earned on the investment in the properties was 5.39 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, finance and social progress.

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, capitalistic congestion or the slightest suspicion of a glut in their prosperity.

It is unnecessary for me to speak of what the railroads 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 illimitable 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 rattle snakes 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 not 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 this vast continent 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 1900 the census showed the value of our farm land, improvements and implements to be more than \$17,000,000,000, and by the next census they had exceeded thirty billion. The railroads found the wealth of the United States estimated at less than \$3,000,000,000; 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 statesmen 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 magician of the Oriental tale who caused the palace to rise in a single night was but an ant, rearing a tiny 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, providing for 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 .720 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, based on physical valuation or whether out-and-out 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 enter-

prise 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 the State. The entire system of railroading should not be assailed on account of exceptional wrongs. These irregularities have been righted by remedial legislation. The ploughshare of reform has turned a deep furrow, reorganizations 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 employe 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 employe. 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 trans-continental systems. They must have an open field, a fair 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 savoring 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 drastic business regulations against outside corporations. In 1913 more than two thousand laws were passed in Congress, and more than 60,000 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-

ernment, whenever it has reason to suspect that fortunes have been improperly obtained, to bring an action for recovery. Let us hope that we are near the end of this legislative craze. Surely we have had sufficient opportunity to discover its inefficiency. The need of the hour, both in relation to the railroads and all business, is encouragement. Bills of lading are better indicators of prosperity than Bills of Legislation. The time is at hand for an era of construction. We are hearing much about progress nowadays, mere motion is not progress. The little fellow on his hobby-horse in the nursery imagines that he is making a two ten record, when he is only wearing out the carpet. That is not progress—it is friction. Neither is there real progress in "exceeding the speed limit." An old Hebrew prophet exclaimed, "He that believeth shall not make haste. Haste makes waste." Better to go slow and arrive on schedule time than to rush into wreck and ruin. Socialism is joy riding in the dark. Progress is heading in the right direction. You would not call yonder avalanche roaring down the side of a mountain a progressive, because it bears with it a sign board labeled, "Excelsior." Progress means growth and production. Destruction is not progress. An old fellow went to a surgeon in New York the other day for the diagnosis of a large growth on the side of his head. The doctor examined it carefully and said: "It is a wen. It must be removed immediately. Your life is in danger." The patient stretched out on the table and said, "I am ready, hurry up." The surgeon did hurry—that was his mistake—and becoming confused in the operation, cut off the old fellow's head leaving the wen on. That is Socialism. Any maniac can thrust a crowbar into a piece of complicated machinery, any fool can scatter firebrands, any fanatic can wage a warfare against law and order, and constitutional authority, but that is not getting anywhere. You would not burn down a building in order to disperse the rats. You would not sink yonder ocean steamer in order to remove the barnacles. Put her in the dry dock for scraping and repairs, and then push her back into the sea where she belongs. Keep the ship in the sea and the sea out of the ship and you have navigation and commerce.

It is high time to call a halt upon the headstrong and headlong carriage of so-called Progress, much of which is thoroughly reactionary. The reactionary would worship the devil on account of his antiquity. The revolutionary worships of God Almighty because He is "From everlasting to everlasting." Between these extremes we find real Progress, slow, tedious, sure-footed and determined, a Progress rooted and grounded in the arduous greatness of things achieved, which does not break with the precedence of the past, but "proves all things, and holds fast to that which is good." And my countrymen, the time is ripe for just this order of Progress. The iconoclast has done his work. The levelers have succeeded. The hour for the builder has arrived. The opportunity for real statesmanship is at the door. This is a National conviction. The people are awaiting the call of exalted leadership. They realize the necessity for a change of front in the attitude of the government towards business activity and prosperity. Business must be given a chance. It should not be kept on the witness-stand indefinitely. Government by Commission is headed toward tyranny. It is only a matter of time when it will bring up there.

Practically all of the forty-eight States of the Union have Commission in some form or another for the regulation of railroads, while upon the other hand, the Interstate Commerce Commission of the Federal Government has well nigh unlimited power to fix rates. Between the State and National Commission there are wide conflicting and confusing differences. These differences are so conflicting that the railroads are frequently in the position of the two travelers on the western plains in

the early days. They saw a buffalo bull charging upon them and fled for safety, one of them springing into a tree and the other barely dodging into a cave as the infuriated beast went roaring by. Then the man in the cave jumped out, whereupon the bull rushed back, when the man jumped in, and as the bull passed by the man jumped out; the bull came back and the man jumped in, and the bull rushed by and the man jumped out; whereupon the man in the tree shouted, "You infernal fool, you, while you are in there why don't you stay there!" to which the man below answered, "What the devil do you know about this cave? There is a bear in there."

Between the bull and the bear of State and Federal regulation there is naught for the railroads but to jump in and out, backward and forward, in a vain attempt to escape the penalties of conflicting tribunals. It is hardly surprising in view of such confusion, that railroad managers are having difficulty in financing and operating their lines. It is no wonder that the credit of these roads is sometimes impaired, and that they are hard pressed to pay their employes the wages they demand. Any business man can appreciate the gravity and difficulty of a situation compelling him to pay a rising scale of wages, taxes and other expenses, with decreasing earnings and no power of his own motion to impose a fairly increased charge for his goods or services.

To an outsider, a layman if you please, viewing the situation from the standpoint of common sense, it would seem that unless the strangle-hold of so-called regulation is withdrawn from the railroads, giving them a chance for respiration and recuperation there can be but one outcome, viz: the government ownership of railroads. In other words, if a government will not permit the railroads to make fair profits, enough to protect their investors and to meet their expenses, the only alternative is for the government to take them over and operate them. This would be the last step this side of State Socialism. It would inevitably be followed by State ownership of the land, and with the fundamental instrumentalities of production and transportation in the hands of the Government, individualism would cease to be a factor in the development of our civilization.

There has arisen, of late years, a class of pseudo-political economists whose trend of thought is all in the direction of the idea that the Government must support the people. Paternalism may be a captivating dream to the indigent and improvident, but it is abhorrent to men of industry, enterprise and self-reliance. The Government has nothing with which to support the people save what it takes from them in the form of taxes. It is the people who support the Government and provide it with the funds necessary to administration. But in order to pay their taxes the people must have control of their own earnings and property. The industry and business of the country is the creation of individual effort. Our national progress has been through the evolution of the individual and the combined energy and intelligence of the people, aided by legislation protecting and conserving individual rights. The citizen thus protected in his rights of initiative, property, investment and enterprise can not only provide for himself, but furnish ample funds with which to support and maintain the Government. But if the Government is to expend the money which he pays in taxes in restricting his ability to make money, nothing remains but the confiscation of his property, and his enslavement as the servant of the State instead of his present status as an independent producer.

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 it 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 outburst 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 toying with a silver dollar accidentally swallowed it. When throwing up his hands in despair he exclaimed, "Mein Gott, Mein 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, "Armaments beget suspicion, 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!

Toiling 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 resource, illimitable 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 toil 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.

Committee and Officers' Reports—Savings Bank Section.

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 work of the Section in every direction.

From the last annual meeting until February 1, 1915, the office was under the very efficient management of E. G. McWilliam, who at that time resigned to become manager of the New Business Department of the Security Trust & Savings Bank, Los Angeles, California.

In the interim between February and my incumbency, the detail work of the office was ably carried on by our office assistant, Miss Walne, 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 he rendered in connection with the campaign of education for the encouragement of thrift has been productive 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 unlimited. 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 being without the services of a Secretary 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.

CREDITS	
By appropriation of Executive Council.....	\$11,000.00
From sale of slides (Thrift Publicity).....	14.40
	\$11,014.40
DISBURSEMENTS	
Salaries.....	\$3,437.52
Postage, Stationery and Printing, including Thrift Publicity.....	1,771.03
Proceedings, 1914.....	1,324.46
Rent.....	604.92
Executive Committee Meetings.....	392.20
Travelling Expenses.....	238.61
Convention 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
	8,112.27
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 years' activities have become evident. Societies have sprung up for the purpose of encouraging the people to save their money and conserve their resources; State Bankers' Associations are conducting campaigns to further frugality; chapters of the American Institute of Banking are teaching the people to be thrifty, and thrift seems to be the order of the day.

WORK OF THE OFFICE.

Opportunities for greater constructive service in the work of the Section are constantly increasing. Through the efforts of this Committee new school savings banks have been established all over the country. Requests daily have come into our office for information concerning school savings banks, which have been supplied accordingly. We have endeavored at all times to assist our members by sending them material for carrying on local thrift campaigns. An organization and functional chart of the Savings Bank Section has been prepared, and will be supplied to any member desiring one.

THE BOOK OF FORMS.

There were one thousand copies of the book of forms printed last year. Seven hundred and eleven of the books have been sold and paid for, 12 remain still unpaid; 264 on hand at the printer's; 1 on hand at the office; 10 have been given away complimentary and 2 were sent to Washington for the copyright, making a total of 1,000 copies. We have received \$2,853 for the sale of the books—708 at \$4 each and 3

at \$7 each. The expenses incidental to the publication and sale of the books amount to \$3,065.27, leaving a debit balance of \$212.27. If the balance of the books on hand were sold at \$4 each we would receive \$1,000.26, leaving us a credit balance of \$787.99. There is now on hand in the Special Fund of the Savings Bank Section with the General Association, out of which was appropriated the expenses for the publication of the book of forms, a balance amounting to \$1,429. The amount received from the sale of the books has been added to this special fund to offset the cost of publication, and is included in the \$1,429. The original balance of the special fund was \$2,391.63, \$750 of which was appropriated to cover the expenses of a movable thrift exhibit described hereafter.

SCHOOL SAVINGS BANK STATISTICS.

With relation to the gathering of statistics as reported at the Richmond meeting, we secured the co-operation of the Comptroller of the Currency to the extent of receiving from the banks, through him, the names of the schools operating the school savings system. We communicated with the schools regarding their statistics, and the responses were very gratifying. 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 last July, and also were published in the August JOURNAL-BULLETIN. The results show that there are 1,925 school savings banks, with 398,540 depositors and \$1,792,640.10 on 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 R. Noel, of the North West State Bank of Chicago, and also a valuable member of this committee, has done excellent 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 a recent report by Mr. Noel, it is interesting to note that "each bank is conducted by six pupils of the seventh and eighth grades, who rapidly become proficient as bank clerks. They and the depositors receive valuable training in banking methods, business practices, care and accuracy, in addition to forming habits of saving and thrift. They are under the supervision of one teacher for the entire school, who is known as the treasurer of the school bank. The bank is open for only thirty minutes a week, from 8.30 to 9.00 A.M. usually each Tuesday morning the school is 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 13,838 pupils have saved \$27,115.94 (an average of nearly \$2 each); that of this amount they withdrew \$10,254.80 (38 per cent.) for their purposes, leaving a balance of \$16,861.34 (62 per cent.) still in the bank. An analysis of the replies to a questionnaire which Mr. Noel sent out to fifty-four schools in Chicago, with a view to finding out the exact situation with relation to the banks in each school, was written by Mr. Abraham London, a teacher in Public School No. 122, Brooklyn, New York, and is embodied in a pamphlet which the Savings Bank Section has recently published to be used as a text-book on school savings banks in a nation-wide campaign for establishing school banks in co-operation with the Chapters of the American Institute of Banking. An article by Mr. Noel and one by Mr. Hawley, together with the complete aforementioned statistics, and Mr. London's analysis comprise the contents of the pamphlet.

Mr. N. F. Hawley has also made splendid progress in the Minneapolis public schools, in establishing new school banks and encouraging the children to save more money in those already established. His stamp method has been used 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 evidenced by stamps pasted 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 collectors report daily to the bank and their total collections are kept in one account on which no interest is figured.

Mr. Meskie, another member of this Committee, is doing good work in New Jersey, where 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 also a uniform system of conducting the business of the bank. The plan used in the Chicago schools seems to be the most popular.

THE REWARD OF THRIFT FILM.

The Reward of Thrift film, which was described in the report of this Committee in Richmond last year, was released September 15, 1914, through the General Film Company, which has forty-eight branches located in the principal cities of this country. A canvass was recently

made in order to obtain the approximate number of people who have seen this motion picture. The result was very gratifying; and according to the figures received the film has been shown in 2,745 theaters, and taking the estimate of Mr. P. I. Waters, General Manager of the General Film Company, of an average attendance of 600 people at each theater, 1,647,600 people have seen the film. This has undoubtedly had a remarkable effect in teaching the people to save. A letter was recently sent to Mr. George Ade with relation to a new thrift motion picture, and he has promised to write one of his famous fables in slang showing how ridiculous extravagance is, through his regular contract with the Essanay Company. The Essanay Company was communicated with, and they have promised to give us further details concerning the matter before the picture is released.

MOVABLE THRIFT EXHIBIT.

A movable thrift exhibit, entered into in co-operation with the International Committee of the Young Men's Christian Association, was one of the features of our thrift work during the past year. The exhibit consists of a copy of the "Reward of Thrift" film and a large folding screen containing seven panels. Six of these panels of two sections each are fitted with pictures, or rather colored posters, illustrating the results of both thrift and extravagance. The center panel is composed 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 has been shown in Illinois, Indiana and Wisconsin, and is now in the upper part of New York State. The itinerary for the exhibit is being prepared at the present time for next fall and winter and will be published in the JOURNAL-BULLETIN. In letters we have received from the secretaries of the Young Men's Christian Associations where the exhibit has been shown, they state that it is exceedingly popular with the young men.

TALKS ON THRIFT.

The committee thought it wise to dispense with the services of T. D. Macgregor and has employed William H. Kniffen to write the "Talks on Thrift." Mr. Kniffen, being well acquainted with all matters concerning Thrift and Savings banking, as also having a thorough knowledge of the history of savings banks, will assuredly increase the popularity of our "Talks." We have about 1,200 names on our mailing list who receive these articles each month. A monthly letter is mailed with the "Talks" to each bank on the list. This letter is designed to bring the banks into closer contact with the Section, and is a part of our campaign of service.

THE COLLEGE SAVINGS BANK.

Except for a few local savings clubs, a campaign for the purpose of encouraging the college boy to be more thrifty has never been attempted in any college or university. It seems the college boy is given up as a hopeless subject, even before he is tried. With the purpose of merely making an experiment, we have arranged with the Wesleyan University of Middletown, Conn., and the Middletown National Bank, to conduct a savings bank in the college store near the university campus, commencing this coming November. In conjunction with the operation of the bank there will be a course of eight lectures given in the university, one every three weeks, commencing about the middle of November, on Thrift "Practical Economics." Such subjects as: "The Importance of Thrift"; "The Various Classes of Banking Institutions"; "Thrift and Savings"; "Thrift and Socialism" will comprise the course. We have already secured a young man who will enter his sophomore year at Wesleyan next year to take care of the detail work of the bank. The officers and directors of the Middletown National Bank have assured us of their hearty support, and President Shanklin of the University is enthusiastic over the plan. The systems used in the operation of the bank have been completed and are now in the hands of the Middletown National Bank for their consideration. If the plan is successful by the end of next year, it is our purpose to encourage their establishment in other colleges of the country. For this year it is merely an experiment.

THE 1916 CENTENNIAL OF SAVINGS BANKS.

The matter of fittingly celebrating the savings bank centennial in 1916 should come up for our attention at this time. While we should not consider a lavish expenditure of money, yet we should conduct a celebration which is at least commensurate with the importance of the event. Your Committee, therefore, submits for your consideration a tentative plan for celebrating the centennial:

With the object in mind of the original purpose of a savings bank to encourage the people to be thrifty by maintaining a place of deposit where they could systematically save their money, we should conduct an energetic thrift campaign, using every available means for teaching the people to save, and closing December, 1916, in a Thrift Congress, to be appropriately held in the City of New York, where the first meeting took place in November, 1816, to consider ways and means for the operation of a saving bank.

DETAILS OF THE PLAN.

First—A systematic thrift campaign shall be conducted in forty cities in the United States, through the Chapters of the American Institute of Banking located in those cities. These forty chapters have all been enrolled as members of the Savings Bank Section by virtue of their membership in the American Bankers' Association. Each of these chapters have already appointed, or will appoint, a Public Affairs Committee to take full charge of this work.

At the Chapter Presidents' dinner and conference held during the Convention of the American Institute of Banking in San Francisco, the Section, through the courtesy of E. G. McWilliam, presented a paper on "How Chapters Can Co-operate in Helping the Thrift Propaganda." A very lively discussion of the subject ensued, and

it seemed to be the sense of the conference that the Chapters would do all in their power to help conduct the campaign in co-operation with the Savings Bank Section.

Second—The entire campaign shall be so organized that the responsibility for conducting it would be centered in the Chairman and the members of each Chapter Public Affairs Committee, who shall report monthly to the National Chairman of the Institute Public Affairs Committee. The National Chairman will work in co-operation with a Committee which shall be appointed by the President of the Savings Bank Section.

This Committee shall be called the Savings Bank Centennial Committee, to consist of six members: the President of the Savings Bank Association of New York State, the President of the Savings Bank Association of Connecticut, the President of the Massachusetts Savings Banks Officers' Club, and two others who are members of Executive Committee of the Savings Bank Section, together with the Secretary of the Section.

Third—The Secretaries of the various State Bankers' Associations, who have also been enrolled as associate members of the Savings Bank Section, shall work in co-operation with the Institute Chapters in their respective States.

Fourth—The State Vice-Presidents of the Section shall write periodical letters of encouragement to the Chairman of the Public Affairs Committee in the Institute Chapters in their States.

Fifth—The Secretary of the Section shall write each month to every Chairman of the Public Affairs Committee of the Chapters, keeping in personal contact with them in that way.

Sixth—Suggest to the banks which are members of the Savings Bank Section to institute local publicity campaigns for the encouragement of thrift, and have them co-operate with the Institute Chapter in each of their cities.

Seventh—The "Talks on Thrift" will be written each month with the centennial particularly in mind. In this way a History of Savings Banking can be very easily arranged for by combining the talks in book form, and distributing them during the Thrift Congress as souvenirs of the centennial.

Eighth—Continue to send letters with the "Talks on Thrift" each month, encouraging the banks to "further frugality," and asking for their suggestions.

Ninth—Have printed 20,000 to 30,000 Industrial Thrift Pamphlets for distribution by the National Civic Federation, who have kindly consented to do so, to the employees of certain industrial corporations of the country. These pamphlets will be given out simultaneously with an address by a Chapter speaker. The attention of the employer will be forcibly brought to the necessity for teaching thrift to his workman and finding some way for helping him to save.

THRIFT CONGRESS THE FIRST PART OF DECEMBER, 1916

THREE DAYS.

Tenth—Consisting of members of the Savings Bank Section of the Savings Banks' Associations of New York and Connecticut, and the Massachusetts Savings Bank Officers' Club as delegates, together with representatives of other Savings Bank Associations in the United States.

An invitation should be secured to hold the Congress in the City of New York from the New York City Savings Banks.

FIRST DAY:

Evening: Reception by the officials of the City of New York.

SECOND DAY:

Morning: Joint meeting of the Savings Bank Section, New York State Savings Bank Association, Connecticut Savings Bank Association and the Massachusetts Savings Bank Officers' Club.

Afternoon: American Institute of Banking Meeting. Reports of Thrift work for the year. Address.

Evening: Banquet.

THIRD DAY:

Thrift Conference.

Morning and afternoon luncheon given by the New York Savings Banks of New York City.

ADJOURNMENT.

All of the foregoing is merely the result of the earnest endeavor and hearty support and co-operation of those who have been working in the interest of the section since its organization in 1902. It is our desire to serve all of you at all times, and for the further advancement of the field of savings banking.

Respectfully submitted,

V. A. LEASNER,

Chairman.

Report of the Law and Segregation Committee.

N. F. HAWLEY, CHAIRMAN.

The tendency to organize mutual savings banks or other institutions which shall do a savings bank business only is growing less. There are a number of States which permit the organization of mutual savings banks in which no new bank of that character has been organized for some years. In the West particularly so few exclusive savings banks have been organized that they are quite the exception rather than the rule.

On the other hand, there has been a rapidly growing tendency to add savings departments to National and State banks and to trust companies. This is being done quite as much where segregation of assets is not required as where it is. Such savings departments are usually issuing regular savings bank pass books. In many places certificates of deposit are being turned into savings bank pass books. Especially is this true in the towns and cities. It is recognized on the part of the bank that the pass book plan encourages the depositing of small sums, while on the part of the depositor it is found that greater convenience is subserved and the inclination to save is cultivated.

We must all, whether representatives of mutual savings banks or departments in commercial banks, frankly recognize these conditions. We all are desirous 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 method which seems best to subserve 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, have we performed our whole duty by merely stating our position and by simply giving advice 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 money, with the resulting growth of deposits. Every bank in seeking its own best self-interest will, when it is most wisely advised, conclude 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 sufficient influence in such State to bring about a recognition of the necessity of proper laws therefor, and if possible the segregation of assets representing or securing 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 local opinion in favor of the best and safest 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 other States. It will be well if we can get such adoption before any lesson or compulsion of disaster shall come.

This suggestion of a more active attitude on the part of our Section is submitted for the consideration of its membership, with the recommendation that the same be adopted.

Report of Committee on Postal Savings Bank Legislation.

SEATTLE, SEPTEMBER 7, 1915.

Mr. President and Members of the Savings Bank Section:

The Sixty-third Congress made no change of moment affecting the Postal Savings System, except that non-member banks were disqualified under the Federal Reserve Law from hereafter becoming depositories 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.

When we met in Richmond last October we reported that the President had just vetoed the bill known as the "Moon" bill (H. R. 7907). This bill at first proposed to amend the existing law by permitting a person to deposit an unlimited amount at any time in a Postal Savings Bank, but no interest was to be allowed on sums exceeding \$1,000. The bill was subsequently amended in the Senate and the limit of interest-bearing deposits was at first fixed at \$1,000, and gave the Board of Trustees of the Postal Savings System discretionary power to receive an additional \$1,000 without interest. As finally passed the limit was fixed at \$500 upon which interest should be paid, and an additional \$500 at the discretion of the Trustees but without interest. The bill as passed also provided that Postal Savings funds might be deposited in banks which were not members of the Federal Reserve Association; this latter provision was not acceptable to the President and the bill was vetoed. Another bill was promptly introduced by Mr. Moon (H. R. 18842), meeting the President's objection. This bill died in committee. A similar bill was introduced in the Senate by Senator Bankhead (S. 6770), fixing the limit at \$1,000 upon which interest should be paid and an additional \$1,000 without interest. This bill was not reported out of the committee to which it was referred, but was a little later on inserted as a rider in the Post Office Appropriation bill. It was finally eliminated from this bill, as the committee wisely decided to exclude all matters not strictly items of appropriation.

The limitation of \$500 therefore still exists, but it is understood that the Sixty-fourth Congress will enact legislation raising the limit of interest bearing deposits to \$1,000 and giving discretionary powers to the Board of Trustees to accept an additional \$1,000 without interest. From the knowledge acquired by your committee in its efforts to have the original Moon bill amended, and from a frank interchange of views with the Director of the Postal Savings System, we feel that the desire of the Trustees for this increase of authority is not unreasonable and will not work any hardship upon our savings banks. We have been assured that it is not the policy of the Postal Savings System to compete with the existing agencies for saving, but endeavors only to supplement them, and in so far as we are able our members should co-operate with every effort to cultivate the thrift habit of our people.

Owing in great measure to conditions brought about by the war in Europe, deposits in Postal Savings Banks have largely increased during the past year. On June 30, 1914, there were 388,511 depositors and a total of \$43,444,271 on deposit; on June 30, 1915, there were 528,000 depositors and a total of \$65,600,000 on deposit, an increase of 36 per cent in the number of depositors and of 51 per cent in total deposits. Some of this increase, however, is due to the progressive administration of the system in exploiting the banking-by-mail idea and in securing the co-operation of other Governmental agencies in the gratuitous distribution of Postal Savings Bank literature. These methods, through drawing public attention to the subject of saving and in thus accenting the importance of thrift, are helpful means of promoting the cause for which this Section stands and in the opinion of your committee have not wrought any damage to our members.

However, we must at all times keep a watchful eye upon the constantly recurring efforts to amend the Postal Savings Law. We should be broad enough to co-operate in making any changes for the common good, but should carefully guard the interests we represent from governmental encroachment.

Respectfully submitted,

EDWARD L. ROBINSON,
B. F. SAUL,
WM. E. KNOX,

Committee.

Detailed Report of Proceedings.

Fourteenth Annual Meeting SAVINGS BANK SECTION, Held at Seattle, Wash., September 7, 1915

SEATTLE, WASH., September 7, 1915.

The Savings Bank Section convened in the Moore Theater, Seattle, Tuesday morning, September 7, at 10.30 o'clock, with the President, William E. Knox, in the chair. The proceedings in detail follow:

THE PRESIDENT: Ladies and gentlemen, as is customary, we will open these proceedings of the Savings Bank Section with an invocation, which will be delivered by the Reverend Doctor Leonard.

DR. A. W. LEONARD: Open the door of our hearts, Almighty God, and grant we might bid Thee enter and take up Thy dwelling place in the poor house of our soul; that our lives may be pure and noble in Thy sight; and grant us, O God, Thou Saviour Divine, that magnificent comradeship as in days of old; be Thou our friend and our saviour. O spirit of God, Thou who didst breathe upon the waters and bring forth light, shine Thou into our dormant lives and may everything there be radiant with Thy presence. Blessed trinity of power and of love, undergird every one now in Thy divine presence, and may we be given strength to deal with the problems before us.

We thank Thee that these men representing great and far-reaching interests pause at the very threshold of their deliberations and recognize God in their lives.

Give unto each one of us a realizing sense of our personal accountability to Thee. We ask that in all of the deliberations of this great assembly of persons there may be given to each one a consciousness of duty from the standpoint of service. Minister Thou unto those who have made the arrangements; and upon those to whom we look as our leaders in the direction of the work may Thy spirit divine descend. We pray for those who in this Section to-day shall consider subjects that are of far-reaching importance, not only to our own nation, but to the world; and as we face these problems, we ask for a sincerity of purpose, and for an attitude of self-control that will enable us to hold ourselves steady in the path of righteousness whatever be the name of our vocation. Minister Thou unto him who is the representative head of this nation. As a people we pray we may be held steady in the face of suffering and disaster; and as Thou didst with the leaders of our people in the days that are gone by let there be a continuance of Thy guidance in these later days. We pray that peace may very speedily come in all the world; that nations may cease their warring, and that men may live together in a common brotherhood as established by Christ Jesus our Lord. Minister, we pray Thee, to the Governor of this State; and to the governors of all the commonwealths of our nation. Bless those who have authority over us in any position; give them that strength and spirit that shall be necessary for righteousness; and in our exaltation may we so conduct ourselves, undergirded with Thy love, that we may serve and not seem to live for the pleasure of ourselves. We ask Thou wilt guide every one upon whom to-day rests great burdens; and those who shrink from the burdens of to-day, undergird them with strength; and be Thou with those who tremble in the presence of pain. Lead Thou us on in the way of truth; forgive us for what we have been, and consecrate us for what we are, and what we shall be; bless us, in the Name of the Father, and the Son, and the Holy Spirit to whom we shall give all the praise, world without end.

THE PRESIDENT: Mr. J. H. Edwards, Vice-President of the Dexter-Horton Trust & Savings Bank of this city, has an address of welcome for us, which I am sure we shall all be happy to hear. I have the honor of introducing Mr. Edwards.

Address of Welcome, by J. H. Edwards.

It is a pleasure and a privilege to be called upon to extend on behalf of the banks 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, further, in knowing that you come into closest touch with the greatest number of home makers in the land.

Lincoln once said, "God must love the common people. He made so many of them." It is your good fortune to serve that element.

As custodian of their hard-earned dollars you hold a sacred trust and nobly have you fulfilled the obligation. Likewise it is your duty to strive to inculcate in the minds of our countrymen the fact that thrift and saving should go hand in hand with industry.

The scope of the plans outlined by your Secretary in a recent bulletin for the Encouragement of Thrift, embracing School and College Savings Banks, the monthly "Talks on Thrift" for publication, addresses on kindred topics in day and night schools and moving picture films, is very comprehensive and deserves the active support of every banker and business man.

You have at this time many vitally interesting problems to consider, not only in banking but in commercial and economic conditions. Changes and adjustments are in progress, and some are essential to the prosperity and well-being of the whole people. It is a true when all should strive for the best and go forward with optimism.

May I be pardoned if I say that the bankers and people of Seattle alike are "proud of being citizens of no mean city" and of what has thus far been accomplished?

This inland sea at our feet was first explored in 1792 by Vancouver, an English naval officer, and many of the bays, islands and mountains hereabouts were given their present names by him.

In 1852 the first white settlers landed on the site of this city and for several years they strove with the Indians for mastery in this land of promise. The year following the first settlement here the Territory of Washington was created and also the first plat of this city was filed.

These early settlers had a premonition of the future importance of the town they had founded, for they modestly called it New York, adding Alki—"by and by." Later it was named Seattle, after a friendly Indian chief. By 1880 it contained 3,500 inhabitants, and today we claim over 300,000 population. Thus you note the growth of a single generation.

The charm of the region, together with its wealth of resources, have lured a multitude of energetic people from every section of our country. We stand ready to welcome a great many more, and especially each of you, as permanent residents among us.

Our geographic location, always promising, has now become strategic. To the north Alaska, tardily coming into its own, and to the west the Orient, with its hundreds of millions of people, offer unlimited opportunities for commercial intercourse and development, and Seattle stands at the gateway to both.

Moreover, the opening of the Panama Canal gives us entrance to many other countries and to all our ports on the Atlantic Coast.

We greet you as fellow workers, but even more as friends and brothers, with the hope that your sojourn in our midst will prove so pleasant that in the halls of memory there may linger such recollections as will draw you to us again and again both in thought and in person.

THE PRESIDENT: Mr. Edwards, as 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 who live there, are apt to consider the main part of our country, forgetting, indeed not knowing, what lies west of us. To us from that 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 these people, and meet these bankers; and the great thing in doing that is the feeling that comes over us that East or West, North or South, this country of ours is a magnificent heritage; and it is for us, as one people, to give a good account of our stewardship. We are a young country yet, and as the days go by, and the years roll along, we can see before us other millions and tens of millions of people coming to inhabit these great plains we have come across, and who built up not only this city, and the cities already started, but those who will build new cities; and we have a duty towards those people, and that is the duty to plan not for the present only, but for the future. It is our duty not to think of ourselves only, but to think and work so that this country may be a better country to live in, that our children, and our children's children, looking back, may bless us for what we have done.

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 to the best of our ability. We shall probably not solve all of them; but we certainly must make an effort to solve most of them; and that is the reason and the main reason, for this meeting to-day. We think the railroad problem and the relation of the railroads and the people with each other, and the way their interests are being bound up together, is a very grave problem; and whether we adjust that problem sanely and wisely, or whether we are led astray by all sorts of strange doctrines, is going to make an immense difference in the future welfare of this country. I know the people who are here to-day will be interested; and I know the papers we will hear here to-day will be interesting; I know they will sink deep into the minds of the hearers. I know that, from one end of the country to the other, they will be heard, and commented upon, and attention will be given to them. I ask your very respectful attention for what is to be said, knowing that this is not the only audience that will hear them, we are just a few representatives; but the larger audience is bound by the confines of the country only; and not only by the confines of the country, but the things which are said here to-day will be heard throughout the world; the plans that may be considered here to-day I have no doubt whatever will have a far-reaching result. Work together, therefore, East and West, from New York to Seattle, and from the Gulf to

Alaska, as one people, willing and ready to discuss these subjects. We will have a word of greeting from our President, Mr. Law, of the Bankers' Association.

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 have just heard, and to express, just at the outset of our meeting, with a deep sense of appreciation, which we all feel for the large and charming hospitality that you are showering upon us. We are accustomed to seeing big things done on the Coast, but we realize that you do not confine your activities to material things, but that you give equal attention to the finer things of life. That is why we see such magnificent streets that you have created, that would be a credit to a city of ten times your population. That is why we envy you your magnificent park system which your magnificent city has arranged here. I do not think anyone can visit the city of Seattle and observe the people without the feeling that the men who are planning it are planning with the larger events that will happen five or five hundred years from now; and it is a great regret that we will not be here to see what will then be the result of these labors.

In regard to the Savings Bank Section, I want to put on record here that nothing in connection with the activities of the American Bankers' Association has been more gratifying to me personally, than the practical and valuable work now being done by the Savings Bank Section. This is a department of banking that is not conducted for the gain of the stockholders, but rather for the educational, moral and economic results to the community.

Savings Bank officers are therefore in a peculiar sense the trustees of their depositors, many of whom are ignorant, suspicious and of slender means, hence an exceptional burden of responsibility rests upon the Savings Bank Management, not only in the use of proper means for encouraging thrift, but also in the rigidly careful selection of only the soundest and safest investments for the funds under their control.

These features put you in close touch with the basic problems of life, such as the cost of living; the employment of labor; the education of children in our public schools; the influence of the press and the pulpit toward thrift; the increase of Governmental extravagance; the growing debt of municipalities; the decreasing value of our best railroad securities; the difficulties of railroad financing; the values of urban real estate, as affected by the growth of municipal population and the development of local transportation facilities; the duty of employers to encourage saving on the part of their employes as a step toward home owning and better citizenship; the evolution of National traits as affected by our habits of living and conduct. All these are fertile fields, which it is your function and privilege and duty to investigate and cultivate. It has well been said that "all advances in civilization and appliances for economizing labor have been brought about at each step of development by the members of communities who have been capable of thrift and who have measured up to something they have made the foundation of greater things."

Let me briefly call your attention to the admirable work being done to encourage thrift by educating public school children in its methods and benefits. Statistics recently compiled show that this work has resulted in the opening of nearly one million saving accounts by school children, the total deposits amounting to nearly two million dollars. In this important work San Francisco leads the country with Pittsburgh second.

The Savings Banks of the United States represent no inconsiderable amount of available capital for prime investments.

The saving bank idea originated only one hundred and six years ago in England. Several far-sighted Philadelphians soon recognized its advantages and in 1816 originated the first savings bank in America, the Philadelphia Saving Fund. Today this institution is a notable example of prudent and efficient management. It has deposits in excess of one hundred and twenty-one million dollars belonging to over two hundred and eighty-three thousand depositors, of whom only one hundred have as much as ten thousand dollars—the maximum limit—the average deposit is \$430. Forty-three thousand new accounts were opened last year, and as many as five hundred and eighteen in one day, yet this institution makes it a rule to do no advertising either in periodicals, newspapers or through the mails, but its new business comes from its excellent reputation and the good will of its depositors and friends.

As President of the Association, let me extend my hearty good wishes for the success of your celebration next year of the Centennial of the establishment of American Savings Banks.

THE PRESIDENT: We will now have the pleasure of listening to a brief address by Mr. Robert H. Bean, who a week or two ago in San Francisco was elected President of the American Institute of Banking. Some fifteen or sixteen years ago, when the American Institute of Banking was first started, I had the honor of being one of the charter members of the first chapter, and the president of the institute at that time would have met, presiding at the organization meeting, with possibly one hundred men; while today it seems that there is an organi-

zation with a membership of ten or fifteen thousand with chapters in sixty cities in the United States, so that you will see it is no small thing to be entrusted with the presidency of an institution like that. I have the pleasure of introducing Mr. Bean, ladies and gentlemen.

MR. BEAN: Mr. President, Ladies and Gentleman, and Members of the Savings Bank Section:

Address of Robert H. Bean, President of the American Institute of Banking.

Mr. Chairman, Ladies and Gentlemen: It is an honor to be your guest this morning and bring to you the greetings of the American Institute of Banking. To represent such a body is always an honor and a privilege, but there is a particular significance in the opportunity of meeting with the directors of thrift, the Savings Bank Section of the American Bankers' Association.

The Institute is a university of men, the youth of the profession of banking, students in the world of finance devoted to and absorbed in the development and conservation of ability, seekers of an opportunity for service in the business in which they are employed and to which they are devoting the best years of their life. Its members, of which there are more than 15,000, struggle daily with the constantly changing phases of law, economics and finance, and with ever increasing interest seek to arrive at that stage of efficiency which will demand the recognition which they have honestly aspired to and deserve.

That the process of time will bring into place the young men who are to-day training for the high places of honor and responsibility in the financial world no one would care to deny, and the recognition which is given the Institute in the Convention now assembled, and particularly the Section which meets this morning, is a source of gratification to its administrative officers. Your Section meets at the outset of a year which will prove to be of tremendous importance, not only to the Savings Banks but to every agency concerned with the financial situation in the entire country. Your efforts will interest and concern our people, the wage earner and the capitalist, and because of its vast import upon the national welfare will command support and should, in advance, guarantee a measure of success far beyond your greatest hopes.

Yours is a problem, first, of education in the matter of thrift and, second, of the scientific application of such methods and systems as will most rapidly and satisfactorily create in the mind of every citizen receiving a daily wage for his service a desire to save.

The time is long past when we should face squarely the issue of thrift and its tremendous effect upon the welfare of individual and community. We have lived in a period of reckless extravagance for so long a season that it is fast becoming a habit. The babe has been brought out of the cradle with a firm grasp upon the purse strings of the parent and reared in a greater or less degree to know only and strive after the best of everything without much regard for the cost or the struggle to provide the necessary funds to pay for the luxuries enjoyed.

This is commendable in itself but it is almost certain to lead to extravagance in later years and a constantly lessening regard for the thrifty example of past generations in conserving that which is vital to happiness and the enjoyment of things necessary to one's existence.

If the people of our time saved in proportion to the earnings 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.

It is true that the present condition may be natural to all peoples and that this nation is no more to be charged with being a spend-thrift than any other, but this does not lessen the argument that it is time to call a halt or face the consequences of our continued disregard for this prime necessity for prosperity.

The statement is often made that the majority of people save only when compelled to through fear of suffering or absolute necessity. This may be true, but if so our problem of inducing saving through the education of our citizens to the real value of saving becomes just so much more difficult.

Saving through fear or pressure or need is not healthy either to the individual or the community.

A service to one's self so dependent upon the whim of mind or the turn of so-called luck affecting one's affairs is close akin to the policy of caring for the health when ill and neglecting it when in normal condition. The desire to save which comes to an individual or community of individuals through a process of education and systematic practical training must be encouraged and developed with a persistency which will not permit of anything but ultimate success. Every dollar laid aside through an earnest desire to add that mite to the nation's store is worth a hundred accumulated to meet some anticipated exigency only to be withdrawn and scattered if the need does not materialize.

America faces a day not far distant when its resources will be taxed as at no time since the close of the Civil War.

A period of industrial development both here and abroad will soon be opened and capital for such reconstructive purposes at the close of the war now reaching 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 scene of the present carnage and the accumulated riches of this nation in its Savings Banks will be the foundation from which will be drawn the sinews in this new day of peace.

To increase then the savings of our people that we may more surely be ready for this great opportunity is the thing toward which we must bend our energy. To educate the wage earner to conserve some portion of that which is acquired, because of the sound sense involved in such a policy is the plan ever before the Savings Bank interests, and particularly at this time of adversity in other lands.

Every new depositor secured under such a campaign as this will, in a great majority of cases, continue to be a saver and an active agent of the Association in its work.

It is a matter of coincidental interest that the year in which the most energetic work should be done is also the centennial of the establishment of savings banks in this country.

In this important movement which will soon be under way the American Institute of Banking stands ready to co-operate. Through the sixty Chapters scattered through every important city, your Section has a channel through which it may work with almost certain promise of success.

May I suggest and even urge that every bank here represented and the Section through its administrative officers call upon the local chapter for assistance in whatever plan may be determined upon. The earnest co-operation of the Institute is offered to the Savings Bank Section in the splendid work they are entering upon in the coming year.

Meetings devoted to thrift may be arranged and speakers secured through the Committee on Public Affairs for missionary work among schools and large centers of employment.

In short, it is the desire of the Institute to work with the Savings Bank Section as if it were its own undertaking, and whether it be in the North, South, East or West the results should be worthy of our combined efforts to promote, encourage and direct Thrift for Thrift's sake.

THE PRESIDENT: A year ago, when the war broke out on the other side of the water, and when this country found itself face to face with a very tense financial situation, the question uppermost in the minds of a good many men in the banking business was, what to do to bolster up the courage of the American people, so that they would have faith in the value of their own securities. Many of us agreed that the thing undoubtedly more than anything else was to say some words of encouragement to the railroads; and to get some indication from the Administration of its attitude towards the railroads that would lead the railroads to suppose they were to have fair treatment; and a few of us meeting in New York at that time did what we could at that time, which was not very much; because at that time had we taken any active and open part in the discussion of railroad affairs, it might have led to a feeling of uneasiness upon the part of the public; but it seemed to us that, when the country got over the immediate effect of the war, that if the American people could be brought to see it, that this was an opportune time to lay before the American people fairly and squarely just what the relations of the railroads and the people are, just how the railroads are dependent upon the people, and equally how the people are dependent upon the railroads; and so, in looking about for some one to present this subject, I went to Mr. Frank Trumbull, the Chairman of the Executive Committee of Railroad Heads in New York City, and Mr. Trumbull immediately said, "The man that you want is William Sproule, President of the Southern Pacific." He said, "He is a good fellow, he knows his business and can make an address even on railroads that will interest every one." And, he said, "If you can get Sproule you don't want anybody else." After some little difficulty Mr. Sproule gracefully came down, after having at first said he was so busy he could not possibly do it; but I have found that it is the men who are so busy that they cannot possibly do anything more, that do these jobs when they do, and they generally do it so well that it is done better than anybody else can do it; and this will be no exception as to that rule. I have the honor of presenting to you Mr. William Sproule.

MR. SPROULE: I thank you, Mr. Chairman, for your most courteous introduction to this audience, and I thank you for the reception. I will tell you a little secret: On my coming out, our Chairman saw this in my hands, and he said, "For God's sake, don't read it." (Laughter.) If I were as graceful on my feet as your Chairman is, I would not read it; but as the matter stands, I shall make the reading of it as inoffensive to you as I possibly can. Without further parley I shall begin:

"The Railroads and the People" by William Sproule.

[Mr. Sproule's speech complete will be found on pages 171 to 173 of this publication.]

THE PRESIDENT: I doubt if anybody ever listened to an address on a technical subject that made even statistics attractive, that was more attractive than this one. I am sure it has been a very great pleasure to listen to Mr. Sproule. I have a profounder respect now than I had before for the judgment of the gentleman who told me Mr. Sproule was the proper man. Mr. Sproule was just the man, and he has done his job just as I knew he would do it. I am confident that what Mr. Sproule has said here today will be of immense educational value in all sections of the country, and not only to the Savings Bank people, but to the people of the country at large.

We have with us as representing the people's end of this symposium, Dr. John Wesley Hill. We thought it might be a good plan to have a layman who was not even a Savings Bank man, who would tell us just what the people thought about the railroads, the thinking people of whom he is a very good representative. I have the pleasure of introducing to you, although many of you do not need any introduction to him, inasmuch as his name is a household word in many sections of

the country, and in many American homes, Doctor John Wesley Hill.

"The People and the Railroads" by Dr. John Wesley Hill.

[Dr. Hill's address is printed on pages 174 to 178.]

THE PRESIDENT: Ladies and gentlemen, we are all indebted very much to Doctor Hill for his brilliant and illuminating and successful address. I am sure he has given me a new vision of the relation of the people and the railroads. He has painted for me a new picture of what the railroads have done for the people, and I think he has pointed out, as did Mr. Sproule, a line along which we can work to bring about better relations between the railroads and the people.

Now, there are two or three of our men who might wish to say a word on this subject. I will first call on Mr. Welton. Is Mr. Welton in the room? (No response.)

Mr. Lersner, will you say a few words?

MR. V. A. LERSNER: Mr. President, if I had had any intention to speak to this question before, after listening to the unusual manner and the quality in which it has been presented by the two principal speakers this morning, I find myself in the position of the struggling lawyer in the city of New York who had sat for many weeks in a minor criminal court waiting for an assignment to a case by the judge. One day, very unexpectedly, the judge said to him, "Counselor McMann, will you take an assignment of this case?" The court waited and waited and finally the court said, "Counselor McMann, will you take an assignment of this case? Will you take this case? Answer me one way or the other."

"Your Honor," he replied, "I meant no offense; I was trying to catch my breath to answer you."

And so, anyone who has heard these addresses would have a becoming timidity against adding one word or one thought to what has been said. And we, of the Savings Bank Section, ought to be congratulated, and we ought to congratulate our administrative officers, for making such a meeting as this possible. It goes without saying that with those of us in the Savings Bank business, the railroad situation, through the medium of its securities, could well engross our consideration, and in calling a meeting of this kind, I believe we have deliberately given our O. K. and approval to remedial legislation to the railroads. We feel it is only justice for them to obtain it. One can listen, as I have had the pleasure on two or three different occasions, to railway representatives of the desirable kind—and there are many such—and understand their endeavors to have correct and just legislation extended to them.

I was very much impressed in listening to one railroad man, in mentioning the multitudinous phases of taxation, incidental to all legislation. He said there was no legal difficulty in the way of Congress passing a law which would give the National Government the absolute control, as far as railways were concerned. Being asked why it was not done, he said, "It was due to timidity and cowardice on the part of our Congress."

I think in view of that fact, and the multitude of facts which have been so well presented to us today, that we can well go out and work for not only prosperity, but fairness and justice and intelligent treatment.

THE PRESIDENT: One word from the Honorable Mr. Humphreys, who has represented this State in Congress and who will soon represent it in another capacity, I firmly believe.

HONORABLE W. E. HUMPHREYS: Mr. Chairman, Ladies and Gentlemen: This is an unusual pleasure to be asked to talk to bankers. I never felt so humble nor so proud in my life. Never before in my life have I had the unusual experience of touching elbows with real money.

I know nothing about banking; I know nothing about railroads, and according to the legislation in Washington City for the last few years, I am especially qualified to talk about it (laughter).

When we had railroad legislation under consideration in Washington recently, the railroad men were barred from Washington. They were not permitted to appear before the Committees. They had some information on the subject, and so of course, they were rejected, but the long-haired agitator, who settles all questions on the soap-box, was out in force and welcomed. The dreamy professor who did not know how to write a check, or if he did, he did not have sufficient money in the bank to have it acknowledged, was the man called on to furnish information in regard to banking.

In regard to shipping and marine matters, the shipping men of the country were not called to Washington. They were given to understand that their presence would not be received with favor and the legislation in this time of our mighty emergency was turned over to a land sailor who has not been outside of the Committee room in Washington, for a quarter of a century. And a man who has been a professed lobbyist for twenty years, assisted by distinguished cornfield statesmen who have never grown tall enough to look over a few stalks of corn to see the pumpkin in the same field with him.

I agree with Doctor Hill that we have had too much legislation. I think we have too many laws, and too little prosperity in this country to-day. I think what we need is less legislation and more business. As Doctor Hill pointed out,

Congress, in Washington, the State Legislatures, our city councils, have all been turned into incompetent machines, grinding out class prejudice, socialistic ideas, and half-baked legislation in the way of law. And I verily believe that outside of the legislation affecting appropriations and necessary for the conduct of the business of the Government, that this nation would 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 next session, outside of making necessary appropriations, should be devoted to repealing many of the laws on the statute books. A business man said to me the other day, "Mr. Humpfrey, there are so many laws on the statute books which affect business, that after I have read them I do not have time to attend to my business." (Laughter).

Government by Commissions has led to universal distrust and business depression.

There never was a more crooked and cruel fallacy than that you could benefit the laboring man by driving his employer into bankruptcy. Let us hope the day of the death of such talk in this land is at hand.

THE PRESIDENT: There are still members of sanity and of sense among the gentlemen who occupy our legislative halls, as we have just seen. May Heaven send us more, is our prayer.

I think I may extend, on behalf of the members of this Section, and of our friends who are visiting us, the very hearty thanks of the Section to both Mr. Sproule and to Doctor Hill, for their very able, illumined 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 inflict upon you 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 to the nation, and are looking forward to a fitting celebration of that event in 1916.

Looking backward over the years, he who runs may read, in the growth and prosperity of the Savings Banks, the growth and prosperity of the nation. With the one idea of service to the people uppermost, the Savings Banks have gone quietly and steadily about their task of encouraging the people to thrift. It is gratifying to find that through all the records of the Savings Bank Section there is no evidence that any selfish motive has ever actuated any of its members and the same is true of all the Savings Banks of the country—the ideal which they have striven for has been that they might serve honestly, conscientiously and efficiently their various communities. So it is with a feeling of satisfaction that we approach our hundredth year, and look forward to the beginning of our second century.

We have largely outgrown the attitude of days gone by, when every bank was sufficient unto itself, and have learned that many things affecting the welfare of Savings Banks can best be accomplished by united action. The result of this change of attitude is shown in the existence of the Section of the American Bankers' Association, and in the Savings Banks' Association of the various States.

There are two or three matters of much import that particularly call for our consideration at the present time.

The first is the growing and concerted effort which we are making, through our "Thrift" campaigns, to impress upon our citizens the importance of "thrift" as a habit and a principle—not only to the individual, but to the community and to the Nation. Hand-in-hand with that campaign is marching the School Savings Bank system. In all parts of the country, the banks, with the hearty co-operation of the local school authorities, are introducing miniature savings banks into the schools. The results are encouraging, and we are looking forward with confidence to the day when, in every public school in the land, a practical course in "thrift and savings" will be a part of every child's education.

But it is not only with the education of the children that our responsibility ends. There is another field of education which we well might enter, and that is the education of the savings bank depositor. The addresses which we heard on "The Railroads and the People" will I am sure, be of decided benefit in this direction. Whether he realizes it or not, the savings bank depositor has a vital interest in the welfare of the railroads. There are in the United States 16,590,000 savings bank depositors; every one of them is, to some extent, a partner of the railroads, because of the fact that the vast amount of \$859,000,000 is invested by the Savings Banks in railroad bonds.

Every law that is passed affecting the railroads has an effect upon the investments held by the Savings Banks as the trustees of the people. If this fact were kept clearly in view by our legislators it would go far toward having a steadying effect upon them, with beneficial results for all parties concerned.

It is quite proper to eliminate, and we are eliminating, the abuses of power and privilege that have, in the past, crept into the management of railroads. But, on the other hand, we must not attempt, while abolishing the privileges of the few to embark on what has been called the impossible and inequitable task of creating privileges for the many.

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 totally misjudge the temper of the American people if they do not insist that the railroads (in case it is proved that they are underpaid) be suitably compensated. The American people has no desire to accept any service for which it does not make an adequate return.

Heretofore the Savings Banks have kept silent as to the affairs of the railroads, but, in view of the vast interests they represent; in view of the millions of depositors whose trustees they are, it would seem to be only proper that they ask to be heard. The Savings Banks have no axe to grind. The Savings Banks hold 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 hope 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 can only get together, with a sincere desire to work for the common good, in a spirit of mutual confidence and forbearance, that the railroad question will be settled 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 179.]

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 this time 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, so as to save our time this afternoon, and give the Committee a chance to look over the field before reporting nominations for officers for the ensuing year; the members of that Executive, or rather Nominating, Committee were Mr. McWilliams, Mr. Nowell and Mr. Stevenson, who will report at the proper time in the proceedings. Mr. Lersner, gentlemen of the Convention.

Report of the Methods and Systems Committee.

[The report of this Committee appears on page 179.]

THE PRESIDENT: Gentlemen of the Convention, you have heard the report of the Committee, what is your pleasure regarding it?

(Moved by Mr. Ruder, and seconded by Mr. Dinkins, that the report of the Method and Systems Committee be received and placed on file with the thanks of the Section.)

MR. JOSEPH R. NOEL: Does that carry with it a concurrence in the recommendations? I think that should be embodied in the motion.

THE PRESIDENT: If the maker of the motion is agreeable to that, and the seconder also agrees with it, that that motion carry with it the approval of the recommendations as far as it can, if it be agreed to.

MR. RUDER: Yes, I accept.

MR. DINKINS: We accept.

THE PRESIDENT: Are you ready for the motion?

(Motion put to viva voce vote and declared carried.)

THE PRESIDENT: We will now hear the report of the Membership Committee which will be read to us by Mr. George E. Edwards.

MR. EDWARDS: Mr. President, and gentlemen of the Section, I will now read the report of the Membership Committee, which is as follows:

Report of Membership Committee.

[We have found it impossible to obtain a copy of this report.—Ed.]

(Moved by Mr. Beckwith and seconded by Mr. Lersner that the report of the Committee be received and placed on file.)

(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. F. Hawley, Vice-President of the Section.

Report of the Law and Segregation Committee.

[The report of this Committee may be found on page 180.]

(Moved by Mr. Robinson and seconded by Mr. Lersner 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: The report of the Special Committee on Postal Savings Legislation, Mr. E. L. Robinson, Vice-President of the Eutaw Savings Bank, of Baltimore, Maryland, will now be read:

Report of Committee on Postal Savings Legislation.

[The report of this Committee appears on page 181.]

MR. DINKINS: I move you, Mr. Chairman, that the report be received and placed on file. In doing so I desire to state that I was fortunate enough to be placed in the position—or, rather,

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 before Congress; they spent some time in Washington before the committees; and not only achieved the success which that report shows, but for one, for this Section, I wish to assure that Committee of the warmest appreciation for the work and the success which the Committee obtained which is due to the work of that Committee, as members of the Committee and as personal portions of the Committee. I think the whole Section is indebted to that Committee for that successful work. It is unusual for any committee to go before a committee in Congress and to have as much success as these gentlemen have obtained. 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, that 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.

THE PRESIDENT: Yes.

MR. DINKINS: The motion is 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.

(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: Mr. President, to follow up the idea embodied in Mr. Edwards' paper, I have been requested to submit this motion, which I introduce:

These recommendations are made, of course, predicated upon the permission to be given the Savings Bank provisions which are in the Federal Reserve Act, and which are qualified to rate as commercial banks and to receive the same considerations, to receive currency, in other words, from the Federal Reserve Board. It should not be expected that the privileges they obtain shall be any greater or better terms than commercial banks themselves obtain. Those qualifications are not necessary to be stated here. This is simply a request that Savings Banks be permitted, of course upon proper conditions and qualifications, to carry currency through the intermediation of the bank member of the Federal Reserve, and that such security may be obtained. I submit the motion to you.

MR. LERSNER: I move that the very admirable and attractive paper of Mr. Edwards be received and placed on file and that the request or resolution offered by Mr. Hawley be approved.

THE PRESIDENT: You have heard the resolution, gentlemen. As it stands, the resolution is offered for the purpose of provoking or eliciting the opinion of the members of the Savings Bank Section who are present, if they care to give their views upon that subject. If there is anyone who would like to discuss the question, the opportunity is now offered.

MR. McVAY: I would like to inquire whether this will cross purposes with the other efforts being made and put forward to secure the admission of the State Savings Banks under the Federal Reserve Act, or is it in consonance with the other efforts put forth?

THE PRESIDENT: I do not see how it could conflict in any way, and if we should pass the resolution as the sense of this Section, then it must meet with the approval of the Executive Council of the Association, and be presented in full Convention, and it is quite probable it may not receive the approval of the Executive Council; and if presented upon the floor of the Convention, it may not pass the Convention. But it seems to me that it is an effort in the right direction. The Savings Banks have nothing less, if this goes through. It gives them, if successful, another means of getting currency in time of stress. Personally, I doubt very much whether our efforts will be successful; as the Federal Reserve Bank is only supposed to issue currency on short time liquidated paper, 30, 60, or 90 day paper, and this would be far past the principles underlying the Federal law. I have certainly a doubt as to whether it would pass or not; but if it did pass, we have gained something. If it doesn't, we have not lost anything. But I think that the Federal Reserve Bank, and some of the Government officers, and officers of the Federal Reserve Bank have expressed themselves as being heartily in approval with anything that would help the Savings Banks in time of stress. As it is now, our only chance for currency is the depository bank; and in time of stress they would probably have all they could do to attend to their own wants; and I do not think it is fair, although they are willing to accept the burden as part of the general burden, to ask them to look after their own wants, and besides looking after their own wants, to shoulder our wants onto them. If by the passage of such law as this resolution would ask for, the burden could be shifted directly to the Federal Reserve Banks, and not shouldered entirely by

our depository banks as it now is, that, it seems to me, would be the proper view of the situation, as I see it.

MR. —: This resolution does not say whether it goes in, with the endorsement of the bank, it is not—I suppose it has to be endorsed and guaranteed by the bank itself.

THE PRESIDENT: If that has gone as far as that, if they do pass the resolution, I have no doubt they will add such provisos as they see fit, to make it reach the situation.

MR. —: It might be absolutely necessary to have that.

THE PRESIDENT: It would seem to me it would be, because when they present paper for re-discount now, it must bear their endorsement; and this must take the same course.

MR. ROBINSON: This is a very important matter coming before us for our consideration; and I doubt whether all of the members present have a correct idea of the subject matter of the resolution; and I would therefore suggest that it be read again so that we may know just what this resolution is offered for.

(Resolution read by the Secretary.)

MR. SCHMIDT: This motion has been seconded, hasn't it?

THE PRESIDENT: No, it has not.

MR. SCHMIDT: Mr. Chairman, I second the motion.

MR. NOEL: I may be misinformed about the situation, but if I understand it correctly, this is all subject to the action of the Convention proper.

THE PRESIDENT: Absolutely. Before its acceptance, it has to be submitted to the Executive Council for approval, and if they approve it it is then submitted to the Convention, and it is then handled according to the by-laws of the Association.

MR. NOEL: Would it not therefore be well to incorporate into the motion a suggestion to the effect that we recommend the adoption of this resolution subject to adoption by whatever the body may be?

THE PRESIDENT: That is in the motion.

MR. NOEL: That is in the motion already?

THE PRESIDENT: Yes.

MR. ROBINSON: 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. ROBINSON: I am under the impression it has been thoroughly threshed 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 were put before the Committee, and 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 these 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, 20 or 30 or 40 years. I have an idea this matter has already been gone over carefully and conscientiously by the Federal Reserve Board; and it is practically impossible to ask or to have the bill amended in such a way. I think inasmuch as the matter has been already passed upon very carefully, that we ought rather to go slow about committing ourselves to a proposition that many of us believe is economically unsound.

THE PRESIDENT: Is there any further discussion?

MR. McVAY: I hesitate to speak so frequently, but I do not want to be considered backward, either, Mr. Chairman. But if this resolution should go through, 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 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 those in the West have not; and vice versa probably. But there may be times when banks in the South might be affected by conditions that did not prevail in the North; or governed by conditions either local or district; and consequently I dislike to vote either for such a provision that Savings Banks should not demand notice except in times of great National peril; I think it should be proper for banks in certain localities to demand notice when there is not perhaps a National peril.

THE PRESIDENT: The point is well taken. Is there anybody else?

MR. DINWOODY (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 done; and how are we going to get 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. DINWOODY: 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. DINWOODY: That's what I want to find out.

Mr. HAWLEY: As I stated, I submitted that resolution by request, and in view of the statements made, and of the reluctance manifested upon the part of some of the members present to approve of everything stated in it, I will suggest, or rather, Mr. President, move that it be re-submitted to the Committee on Law, or some other particular committee, if there is not a general approval of it. I am not in favor of everything in it myself.

Mr. TETER: I would like to second the motion, and in doing so may I have a moment, Mr. President?

THE PRESIDENT: You may.

Mr. TETER: I regret very much to have come in late to this important session where you have honored me as an officer; but I have been so tied up with another matter, that it was impossible for me to come any sooner. 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 Association proper for a checking up on this matter. Right here, now, I must suggest that we begin to advise ourselves of our own responsibility. We must do that; and we must be sure that we want this to go through, even if you do have to submit it to a higher power later on. That must be arrived at as an ample foundation. Then as to the main point itself, I shall not take up your time at this late hour in discussing it. I was prepared to say very definitely that I believe that the Savings Banks of the United States must come eventually to the mountain instead of the mountain coming to them. I believe that liquidated currency must be based upon liquid assets, and that commercial paper, representing transactions which clear themselves, are to-day the only liquid assets aside from our cash, that banks possess. If it means, instead—I am speaking to the point, am I not, Mr. Chairman?

THE PRESIDENT: Quite to the point.

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 have always found when I wanted to use bonds myself was the time when I could not afford to use them; and that commercial paper, in two crises, and I have been the senior officer of my institution during both times, have been the one thing that we could depend upon, and depend upon absolutely. Just another word. Another 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 trilling shrinkage, considering the fact that perhaps even the whole of the five thousand dollars was not entirely lost, as was the case with bonds in that very time. In one sale of twenty million dollars worth of bonds, at such a time, there would have been a severe loss many times exceeding five thousand dollars. Now, I am not trying to offset this, but I am simply raising these points to indicate that you are treading upon a tremendous problem, and unless you have had an opportunity to canvass this motion thoroughly, I believe that a reference back to the Committee, or whatever it is, with the recommendation that the whole subject should be gone into thoroughly, would be the best thing. Personally, I believe that the Savings Bank should have authority to carry a reasonable amount of commercial paper.

Mr. DINKINS: The idea seems to be that the Savings Banks should be allowed to invest a certain amount of their money in liquid securities. One statement made by Mr. Edwards seems to me will justify why I believe that that is the proper thing to do. When the people are sure that they can get their money when they want it, they will have no disposition whatever to withdraw it. In the State of Louisiana the laws are very liberal as to Savings Banks. There are no restrictions placed upon them as to the amount of investments, or as to the amount of liquid character of assets; and the result of that is that Louisiana has on deposit in the Savings Banks more than four million dollars more than any other State in the Union. In our sister State of Mississippi they make it necessary that in order to foreclose a mortgage, one year shall elapse after the mortgage becomes due before the property can be sold. In the State of Louisiana, when a mortgage falls due, the property can be sold within ten days without any advertisement, or any other ceremony except to notify the parties that unless the money is paid within ten days the property will be sold.

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, notes of merchants, and enterprises of different kinds, lumbering interests, and so forth; and I don't think in the experience of any banker in Louisiana has any of that paper ever gone to default; and

a man or an institution which will issue paper of that kind could not afford to allow that paper to go to protest; and we consider that, in Louisiana, the best investment for a bank in order to secure quick returns. The idea, you know, is, that if a man can get his money, why, he does not want it; as a matter of fact, the most of our Savings Bank depositors are women; and naturally they are very, very timid about their savings; but whenever they know they can get their money, there is no further anxiety upon the subject. Fortunately for my institution, we have never placed any restrictions upon our depositors, either commercial or savings. We say to them, "Whenever you want your money, come and get it"; and we have never in our experience felt the slightest disposition or evidence of a run. When the trouble came on in 1907, as soon as it appeared, I gave notice to the men in the office to say to any of their friends, that if they felt any anxiety about their money, to come and get it; and we did not have a single withdrawal; nor did we have any withdrawal beyond those in the usual course of business. I think there is nothing more important for the welfare of the Savings Bank than to make some kind of an arrangement which will enable them in their States—it is not necessary in my State—but 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 harm can come of it; I don't believe the men who manage the greatest institutions of this country are unwise enough to invest in any securities that they cannot realize on. But whether we believe in the Regional Bank System or not, we have connections with other banks. Now, my bank is a country bank; while it is a suburb of New Orleans, across the river—I have two banks, one in Gretna and one in Kenna; and we have a city depository in Chicago, New York and St. Louis; and if we are not able to arrange to comply with the conditions of the Regional Board, we can do our share through our city depositories. We have the collateral that is acceptable to them, and they can get the money themselves when it is needed; and I think all our correspondents and the correspondents of every one will be familiar with the character of the collateral we can offer them in order to obtain from the Regional Bank over them such funds as we need. In other words, if I would say to my correspondent in Chicago that I wanted so much money, and that my collateral was so and so, they would have confidence in the selection of the collateral because they know and 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 this country, in different States, to invest their money in quick assets; I do 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 end than to have that resolution passed and adopted before the Regional Board.

Mr. SMITH: Coming from one of the principal intermountain States, the State of Utah, the laws of Utah regarding Savings Bank investments are liberal. The last legislature we were successful in having a law passed which provided that Savings Banks could invest their funds in such bonds as the Board of Directors saw fit. Now, in the Savings Bank in which I am cashier, we have never yet seen fit to carry but a certain amount of commercial paper. We have none of that class of paper in the intermountain country; we have to go East to get it; and even in view of that, we don't feel justified in being without a certain percentage of our deposits in commercial paper, and another percentage in stocks and bonds which are listed upon the New York market. Now there is not in our country any commercial paper. That is, when I say none, it is only a small percentage which can be used by the Federal Reserve Board. I am not asking you that Congress should pass any law permitting them to issue currency upon bonds running over a series of years from the time they are taken; and I do not believe it has become necessary to ask Congress to pass a thing we know they are not inclined to do, and which would be a reflection upon us, to ask them to do something that we have no faith in and do not believe in.

THE PRESIDENT: Inasmuch as the author of the resolution has asked for its withdrawal, and that the seconder has agreed to do so, 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. HAWLEY: Yes, refers it back to the Committee—everything in this resolution is referred back to the Committee.

Mr. SCHMIDT: 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, 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 a National Bank also. 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 somewhat amazed to see notices posted up in Savings Banks requiring depositors to give a certain length of time of notice to them before they could get their money. I at once telegraphed my people out here and told them what the conditions were there because I expected that that condition would prevail throughout the whole country. We did not even feel a ripple of it out here on the Coast; at least, not in Oregon. There was no demand made upon us for 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 I differ with the gentlemen who read the paper, from New

York. I think one main element of people is they have confidence in the management; and if it is generally known, as has often been said, that if people know they can get their money any time, they do not want it. That is true all the way through. If 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 year, Secretary McAdoo was here, and when he was 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 could become a member, and he said that the Federal Reserve Act was not intended to take in Savings Banks, and that Congress would have to pass an amendment to the original bill or law before Savings Banks could come in, and he expressed himself as being favorably disposed to have such an amendment added to the law.

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 the suggestion, but it is simply to call the attention of Congress to such a situation. As a Savings Bank we keep a certain amount of our 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 undoubtedly attention will be given that 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 how it affected us. It is an American maxim that people do not want their money as long as they can get it, and if some measure could be passed by Congress which would make it possible for Savings Banks to realize upon their assets—of course there would be a limit to the amount to be required to be paid into the Reserve Bank—I think it is a move in the right direction and I am in favor of it, and I will certainly consent to the withdrawal of the resolution.

THE PRESIDENT: The motion is to withdraw the present resolution and refer it back to the Committee.

Mr. HAWLEY: I made the motion which was to refer it to the Committee.

THE PRESIDENT: You mean to our own Committee on Law and Segregation, is that it?

Mr. ROBINSON: With full power to take whatever steps that Committee thinks wise.

Mr. HAWLEY: I will consent to that.

THE PRESIDENT: You have all heard the motion, that it has been consented to, that this motion be withdrawn and the whole matter referred to the Committee. Is that your pleasure, that the motion pass and that the gentleman who made the resolution consents that it be withdrawn and referred to the Committee on Law and Segregation? Do you consent to that?

Mr. DINKINS: For immediate action?

THE PRESIDENT: I do not see how we can get immediate action with power to act. If they can get it to the Committee that is all that will be accomplished.

Mr. DINKINS: What good is it then?

THE PRESIDENT: It would come up a year from now.

Mr. DINKINS: Do I understand that it would come up a year from now? I do not think we should postpone action.

Mr. McWILLIAM: Do I understand it, Mr. President, that the Savings Banks are absolutely barred from joining the Federal Reserve System should they desire to do so?

THE PRESIDENT: Absolutely, because of the fact that they have no capital stock, and consequently cannot subscribe a certain portion of their capital stock to the Federal Reserve stock.

Mr. McWILLIAM: Do I also understand, Mr. President, that, in the main, Savings Banks are barred from the purchase of commercial paper?

THE PRESIDENT: That is absolutely so in our State, and also in other States.

Mr. McWILLIAM: Naturally, therefore, it seems to me this resolution is an important matter to mutual savings banks in the East which are, as I have it, barred from the privilege of joining the Federal Reserve Board if they so wish, and also barred from the purchasing of commercial paper, which we in the West are entitled to purchase if we desire.

THE PRESIDENT: Yes.

Mr. McWILLIAM: And it seems to me that we should not dispose of this matter without giving consideration to a very important subject to mutual savings banks in the East, and therefore I would personally like to see some action taken upon it which would not pigeonhole the matter another year, but would, if possible, bring it up at this Convention.

Mr. LESSNER: It seems to me we have gotten most excellent results in the form of legislation through a Special Committee, namely, the Committee on Postal Savings Legislation. I myself can see no reason why this Committee could not proceed in the same way as the Committee on Postal Legislation has proceeded and possibly obtain some definite results without going through the machinery which has been referred to.

THE PRESIDENT: I think that point is well taken. As Mr. Smith has been saying, I think the possibility of the passage of a law like this, even if we agreed upon it unanimously and the Association was unanimous here concerning it, is somewhat remote. It seems to me, if you will pardon me, speaking from the Chair, that it would be wise to refer it to a Committee who may take the matter up with the Federal Reserve Board and see if they could thresh out some amendments to the law which would be acceptable to them and acceptable to us, and relieve the situation. Something has been said about delay. As a matter of fact, in that kind of a matter I do not think it makes any difference, a delay of six months or a year. It is absolutely impossible now, it seems to me, that we can get through exactly what we want. I think if the matter were referred to the Committee on Law and

Segregation, that they have power to confer with the authorities on the Federal Reserve Board and see if there is some possible way to arrive at a solution and relieve the situation. That, it seems to me, would go further and accomplish better results. I may say I think this paper has accomplished all it has really intended to do, and that is to stir up the question in your minds and set you to thinking about it, so we can all think about it; and it takes the course intended, being referred back to the Committee, and the Committee can and no doubt will be glad to receive suggestions from us which will bear upon the subject, and if they go about the matter as our Committee they will be more likely to accomplish some good result.

Mr. LESSNER: From all that has been said upon the subject, I gather that we are not fully agreed upon the measure being presented to the authorities.

THE PRESIDENT: We are not.

Mr. LESSNER: Then why refer it to a Committee and ask them to do something that we are not agreed upon?

Mr. SMITH, Utah: May I submit this? I think there is a chance, as I said a while ago, that the main body will pass the resolution, agreeing to ask for legislation. Then we have everything to gain and nothing to lose. If we make some step forward we are that much better off. As far as I am concerned, I think we have made more progress here and I am not in favor of abandoning it. I would rather go ahead a little. Isn't this true, that the diversity of opinion has centered around the paragraph as to the character of the securities which are to be asked the Federal Board to take, in this short paragraph that currency may be obtained upon security of the kind and character described in the legislative measure?

THE PRESIDENT: Yes.

Mr. SMITH, Utah: Then we probably could not agree on the exact reformation of that paragraph in so large a body as this, but if you referred it to a committee I think that would be making some progress. I think if it is referred to a committee with power to act as agreed beforehand, that they should amend that paragraph so that it would be sure of acceptance and would appeal to the best political economists and to our financial men whose ideas are correct, so that it would be accessible to everybody. In other words, may we not express our opinion and give a direction to the Committee as to how this paragraph should be amended, and then I do not see why they could not thresh it into shape. The other part is good, except I would like to see the word "National" stricken out, as I said a while ago.

THE PRESIDENT: The object of that is this. In the East, we have in New York and several other States bought bonds, long-time bonds, 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 intermediate bank to get a discount; and this whole discussion was for the purpose of opening a way where the bank that had no commercial paper, and under the law of the State could not invest therein, might possibly come within 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 thresh out a thing of this kind in a meeting of this kind.

Mr. McVAY: Do I understand that we are asking to do something that the law does not permit a Regional Bank to do?

THE PRESIDENT: Yes.

Mr. McVAY: It seems to me we can't accomplish anything like that. It seems to me better to secure that authority through legislation.

THE PRESIDENT: I think that will be eventually done if we can act on this resolution that way.

Mr. LESSNER: I think it might throw some light on the subject if Mr. Edwards would relate his conversation with some of the members.

Mr. SMITH, Utah: I think its reference to a committee with power to draft such a bill as required might be a better way to accomplish the idea by the use of proper language in this resolution, and I think it is a step forward to get a committee of that kind to act upon this matter, and if they do not do anything for a year, they can bring it in then with their recommendation.

THE PRESIDENT: That is my idea, that we have—I think we are biting off more than we can macerate.

Mr. LESSNER: It can't be done.

THE PRESIDENT: It can't be did.

Mr. TETER: I think that this ought to be referred to a committee to be studied for a year, and to be brought before the Convention next year with it outlined in better shape.

THE PRESIDENT: There ought to be a motion that this matter be referred to a committee appointed to study the matter.

Mr. TETER: Have you a standing committee?

THE PRESIDENT: We have a standing committee.

Mr. TETER: As an amendment and substitute to all motions before us upon this subject, I now move that this question be referred to a committee for such correspondence and study and investigation as necessary, with instructions to report back to the conference a year hence.

Mr. DINKINS: I second the motion, all of the several motions.

THE PRESIDENT: For a study of this subject and conditions relating thereto, with instructions to report back at the Convention next year?

Mr. HAWLEY: In the meantime, the committee should do something in Congress, if it can, that should not be prohibited.

THE PRESIDENT: Oh, yes, by all means.

Mr. HAWLEY: I think you had better leave it as you did in the Postal Committee. They gave the matter attention and the result was good as possible, and let us give the committee as much power as possible.

Mr. McWILLIAM: I think so.

Mr. TETER: I made the motion run to what seems to be—I don't mean to say upon this subject, but on the question of this new amendment to the Constitution of the American Bankers' Association, which would indicate that we will not have a right to do that between conventions; that is why I made the motion as I did. Of course, I am anticipating

the passing of the amendment to the Constitution, and if it is defeated then we will have the right.

THE PRESIDENT: That is, under the new proposed amendment, taking away from the Sections the power to do anything without going to see the main body?

MR. TETER: Yes; and I made the motion in accordance with the spirit of that resolution, and that may simply be tentatively accepted. If that amendment don't go through, this committee can do what Mr. Hawley suggests; but if that amendment goes through, as I understand it, we cannot appear in any legislative place until what we have proposed has been approved by the Executive Council and the Convention as a whole. That is right; I am entirely acceptable to that.

MR. DINKINS: It seems to me our Law Committee ought to agree on some kind of action and formulate some kind of a document which would be satisfactory to the savings bank people, and then let them refer to the Regional Board to see that it is satisfactory to them.

THE PRESIDENT: The difficulty there would be that the committee, with the best intentions in the world, might agree upon some amendment that they thought would be acceptable to the sectional membership, and then come back to the session and find it was not agreeable to them at all. Now it seems to me the best way to do this thing is to refer it to this committee, they to study it and refer back to us a year hence the result of their deliberations. That would appear to me to be the best method to pursue.

MR. McWILLIAM: I would like to offer an amendment. I am heartily in accord with the motion, but 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 go as far as they can.

THE PRESIDENT: You have all heard the amendment and we have to put the amendment to a vote unless Mr. Teter accepts it.

MR. HAWLEY: That was the original motion. Or what 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: Well, I don't know as we can put it that way.

MR. NOEL: I don't think that ought to be.

THE PRESIDENT: Well, to the committee with power?

MR. NOEL: Yes.

THE PRESIDENT: The motion will be put to vote.

(Motion put to vote. Carried.)

MR. NOEL: What position does that leave the resolution in before the main body?

THE PRESIDENT: All we can do is to refer to our committee.

MR. NOEL: Pardon me.

THE PRESIDENT: Referred to our committee. It is also provided in our by-laws that if it passes here it may pass there; but not having been passed here, it does not pass there. And then we will have to withdraw from them entirely.

MR. HAWLEY: The Convention has never seen the resolution and someone will have to submit that to this Convention.

THE PRESIDENT: The gentleman instrumental in presenting it must give the customary fifteen days' notice.

MR. HAWLEY: 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 even then we cannot go back over fifteen days; so those 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. LERNER: In the midst of this discussion, I think this has been lost sight of, that Mr. Edwards' paper be received and spread upon our minutes: is a matter that has not been taken care of in the discussion of the law.

THE PRESIDENT: Mr. Edwards' paper will be received and placed on 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 any member 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, now will make the report.

SEATTLE, SEPTEMBER 7, 1915.

Mr. President and Members of the Savings Bank Section:

Owing to the wealth of excellent material to be found in the Savings Bank Section, your Nominating Committee was confronted by 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:

For President, N. F. Hawley, Treasurer Farmers & Mechanics Savings Bank, Minneapolis, Minn.

For Vice-President, Geo. E. Edwards, President Dollar Savings Bank, New York City.

For Members of the Executive Committee to serve three years: J. H. Edwards, Vice-President Dexter 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, Gretna, La.

Respectfully submitted,

MR. LERNER: I move that the nominations be closed.

(Seconded by Mr. Hawley; motion put to vote and carried.)

(Nominations declared closed by the President.)

MR. LERNER: I move that the Secretary be directed to deposit a ballot for the names nominated by the Nominating Committee.

(Motion duly seconded, and on being put to vote was declared carried.)

THE SECRETARY: I hereby cast one ballot for the names set forth in the Nominating Committee's report.

THE PRESIDENT: Have you cast the ballot?

THE SECRETARY: I hereby cast a ballot for N. F. Hawley as President, Mr. George E. Edwards as Vice-President, Mr. J. H. Edwards and Mr. H. P. Beckwith and Mr. Dinkins as members of the Executive Committee to serve three years.

THE PRESIDENT (Mr. Knox): I congratulate you upon your election, gentlemen. Mr. Hawley will now please step forward. Mr. Hawley came forward.)

RETIRING PRESIDENT KNOX: It will be my greatest pleasure to pin upon your bosom the badge of your office. It has been a pleasure, Mr. Hawley, to set with you during these past three or four years we have been associated together; and I might say, not only to you but to the members of this Section, that you have been foremost in all the good work that the Section has undertaken; and that you have been wise in counsel, that you have been calm and deliberate in your judgment, and that you are a very worthy successor to a long line of Presidents, of whom I am the last and the least.

INCOMING PRESIDENT HAWLEY: I find it a little embarrassing to rob you of the humor with which you have been entertained by the retiring President, and I beg to tell you that you will find that absent in the coming year. I have the honor to present Mr. Edwards. Will you come forward, Mr. Edwards?

(Mr. Edwards comes forward.)

MR. HAWLEY: Mr. Edwards, I have the honor of presenting to you the insignia of the vice-presidency of this Convention. In doing this, I am going to promise you more work than I have done in the past year, as much of that was absorbed by the retiring President and previous Vice-President, much to the benefit of the Association. But I shall warn you to prepare yourself for some work that will add much the next Convention and as much as done by any Vice-President.

MR. EDWARDS: I thank you very much.

RETIRING PRESIDENT KNOX: I beg leave to usurp the functions of your office for the moment while I perform another pleasant duty.

PRESIDENT HAWLEY: You may be President *pro tem*.

MR. KNOX: I would like Mr. McWilliams to be so good as to step forward.

(Mr. McWilliams comes forward.)

MR. KNOX: Mr. McWilliams has done great work for this Section in the years he has been our Secretary. It was a great grief to us when he resigned, but it was a great pleasure to us that he should have gone to a higher sphere of larger activity. Our grief at his resignation has been considerably assuaged by the fact that we have found in Mr. Harrison a very worthy successor, and as the years go on he may attain to something like the efficiency that Mr. McWilliams possessed. (Laughter.) He is young and he has not had the experience, but we know very well that as the years roll by he will almost reach the same altitude as our friend McWilliams. (Laughter.) We have as a slight expression of our regard for the years that Mr. McWilliams served us so well and faithfully as Secretary, to pin upon his bosom a Secretary's badge. I do not believe he has one. We want him to keep this and remember the days he worked so hard and got so little from the Section. (Laughter.)

MR. McWILLIAM: Mr. President, this is so sudden that I feel a good deal like the fellow who was drawing a load of grain to town and had to go up a steep hill and there was a hole in the wagon, and by the time he got to the top of the hill he had lost all the grain; and just as he got over the top he got stuck in a mudhole; and he had not noticed the loss of the grain. But when he got stuck in the mudhole he turned around to throw off his load, and seeing nothing there he exclaimed, "My God, how am I stuck in the mud with nothing to throw out!" (Laughter.)

That is the way I feel, but I take exception to Mr. Knox's remark. In fact, he has made me feel very much embarrassed here, but I take exception to one remark that I did so much and got so little while I served the Savings Bank Section. I can never pay you, gentlemen, for all that I received from the Savings Bank Section. I learned from you, gentlemen, more than I can ever repay; at least I had the opportunity, and it was my good fortune to meet men from all parts of the country, men of character and strength, that renewed my faith in human nature and made me know that they were manly men, from all parts of the country, who had some other interest in life besides merely making money. My work placed me in touch with the gentlemen who have so kindly taken me into their midst. And so, altogether, I believe the debt will always be on my side, and if any of you come to Los Angeles, I am sure Mr. McVay will back me up when I say we will do all we can to make you happy while there.

MR. KNOX: Now, I regret it very much, gentlemen, but in my eagerness to pin that badge on Mr. McWilliams, when I saw him going out the door, I was to get him before he got away, and I forgot that Mr. Hawley had not presented Mr. Edwards to you in due and proper form and had not given him any chance to say a word to the gentlemen of the Convention. Mr. Edwards, gentlemen. It gives me very great pleasure to have you here, and I very much appreciate what you have done this afternoon.

MR. EDWARDS: Gentlemen of the Convention. I appreciate the honor that you have bestowed upon me in this Convention. When Mr. Hawley, the President, refers to the work he proposes we should do in the coming year, being geographically located in close proximity to the general offices of the Association, because I am in New York, I shall be able to render, perhaps, more service as an assistant to the Secretary than if were located in some other part of the nation. However, it will be my effort during the period I occupy the position to do

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. DINKINS: 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. DINKINS: 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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