

# BANKERS' CONVENTION SECTION

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

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### THE CHRONICLE.

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### INDEX TO ADVERTISEMENTS

A complete index to the advertisements appearing in the present issue of the Bankers' Convention Section will be found on pages 97 and 98.

### OUR GOLD RESERVE, NOW AND AFTER THE WAR

Probably no question engaged the mind of the National Bankers Convention more strongly than the probable bearing, on conditions after the war, of our huge accumulation of credits through the war-time balance of outward trade and the consequent unprecedented increase in this country's stock of gold. As to the economic position in which these achievements will have placed the United States, there can be no dispute. During the calendar year 1915, this country's merchandise exports were larger by \$1,066,000,000 than in any previous year, and the surplus of our exports over imports greater by \$1,080,000,000 than the previous best record. In the eight months ending with August of this year, exports increased \$1,204,000,000 over the corresponding period even in 1915 and the excess of exports increased \$688,700,000.

Gold imports last year in excess of exports were

\$258,000,000 larger than the similar excess in any previous year, and the net gold imports during the eight first months of 1916 were nearly as great as in the preceding year. On September 1 this year, the Government estimate of the stock of money in the United States showed that money in the form of gold had increased \$632,000,000 since January 1, 1915.

Nor is this all of the great change in our annual international trade balance. The recent estimate by Mr. Lorce indicated that the United States had redeemed between January 31, 1915, and July 31, 1916, \$1,288,000,000 of American railway securities previously held abroad. We shall no longer, therefore, have to send abroad each year the substantial amount in interest and dividend remittances due on these redeemed securities. We shall, moreover, at the end of the present year, be receiving from abroad interest on something like \$1,800,000,000 on securities of foreign states and corporations, placed in this country during the war.

Nevertheless, the question of our international trade position after the war—particularly the question of our exchange of gold with Europe at that time—continues to engage attention. It is evident on the face of things that Europe will naturally use every means to reduce the balance against her in her annual trade relations with the United States, and in particular will labor to build up again her own reserves of gold. How will these influences affect our own post bellum situation?

Two speeches before the National Bank Convention directed attention thoughtfully to these important economic problems. President Vanderlip of the National City Bank referred in his speech to "the sensational influx of gold that seems dangerously likely to submerge us in our own prosperity"; adding that "it would be most interesting to attempt an analysis of the ultimate effect on prices, on our national welfare, of this unprecedented accumulation of reserve money. It would be worth while to study what is likely to be the ultimate effect upon our money market of this importation of gold, as well as the potential possibilities for inflation in the Federal Reserve Act itself." As regards our export and import trade and the balance of merchandise exports, after peace, Mr. Vanderlip further suggested that "under the pressure of necessity, the British people have become

enormously more productive. Industry has been lifted out of the ruts of custom and rule, initiative has had free play, machinery has given new powers to the workers and organization has been modernized with results that have been a revelation." He asked the question, "Will industry in the United States make the same progress?" This was his somewhat tentative answer:

"There is warning in the fact that adversity is usually a better teacher than prosperity. The latter comes by fortuitous circumstances and we enjoy it, relax, and take our ease, while adversity puts men upon their mettle and calls up all their resources. In some respects we shall be stronger after the war. We shall be richer, our productive equipment will be better than ever before; but these will not avail without a spirit of unity and good understanding in our industrial organization. The account we give of ourselves will depend at last upon the men behind the machines."

Mr. Paul Warburg, of the Federal Reserve Board, touched on the same question in his address to the Convention. Recognizing the abnormal character of our recent import of gold, he expressed the opinion that "the national bank currency ought to be systematically withdrawn and the greenbacks ought to be gradually turned into gold certificates." But this was for the period of war itself. Having noted that "there never was before in the world a period of inflation such as is now in process in Europe," and that "the adjustment after the war will create the keenest competition for the yellow metal," he gave the positive judgment that the very fact of the great surplus stock of gold accumulated in our Federal Reserve Banks, our private banks, or in our general circulation, would in any case make us "the target for gold withdrawals" after the war.

With what result? Mr. Warburg thus outlines the possibilities:

"Let us suppose that our member banks' excess cash reserves have been wiped out, either by gold export or by expansion of the loan and deposit structure; let us suppose that our discount investment rates are fairly low as compared with those prevailing in Europe; let us suppose that our shipments to foreign countries will no longer exceed our imports. Then, as money flows where it can safely earn the highest returns, our bankers will probably have to finance foreign countries in government loans and individual transactions.

"We are faced with the simple question, Will we be strong enough to share our plenty, during the coming period of stress, with other nations and be the world's banker, or will we be so weak that, when these demands come, we must stop them at once by raising our discount rates high enough to retain our gold at home? . . . Our foreign competitors will proclaim that only a country willing to part freely with its gold may safely be accepted as the world's banker."

These are highly interesting considerations. The answer of most business men to the questions raised by them would probably be that Europe will not find it altogether easy to establish a credit balance, in its annual exchange of goods and credits with the United States, large enough to

affect such immediate results. Theoretically, it might be done in one or all of three ways—through an abnormally great excess of merchandise exports to the United States over imports from the United States; through continuance of the sale of new European securities in American markets on a very large scale; or through money rates on the open markets of Europe, so continuously high as to attract great sums of capital from the United States, with a resultant sharp turn of the foreign exchanges in favor of Europe and a large export of gold from this country.

There is something to say both for and against these probabilities. Europe will undoubtedly endeavor to export merchandise after the war, as largely as its own conditions admit. But the question is, whether that can be done, at any early date, on such a scale as to reverse the balance with the United States. Opinion on this point is highly conflicting; one side basing its conclusions on the urgent necessities of Europe and the consequent probable forcing of cheap merchandise on the markets, the other side arguing from the coming demands for physical reconstruction of belligerent Europe itself, the exhaustion of raw materials on Europe's markets, the depletion of European labor supply through the war and the consequent higher European wages. We have already quoted Mr. Vanderlip's suggestions regarding the important consideration as to efficiency of European production.

Sale of new securities to us by Europe after the war, and on a very substantial scale, would be a wholly logical outcome of our accumulated wealth and prosperity. It is also true that, after the war, proceeds of such new loans would mostly be sent to Europe through the exchange market, instead of being spent in the United States, as has been the case with the great English and French loans of the past twelve months. Yet it is not to be forgotten that Europe must also provide, in the period immediately following peace, for redemption of such obligations to this country as the \$500,000,000 new French loan, the \$250,000,000 collateral loan of the British Government and the \$100,000,000 collateral French loan—all of which mature two to four years from the present time.

The question of money rates in Europe after the war is greatly disputed. Many good judges anticipate a period of very high money markets in England and on the Continent. Yet, on the other hand, high money ordinarily accompanies active trade, and the theory is widely entertained that a period of severe financial prostration and trade reaction is in store for Europe after the war. Such conditions do not ordinarily cause high money. It is also possible that rates in this country may be advanced through the auspices of the Federal Reserve Banks, if the influence of European money markets on our gold holdings were to be too great. Mr. Warburg's opinion on this point, already cited, gives the other side of that argument.

On the whole, the conclusion of most observant financiers will probably be that natural economic processes will lead to partial and perhaps very extensive redistribution of our abnormally large stock of gold after war is over, but that the movement would not be likely to proceed on a sensational scale, at any rate until normal conditions of peace had been restored, years afterward. Nevertheless, the facts and arguments set forth in the two Kansas City speeches leave the implication plain, that it is possible to place too much reliance on the permanent influence of the present huge gold supply upon the American financial situation.

### THE CONVENTION CITY

Kansas City, the meeting place of this year's annual convention, is one of the thriving commercial centers of the country, and destined, by reason of geographical location and exceptionally favorable surroundings, to a steady growth and progress. Situated at the junction of the Kansas (or Kaw) and Missouri rivers, 275 miles west of St. Louis, it is encircled by a rich agricultural territory, sometimes called the "bread basket of the world." The wheat fields of the Dakotas, the cornbelt of the Missouri river, the oil fields of Kansas, and the zinc and lead mines of southwest Missouri are, naturally, tributary to it and a part of its increasing power; while, as a trading center, it is now the chief city after leaving the Mississippi river, and confronts that vast region commonly denominated the Great West. To south, west, and north stretch rolling prairies, where soils are adapted to diversified farming, where winds are variable, rainfall abundant, and seasons propitious, insuring a continuous production of the necessaries of life and a constant increase in population, wealth, and commerce, to this favored city.

From its history we learn that as early as 1821 French fur traders, operating along the Missouri river in the northwest, established a station upon its present site. Known as Westport Landing in 1838, it marked the point where caravans upon the famous Santa Fé trail left this water route and plunged boldly into the pathless west. The adventurous spirits who "crossed the plains" in '49, to reach the fabled gold fields of California, outfitted from its stores. As the town of Kansas it was first incorporated in 1850 and for the first time named Kansas City in the subsequent incorporation of 1853. The present city really dates from the coming of the first westbound railroad in 1866. And no more potent illustration of the transformation of a continent in the space of half a century can be found than this prosperous city set in the midst of wide reaches of prolific farm lands once known as the Great American Desert!

As an index to the fertility and commercial importance of the region around Kansas City, the last available government statistics of farm values for the geographical division known as West North Central States show that this area contains con-

siderably more than one-fourth of the total farm values for the United States (\$40,991,449,090) and that its increase for the ten year period was 132.5 per cent.

#### WEST NORTH CENTRAL STATES

State.	1910.		1910.
	All Farm Property.	Land.	Live Stock.
Minnesota.....	\$1,476,411,737	\$1,019,102,027	161,641,146
Iowa.....	3,745,860,544	2,801,975,729	393,003,198
Missouri.....	2,052,917,488	1,445,982,389	285,539,108
North Dakota.....	974,814,205	730,380,131	108,249,866
South Dakota.....	1,166,096,980	902,606,751	127,220,200
Nebraska.....	2,079,818,647	1,614,539,313	222,222,004
Kansas.....	2,039,389,910	1,537,976,573	253,523,577
Totals.....	\$13,535,309,511	\$10,032,560,913	\$1,551,705,097

Kansas City is the home of the Federal Reserve Bank for District Number Ten, which comprises the States of Nebraska, Kansas, Colorado, Wyoming, about half of Oklahoma and New Mexico, and one fourth or fifth of Missouri. It is an interesting fact that this tributary territory by the same statistics contains nearly one-seventh the total farm values of the United States as shown by the following table. And if to this showing be added the farm property values of the division East North Central, namely, \$10,119,128,066 (1910) covering the States of Ohio, Indiana, Illinois, Michigan, and Wisconsin, as indicative of the axis of trade westward from the Ohio Valley region, which connects by lakes and canal as well as great railroad systems with the Seaboard through New York City, we shall discover not only the inexhaustible agricultural richness of Federal Reserve Districts 7, 8, 9 and 10 (the two geographical divisions containing more than half the entire farm values of the United States), an indubitable basis of banking growth, but the intimate relation between the jobbing trade of Kansas City, St. Louis and Chicago, as distributing centers, and the wholesale and importing trade of New York City as the leading seaport of the world.

#### FARM PROPERTY VALUES OF FEDERAL RESERVE DISTRICT NO. TEN.

State.	1910.		1910.
	All Farm Prop.	Land.	Live Stock.
Nebraska.....	\$2,079,818,647	\$1,614,539,313	\$222,222,004
Kansas.....	2,039,389,910	1,537,976,573	253,523,577
Wyoming.....	107,189,081	88,908,276	65,603,510
Colorado.....	491,471,806	362,822,205	70,161,344
1-2 Oklahoma.....	459,090,441	324,533,334	76,216,396
1-2 New Mexico.....	79,723,995	49,403,248	21,747,339
1-5 Missouri.....	410,583,497	289,196,477	57,167,821
Totals.....	\$5,727,376,377	\$4,267,379,426	\$706,643,991

The Annual Statistical Report of the Kansas City Board of Trade, for 1915, shows that there were received by the railroads during the year 58,693,950 bushels of wheat; 20,803,750 of corn; 4,527,600 of Kafir Corn, Milo Maize, Feterita; 6,247,500 of Oats; 361,900 of rye; 1,817,200 of Barley, making a total of grain received of 92,451,900 bushels. By the same report there were manufactured 2,865,460 barrels of flour; 91,800 of Corn Meal; 22,900 of Oat Meal; making a total mill product of 2,980,160 barrels, the daily flour milling capacity being 14,250 bbls. The total receipts of Grain, Flax, Bran, Hay and Flour in car loads for 1915 was 106,909. The total storage capacity of elevators is placed for the year at 21,415,000 bu. The grain handled went from 69,599,500 bu. in 1905 to above total of 92,451,900 in 1915.

Considering bank clearings, capital, and deposits, as sure indices of commercial prosperity, we find

by the same authority, that banking capital, including surplus and profits, (for Greater Kansas City) advanced from \$10,901,610 in 1905 to \$23,599,236 in 1915; that bank clearings in Kansas City, Mo. advanced in the same period from \$1,197,905,556 to \$3,835,061,547; deposits being computed, at close of 1915, at \$168,705,036. Further, while the aggregate clearings (Government statistics) of 163 Clearing Houses for the year ending Sept. 30, 1915, amounting to \$162,777,508,000 show a net decrease over 1914 of \$1,072,303,000, four of the principal 14 cities in the list show an increase as follows: New York, \$1,082,363,000; Kansas City, \$783,721,000; San Francisco, \$39,051,000; and Cleveland, \$97,362,000.

As of dates Sept. 12, 1916, under call of Comptroller, the relative standing and business of the national banks of Kansas City are shown by the following condensed table:

	RESOURCES			
	Loans & Discounts	Cash & Sight Exchange	All Other	Total
Park.....	\$183,002	\$93,236	\$5,269	\$259,507
First.....	18,469,964	24,214,725	2,441,295	45,126,084
Commonwealth.....	4,355,929	2,707,395	152,500	7,215,824
Drovers.....	7,218,603	6,604,195	233,225	14,056,023
Gate City.....	1,821,493	917,569	241,803	2,980,865
Interstate.....	7,766,434	9,791,022	224,225	17,781,681
Nat'l Reserve.....	6,435,314	5,645,474	1,220,384	13,301,172
New England.....	10,879,406	8,762,073	1,103,943	20,745,422
Security.....	781,344	578,259	251,917	1,611,520
Southwest N. B. of Com.....	26,735,131	17,789,071	4,803,921	49,328,123
Stockyards.....	1,354,936	931,886	74,800	2,361,622
Traders.....	2,127,117	1,703,144	342,000	4,232,261
Midwest.....	547,154	1,887,580	75,847	2,510,581
<b>Total.....</b>	<b>\$88,080,827</b>	<b>\$81,655,629</b>	<b>\$11,174,229</b>	<b>\$181,510,685</b>

  

	LIABILITIES			
	Capital Stock	Surplus and Und. Profits	Deposits	All other
Park.....	25,000	13,568	213,640	7,000
First.....	1,000,000	2,388,242	41,137,841	600,000
Commonwealth.....	250,000	545,078	6,370,746	250,000
Drovers.....	500,000	249,047	13,093,608	213,368
Gate City.....	200,000	63,991	2,560,670	166,205
Interstate.....	500,000	1,203,200	16,028,165	60,316
National Reserve.....	1,000,000	124,727	11,546,445	630,000
New England.....	1,000,000	664,381	15,002,061	179,900
Security.....	200,000	101,670	1,134,850	175,000
Southwest N.B. of Com.....	3,000,000	1,377,968	42,503,657	2,446,500
Stockyards.....	200,000	85,333	2,015,948	60,341
Traders.....	200,000	54,165	3,778,096	200,000
Midwest.....	500,000	52,614	1,887,966	100,000
Error in Commonw'th	5,575,000	6,924,262	161,143,693	5,067,730

  

	Tabular Statements, as of following dates, show:		
	May 1, 1916	Mar. 7, 1916	May 5, 1915
Deposits.....	143,732,580	140,176,472	116,318,632
Cash & Sight Ex.....	64,882,085	74,459,784	50,515,679
Loans and Dis.....	88,402,247	80,965,973	75,091,405
<b>Total Resources.....</b>	<b>164,859,771</b>	<b>167,184,057</b>	<b>137,306,701</b>

Estimates made by the Kansas City Star based on the September call of 1916 place the total deposits of all banks and trust companies for Greater Kansas City at \$223,078,000. (This includes Kansas City, Kansas, and other adjacents.)

Somewhat earlier comparative estimates by the same paper based on Sept. 1916 call, say: "Deposits in Kansas City national banks have increased about 30 million dollars since June 30, the largest gain ever made in that period. The total now is about 167 million dollars, 53 million more than on Sept. 1, 1915. \* \* \* \* "The state banks and trust companies also show big gains, and the total deposits in all the banks of Greater Kansas City probably will be 230 million dollars, when all figures are compiled. This is 75 million more than a year ago." (See foregoing tables for Nat'l Banks.)

The Live Stock interests of Kansas City are important and extensive. Although many of the former wide ranges have been cut up into productive farms, the grazing lands of the western plateaus continue to pour their tribute into this mart.

At the stock yards there were received, Board of Trade report, in 1915, 1,860,235 Cattle; 103,263 Calves, 2,530,730 Hogs, 1,814,683 Sheep, 102,153 Horses and Mules, totaling 114,617 cars. The packing animals slaughtered in 1905 numbered 4,812,422; in 1915, 4,785,827. From these and comparative statistics, it is claimed that: "the city is the largest winter wheat market, the second largest livestock market, and the third flour-milling centre in the United States." It is estimated that the total value of livestock marketed ranges above \$200,000,000 annually; that the sale of packing house products exceeds \$175,000,000; and shipments of stocker and feeder cattle will amount to \$50,000,000. Naturally its jobbing trade in agricultural machinery will be notable. It is an extensive hay and mule market, perhaps in these products unsurpassed in the United States as a center of distribution. It is said to "rank first in the sale of yellow pine lumber and third as a general lumber market."

The city is one of the greatest railroad centers in the country. The great systems that gridiron the country west of the Mississippi river practically all pass through or reach it by terminus.

The Mid-Census returns, but recently available, give Kansas City a population of 281,900. To gauge properly its commercial importance, however, the population of Kansas City, Kansas, 93,445, must be added, as the two cities in all essentials form one business community using in common street car systems and telephone service, with ample bridge connections. The population of Kansas City proper judged by 1916 City Directory is estimated to be 314,600. The Assessed Valuation of Kansas City, for 1915, Board of Trade figures, was \$206,753,700. As evidence of of ten years' growth it may be noted that the above Assessed Valuation is an increase from \$97,128,370 in 1905.

Statistics such as we have enumerated indicate a constant increase in manufactures for this growing city. Elements of production and distribution command it. Geological surveys disclose vast bodies of adjacent territory underlaid with bituminous coal. The raw materials for foodstuffs and clothing are abundant. Around St. Louis and Kansas City closer congest the consumers of an interior empire. Facilities of distribution, already widespread, under hoped-for favorable conditions, will grow, according to needs. A trend of trade exists from maker direct to user. Other things being equal, manufacture tends to equalize itself among the people. All these influences make for the city's continuous advancement in this division of human industry.

Kansas City is built upon terraced hills—the lowest level, or river bottom, holding most of the manufactories, the second level its retail business, the third comprising its residential district. From its heights magnificent views of wooded streams and verdant slopes obtain. For hundreds of miles around it the level landscapes invite to peace and plenty, dedicating it to leisure, opulence, culture. Having outlived its boom days, the speculative excitements of its youthful energy, it now moves forward, with assured step, to business achievements of high purpose, helpful service, and increasing magnitude. Its citizens are liberal-minded, open-hearted, devoted to the practical, yet cherishing the modern ideals of social endeavor and patriotic unity. Set in the midst of the moving millions who constitute the American Commonwealth, it is a brilliant gem in the coronet of shining cities that crowns a country of unsurpassed promise.

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# BANKING SECTION

## AMERICAN BANKERS' ASSOCIATION

42nd Annual Convention, Held at Kansas City, Mo., Sept., 28 and 29, 1916

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## *The Need for a United Nation*

By F. A. VANDERLIP, President, The National City Bank, of New York

There has rarely been a time when there were more subjects of interest which might be chosen for discussion before a convention of bankers. We have had two years' experience with the Federal Reserve Act, a law which introduced factors fundamentally novel to our banking system. One might well stop at this time and make some attempt to appraise this law in the light of the experience which we have had with it. It would be interesting to inquire just what its operations have demonstrated, just how it has commended itself to the experienced banking judgment. One might well inquire whether a banking system where the membership is almost wholly compulsory, where scarcely a bank which has been permitted voluntary choice has chosen to enter it, has been established in its permanent form; and it would be pertinent to inquire in particular whether a banking system half Federal and half State, half held together by compelled membership and half free from the authority of the Federal governing power is permanent.

You are familiar with one of the great utterances of Lincoln, when he said:

"I believe this government cannot endure permanently, half slave and half free. I do not expect the Union to be dissolved. I do not expect the house to fall; but I do expect it to cease to be divided. It will become all one or all the other."

Would it be improper to paraphrase that great utterance in discussing the present position of our banking system? Can a banking system endure, half compulsory and half free? Will it not become all one thing or all the other?

We all quite frankly understand of course, why practically no bank has voluntarily subjected itself to the action of the Federal Reserve Law. It is no secret why State banks decline to become members of the Federal Reserve system. They are apprehensive of the sort of regulation which has recently been imposed upon national

banks. They are not desirous of subjecting themselves to the sort of autocratic supervision under which the whole National banking system has grown restive.

I am not, however, going to discuss the Federal Reserve Act nor Federal supervision of banking. I am not going to discuss the fallacy of decentralization which has been a controlling motive in much recent legislation and regulation. Had I chosen to discuss the Federal Reserve Act, I would have reached a conclusion that it embodies sound fundamental principles too valuable, indeed, too essential, to our financial life to be abandoned, the free working of which, however, has been entangled and hampered in its inception by political considerations and administrative attitude to such an extent as to endanger the success of what should rightly be the most important step ever taken in American banking.

I might have chosen for a subject the sensational influx of gold that seems dangerously likely to submerge us in our own prosperity. It would be most interesting to attempt an analysis of the ultimate effect on prices, on our national welfare, of this unprecedented accumulation of reserve money. It would be worth while to study what is likely to be the ultimate effect upon our money market of this importation of gold, as well as the potential possibilities for inflation in the Federal Reserve Act itself. It would be interesting, too, to speculate on the effect likely to be manifested in money rates and in the distribution of business following the creation of the new types of credit provided by the recent laws authorizing domestic acceptances and the mobilization of farm loans.

I should be glad to speak about international trade and banking, subjects full of vital and pressing interest, presenting an insistent demand that our bankers begin to think internationally and that we all better understand the principles of the science of banking. The subject of the better training of men for the wider field that American banking is to occupy, is, in itself, of great importance. It would be well worth while to give consideration to the

matter of the relation of bankers to the present opportunity and demand for the foreign investment of American capital, to the inclination of capital in this country to seek employment to a reasonable degree in foreign fields not subject to the tendency toward unwise regulation that is encountered in some of our political tendencies. Or one might go further afield and attempt some analysis of what the vast expenditure of wealth, the creation of incomprehensible totals of national indebtedness, the gigantic issues of paper currency and the depreciation of national monetary standards which we are witnessing in Europe, are likely to mean to the world at large and to us in particular.

These are a few of the fruitful subjects that might well engage our attention as bankers, but there are times in the world which call men away from their personal and immediate interests. There are periods that compel them to think together of fundamental things. Surely the present is such a time. It seems almost idle to discuss the working of banking statutes when we can discern, even though dimly, the working of great laws in the statute book of human nature and society, whose action is so fundamental and important as to make our men-made laws and their workings seem inconsequential in comparison. We are in a time when it is of the utmost importance that we think socially and fundamentally. These are not days when we can give our thoughts exclusively to our business, to our immediate affairs. They are days that demand that we think nationally and internationally rather than individually or as a business class. We are confronted by an insistent need for comprehending fundamentals.

Society in its international organization and relations seems to have broken down. The most highly civilized nations of the world, those most advanced in learning, most enlightened in culture, most efficient and practical in affairs, are turned aside from all the achievements which signify progress and are grappling with each other in a veritable death struggle. Primitive impulses seem as strong as they ever were at any time in the world's history. Without any discussion of the relative responsibility for this outbreak, the fundamental fact appears to be that the world is yet deplorably deficient in social capacity. Nations cannot live beside each other without fighting out questions of supremacy, without raising issues that lead men gallantly to make every sacrifice of effort, of wealth, of life, at the dictation of government. Then there is the further result of national hatreds engendered which will last generations beyond any pact of peace that can be drawn. The world has proven itself to be deplorably deficient in what Emerson called "facility of association"; in other words, in that degree of comprehension which enables men to understand each other and work for the common good. Unquestionably, that ability is the best fruit of civilization. It is that ability that is the chief distinction between the civilized man and the barbarian. Civilization, we have supposed, endowed men with the capacity for organization, with the vision which would lead to a willingness to subordinate the individual to the good of society and thus to the greater good of the individual.

This revelation of incapacity, or undevelopment, which Europe has given, comes as a startling surprise to most of us. It has long been a common warning of the pessimist that human nature is just the same as it always has been—but we have not believed that. To believe it would be to lose faith in the best impulses and visions of life. We had come to feel almost certain that the general European war, long talked of, had been postponed until it would never occur, that human nature had changed sufficiently so that a better social understanding would prevent it; that the commonsense of mankind would make it impossible. In that we have been disappointed. Public opinion in every belligerent country regards the war as a defensive necessity, although the com-

mon judgment within each country condemns war. So the war goes on because of the sheer inability of the peoples to come to a state of mutual understanding and confidence, and there is to be seen little ground for hope that the end is near. Fearful as the cost has been in effort, in treasure and in life, there seems ahead the inevitable tragedy of greater cost, of heavier blows to the fabric of civilization, before anything like common viewpoints can be reached.

The countries engaged in this bewildering contest are not inhabited by some strange, faraway peoples, whose habits of thought and whose social ideas are alien to us, whose mental processes are inexplicable. They are of our blood, the sort of men and women of whom this nation is made up. There are no fundamental differences between us and the peoples of the belligerent countries of Europe. Nothing is happening there that might not as well be happening within our own borders to our own people. It is true that we are more happily situated geographically, that we have a natural defence of broad oceans, but it is true, too, that we must be awake to the fact that we are of the same blood and sinew, with the same incapacities, the same social misunderstandings, the same lack of insight, of patience, of vision, and the same immaturity of judgment that has made it impossible for the people of these European nations to deal with a great crisis except through force.

If ever a people should pause, therefore, and take stock; if ever they should look abroad and profit by the experience of others, should comprehend their national dangers in the light of the terrible realities that are being enacted before their eyes in other nations, it is now and we are that people.

We must first recognize some of the practical facts of civilization which the last two years have brought into terrible emphasis. War is a fearful reality. It is a disaster that can come upon any people, no matter how peaceful their intentions, how high their civilization, how great their culture. It is a reality for us to reckon with. The modern human mind has not before comprehended what a horrible disaster war may be, but there is no reason for not now opening our eyes to it, because its realities are plainly before us. That is why I think there are to-day matters of such fundamental importance for us to consider that I have chosen to pass over the engrossing subjects directly related to our business life that might have been discussed.

Underneath any question relating merely to business, or even to social welfare, or the relative claims of different classes of society, is the question of our national integrity and the means that it is necessary to employ to insure the continuance of that integrity. In a word, I believe the greatest need of the day—and a need so fundamental as to make other matters inconsequential in comparison—is the need of universal military, industrial and economic preparedness. That does not mean ships and armament alone. We have taken a tardy but substantial step toward remedying the neglect of recent years. That neglect might prove the foundation of a terrible national catastrophe, but at least we have now awakened to action so far as Congressional appropriations go.

Modern warfare is largely a matter of machinery, but more than ever before in history it is also a matter of human organization. A modern soldier must be a more highly trained man than a soldier ever needed to be before. I believe that the surest insurance of peace this country can have is the universal training in military service of its men. I admit that perhaps there is no other subject regarding which I have so diametrically changed my opinions. I once thought you could count universal military service as an economic waste. I feel confident, in the light of the events of the last two years, that it is not only a military necessity of superlative importance, but that our national life would draw a unity, our democracy would receive a reinvigoration, and our



youth would obtain a physical training and comprehension of the value of obedience and a patriotic devotion to the welfare of the nation, which could be obtained in no other way.

Here in the heart of the middle west I can well see how there has been but partial awakening to the significance of the portentous events of the last two years. I have heard a governor of an adjoining state boast that as his state had no seacoast, his people had little interest in the military madness with which the world is afflicted. Let a man-of-war, with guns that outrange our coast defences, stand off from New York or San Francisco, and levy a tribute as the price of saving these cities from destruction, and the disaster would be as quickly communicated to this great middle west as would the crushed hand or foot to the heart of a man!

I have a vivid memory of our unpreparedness in 1898. The confusion, the inefficiency, the wasted effort, were all humiliating. We have made no advance in trained organization since those days, but the rest of the world has. The scale of military operations to which the belligerent nations have become accustomed sinks into insignificance anything we have known before. In the recent drive on the Somme, the British troops alone lost on each of ten successive days more men than the entire losses of those who fought Napoleon at the Battle of Waterloo. The prodigious size of the military machines of the belligerent nations is almost beyond our comprehension. It would be so completely beyond our present combative effort that we might better be forehanded in providing a sufficient number of white flags, if we are not adequately prepared otherwise. To-day we are a nation grown unprecedentedly rich, lying almost unprotected against the invasion of whoever wills to come. It no longer suffices to say that it is unthinkable that, with our peaceful intentions, we could be seriously attacked. The man to whom such a disaster is unthinkable has a defective imagination. He has failed to interpret the great events of our day and is, I believe, dangerous to the welfare of our country.

If we are to have anything like true preparedness, however, it must embrace much beside physical training. Back of physical training there must be moral training. There must be the creation of a public opinion that will think deeply and clearly regarding the great international questions that we are facing. We have need for developing a clear-cut, clear-sighted public opinion that will see things as they are and that will have courage without audacity, firmness without impetuosity. We need to have what we have not now—a public opinion that would not permit a shuffling attitude in regard to international issues, an opinion that would make temporizing in the handling of our foreign relations impossible where fundamental principles are involved. The greatest preparedness that we can possibly have is the awakening of this country to a clear-sighted comprehension of what our relations to the rest of the world to-day involve. We must have a nation that cannot be lulled to drowsiness by words, but will decisively demand consistent, clear-sighted leadership, will demand a government policy so sincere, so logical, so obviously the expression of a firm and united nation, that there can be won back the respect for the United States, and even the friendship of the other nations of the earth.

This means not only clear seeing and right thinking, but it means a moral awakening which will lead men to make decisions that entail sacrifice when such decisions are required. It means that we must recognize that questions of money-making, of prosperity, of the division of profits, are superficial and trivial compared with the deeper and encompassing problems of our national relationships.

Misunderstandings between nations are not the only misunderstandings that threaten society and impede progress. There may be within a nation such misunderstandings. I believe that one of the most portentous signs of

the times is the evidence of such misunderstandings within our own nation. The very foundation of the social structure may be shaken by class antagonism and those antagonisms may be inspired by mistaken views of class interests. I believe that such antagonisms could be largely dissipated by a clearer understanding of the economic and social factors involved, and that the highest duty rests upon us, first, to understand those factors ourselves, and then, with all the influence that we have, to spread that understanding through a wider field.

The fallacious idea that there is an inevitable conflict of class interests is urged by thousands of persons. They may be in earnest in their belief that there is such an inevitable conflict of class interests. Most of them, however, are uninformed, prejudiced, fanatical, but dangerously effective in their agitation. The propaganda goes on around us with tremendous force and it is not receiving from men like us the attention which its mischievous influences demand that we give it. It is the same sort of fallacy, the same type of narrow and misguided spirit, the same want of insight, sympathy and understanding, which, working in one nation as against another, brings on war. It is my belief that war itself is scarcely more dangerous to a nation or more deadly to industrial progress than are some of the influences that are at work within our own boundaries.

If there is loss to the community in having men withdrawn from industry to take part in the activities or the deadly conflict of war, then there is loss in having the efficiency of men curtailed or diminished in any manner. The moment that proposition is stated we are face to face with the fact that a large proportion of our people do not understand that the community, as a whole, is interested in the increase of production. There is, on the contrary, a prevailing idea that the wage earning class is interested in restricting production. They hold to that view because they believe that the employer is a natural enemy, or more often, that there is not enough work to go around to all laboring men, and therefore, that it should be made to go as far and last as long as possible. It is easy enough to see how such a fallacy has been bred by the alternating periods of activity and depression in the past. It is, of course, one of the greatest of all economic fallacies. There could scarcely be a greater drag upon industry or a greater impediment to general progress than to have such an idea fixed generally in the minds of men. Such a fallacy generally held is actually worse than war, for when war runs its course recuperation can follow, but when the idea of restriction of production as a means to secure individual prosperity becomes fixed in men's minds, it has the same effect upon production that a perpetual drought would have upon grain fields.

However natural it may be to feel impatient with a man who honestly holds such views, impatience is useless. As long as he holds these views, he will act upon them as you or I act upon our views. His opinion is a fact to be dealt with. It is as real as a mountain where you want to build a roadway. In the case of the mountain, we do not get impatient, but we endeavor to survey it and find a way over or through it. Fortunately, erroneous opinions, however stubbornly held, are more like an ice-bank than a mountain. They will eventually melt away and disappear before the truth—if not in one generation, in another. Understanding of economic laws seems to me almost the greatest need of our day. No body of men will act contrary to their own interests when they know what their interests are. The spread of a sound comprehension of economic laws seems to me, therefore, one of the greatest duties that go with the responsibilities of bankers.

Organized industry is necessary to our present standard of living. We cannot live apart or provide wholly for ourselves; we must work with others; we are obliged to be partners, and in a partnership each is bound to do his level best. Whatever controversies there may be

about wages or other divisions of the product, there ought to be agreement upon honest, sincere effort to increase all production for the common good. Not to co-operate to this end is to be disloyal to the community. It weakens the system by which progress must be achieved, and upon which the welfare of all who come after us depends. There is an obligation and responsibility here of the most binding character, and the people who best understand this principle will surely lead in world affairs.

It is the duty of every one of us to do what we can to induce wage-earners to examine their relations to the industrial system as a whole and to be loyal to the industrial system as a whole, rather than to any narrow and mistaken opinion of class interest. The whole idea of separate class interests is an illusion, and if cherished, fatal to the welfare of all classes. You cannot make food, coal, clothing, housing, transportation, or even automobiles, dear, with benefit to any class, and least of all to the wage-earning class. I would appeal, however, with equal energy to the sense of loyalty and responsibility of the employer. By virtue of his position he has a larger outlook than the wage-earner at the bench, a more intimate contact with affairs, and his responsibility is correspondingly greater. He ought to be so consistently loyal to that responsibility that his example will spread the doctrine. I would urge nothing impracticable or revolutionary, but simply that policy of fair play which, when established in all relations, will rid business life of suspicion and reproach. There can be no radical or sweeping change in industry, but changes beneficial to all can be hastened if there is the vision to prompt it. The entire community is interested in safe-guarding the health and promoting the vigor, skill and efficiency of all our people. Wherever we are related to that problem as employers we have a duty to perform, and wherever we can deal with it as citizens we have another. We have to see to it that the new generation of industrial recruits come to their work with a better preparation, physical and mental, than did their predecessors. This is for the common interest.

Nobody can make as much money in a poverty-stricken community as in a rich community. If everybody in the United States could be kept in health and completely employed all the year round, and made skillful in some occupation, the volume of business and the rise of wages and profits would outstrip the records of this war boom, and it would be permanent business.

We hope that in this organization of industry which is progressing, means may be found to maintain a better state of balance in the industries so that the extremes of activity and of depression, and the distressing periods of unemployment, may be mitigated. One of the great economic losses that falls upon a community follows from this lack of balance. The waste to the community that comes from having able-bodied men in idleness is perhaps even a more serious waste than results from having able-bodied men under the discipline of army life. No problem is more worthy of investigation by associations of business men than this one of reducing by more even production the amount of idleness, voluntary and involuntary. The most practical effort toward solving this problem of unemployment has followed the organization of industry into stronger units. Industry so organized is equipped with greater reserve resources. Large industrial units tend to steady both prices and production and to give greater regularity to employment. If this were more clearly understood, it would offer a potent argument against government interference with economical large-scale production.

The most important economic factor in industrial organization to-day is the equipment with which men work, the machinery, the material industrial plant. The mechanical plant multiplies the workman's capacity over and over. It not only multiplies his capacity, but as a rule enables him to do the work more easily. Compare

the manual labor, the toil necessary to produce a bushel of wheat or a ton of steel with the effort necessary fifty years ago. Everywhere in industry we see this process of increasing the productiveness and easing the toil of labor by providing better tools. This improvement of industrial plants is clearly in the common interest. Every man works for the common fund. If a community were hiring a man to cut its wood, it would not deliberately send him out with a dull axe. Just as truly is it of importance to the national community to be equipped with industrial plants of the highest efficiency. No man should work without a tool if a tool can be devised to increase his capacity or reduce the expenditure of effort to attain a result.

But tools cost money. Before they can be had, there must be a command of capital. They represent savings. It is the new savings, the new capital, which pays for the experiments, develops the new machinery, builds the new industrial plants, and thereby creates the additional demand for labor and increases production.

Now in this connection, I should like to make a point that I believe would be of great national significance if it were generally understood. Every time a workman puts a dollar in a savings bank he has contributed to increasing the wage fund. With the new capital thus created there will inevitably be additional money to pay out in wages. If we will but trace the process, we will see that its action is automatic, certain, inevitable. If the fund of capital seeking investment increases, and every dollar put in a savings bank does increase the fund of capital seeking investment, the result of that increase in capital must necessarily be further industrial development. It is true that the savings bank may, in the first instance, invest these dollars, let us say, in an old railroad bond, issued many years ago, the original proceeds of which long since went into construction, but somebody sold that bond and, in turn, had the new capital fund for reinvestment, and somewhere along the line inevitably this new capital must go into productive activity, and in so doing must make a larger wage fund upon which labor can draw and a new demand for labor. Now we are in a period when the destruction of the world's capital is going on at an appalling rate. Is it not, then, of the greatest importance that every effort should be made to replace this destroyed capital? There will be great need for capital in the years to come when reconstruction is going on. Our command over capital is of vast importance to the comfort and welfare of our people. If we could impress upon every workman that he will contribute directly and inevitably toward an increased demand for labor and that he will add to the wage fund and tend to increase the rate of wages by every dollar of savings, I believe it would have a profound effect upon our national welfare.

But the argument in regard to fresh capital may well go further than that. While a dollar saved by a workman helps to give to some workman a job, so does every other dollar of savings, whether it comes from wages, or interest, or profits. The economic effect of a dollar saved and invested is just the same, whether the owner is a wage-earner, an employer or an heir of inherited wealth. Income, however it originates, that is saved and put to reproductive uses, performs an inevitable service for society. Every form of savings finally seeks investment, and if you will follow the investment through to its ultimate reaction, you will see it putting men to work, you will see it enlarging the agricultural, the industrial, or the transportation equipment of the community, you will see it creating new demands for labor, raising the rate of wages and increasing the production of things which men desire. If the savings are devoted to reproductive purposes, it makes no difference whether they are the savings of the workman or the millionaire. They ultimately accomplish the same result; they increase the supply of things that the whole community wants.

If that view is sound, it demonstrates that there is a fundamental unity in society which no power or conspiracy can do away with. Individuals may be selfish, they may scheme for personal and temporary advantage; but whatever gains they make, insofar as they are saved and turned into reproductive capital, react to the benefit of the whole community. If there is such a fundamental unity in society, then any class conspiracy to gain advantage for that class is futile. The employing class is dependent upon the wage-earning class for a market. The farmer cannot eat his own crop, or employers trade goods with each other. If there is increased production, it must go to the only possible consumers, the masses, and none can be so interested in every movement that will increase production as the masses.

People talk vaguely and sympathetically about bettering the condition of the wage-workers, too often with little comprehension of industrial conditions. They treat it as a matter of sentiment and choice, instead of what it is, viz.: a result dependent upon more effective organization and a more harmonious spirit in industry. The betterment of industrial conditions will come in the future as it has come in the past, by increasing the individual output, never by policies restricting the output.

We have heard a good deal about a "new freedom." I tell you that any new freedom that seeks to make conditions where inefficient managers of business can successfully compete with enterprising and capable managers of business is a dangerous sort of freedom. Any system which aims at hampering the enterprising and the capable, circumscribing men of vision and originality for the purpose of protecting and supporting other men who lack those qualities, is not only vicious in its morals, but is bound to be disastrous in its economic effects, in just the proportion that it is successful. Inefficient employers are not the ones who raise wages. They could not raise wages if they would. The important thing in our industrial life is not that any particular individual or concern shall be kept in business, but that business shall be so conducted that production goes on in the most economical manner. We frequently make the mistake of putting too much emphasis upon the division of present profits and too little emphasis upon the development of industry. Suppose a man of superior skill with the aid of large capital and the introduction of the most efficient methods does make a great fortune where none existed before, who really profits by it? The answer is that society will get all of it that he does not eat or wear out. His savings, just as much as the savings of his humblest employee, must find their way into reproductive employment. The industrial plant somewhere will be increased. Production will in turn be cheaper and society will be the gainer.

I believe in the essential unity of society the world over, but I hold it to be no unworthy sentiment to have a special interest in the development of a spirit of unity in my own country. We cannot be one people without a knowledge of our common interests. The war with all its horrors and burdens for the people engaged in it, is not an unmitigated evil, and one of the benefits is the growth of the spirit of national unity in these peoples. There is no doubt that if all class misunderstandings are not cleared away, at least there is better knowledge and greater mutual respect. They have seen each other show the true metal and make the supreme sacrifice, and the extremes of society are nearer together there than they have ever been before. It will be easier for them to discuss their differences than before, while in this country on the other hand there is danger that the antagonisms which vex and obstruct industry will be intensified by the conditions during and following the war.

Under the pressure of necessity, the British people have become enormously more productive. Industry has been

lifted out of the ruts of custom and rule, initiative has had free play, machinery has given new powers to the workers and organization has been modernized with results that have been a revelation. The war wages cannot be paid upon commercial work after the war, if production falls back to the old methods, but they can be paid if production is maintained by the new methods. There is anxiety about the future, but the best observers do not believe the British workman, now that the demonstration has been made, will go back to the old limitations and the old pay. They believe wages will be bigger and costs lower than before the war, and that the difference in the cost of production may offset the interest on the war debt. The cost of living is high there now, owing in part to the high freights on all importations, but after the war is over these costs will decline rapidly and if wages can be kept at the present level the condition of the wage-earning class will be better than before.

Will industry in the United States make the same progress? There is warning in the fact that adversity is usually a better teacher than prosperity. The latter comes by fortuitous circumstances and we enjoy it, relax, and take our ease, while adversity puts men upon their mettle and calls up all their resources. In some respects we shall be stronger after the war. We shall be richer, our productive equipment will be better than ever before, but these will not avail without a spirit of unity and good understanding in our industrial organization. The account we give of ourselves will depend at last upon the men behind the machines. We have an opportunity such as no country ever had to lay the sure foundations of a great future, but we must not lose our heads. We must be an harmonious and efficient people. We must work for our common interests, employer and wage-earner striving together, and the Government backing them up as it properly can. We must not be so intent upon dividing the proceeds of present prosperity that we fail to safeguard its permanence.

To just the degree that each of us is wise, it seems to me that we should each see that at the present time we have some extraordinary duties of citizenship, duties that transcend in importance and are more fundamental to the welfare of ourselves and our children than any of those things that may seem more closely related to our business lives. These duties of citizenship involve the giving of serious thought to the vast currents that are shaping our affairs to-day. It is the personal duty of each of us better to understand our relations to these world movements and to bring to the decisions regarding our national attitude a fine spirit, a spirit of courage and determination to uphold our own just rights, and, if necessary, to make present sacrifice for future welfare. We should open our minds to the facts of life as they are presented to-day in our affairs, recognizing that, no matter how rich and brave a people may be, they cannot meet organized opposition without adequate preparation and organization of their own, without reasonable preparation for any contingency.

While on the one hand we are turning our attention toward foreign relations, we should, with proper sympathy, but with sound economic understanding, seek to harmonize those differences in our own social order which may become more dangerous than anything that threatens us from the outside. Seek to have yourself and to help others to have a true spirit of unity. That spirit is the natural result of knowledge that our interests are mutual and interdependent. There are few things more important to this country to-day than that such knowledge shall be disseminated. If the leaders of industry understand it themselves, they can disseminate it. The wise business man does not quarrel with difficulties; he makes a study of them and overcomes them. If he cannot overcome them, he is not a successful leader, and some one else should have his position of influence. It is a rule of the business world to require results; not excuses that put

the blame somewhere else. Let us go home with a sense of responsibility upon us, and at our own desks, and in the business men's associations of which we are members, do our part to spread a general knowledge of this funda-

mental truth that all social and industrial activities are thoroughly interdependent and that society's welfare will be promoted in the degree that co-operation and fair play are developed.

## Co-operation

BY JOSEPH CHAPMAN, Vice-President Northwestern National Bank of Minneapolis

Mr. President, Ladies and Gentlemen and Members of the American Bankers Association: It is a great honor to be allowed to address a convention of this character.

When I was asked to speak here last May I was given the choice of a subject and I chose the subject "Co-operation," but after listening to the splendid address of our President this morning, and of Mr. Vanderlip, who followed him, I found that the groundwork of my speech was pretty well covered. I feel a good deal like the Swede up in Minnesota where I come from, who, not having a very great command of the English language, and he wanted to go into the lemonade and popcorn business at the circus. He listened to the Americans who were on the opposite side of the street, calling out "Lemonade, five cents a glass, popcorn, ginger ale, five cents a glass," and when there would come a little lull in the conversation he would say, "Same pain over here." (Laughter.)

I heartily endorse everything the gentlemen said this morning on co-operation. Conditions originate in the banking business, and I wonder how many of us realize how rapidly they are changing. In the two years since the Federal Reserve Act has gone into effect, marvelous changes have come to this country, not only to business in general, but particularly to the banking business. In no department of our commercial activity have the changes been more rapid or more revolutionary than in the business in which we are engaged.

When Napoleon told his counsellors that he wanted to found a bank in France which would make credit easy and money cheap for the people of France, they carried out his wishes, and the Bank of France for over 100 years has been doing that in France. Gentlemen, our Federal Reserve Act is founded largely on the experience of the old continental banks in Europe. As those banks did in Europe, this Federal Reserve bank is doing in America today, and we have not yet adjusted ourselves to these changing conditions.

The first thing that occurs to us as bankers is, that there has been a great deal of adjustment in the rate of interest we are loaning to our customers for; but there has been very little adjustment in the rate of interest on the money which we are paying in the shape of time deposits. Notwithstanding this great reduction in the rate of interest, and the small profits the bankers are making, I was very much amused last evening to read in the city *Star*, in large headlines the statement of the Hon. Skelton Williams, Comptroller of the Currency: "Unrest due to high interest" in large type. "Blame for much social and industrial discontent was placed upon excessive interest rates by John Skelton Williams, Comptroller of the Currency, in addressing the City Club luncheon to-day." "Records of my department show in communities where the interest charges to small borrowers are excessive," he said. "there is the greatest unrest, and the cause of this seditious reformer is given the most welcome hearing." The Comptroller told of investigations revealing rates as high as 100 per cent., for short time loans.

The Hon. Comptroller of the Currency addressed one of the Sections of this Association the other night, on the topic "The Soul in the Dollar." He evidently

came here with two speeches in his pocket, one entitled "The Soul in the Dollar," and the other should be entitled "The Hole in the Dollar" (laughter). One is delivered to the American Bankers Association, the other to a semi-political luncheon club.

Gentlemen, I submit the first place that co-operation ought to start in this country is between the Federal Board at Washington and the Comptroller's Office, and the individual banks who are at their mercy today. And I protest that it is absolutely unfair to the bankers of America to have the man holding that great office hold up to ridicule the thousands of bankers in the United States, on account of the few half dozen or more who were charging high rates for very small loans. If the system is going to be a success, gentlemen, I submit there must be co-operation.

A member of the Federal Board in Washington, a year ago, made this statement at a dinner—that the Board had very little sympathy with the complaints of bankers regarding the subject of the eliminating of the exchange charges, because their investigation showed that the people who were making the loudest complaints were people who were paying five, six and seven per cent. for time money. He said "Gentlemen, if you want to increase your earnings, the Board in Washington will help you to reduce that interest rate." I am going to speak about that a little later; and I am going to pause right there, in order to enable that to sink into your minds. There is meat there—and much meat. It has much nourishment in it.

The people of the United States have seen the operation of the Federal Reserve Act. They have seen that in two years we have brought back from Europe two billions of dollars in the shape of bonds and stocks. They have seen us loan one billion and six hundred and twenty-five million dollars to foreign nations. They have seen our foreign trade expand two billion, two hundred and fifty million of dollars. They have seen that in a time of the greatest war that has ever existed in this world, and their verdict is that there is something very good and substantial in the Federal Reserve Act.

Gentlemen, I am going to submit this idea also, but that it is impossible for the Federal Board at Washington and the Federal Reserve banks in the various districts to adjust themselves to each of the twenty-seven thousand banks in this country. If that is impossible, there is only one thing for us to do—we must adjust ourselves to the Federal Banks, and whether we like it or not is immaterial, and that is what we are coming to.

During the past year, during the twelve months from June 30, 1915 to June 30, 1916, I think the records in the Comptroller's office at Washington will show that the banks in a period of the greatest prosperity we have ever had, have made less money than at any time since 1893. We are not in business for our health. A bank that does not make money, that does not lay up money for a rainy day, for losses are absolutely inevitable, that bank is not a safe bank for people to do business with. Now, the banks of this country, I submit, gentlemen, must be allowed to earn their dividends, and something for a rainy day.

Now, is the initiative for this coming from Washington, or is it coming from ourselves.

When the Interstate Commerce Act was passed, we did not see any commercial associations, or any bankers associations going down to Washington protesting that the railroads were going to be put out of business. We were all attending to our own business. Gentlemen, that is the condition today. You need not expect any delegation to go down to Washington to represent the Bankers of this country. What we do, we must do in ourselves, and by ourselves, and I am going to submit this proposition to you: There are certain ways to make money, there are certain things which banks were warranted in giving their customers, prior to the Federal Reserve Act, or the passage of that Act, free, which we are not warranted in doing under conditions to-day. For instance, I have been in banks in this country that furnish safe deposit boxes to their customers free. Not only did they furnish them free, but in some banks I have seen the customers' keys hanging in the boxes, and the master key hanging alongside on the wall, where any customer might go in and help themselves to any box which might take his particular fancy. No charge was made in that case, because of the fact that the banker was afraid that his competitor across the street was going to give that service to his customer for nothing, in order to get his account. When you consider liability, even in a well-managed safe deposit department, and then consider what liability might be caused through carelessness in such a case as I have just described, there is no banker in America that is warranted in furnishing that kind of service free.

Let us look at another proposition. I have referred to the rate of interest which we pay on time deposits, and to a suggestion made by the gentleman from the Federal Board at Washington. In older countries, where they have had systems similar to our Federal Reserve Act, they do not pay the rates on time money that we pay in this country. In other words, today, gentlemen, we are in the situation where we are still paying the maximum for our deposits, and are loaning at the minimum. That will have to be adjusted.

I am not saying that it should be a permanent adjustment, but certainly some sliding scale ought to be evolved by the bankers themselves, by which they won't be paying more for money than they can loan the money for, and pay taxes and dividends and expenses besides. Such banks cannot last. They will go out of business.

Another place where we can make money, and a place where most of us are not making money at the present time, is by following the same continental system they have, where they have these cheap rates in the great government banks. There, if you want to open an account with a bank, and your bank account does not average a certain amount, you pay a service charge per month, for the bank doing your bookkeeping for you and furnishing that service. How many banks in America do that today? Gentlemen, we will be forced to put that charge in, in order to make enough money to keep in the banking business.

These three things which I have outlined—getting paid for services in our safe deposit vaults; reduction of rates of interest and the service charge on the balance, where the balance does not warrant us in giving that service free—these three ways will bring in a great deal of money to the bankers of this country.

How are we going to bring that about? Well, I will tell you one thing we have to do. There is nobody as much interested in you, as you are yourself. If you have not the ability to get together with your competitor across the street, and get legitimate money for the legitimate service performed, I don't see how you are going to expect the Congress of the United States to

pay any attention when you go down there whining about this thing and whining about that thing. We must get together first ourselves in a legitimate way.

Now, in many cities in the United States today there are no clearing houses. Every town where there are two or three banks, there should be a clearing house; every county where it is possible so to do should have a clearing house. There is the correct place for the country bankers in that county to discuss what rate of interest they can pay on deposits, and live, and in what way they can legitimately increase their revenue.

These two ways are neighborly ways, and to my mind the best way we can accomplish it; but you cannot do it by being jealous, and suspicious of your competitor, suspicious of everything that he does and everything that he says. You will never get anywhere if we are to continue along that line. We are just beginning to realize today the value of associations of bankers, because as we see our profits dwindle, we will have to get closer to our competitors, and we will have to do these things, where formerly it was more or less of an academic question, with us in discussing them in our bankers associations; but, gentlemen, we will have to do those things from now on, whether we want to or not, and we might as well smile and treat our competitor as a good fellow, and talk it over, and see how we can each live, and make a little money. So much for those organizations of banks in accomplishing these results. Now, I am going to come nearer home for a minute.

In many banks in the country it is the custom for the officers of the banks to get together, either the first thing in the morning, or as soon as the bank is closed, and go over the business of the bank every day, calling in the younger men in the bank, discussing the bank's business, laying out plans for the day, and designating somebody to carry them out—that is efficiency. A great many banks do not do that. Too many banks are still one-man banks, where the boss has all the say and the under-officers and the employees nothing. In my own bank, I go even farther than that. For some months I have offered a prize to the clerk in the bank who would get the greatest number of accounts during that month; another prize for one who would get the largest balance in any account during that month; and a third prize for the second largest number of accounts; but the most important prize of all is the prize given to the employee of the bank who brings into that monthly meeting the best idea for increasing the efficiency of that bank.

Gentlemen, the banking business in this country, as a profession, is in its infancy. We overlook a great deal of powerful force asleep in our banks, because we don't recognize it, and the system of offering a prize to the young men in your bank, not only develops them, and makes bankers out of them, and better men, if you will, but it will increase the business of your bank.

I am very hopeful over the future of the banking business in this country, and the reason I am is because there are being trained in this country some 15 or 16 thousand young men in the Institute of Banking. They will have not only the actual practice of banking, but they will have what many of us never had—the theory of banking, and international banking. (Applause.)

I am going to close now, and in closing I want to leave this thought with you; it is just a little couplet, but it is very pat.

"If I can be no good to you,  
And you, no good to me,  
The world without us would go well,  
So far as I can see."

Gentlemen, I thank you.

## *The Country Banker's Opportunity*

By JOSEPH HIRSCH, Vice-President of the Corpus Christi National Bank, Corpus Christi, Texas.

At the request of our Chairman, your Administrative Committee has delegated to me the interesting task of presenting an outline of work accomplished, and some of the plans and purposes of your Agricultural Commission, and I have selected the text, "The Country Banker's Opportunity," in order that I may set forth a few of the striking opportunities presented Country Bankers in this comparatively new field of practical endeavor.

A retrospective glance may enable us to more strikingly illustrate the increasing interest aroused in this work among bankers generally. Five years ago the first conference of bankers agricultural committees was held in Minneapolis. Eight associations were represented. For two days agricultural educators—scientists who had made a life study of the agricultural needs of this country—pointed out ways by which bankers might assist in the economic development of their country, and plans were discussed by the bankers present for furthering this movement in their respective States. The conference proceeded to permanent organization by the election of Joseph Chapman of Minneapolis, as president, and the following month the American Bankers Association, recognizing the importance of the movement, appointed a committee on agricultural and educational development, with Mr. Chapman as chairman, a position which he filled with distinction for two years.

Your committee proceeded on its duties with the utmost vigor, and when Chairman Chapman sounded the gavel for the second annual conference on August 7th, 1912, twenty-three State Associations answered the roll call, the United States and Canadian governments were both officially represented, while agricultural and educational authorities and economists of national reputation were on the program. The proceedings were not only intensely interesting, but reports from the 23 States represented indicated that great practical benefit was being derived by those communities which had interested themselves in the movement.

I shall never forget the remarkable address delivered before that conference by the lamented James J. Hill. I can see his venerable figure as he stood before us that day, and I well remember the gratification he expressed that bankers were beginning to evince an interest in the preservation and intelligent cultivation of our soil. By a series of startling comparisons, he pointed out how the nations of Europe excelled us in the production of the great staple crops, and how foreign banks and business interests had increased the wealth of these European nations by joining hands with Science in the upholding of a permanent and prosperous agriculture.

This is the work your Agricultural Commission is endeavoring to perform. It is seeking to extend to every state of the Union the doctrine that safe and sound agriculture means safer and sounder banking and to stimulate the adoption of the methods advocated by the agricultural colleges, through the medium of a recognized community leader—THE COUNTRY BANKER.

A third meeting was held in 1913, and the same year your Association, acting under its new constitution, appointed an Agricultural Commission, with Mr. B. F. Harris, of Champaign, Ill., as chairman and under his splendid leadership the movement has continued to grow, until to-day forty-two of the State Bankers Associations have standing committees on agriculture.

A word as to the activities of the various states may be of interest at this time. We shall have to touch on these very briefly.

Indiana, Illinois and Minnesota have been foremost in the development of the consolidated rural and agricultural high schools and good roads movements. They employ seventy-five county agents, and have immeasurably increased the wealth of their states, by development of the dairying and live-stock industries.

The activities of the North Dakota Association are so well known that it is hardly necessary to touch on them at this time, further than to say no State in the Union has done better work along the lines of diversification and the change from a one-crop to an intelligent, self-sustaining livestock farming than the State of North Dakota.

We are receiving encouraging reports from the Pacific Slope. The Washington committee has been very active in this work from its beginning, due largely to the interest aroused by Mr. W. D. Vincent, one of the first members appointed on your agricultural commission. The Washington Association is organizing community Bankers and Business Men's Leagues—is planning a Bankers' Business Men's and Farmers' excursion to their State Agricultural College for a joint conference, and has been stimulating the employment of county agents.

California is just starting work and has a live committee, which is advocating the purchase of pedigree stock for breeding purposes, and conducting a vigorous campaign among California bankers looking to the co-operative marketing of California products and the protection of her fruit industry, while a state-wide campaign is being undertaken for financing the purchase of pure bred dairy cows on easy terms.

The Idaho Association contributed \$500.00 for the boys and girls club work, and largely as a result of bankers' activities over eight thousand children are now enrolled in the various clubs, and the records show that the value of the products raised by these little children of Idaho amounted to over \$50,000.00 last year.

Michigan has been active from the beginning of this work, and, under the auspices of the Michigan committee, conducted "Oat" and "Corn" Weeks last Spring, movements looking to better seed selection, and cropping methods. Michigan now has over fifty agricultural schools, due largely, it is authoritatively stated, to activities of Michigan bankers.

Missouri has done some remarkable county agent work, while Missouri bankers have distributed thousands of dollars in prizes for the boys and girls clubs. In its report the Missouri committee expresses the opinion that bankers can do more to bring about improved farming methods than any other agency—because of the influence of the country bankers with their farm customers.

The Middle West—Iowa, Nebraska, Kansas, Oklahoma—all report increasing interest in the work. The Iowa and Kansas Associations are doing a notable work in the distribution of farm accounting books—Kansas having distributed over thirty thousand of these accounting records last year. Through improved farming methods Kansas has become one of the richest States in the Union, largely as a result of the co-operation of Kansas bankers with their Agricultural College.

The Iowa Association, in stressing the importance of farm records, makes the interesting statement that the farm and livestock industries of Iowa exceed one billion dollars in value annually. Yet, it is estimated that less than ten per cent of the Iowa farmers keep books.

We are beginning to get reports from Pennsylvania. President Sams, of the Ohio Association, has been an

enthusiastic supporter of the work of your Agricultural Commission, and Ohio bankers are evincing a lively interest in county agent and boys and girls club work, and are contributing freely to the success of these movements.

Vermont and New Jersey are starting work, and now Massachusetts—manufacturing Massachusetts—is developing a live agricultural committee, and under the auspices of the Massachusetts Agricultural College an interesting conference of bankers was held at Amherst last May to consider measures looking to rural development. The Massachusetts committee, in an interesting report regarding rural conditions in New England, points to an alarming decrease in rural population, while it is stated that against 12,000,000 acres of improved farm land under cultivation in 1860—there were but 7,000,000 acres in 1910—a loss of 5,000,000 acres of cultivated land in a period of fifty years, while the land that is still under cultivation has greatly deteriorated in productivity. County leagues are being organized to combat these conditions, and Massachusetts and New England bankers generally, are interesting themselves in the movement.

Colorado is doing some excellent work under the able guidance of Chairman George T. Wells, a member of this commission. Mr. Wells has been covering the ground in some of the neighboring States of Idaho, Montana and Wyoming. It is interesting to note that fifty-six bankers are enrolled on the Agricultural Committee of the Colorado Association.

Southern bankers have been particularly active, because the need of agricultural development has come more closely home to the bankers of the South.

Mississippi and Alabama present very interesting reports. They are especially interested in the government demonstration work, in the boys clubs, in the home demonstration work, in the building up of the livestock industry—matters vital to every Southern State. Mississippi has done remarkable work in the eradication of the cattle fever tick, which has cost the South untold millions of dollars.

Last winter the Virginia Bankers Association sent twenty boys to their Agricultural College for the short course, and when the committee reported at the June convention the Association doubled its appropriation for this purpose and announces that it hopes to send one hundred boys and girls to college this winter.

Georgia makes a remarkable report. The Association has subscribed a loan fund of \$1,500.00 and has paid the tuition for thirteen boys at the State Agricultural College and for two girls at the State Normal College. These fifteen pupils were advanced \$100.00 each, for which they gave their notes payable on or before one year after graduation, with four per cent interest. The Association also advanced \$750.00 for the tuition of thirty boys and girls for the short term at the Agricultural College. The Georgia Association has taken an active part in the county demonstration work and good roads movements, and is, indeed, doing a noble work among the farm children.

South Carolina's committee, headed by Robert I. Woodside, a member of your Agricultural Commission, reports great interest in the demonstration work. Many South Carolina banks have advanced funds for the purchase of thoroughbred cattle. The activities of the South Carolina Committee were largely responsible for the adoption of the Torrens System of Land Title Registration, and, in many ways, South Carolina bankers are lending encouragement to all phases of rural development.

The Wisconsin Committee has done exceptional work, and Chairman Von Berg, working in conjunction with President J. R. Wheeler of the Wisconsin Association, the latter a member of the Agricultural Commission for the past three years, has furnished an inspiring example of what intelligent leadership in this work can accomplish. The Association has stressed the importance of pure bred grains and corn—has been active in county agent work—has distributed more than 30,000 monthly

bulletins relative to agricultural betterments, and at its annual convention this year conducted a special meeting in conjunction with the Agricultural College, which brought out and held the sustained interest of a record-breaking attendance. But the outstanding feature of the Wisconsin Committee's activities was the famous Banker-Farmer Excursion to the State Agricultural College at Madison, last April. Over four hundred farmers and fifty-four bankers attended this meeting, which was called for the purpose of discussing the best methods of co-operatively developing the agricultural resources of the state. Dean Russell, addressing the gathering, made the statement that the activities of the Wisconsin Bankers Association had immeasurably assisted in the agricultural development of the state, and it is authoritatively stated that the assistance rendered by Wisconsin bankers in the purchase of pure bred dairy cows and the development of the dairying and creamery industries, has added millions of dollars to the wealth of the state.

Texas has been active in county agent work—over one hundred being employed in the state. Two hundred and forty-five bankers—one for every county—directed by fourteen zone chairmen, constitute the Texas committee. Last year the Texas Association conducted a memorable cotton warehouse and marketing campaign and increased the warehouse capacity of the state by over 700,000 bales. The Texas Committee is now conducting a state-wide campaign for increased livestock production. A chart has been furnished each Zone Chairman, showing number and classification of livestock in his district, compared with twenty years ago. The figures show startling decreases, and present a striking illustration of the need of arousing interest in the matter of increased livestock production. Mr. W. G. Breg, chairman of the Texas committee, is president of the U. S. Bond & Mortgage Company of Dallas, an institution conducting a farm loan business. He is a city banker who is taking an active interest in the preservation of Texas land values—values which directly affect the securities of his company. I make this statement because I desire to say to the officers of the great savings banks, trust companies, and life insurance companies, who invest so heavily in farm mortgages, that your great metropolitan institutions are vitally concerned in the problem of preserving—and increasing—our national land values. I urge your co-operation in the work your Agricultural Commission is endeavoring to perform. Some of you, I know, have considered this phase of bankers' activities not germane to the purposes of the American Bankers Association, but permit me to point out that there is no problem—no one thing—which so concerns all the banks of America as the conservation of our soil—which may be accomplished only by intelligent crop diversification and the development of our livestock industry.

The work of your Agricultural Commission has consisted, largely, of keeping in touch with and stimulating the activities of the state committees. This has been done through the medium of the commission's official publication, "The Banker-Farmer," and by the annual conferences of the Agricultural Committees. The memorable Chicago Banker-Farmer Conference, the culmination of months of effort on the part of Chairman Harris, was one of the most remarkable meetings ever held in America. Thirty bankers' associations were represented. Over three hundred and fifty men, foremost in the financial, agricultural and commercial life of the nation, outlined a practical campaign for co-operative effort the results of which are spreading to every state of the Union. The famous Tri-State campaign conducted by Tennessee, Mississippi and Arkansas bankers, under the auspices of the Memphis Farm Development Bureau, is directly attributable to the influence of the Chicago conference, and Memphis bankers already point to increased bank deposits in their trade territory as a direct result, while it is stated that the agricultural wealth of Arkansas has been in-

creased \$30,000,000.00 and bank deposits \$10,000,000.00 in two years, largely as a result of the memorable Arkansas Better Farming Campaign, conducted under the auspices of Arkansas bankers and other existing agencies.

The South has taken hold of this problem with an energy that might well be emulated by our progressive brethren of the North.

Last year cotton states bankers, by a vigorous and concerted warehouse and gradual marketing campaign, are said, by an eminent authority, to have added over \$100,000,000.00 to the value of the cotton crop, while this year Southern farmers, stimulated by a South-wide safe farming campaign, undertaken jointly by Southern bankers and Southern newspapers, have saved millions of dollars in feed and food stuffs produced at home, and at the same time have automatically held cotton production down to barely the world's requirements and, as a result, the value of the 1916 cotton crop will exceed the amazing total of one billion dollars.

In the publication of "The Banker-Farmer," your commission has endeavored to acquaint the membership with the work being undertaken by the various State Committees. Many of the greatest financial, educational and agricultural authorities in America have contributed to its pages. Twenty-three (23) of our state associations are now distributing "The Banker-Farmer" among their members. The paper enjoys a circulation of some 400,000 copies per annum, of which approximately 220,000 are being purchased by individual banks for distribution among their farm customers, while the remainder are being distributed by the State Associations. By the publication of special numbers devoted to rural problems of national importance, "The Banker-Farmer" has endeavored to shape the policies of State Committees. Its cartoons have been reproduced by a number of leading newspapers and magazines of the country. A recent feature is the furnishing of plate matter to member banks for advertising purposes.

Co-operation on the part of the members of the Association will greatly increase the scope of the paper's influence. Country bankers are urged to contribute articles relative to agricultural development work being undertaken in their communities. The magazine invites your criticism as well as your support, and suggestions for the future conduct of the paper will be gratefully received by the management.

In the prosecution of the work of your commission, in the publication of the magazine, in urging and obtaining the co-operation of the State Associations, in spreading this great movement to every state of the Union, the mainspring of our activity has been your chairman, Mr. B. F. Harris. Whatever measure of work may have been performed, I feel that I can speak for the other members of the Commission in saying that the results obtained have been due almost entirely to the untiring efforts of our chairman. It has been my pleasure and my privilege to have been associated with him in this work for the past three years. His example has been a constant inspiration to me and to every member of the commission. You little realize the tremendous amount of work that he has performed. For three solid years I know that the greater part of his time and effort have been given to your service. Few men have labored as faithfully—few have performed as well. In his retirement as chairman of this commission, I feel that the American Bankers Association is suffering a distinct loss.

Time will not permit us to dwell longer upon the work already accomplished by the state committees. Much has been done, but we are merely on the threshold of endeavor. One of the new activities which should engage the attention of our country bankers is the general adoption of a farm credit statement system. I am submitting, as a portion of this report, the Bennett rate sheet, which has been recommended by Hon. Bradford Knapp, of the

U. S. Department of Agriculture, in a number of addresses delivered by him before bankers' associations. Over two hundred Texas bankers are now using this statement form, as the result of a campaign being conducted jointly by the Texas Bankers Association and the Agricultural College. A field agent is calling on every country banker in the state, explaining the merits of the system. The entire expense of this movement is borne by the college. The Bankers Association, co-operating on account of its influence with its members. With the increased appropriations now available to the Land Grant Colleges, I believe these institutions will be glad to co-operate in similar movements. I am sure every member of this Association will agree that it would be highly desirable to have in his files the financial statements of his farm customers. It is equally advantageous to the farmer to furnish a statement—it is the first step in farm book-keeping. A farm credit sheet means safer farming and safer country banking.

Country bankers should play an important part in shaping the policies of the new Federal Land Banks. Without entering into a lengthy discussion of this measure, it is apparent that its chief economic value lies in the extended period of payment afforded the borrower. This, in my judgment, is of far greater importance to the farmer than a slight lessening of his interest rate—if the Act lessens the rate at all. But by decreasing the annual burden of the farmer it will permit him the use of funds for development of his farm, for the construction of barns, silos, etc., and for investment in livestock. In short, it will permit the use of funds for what our distinguished vice-president and sound thinker—Peter Goebel—calls "Constructive Purposes."

The great rural problem of this country, as it has been of all countries, is to make it a nation of land owners. It has been pointed out in certain quarters that the present measure offers no hope to the deserving tenant farmer who desires to become a farm owner.

On the contrary, the act, providing, as it does, for long time loans, running from five to forty years, on a basis of fifty per cent of the appraised value of farm lands, presents an opportunity for the sale of lands by present land owners to hard-working, ambitious tenant farmers, accepting as first payment the cash advanced by the Federal Land Banks, and taking a series of long time, second-lien notes for the remainder of the purchase price. Such an arrangement would permit thousands of tenant farmers to purchase their own farms and pay for them out of the annual earnings.

If the country bankers of America will join in a campaign to induce land owners to sell farm lands to present tenants upon some such basis, they will be engaged upon one of the greatest movements ever undertaken for the agricultural and financial development of the nation.

The consolidation of rural schools and the establishment of agricultural high schools, are movements which should spread to every state of the Union.

We are just beginning to think about these things in America. Europe long ago learned the lesson that in the scientific cultivation of her soil—in scientific agricultural instruction—rested her future prosperity. The marvelous ability of Germany to feed herself during the past two terrible years of war is the result of a half century of scientific agricultural education. France, the great producer nation of the world, has nearly fifty thousand agricultural schools.

The future of this nation depends upon its agricultural prosperity. The establishment of agricultural schools and the consolidation of rural schools, which will give our farm children educational facilities equal to those enjoyed by their brothers and sisters of the towns, constitute the foundation of a permanent agricultural prosperity.

Experience teaches us that good roads are absolutely



essential to consolidation. Under the Shackelford Act, \$75,000,000.00 of government funds will become available for good road construction during the next five years, based upon equal appropriations by the states. In shaping legislation leading to improved rural educational facilities and the construction of improved highways, country bankers are offered opportunities for genuine national service.

But the greatest opportunity offered our country bankers lies in the extension of County Agent work under the provisions of the Smith-Lever Act. Under this Act there is now available \$1,580,000.00 of government funds, which increases by \$500,000.00 each year until 1922, at which time there will be available \$4,580,000.00 per annum, based upon equal appropriations from the states, thus providing nearly ten million dollars per annum for agricultural extension work.

Up to 1912 practically all of this work had been conducted in the South.

The demonstration agent, as you doubtless know, is a man of practical experience, who brings to the farmers of his county the results of scientific investigations in agriculture. Farmers cultivating land under agents' supervision are called "demonstrators." Farmers employing demonstration methods, but not actually under the agents' supervision, are termed "co-operators." In July of this year there were 914 agents and 105,522 adult demonstrators and co-operators in the Southern States. There were also 451 women agents in the home demonstration, or girls' and women's work. The results of the demonstration work are so amazing that I submit a few figures for the careful consideration of the American Bankers Association:

In 1914 the principal experiments conducted with the great staple crops of cotton and corn show that on 9,392 farms, with a total of 129,475 acres, Southern demonstration farmers averaged 1,044.77 pounds of seed cotton per acre, against 623.7 pounds—the general average; while 13,565 demonstrations conducted on 110,408 acres planted to corn show an average of 34.83 bushels per acre, against an average yield of 20.7 bushels produced in the Southern States. In 1915 over 20,000 Southern farmers, employing demonstration methods, on 218,000 acres produced an average yield of 1,180 pounds of seed cotton per acre, and 56,000 farmers employing demonstration methods on 480,000 acres, produced an average yield of 37.7 bushels of seed corn per acre. Figuring lint cotton at ten cents the pound, and corn at seventy-five cents the bushel, the cotton demonstrations show an increased value of approximately \$4,000,000.00, and the corn experiments an increased value of \$7,000,000.00 over the average productions of cotton and corn on equal acreages. Demonstrations in oats, wheat, rye, barley and other staple crops, show equally amazing results.

In 1915 over 50,000 pure bred and grade animals were brought into the Southern States, due to demonstration agents' influence. Seventeen hundred farm clubs were organized, with a total membership of nearly 50,000. The agents made over 600,000 visits to farms, traveling more than 3,000,000 miles. Thirty-two thousand meetings were held, with a total attendance of 1,200,000 farmers, while over 1,000,000 government bulletins have been distributed by county agents. Over 13,000 visits were made to Southern schools by agents, and there are now enrolled in the Southern boys' cotton, corn, pig and other clubs approximately 53,000 boys, while there are 37,000 girls enjoying the benefits of the home demonstration work. The increased yield of our great staple crops is a matter of vital importance to this nation. Our population has increased nearly 25,000,000 in the last fifteen years, while production of our great staples has been almost stationary, and there has been an alarming decrease in livestock production. France, Germany, and Denmark produce twice as much wheat, rye and oats per acre, and far excel us in the yield of other staple crops, and, in every phase of

production, we make a lamentable comparison with the great nations of Europe.

The extension of the field demonstration work will add millions of dollars to the wealth of this country, and leading Governmental and State Agricultural authorities testify that the co-operation of bankers has been a potent factor in the development of the movement. The United States Department of Agriculture and the Agricultural Colleges furnish the scientific direction—the banker's local influence helps to establish the work. Local legislation is necessary for the appropriation of county funds—the banker's influence secures it.

Your Agricultural Committees should bend their energies toward placing a field demonstration agent in every agricultural county of the Union, and in this field of co-operative endeavor a magnificent opportunity is offered the country banker.

By some, who have not, I fear, made a close or intelligent study of the subject, the bankers' exploration into the field of agricultural activities has been termed a theoretical uplift movement. In my judgment, co-operation with the agricultural colleges in the extension of the field demonstration work is one of the greatest practical movements ever undertaken by this Association. It will increase bank deposits and add immeasurably to the security of our loans. Your agricultural committees are not endeavoring to teach the farmers of this Union how to farm, but they are working in conjunction with the agricultural colleges to bring about those methods which mean a more permanent and prosperous agriculture and a safer, sounder banking. I urge every country banker in this Association to interest himself in the enactment of such local legislation as may be necessary to enable his community to participate in the benefits of the Smith-Lever Agricultural Extension Fund, and I venture the prediction that you will never have undertaken a work which will bring to your community a greater and more immediate prosperity, or to you a greater personal satisfaction. We of the South know what this work means. We are seeing communities change from the slipshod, dependent methods of the past, and our country blossom forth as an independent, self-sustaining, prosperous and contented New South. We see the little boys of our Southland receiving a practical education on the farm. We see them raising their little plats of corn and cotton and establishing records for production in the South. Through the establishment of boys' pig clubs and baby beef clubs, they are learning the South's much needed lesson of increased and better livestock production. Their sisters, under the intelligent direction of the home economic agents, are planting their little home gardens, preserving fruits and canning vegetables, raising poultry, studying sanitation and beautification of the farm home, and are qualifying themselves to become intelligent, capable, cultured, modern farm women.

The boys and girls club work has been tremendously accelerated by the bankers' activities, and the club prizes, which so stimulate the children's interest, are due largely to the financial support of the banking and business interests of the country.

The women of America have awakened to the importance of this movement, and the National Federation of Women's Clubs is appointing committees on rural welfare all over this broad land. You good women, the wives, sisters and daughters of American bankers, have here an opportunity to join with us in this great practical work. I appeal especially to you who have dear children of your own—children who enjoy good educational facilities—to join with us in extending equal opportunities to the children of our rural communities. Use your influence for the betterment of rural conditions in your neighborhood. Help to establish the demonstration work in your county.

You, fathers and mothers, go out under the open sky—spend a day in the country with your County Agent—

make a trip with that good woman, the Home Economics teacher—visit the boys' and girls' clubs—and when you see the interest manifested by these farm children—the eagerness, the enthusiasm with which they grasp the opportunity to better qualify themselves for their calling in life—I am sure you will return to your homes inspired with the patriotic desire to become an active, personal factor in this great work—a work which, delightfully combining the practical and the ideal, enhances the material welfare of your country—while, through the development of a higher type of rural citizenship, it permanently enriches society.

To help bring about these things in your community may be called an "Uplift Movement," but it is a work which "uplifts" him who engages upon it. In the education of our children lies the future of the nation.

We have heard much of the magnificent opportunities offered American bankers in the development of our foreign commerce, and a number of our great financial institutions are doing valuable educational work in pioneering this field; but the greatest opportunity of this country lies in the development of its marvelous internal agricultural resources. This is the mission of your Agricultural Commission. It is to this work we are committed, and it is this work which we believe offers the greatest opportunity to the country banker.

Your Agricultural Commission is but a small unit in this movement. We need the co-operation of every State Association, and we urge the active support of every member of this organization in the effort to make the American Bankers Association a powerful factor in the economic development of the nation.

## *The Federal Reserve Law and Its Amendments*

BY W. P. G. HARDING, Governor of the Federal Reserve Board, Washington, D. C.

Mr. President and Gentlemen of the American Bankers' Association: This is certainly a very pleasant surprise to me. I did not come here loaded with a speech, but I have had the banking habit so long that I find it very difficult to throw it aside. I have never become accustomed to regard myself as a statesman, and I still feel under the skin the sentiments of a banker.

I believe, however, that I am capable of taking a broad view of things, and I am not hidebound.

I realize certain responsibilities, under my oath, to the whole community, and not unto the bankers alone; I am not ashamed of my banking training, and I have nothing to apologize for whenever I say things in the bottom of my heart from a banker's viewpoint.

I know that many of you have been much disturbed over the ruling of the Federal Reserve Board, in regard to the collection of checks. Possibly a few words of explanation may not be amiss.

When the Federal Reserve Banks were organized in November, 1914, the country was just recovering from the great shock occasioned by the outbreak of the war in Europe.

The Board at that time deemed it wise to defer the full operation of Section 16. We had what we regarded as much more important matters to attend to, but, gentlemen, a year passed, maybe a year and a half passed, and nothing was done toward carrying out what seemed to be the mandatory sections of that Act, and what the Board regarded as its solemn duty. That Section 16, as I have learned, was the result of a compromise. It was not enacted as originally drafted nor was it enacted as in the Senate Bill which was passed, after the visit of the Committee to Washington in 1913, but it was amended in conference. The language of the section is somewhat involved. The counsel of the Board gave that section very careful consideration; he gave us his advice as to the meaning of that section. We had that opinion checked by the Consulting Counsel of the Board, an eminent attorney in the city of New York, and after a very careful deliberation on the part of the members of the Board we issued that circular and regulation of May 1st last, which provided that the Clearing System should go into operation on the 15th day of July.

I want to congratulate the members of this Association upon the course they have adopted. It seems to me that you have reached the correct solution. The Federal Reserve Board is not a legislative body; its functions are administrative. Occasionally it has quasi-judicial functions to perform, but in the main its duties are admini-

strative. It is our province to carry out the law as Congress enacts it, and if there is anything wrong, if there is anything unjust to the banking community in Section 16, as it stands, then it is clearly your right, guaranteed by the Constitution of the United States to go to Congress to state your case and ask that body to remedy the defects that you see in it.

Certainly no member of the Board has any desire to antagonize the legitimate banking interests of this country. We all realize how much you are doing to build up the business of this country, and what you are doing for the welfare of every element in the country. Furthermore, we realize that many of you represent the banks that are members of the Federal Reserve System, that are stockholders of the Federal Reserve Banks. Others represent banks that are not yet members of the Federal Reserve System, but we hope in due course of time to welcome you in as members, and certainly it would be a very shortsighted policy for anybody charged with the administration of the Federal Reserve Law to deliberately drive away and antagonize any important body of men like the American Bankers. At the same time we realize, as every thoughtful banker among you must realize, that a banker has his duty to perform to the public, that he is a quasi-public institution, that he owes something to his depositors and to the public, upon whose business his deposits depend; and I am sure of the result of your deliberations, when you come to Washington, when you meet the committee of Congress. I see no reason why this whole problem should not be solved, to the satisfaction of all concerned.

To-morrow, gentlemen, you will have the pleasure of listening to an address by an able member of the Board, a man who is known throughout the world as a great international banker. He will emphasize the importance of the principle of the Federal Reserve Act. Section 16 shrinks into insignificance as compared with the underlying principles of the Federal Reserve Act; the utilizing of the cash resources of this country: the care of the gold, the ultimate monetary redemption, the only international money. We live to-day in the midst of a great period of prosperity, such in point of volume alone, from magnitude of figures, as has never been before equaled in this country; but, gentlemen, we should realize that in a time like this, when deposits are climbing day by day, and money rates are easy, when the interest payments that you have to make, go along, without ceasing, night and day, and you contemplate this vast accumulation of idle reserves in your vaults—don't we know by experience that

now is the time when we are laying up trouble for the future; that the losses which we appreciate will have come to us in two or three years from now, perhaps,—that the foundation of those losses is being laid to-day? How long, gentlemen, can we expect to continue to absorb the entire gold production of the world, as we have been doing since the first of January, 1915? For ten years past the average gold production of the world has amounted to about \$450,000,000. The net gain in the gold holdings of this country since that time has aggregated over \$700,000,000. In spite of the fact, as Mr. Chapman stated this afternoon, that we have brought back from Europe over two billion, five hundred million dollars' worth of security, and loaned foreign countries \$1,600,000,000,—despite that we have absorbed the equivalent of the gold production of the entire world. It is a solemn responsibility that we have to properly conserve with, and to avoid the dangers of inflation of currency, inflation of credit, which is more insidious, and just as dangerous. And I want to say to you that the Federal Reserve Board has these facts constantly in mind. It believes its highest progress is to urge and caution better banking methods, to impress upon you the necessity of the conservation of our gold stock in the Federal Reserve Banks of the country, in order that when the tide turns, when conditions on the other side of the water are different, and when, owing to the high interest rates prevailing there, when owing to government financing or to restrictions, the tide of gold flows from our shores back, as it surely will, we shall be in a position to control that tide, so that we may not feel the ill effects of its departure from our shores.

I take it, gentlemen, that in the transaction of our domestic business that most of us will agree that gold is unnecessary, that other forms of currency, in paper denominations are more convenient and just as efficient; but I well remember a hearing in Minneapolis last Fall when the great Builder of the Northwest, who has now gone to his final reward, James J. Hill, remarked, "Yes, gold is not necessary; we can use the National Bank notes, we can use Federal Reserve notes, but, gentlemen, we should be sure that the Redeemer liveth!" He wanted to know that the paper money was covered by gold in circulation, so that any who had it, whenever they needed the gold, they could present the currency and get the gold. That, gentlemen, is the highest province of the Federal Reserve Bank, which is to regulate and stabilize our currency, so that those of you who hold any form of paper money, issued through governmental agency, may be sure of your Redeemer—and that you can get the gold when the need for it arrives.

At the same time, you know that it is a great economic waste to use gold coin in the ordinary course of business, the abrasion amounts to so much, and the gold certificates result, in the ordinary course of business, in a terrific

waste; for every dollar's worth of gold or gold certificates in the vaults of the Federal Reserve Bank is a potential power of expansion in case of need of two and a half times.

One of your banks, having a demand from its customers for crop moving purposes, or due to temporary nervousness, may be called upon for a million of dollars, and if you ship that million of dollars out of the country in gold how long will it be before it gets back into your vaults? You know the tendency to hoard gold coin; you know how pretty a yellowback certificate looks. If, on the other hand, you turn that gold or that gold certificate into the vaults of the Federal Reserve Bank, and use some other form of currency, that temporary form is more apt to come back speedily than the gold itself. It constitutes a more flexible and more elastic currency; but I fear that I am anticipating the remarks that my distinguished colleague will make to you to-morrow.

In conclusion I want to call your attention to one very important amendment which has recently been passed by Congress which has just adjourned, and that is the amendment to Section 19 of the Federal Reserve Act, which provides that any member bank, any National bank, may carry any part of the cash reserve hitherto required to be carried in its vaults, on the books of the Federal Bank, as a balance; in other words, if there is a bank that under the old rule would have to carry \$100,000 of lawful money, gold or legal tender notes in its vaults, and the balance of its reserve in a Federal Reserve Bank; if in the conduct of its business, pay rolls, crop moving, and whatnot, it finds that its lawful reserve in cash has run down, say to \$40,000 or \$30,000 odd, so long as you build up to a corresponding degree, your balance in the Federal Reserve Bank, you are complying with the law, as now amended. You can take your time about shipping that money from the Federal Reserve Bank to replenish your vault reserve, and many in remote districts who have hitherto found it expedient to keep gold or gold certificates locked up in your vaults, in order that you can have the lawful money reserve, now find to all intents and purposes for your till money you can use a Federal Reserve note, or a National Bank note, or any other form of currency that comes along.

Then again, the banks in the large cities have large accumulations of gold, whenever they find it desirable to increase the amount of money in circulation, which is certainly not desirable to-day, but may be later on; they can transfer from their own vaults to the vaults of the Federal Reserve Bank their gold holdings, and thereby greatly increase the power of the Federal Reserve Bank to relieve any sudden or difficult situation that may arise. Gentlemen, I thank you very much for the pleasure of being here.

## *The Reserve Problem and the Future of the Federal Reserve System*

BY PAUL M. WARBURG, Vice-Governor of Federal Reserve Board.

It has been suggested that I address you upon the subject of "the future of the Federal Reserve System." To venture to predict the future is always a risky undertaking and I, for one, dislike to attempt the role of prophet. But if our new banking system is to attain its fullest measure of success, we must have in our minds a very definite ideal, a clear conception of the goal towards which we are striving, so that each consecutive step may be a consistent move in that direction. I deem it, therefore, a privilege to be afforded this opportunity

of addressing the leading association of American bankers upon a topic in which its members are so keenly and vitally interested, and which—if we are to achieve the most fruitful results—should be solved by their own efforts rather than by legislative initiative.

The well-known British writer, Mr. Hartley Withers, in his new book, "International Finance," makes the following statement:

"London's credit machinery has grown up in almost complete freedom from legislation, and it has

consequently been able to grow without let or hindrance along the lines that expediency and convenience have shown to be most practical and useful."

When I read this paragraph, there came to me again

the feeling of regret that American banking had not developed in a similar manner; that—owing to reasons which it is unnecessary to review here—our banking methods had proceeded along lines that had proved disastrous, and that multiplicity of banks, diversity of interests, and divergence of views precluded any possibility of voluntary agreement concerning the adoption of uniform, scientific, and adequate modern banking methods. That failure rendered necessary banking under Government regulation and, to a certain extent, in the Federal Reserve Act, even under compulsion. By many this method has been viewed with regret, but unfortunately there appeared no other possibility of success.

I believe it is safe to say that, in general, those laws have proved the best which put into legal form existing usages already recognized by actual experience as sound both in principle and practice. With us, it was impossible to use existing banking habits as the basis for our legislation. It was necessary to take those banking practices that had proved their worth in other countries and to adopt them as our model, with such adaptations as our own conditions rendered necessary.

It is a most difficult task, however, to remodel fundamentally the structure of a fully developed organization and to do it while the machinery is kept going at top speed. It is evident that it cannot be accomplished without some temporary inconvenience and that it must be done step by step. The tracks in the new depot of the New York Central Railroad in New York had to be moved many hundreds of times in order to keep the trains running while the larger basis of operation was being perfected.

I am profoundly convinced that the Federal Reserve Act will prove one of the most constructive contributions ever made by Congress, and that the further the system develops, the more apparent will this become.

PRESENT FEDERAL RESERVE ACT NOT A FINALITY, BUT

#### A BEGINNING

But, in expressing my unbounded confidence in the future of the system, I am fully conscious of the fact that, in its present form, it is not a finality, but a beginning. The tracks will have to be shifted many a time, and, as the fields opened by the new organization are developed, substantial changes in machinery will have to be made in order to cope with new demands.

Indeed, the Federal Reserve Act would prove a failure if these changes in the system did not become necessary from time to time. In this process of developing the new machinery to its fullest degree of usefulness, the bankers of the United States will have to play the most prominent part, and it is for this reason that I am particularly anxious that we all should reach a clear understanding about the future course of American banking, its hopes and its fears. Only if we take this more comprehensive view shall we be able to plan wisely—not for the morrow, not for single interests, but for the larger future and the benefit of all.

IMPORTANCE OF COOPERATION OF AMERICAN BANKERS ASSN.

I have no doubt that your Association is in harmony with these views and that, in cooperating along these lines, it will prove a most important and helpful factor in the simultaneous evolution of good banking practice and good banking legislation. The natural development will be that Congress will call upon the Federal Reserve Board more and more to act as an expert body in questions of banking—though, unfortunately, this does not mean that our advice will always be heeded. Our conferences with your committees will assist us in the future, as they have in the past, to do our duties fairly

in administering the Federal Reserve System, and in planning for its future growth.

#### THE REAL MEANING OF "RESERVES"

Let us try to review as briefly as possible the main features adopted from European banking, and to establish where we stopped half-way and what still remains to be done. Time will not permit me to cover each of the various phases involved, but it may be possible to deal fairly comprehensively with the topic of reserves, which, after all, is to many the most puzzling and to all the most vital question involved in the problem.

In 1910, I published a tentative plan entitled, "A United Reserve Bank of the United States." Later on, Senator Aldrich called the system that he proposed, "A National Reserve Association"; and finally the Owen-Glass committees devised the "Federal Reserve System," which was enacted into law. The word "reserve" has been embodied in all these varying names, and this is significant because the adoption of the principle of co-operative reserves is the characteristic feature of each of these plans.

"Monetary and banking reform" made its greatest step forward when public opinion recognized that it was not essentially a question of note issues but one of reserves. But, though this reserve problem has thus been before us for many years, it is a strange fact that there still exists a singular confusion in the minds of bankers, writers, and students as to what the word "reserve" actually means in this connection.

There are all kinds of reserves. There are military and naval reserves. We speak of reserves in dealing with water supply, with food, raw materials, rolling stock, electric power, and what not. In each case its meaning depends upon the requirements of the organization maintaining the reserve. Reserve is, as the name implies, what one holds back. It generally means an extra supply of something kept idle for the purpose of being immediately available to take care of an increased demand in excess of normal requirements. Now, if we wish to get a clear conception of the meaning of reserves in connection with the Federal Reserve System, we must understand that it is necessary to recognize central banks as entirely different organizations from the commercial banks and trust companies and, consequently, that their respective reserves differ as much as those of an ice factory and a summer hotel—the one a producer and the other a consumer of ice.

Reserves of central banks and reserves of the general stock banks are two entirely different things.

For the sake of greater simplicity, I shall in this address call the national banks, State banks and trust companies, the "stock banks" and their reserves "banking reserves," and I shall term the reserves of the central banks "gold reserves," leaving it open at this point whether or not these latter reserves should include silver and greenbacks.

The Federal Reserve System is a co-ordination of twelve central banks; and the same principle as to reserves, therefore, applies as if we were dealing with one central bank. I shall, therefore, in this address, class the Federal Reserve System with the central banks.

#### FUNCTIONS OF STOCK BANKS IN CENTRAL BANK COUNTRIES.

Let us consider first the functions of the stock banks in central bank countries.

Deposit banking is the art of wisely employing the depositors' stored up purchasing power. It is based on the principle that there is a sufficient variety of conditions amongst the depositors and borrowers of a bank so as normally to preclude the probability of the depositors' withdrawing and using their own money faster than it can be collected from the borrowers, to whom the depositors' purchasing power temporarily has been trans-

ferred. The bank's own capital and the uninvested part of its deposits from the insurance, or reserve, fund to act as an equalizer in balancing these scales. It is essentially a question of exchanging credits and, where there is a central banking machinery enabling the stock banks to liquidate a sufficient amount of their assets to make good any deficits that may occur, the whole system is safe and complete. The central banking organization provides the member banks either with balances to be used in the clearing, or, if currency should be required, with notes which will be accepted by their depositors in settlement of the stock bank's obligations.

In countries where these notes of the central banks are generally accepted in settlement of debts by business men and banks, the "banking reserves" of the stock banks may safely consist of the central bank currency, or of a balance kept with the central bank, convertible into such currency. These form the first line of banking reserves. The second line consists of those assets which, with certainty and promptness, may be converted into credit balances with the central bank. It is simply a question of having a reserve of such credit currency, or of power to produce such credit balances, as will provide an acceptable means of satisfying depositors.

Balances with the central bank, and its notes, entitle the stock banks, like any other holder, to payment in legal tender; and if legal tender is demanded by creditors of the stock banks, the latter must rely upon the central bank to furnish it. The duty to keep its own deposit and note obligation sufficiently protected by a proper proportion of metallic cover rests with the central bank, and its reserves, therefore, must consist exclusively of the metal in which its obligations are payable.

In central bank countries there does not exist any law that requires stock banks to keep in actual specie in their own vaults a certain proportion of their deposits. All the central bank usually requires is that the stock banks, and other firms, maintain with it free balances commensurate with the scope of their transactions. As a matter of fact, if we study the statements of European stock banks we find one single cash item which includes the combined holding of gold, silver, bank notes, and the balance with the central bank.

I still remember that when I had my initiation into banking in Europe, twenty-eight years ago, we never bothered much about our cash in vault. We never had more than we needed as till money. If we accumulated too much, we sent it to the central bank to be credited to our account. If we ran short, we sent over to the central bank and got what currency we required. The cash item was of very little interest to us, but we watched continually the balance with the central bank, and if our balance approached the prescribed minimum, we would strengthen it by sending over for discount some short paper maturing within five, ten or fifteen days—or, if demands were extraordinarily heavy and unexpected, we might have to send over paper of longer maturity. Or, at times, when the discount rate of the central bank was higher than the ruling rate of the stock banks, the latter would take our short paper—just as we would make short loans to them when we had surplus funds to lend. If conditions became such that the stock banks were crowded so that the central bank would notice that the maturities it was discounting were gradually becoming longer, the central bank would have to consider whether or not it was time for it to raise its rate. If the increased demand was due to seasonal requirements, the central bank would maintain its rate and go deeper into its reserves. If the central bank suspected that over-expansion or speculation, or gold exports of alarming proportions, were at the bottom of the increased inroads into its reserves, it would counter with an increase in its rate.

#### DIFFERENCE BETWEEN OLD AND NEW SYSTEMS IN THE UNITED STATES.

In the United States our old State banking systems did not provide for any central organization to protect the banks' gold obligations, nor did they furnish the machinery by which, in case of need, banks could convert their commercial assets into cash or credit balances. The National Bank Act, therefore, required every national bank to maintain against its deposits a certain percentage of actual lawful money reserve, which it was considered should constitute its contribution to the general gold protection of the nation; in addition, credit bank balances in Reserve and Central Reserve Cities were to provide a certain liquidity in case of emergencies. The vicious shortcomings of this old method are well known to everybody here, and need not be elaborated.

The Federal Reserve Act brought about a most radical change. It created a system of twelve central banks which, co-operating with one another, were from then on to exercise two important functions in relation to their member banks; first, to provide a sufficient gold cover for the country's gold obligations; and, second, to provide the machinery for turning, whenever desired, the member banks' commercial assets into available credit balances, or cash.

The first function relieved the member banks of the necessity of keeping in their vaults large amounts of gold for the general protection of the country; the second rendered unnecessary the so-called reserve balances with correspondents in Reserve and Central Reserve Cities. The safe and effectual transfer of these burdens to the Federal Reserve Banks must be predicted, however, upon a sufficient mobilization and concentration of gold in the hands of the Federal Reserve Banks, and, furthermore, upon the existence of a large volume of standardized commercial and banking paper, easily rediscountable without red tape with the Federal Reserve Banks. This is where the Federal Reserve Act stopped half way. It did not say to the member banks, "Maintain with the Federal Reserve Bank a minimum balance sufficient for the general safety of the country, and whatever cash you keep in excess of that in your own vaults—be that gold or silver or Federal Reserve notes—is your own concern. But bear in mind that the larger the gold fund produced by the combined contributions from your own vaults, the stronger will be the protection to you and the entire country." The law continued, instead, the anomaly of requiring member banks to lock up in their vaults hundreds of millions of dollars, thus preventing them by legal enactment from giving additional strength to their own protective system, even if they should want to do so. It further created the anomalous situation that, while a balance with a Federal Reserve Bank could be considered as reserve, the Federal Reserve note could not be so counted, despite the fact that it is a prior lien against the assets of the bank and is the obligation of the United States, while the balance is not.

This inconsistency—to a certain extent at least—has been cured; Congress having passed, upon the recommendation of the Board, a most important amendment authorizing the Board to permit member banks to keep any portion of their required vault reserve as balances with their Federal Reserve Banks. In passing this amendment, Congress has opened the path for great strides in advance, and it remains to be seen now, how far the bankers of the United States will be able to seize this opportunity of doubling the strength of their Federal Reserve Banks.

There has been a great deal of grumbling, particularly on the part of the country banks, to the effect that their reserve requirements are too heavy, and they have sometimes suggested that they be permitted to continue to count as reserve certain balances kept with their correspondent banks. If member banks' reserve requirements

should be found unnecessarily heavy, let us reduce them outright; but do not let us continue the confusion of counting as reserve what—by plain reasoning—should not be called or treated as a reserve. Let us, in our plans for the future, try to look at the problem as a simple question of keeping a sufficient balance with the Federal Reserve Bank, and when that is maintained, leave it to the member bank to keep liquid and strong in its own way. Do not let us apply the term reserve to a balance with another member bank, which may be invested in securities or loaned on the stock exchange; nor let us count as reserve checks in process of collection, and yet, at the same time, treat Federal Reserve notes as an asset that cannot be counted as a banking reserve.

#### CAN WE MEET POST-BELLUM DEMANDS.

In dealing with the problem of adequate reserves, we must first and always consider the question of whether or not our Federal Reserve Banks are sufficiently strong for the protection of the country or whether they are stronger than necessary. Whenever the latter question can be answered in the affirmative, then only will we be justified in considering the advisability of reducing the member banks' reserve requirements.

What is the Federal Reserve System's lending power today? If we set aside a gold reserve of only 40 per cent.—which may do in times of stress, but is not a proper and sufficient basis in normal times—we find that we have a free gold reserve of about \$206,000,000\* or, if we include the gold now held in cold storage by the Federal Reserve Agents, about \$380,000,000. This means that, by additional rediscount operations, or purchases in the open market, for home requirements or for export, we are able to stand a loss of gold of from two to three hundred million dollars. \$200,000,000 is a very large amount, but when we realize that the Nation's gold holding in one year has increased by about \$500,000,000, it is well for us to consider whether or not we shall be able to hold this gold at the end of the war. It is impossible to predict what will then be our economic and financial situation. Perhaps we may find ourselves in an over-expanded or generally unsatisfactory condition, and we may have to face a readjustment in which all our banking strength may be required. On the other hand, things may go well with us, but in the rest of the world there may be a great deal of financial distress.

\* Present lending power of the Federal Reserve Banks (September 1, 1916).

Net deposits (Govt. & bank deposits)		
less float	\$500,008,000	
35 per cent. thereof		175,003,000
Note liability	20,890,000	
40 per cent. thereof		8,356,000
Total required reserve against deposit and note liabilities		\$183,359,000
Total cash reserve	365,376,000	
Cash equivalent of E. R. notes on hand	24,084,000	389,460,000
Additional lending power of F. R. banks if loans are taken in lawful money		\$206,101,000
Additional lending power if loans are taken in F. R. notes		\$515,252,500

In that case (and it may be the more likely of the two) we shall have almost boundless opportunities, but serious obligations as well. Foreign loans in the old and the new world may draw away our capital at interest rates far in excess of our own. Our exporters will have to meet the keen competition of other nations, and even though at first there will probably be a strong demand for certain of our raw materials, the purchasing power of many a country will be found materially reduced. These are conditions which, in the long run, may be the cause of heavy gold exports from the United States and which, if we remain unprepared, may seriously check

our progress. If, on the other hand, we forearm, we may grasp the opportunity of taking our place as the strongest of the world's bankers and furnish our industries with the basis for a solid expansion.

#### AMOUNT OF FREE GOLD MOBILIZED RIDICULOUSLY SMALL.

Does it not appear ridiculous that a country owning over two billions and a half of gold should not be able to mobilize a larger free gold reserve than two or three hundred millions of dollars, particularly when it is apparent that its future financial and economic growth will depend upon the extent of the "preparedness" that it can provide in this respect?

During the critical period following the outbreak of the war in 1914, there were issued \$386,000,000 of currency under the so-called Aldrich-Vreeland Act. Has it occurred to you that if a similar amount were needed under the Federal Reserve Act it would absorb a gold reserve, on a 40 per cent. basis, of \$154,000,000? But financial history has shown that each crisis develops larger demands than its predecessor, and, with our constantly growing pyramid of deposits and loans, and with the gigantic scale upon which financial transactions are now conducted, it is our duty to be prepared for ever larger demands. The fact that we are strongly forearmed, far beyond a limit expected to be actually reached, will be the only means of restraining these demands to safe and reasonable bounds. We ought to be able, therefore, to lose \$300,000,000 to \$500,000,000 and still have \$200,000,000 or \$300,000,000 of free gold to serve as a basis for emergency operations.

I cannot urge you too strongly, therefore, to co-operate to the utmost of your abilities in keeping your balances with the Federal Reserve Banks high, and your vault money down to the minimum that your own till requirements will safely and conveniently permit. It is obvious that, in strengthening the Federal Reserve Banks, you are strengthening yourselves.

If a country bank with \$25,000 in capital and \$150,000 in deposits keeps in its vaults \$5,000 or \$10,000 of gold, does it expect that, in case of a national emergency, it could protect itself with that amount of legal tender in the event the Federal Reserve Banks stopped paying in gold or stopped rediscounting? If a country bank's depositors want cash, they will be perfectly satisfied to take Federal Reserve notes. But the power to furnish these notes, or credit, is limited by the amount of gold held by the Federal Reserve Banks. While the \$5,000 gold in vault of the member bank will not, therefore, protect it, the specie and legal tender notes held by all of them collectively (about \$770,000,000) can be made to form the strongest possible bulwark of protection for all if deposited in the Federal Reserve Banks.

But you may ask me how is it that in Europe central banks control these vast amounts of gold while the deposit balances maintained by the stock banks are comparatively small, and why then should it be necessary for the American member banks to keep such large deposit balances? This is, again, because we have stopped half way. The Bank of England issues notes only against gold. The other leading central banks of Europe issue notes against gold (in certain countries gold and silver) and commercial paper. There may be 100 per cent. gold, but there may not be less than a prescribed minimum gold reserve. But they do not provide that notes may *not* be issued against gold without a certain reserve of commercial paper. That theory—which makes all Europe laugh at us—is, however, the one underlying the Federal Reserve Act. The Board urged Congress to remedy the law in this respect. The Senate responded favorably by passing a bill on these lines, but, unfortunately, it was lost in conference.

EUROPE'S SUCCESSFUL EXPERIENCE NOT TO BE ARBITRARILY CONDEMNED BY US.

It is hard to comprehend why, if this principle has been universally and successfully adopted by the leading central banks, and has been the root of their surprising strength during the last two years of terrific strain, it should be arbitrarily condemned or disregarded by us. Let us examine the statements of some of these central banks as they appeared before the war:

*Metallic Reserves of the Principal Central Banks of Europe\* at the end of the calendar year 1913, and the percentage of their demand liabilities which were represented by notes in circulation and deposits.*

	METALLIC RESERVES.		DEMAND LIABILITIES.				Total	
	Millions of Dollars.	Notes in Circulation. Mill. Per cent.	Public Deposits. Mill. Per cent.	Private Deposits. Mill. Per cent.	Mill.	Per cent.	Mill.	Per cent.
Bank of France.....	800	1165 85	63 5	142 10	205	15	205	15
Reichsbank.....	344	617 77	...	...	189	23	189	23
Russian State Bank. 818	857	57 490	33 142	10 632	43	23	43	23
Austro-Hungarian Bank.....	305	506 93	...	...	38	7	38	7
Bank of Italy.....	233	417 75	40 7	98 18	138	25	138	25
Bank of Netherlands 64	134	99	...	2 1	2	1	2	1
Nat. Bank of Belgium 59	263	91 3	1 17	8 20	9	9	9	9
Swiss National Bank. 37	61	84	...	...	11	16	11	16
Federal Reserve Banks								
September 1, 1916. 365	14	3 51	9 485	88 536	97		97	

It is evident from these statistics that the United States are following a course diametrically opposed to that of all other central banks. While our central gold reserve, disregarding capital, is made up 97 per cent. from deposits and 3 per cent. from note issue, the statement of the Bank of the Netherlands shows that it obtained 99 per cent. of its metal from circulation and 1 per cent. from deposits. This is the most extreme case, but the table speaks for itself in showing that, with the exception of Russia, where public deposits (for reasons which it would lead too far to explain here) are extraordinarily large, the important European central banks secure their gold reserve from circulation to an extent varying between 75 and 99 per cent.

It may be worth our while to analyze further what would be the effect of permitting Federal Reserve Banks to issue notes in exchange for gold in the manner recommended to Congress by the Federal Reserve Board.

EXCHANGE OF FEDERAL RESERVE NOTES FOR GOLD CERTIFICATES WOULD AFFORD PROTECTION.

If we added \$500,000,000 to the Federal Reserve Bank's gold holdings by withdrawing gold certificates from circulation and issued against this gold \$500,000,000 of Federal Reserve notes, the exchange in itself would not alter the volume of the country's total circulation. But our power of protection would be increased. If, after such exchange, member banks rediscounted with Federal Reserve Banks \$300,000,000 of paper and shipped \$300,000,000 of gold to Europe out of the credit balances thus secured, the Federal Reserve Banks' balance sheet would show against these transactions:

\* I have not included the Bank of England, because its organization does not provide for so-called elastic note issue, and because, during the recent critical period, it proved anew its inferiority in this respect as compared with modern central banks like the Banque de France and the Reichsbank. Owing to the rigidity of the structure of the Bank of England, that country could not promptly meet the first pressure following the beginning of the war. There was an inelastic and insufficient note issuing power and the consequence was that a situation developed in which the Government credit had to be thrown into the scales to a much larger extent than with any other nation. The British Government had to guarantee acceptances, discounts, and stock exchange loans to an almost unlimited degree; it had to issue, in August, 1914, £37,603,000 of small notes to provide the needed currency. I believe it is safe to say that the moratorium and the great inconveniences and losses inflicted upon England's debtor nations might have been avoided if the organization of the Bank of England had been more modern and possessed of greater elasticity. England's unparalleled power as the world's creditor nation, which was brought into play with marvelous boldness and ingenuity, saved the day for Great Britain and overcame the Bank of England's organic weakness, which, with any other nation, might have proved fatal.

Gold, \$200,000,000	Notes outstanding, \$500,000,000
300,000,000	Rediscount against gold shipped.
\$500,000,000	\$500,000,000

So that the mere exchange would have enabled us to bear a loss of \$300,000,000 of gold which otherwise might have affected seriously our financial situation. This argument is based upon the theory that possibly \$700,000,000 to \$750,000,000 of gold certificates and gold, in addition to other kinds of currency, are at present carried in the pockets of the people and in business tills where Federal Reserve notes would serve equally well. The obligation of the United States, secured by all the assets of the Federal Reserve Banks and a large cover of gold, would remain a trusted medium of exchange unless indeed the credit of the United States went to pieces. Experience has shown that a large and constant volume of notes remains outstanding at all times and that, during a crisis, the amount rather increases than decreases. It is certain, therefore, that a very large sum of gold could be permanently withdrawn from circulation, and that, as in Europe, the bank note circulation would take its place. Against this well recognized practice, the hue and cry of inflation has been raised. It is hard to see why a process that spells "elasticity" in France, Germany, Holland, Belgium, Austria, Italy, Sweden, Norway, Russia, Switzerland, and other countries, should spell "inflation" with us. Elasticity without restraint may lead to inflation. But elasticity well regulated by rigid supervision and definite requirements of gold cover, elasticity subject to widest publicity and constant ruthless scrutiny, may be trusted not to go very far astray.

As I said the other day, if you need police protection, you must not deny the policeman the right to carry a modern revolver for fear that he might shoot the wrong man. If the Federal Reserve Banks and the Board wanted to run amuck, their present powers are sufficiently large to enable them to do harm. Their ability to do mischief would hardly be increased by the added power, but their ability to protect would grow immeasurably.

OPPORTUNITY OF CONSERVING \$600,000,000 GOLD IMPORTS LOST.

Since the Federal Reserve Bank opened, there has come into the United States from abroad over \$600,000,000 gold. This stream of gold should have benefited the Federal Reserve Banks. They should have impounded the gold and issued their Federal Reserve notes against it. As it is, they have lost this unique opportunity of gaining additional strength; they have had to stand by idly and let the gold flow into the member banks or go into circulation. Let us throw the searchlight on this bogey that procuring additional gold by note issue is dangerous, while to obtain it by additional member bank deposits is safe. This will best be accomplished by taking our present combined statement and adding \$500,000,000 gold obtained by additional deposits, or, as an alternative, adding \$500,000,000 obtained by issuing notes in exchange for a like amount of gold, and then comparing the results:

ALTERNATIVE "A"		Millions of dollars.	Millions of dollars.
Assets:	of dollars.	Liabilities:	dollars.
Cash reserve 365 plus 500	865	Capital.....	55
Earning assets.....	182	Government deposits....	51
All other assets.....	60	Bank deposits 485 plus 500	985
		Note liability.....	14
		Other liability.....	2
	1107		
Reserve, 35% on 1036...	363		1107
40% on 14...	6		
	369		
Cash.....	865		
Free gold.....	496	purchasing power,	
	1240	note issuing power,	

ALTERNATIVE "B"		Liabilities:	
Assets:		In case law permitted issue of F. R. notes against gold or paper, or both, as proposed by Federal Reserve Board.	
	Millions of dollars.		Millions of dollars.
Cash reserve 365 plus 500.	865	Capital .....	55
Earning assets.....	182	Government deposits....	51
All other assets.....	60	Bank deposits.....	485
		Note liability 14 plus 500 .....	514
		Other liability.....	2
	<hr/>		<hr/>
	1107		1107
Reserve, 35% on 536...	188		
40% on 514...	206		
	<hr/>		
	394		
Cash .....	865		
	<hr/>		
	471 purchasing power.		
	1178 note issuing power.		

"INFLATION" ARGUMENTS ANSWERED

It follows from this illustration that the increase in power "to inflate" is smaller if the added power is obtained by note issue than by deposits. Unwillingness to grant an increase of power cannot be accepted, therefore, as the motive of a Congress which encouraged increase of power by authorizing larger member bank balances. There must be, therefore, another reason. Our critics say: "The theory of the Federal Reserve Act was to issue Federal Reserve notes which were to be redeemed at once when the underlying commercial transaction has been completed, and that, by making Federal Reserve notes reserve money, or by issuing them in exchange for gold, the note would not be presented promptly for redemption." But have these critics considered that an individual note is never elastic, that it is only the aggregate of notes outstanding, the volume of the entire circulation, which fluctuates and is being made elastic? The degree of this elasticity is controlled by the aggregate of investments made by the Federal Reserve Banks. Whenever the Federal Reserve Banks collect their investments at maturity and do not reinvest, they are paid in their own notes, or in lawful money. The result in both cases is the redemption of their notes. In the latter case the Federal Reserve notes remain in circulation but the lawful money takes the place of the maturing paper as cover for the Federal Reserve notes and reduces the volume of outstanding circulation to its level before the Federal Reserve Bank made its investment. As long as the Federal Reserve notes remain outstanding an equivalent of lawful money is withdrawn from circulation.\*

Let us take an extreme case to make our point clear: If we suppose that we had issued two billion dollars of Federal Reserve notes against gold and then, in addition, issued two hundred million dollars of Federal Reserve notes against commercial paper, there would be two billion, two hundred million dollars of Federal Reserve notes outstanding, against which there would be about 90 per cent. of gold cover and 10 per cent. of paper. If the makers of the two hundred millions of commercial

paper paid it at maturity with the two hundred millions of Federal Reserve notes the status quo ante would clearly be re-established. But it would be just as clearly re-established if the makers of the two hundred millions of commercial paper paid it in gold. Then we should have two billion, two hundred million of Federal Reserve notes outstanding, against which the bank would hold two billion, two hundred millions of gold. It would simply mean that two hundred millions of gold formerly in circulation, and possibly much worn by use, had been replaced by an equal amount of new and clean Federal Reserve notes. In other words, the two hundred millions are redeemed in both cases, no matter whether the specific Federal Reserve note is resting in a vault in Oshkosh or is being carried around in the pocket of a farmer in Texas. Whenever the Federal Reserve Banks collect their paper their notes are in effect redeemed—no matter where or how they are being held. But, under the proposed amendment, instead of having a circulation of which, let us say, 90 per cent. is entirely secured by gold and 10 per cent. is secured by commercial paper with a 40 per cent. gold reserve, we would have all such outstanding notes secured by about 90 per cent. of gold and 10 per cent. of paper; and if the method I am describing prevailed, the Federal Reserve Banks could keep their normal reserves much higher than under the present system. If this method were adopted, I for one should be in favor of beginning to tax Federal Reserve notes at a higher point than at present—let us say whenever the reserve went below 60 per cent. instead of 40 per cent. This would probably satisfy the fearful minds which apprehend that the increased power might be abused, but it would not prevent the country from securing the greater protective power to which it is entitled.

It will be said that the gold that actually circulated in France and Germany at the beginning of the war proved a most valuable second line of emergency reserve. That is true and a similar reserve would undoubtedly remain with us, because even if the full program here outlined were realized, we should succeed in concentrating a certain portion only of all our gold. But it has been estimated that the central banks of France and Germany controlled before 1914 about two to three times as much gold as was drawn into their vaults from circulation during the war, while we have only one-fifth of our gold under control and four times that much, that is, two billions, scattered in circulation and in the stock banks. Moreover, there never was before in the world a period of inflation such as in now in process in Europe, and the adjustment after the war will create the keenest competition for the yellow metal.

Our critics say that, by concentrating the gold in the Federal Reserve Banks, we shall make them the target for gold withdrawals. But they will be that target anyhow. The only question is will they be able to resist without being forced to take premature and unnecessarily drastic measures of defence. Let us suppose that our member banks' excess cash reserves have been wiped out, either by gold export or by expansion of the loan and deposit structure; let us suppose that our discount and investment rates are fairly low as compared with those prevailing in Europe; let us suppose that our shipments to foreign countries will no longer exceed our imports. Then, as money flows where it can safely earn the highest returns, our bankers will probably have to finance foreign countries both in government loans and individual transactions. Suppose then that Mr. Ivanoff, in Petrograd, draws \$100,000 at 90 days' sight on an American banker against a credit granted to him, rediscounts that paper in New York, and, against this balance, Russia wants gold. Where will it come from? The member banks have no more excess reserves; shall we *then* begin to withdraw it from circulation and how and against what? The New York member bank will rediscount \$100,000 of bankers'

\* Some of our critics strenuously object to the comparatively small accumulation of gold in the hands of the Federal Reserve Agents as brought about under present circuitous and very cumbersome methods of partially accomplishing the results sought by the proposed amendment. It appears difficult to make these writers see that an exchange par for par of a \$10 Federal Reserve note for a \$10 gold certificate is not increase of circulation, but a substitution of one note for the other. As long as the gold remains with the Federal Reserve Agent, the Federal Reserve note is, in effect, a gold certificate; with this difference only, that its holder has agreed in advance, in case the Federal Reserve Banks should be called upon to rediscount heavily, to change his gold secured Federal Reserve note into one secured by commercial paper with a gold reserve of not less than 40%. Instead of remaining limited by the free gold secured from member bank balances, the Federal Reserve Banks are trying to build up a further gold reserve from noteholders willing to trust Uncle Sam, whether he gives them his promise to pay in the form of a gold certificate, silver certificate, greenback, or Federal Reserve note. It is needless to add that, in thus strengthening themselves the Federal Reserve Banks are acting well within the powers given them by the Act.



acceptances or commercial paper with its Federal Reserve Bank and ask for gold. Ultimately, therefore, the demand for gold will be made upon the Federal Reserve Banks. We are faced with the simple question: will we be strong enough to share our plenty, during the coming period of stress, with other nations and be the world's banker, or will we be so weak that, when these demands come, we must stop them at once by raising our discount rates high enough to retain our gold at home? Keep all the gold in your vaults, gentlemen, where it is useless for yourselves and deprived of the additional force that it may gain in the hands of the Federal Reserve Banks; keep every cash-till in hotels, railroad stations, drygoods stores, and what not, filled with gold certificates, and you will rob the country of its legitimate opportunity of growth, of helping itself, and of helping the world. Our foreign competitors will proclaim that only a country willing to part freely with its gold may safely be accepted as a world's banker, and they will point to the fact that, in past critical periods, our banks stopped paying in gold. It is our duty to give to the world an overwhelming evidence of our ability and determination in the future to maintain our gold obligations under any and all circumstances.

#### ACCUMULATION OF GOLD NECESSARY FOR ULTIMATE DIMINUTION OF BOND-SECURED CURRENCY.

The vast accumulation of gold in the hands of the Federal Reserve Banks which I am urging, is of great moment in its bearing upon the future of the national bank currency. The objects contemplated in this respect by the Federal Reserve Act are highly to be commended; but carrying this scheme into effect is subject to too many delays. More comprehensive action from the beginning would have brought about better results. The ultimate aim which we must have in mind is the conversion of a large portion of the 2 per cent. Government bonds, now securing circulation, into new 3 per cent. bonds, a substantial portion of which will gradually be absorbed by the people. This would have the consequence of reducing the amount of national bank circulation, so that, at a given point, whatever 2 per cent. bonds the Federal Reserve Banks acquired would ultimately be carried by Federal Reserve note circulation and this, in turn, would be of material assistance to the Federal Reserve Banks in earning their dividends. As the absorption of the 3 per cent. bonds by the public proceeded, and as the growing acceptance market offered a wider field of investment for the Federal Reserve Banks, Federal Reserve notes would take the place of Federal Reserve Bank notes, bankers' acceptances and commercial paper would take the place of Government bonds, and an elastic and live currency would replace the present inelastic Government bond secured currency.

In order to carry out this process, however, it will be necessary normally to maintain against Federal Reserve notes at least the 40 per cent. reserve required by law, as against the 5 per cent. of reserve now required against national bank notes. And this, again, is an added reason for facilitating the concentration of gold in the Federal Reserve Banks, so that they may be strong enough to sustain this large volume of circulation on the higher reserve basis.

The larger powers which we should enjoy would not, therefore, be employed to inflate circulation. On the contrary, as a net result, it would be used for the purpose of building up a circulation covered by a far stronger gold reserve than that of the national bank notes.

Until the volume of the latter has been materially reduced, and until Federal Reserve notes may be accepted as reserve money by the member banks, the lending power of the Federal Reserve Banks will remain hampered.

#### FEDERAL RESERVE BANKS HAVE NOT INCREASED VOLUME OF CIRCULATION.

In spite of all that has been said by superficial critics about inflation caused by the issue of Federal Reserve notes, the Federal Reserve Banks combined, as a net result, have added to the circulation of the country no more than \$14,000,000 of Federal Reserve notes.\* All the rest has in effect been redeemed by depositing gold. In Federal Reserve Bank notes, as a net result, there have been placed in circulation less than \$2,000,000, while \$55,000,000 Government bonds have been purchased from member banks and national bank circulation has been reduced by about \$50,000,000. We certainly have not inflated there!

It has been said by some critics that Federal Reserve Banks should not, under any circumstances, issue Federal Reserve Bank notes. There is no doubt that the national bank note circulation is an objectionable feature in our monetary system, but the fact remains that the country is accustomed and adjusted to a certain volume of currency, and we could not eliminate about \$700,000,000 of it without putting something in its stead. It is most important that the process of filling demands for currency by issuing national bank notes should stop, and that, by a gradual reduction of the outstanding volume, a vacuum be created for Federal Reserve note circulation. But, pending this process of gradual substitution—that is, the process of purchasing Government bonds from member banks, conversion into 3 per cent. bonds and one-year notes, sale to the public of 3 per cent. bonds, and reinvestment of the proceeds in commercial or banking paper—there will be an interregnum when Federal Reserve Bank notes must be issued temporarily, until there is available a sufficient amount of paper to take the place of Government bonds, a sufficient absorption of these bonds by the public, and a sufficient strength in gold reserves.

Let us bear in mind that Federal Reserve Bank circulation is not added circulation, but a partial substitution of new notes for redeemed old national bank circulation, and that, when issued by Federal Reserve Banks, it will have a certain degree of elasticity, because it will be issued from time to time only in harmony with the general policy of the Federal Reserve Banks and not kept out perpetually for the sake of the profit involved, as now done by the national banks.

#### HOW THE PRESENT LAW DISSIPATES FEDERAL RESERVE BANKS' GOLD HOLDINGS.

The Federal Reserve Banks have made investments aggregating at present about \$180,000,000, and have outstanding a net circulation of about \$16,000,000. That means that for \$164,000,000 of investments they have paid gold and thereby have reduced their reserve power to that extent.

If they could have paid in Federal Reserve notes instead of gold, as they should have been permitted to do, they would have wasted only 40 per cent. of this amount and would have retained the balance, this is, about 100 millions, as a potential reserve for additional note issue. As stated before, it does not necessarily follow that Federal Reserve Banks would have made larger investments at this time; it is not at all likely that they would have done so. But emphasis must be laid upon the resulting reduction of their power to assist the country in an emergency.

The argument is used that if Federal Reserve notes had been paid out and could have been counted as reserve-money by the stock banks, these notes would have

\* If we bear in mind that on September 1, 1916, the Federal Reserve Banks had on hand a total of about \$24,000,000 Federal Reserve notes, we must admit that, as a net result of their issue activities, the volume of the country's circulation has not expanded but has been actually contracted to the extent of over \$6,000,000.

gone into the vaults of the member banks as reserve money, and caused a further expansion of loans. But we must not forget that the same result has followed by the Federal Reserve Banks paying out gold. As far as the member banks are concerned, the effect is the same whether they receive \$164,000,000 in gold or in Federal Reserve notes which may be counted as gold. But the difference is, as we have stated, that, under the present system, the lending power of the Federal Reserve System is being impaired too fast.

Federal Reserve notes "shall be obligations of the United States and shall be receivable by all national and member banks and the Federal Reserve Banks and for all taxes, customs and public dues. They shall be redeemed in gold at the Treasury," etc.

Did we not stop half-way when we provided that banks are thus to receive Federal Reserve notes in payment of debts between each other, and from their depositors, but cannot count them as reserve for the purpose of discharging their deposit liabilities? As a consequence, banks when settling with each other through the clearing do not accept Federal Reserve notes but must settle with lawful reserve money—that is, substantially in gold. If, however, a bank settled directly with another bank it could pay in Federal Reserve notes and the payee bank could then send the Federal Reserve notes to its Federal Reserve Bank, create a balance and then count that as reserve.

It is fortunate that the new amendment will permit member banks to carry any part of their required vault reserve as a balance with the Federal Reserve Bank and to count it as reserve. It is hoped that this will cause member banks promptly to adopt the habit of settling their balances with each other by transfer of credit through their Federal Reserve Banks, thereby releasing gold needlessly tied up in clearing operations and in their vaults and remedying, to a certain extent at least, these anomalous conditions.

#### MUST RID THE COUNTRY OF CONFUSING MULTIPLICITY OF CURRENCY.

In dealing with this question of reserves and note issue, it is proper and necessary that we proceed step by step. Splendid progress has been made in these last two years, and we realize, of course, that the tracks must be shifted many a time before we can reach our final goal. But we must be clear about this ultimate aim and we must recognize the absolute necessity of taking certain consecutive steps before monetary and banking reform will be complete.

Ultimately we must rid our country of the confusing multiplicity of currency with which we are now afflicted, and the Treasury will have to stop issuing small denomination gold certificates. The circulating currency of the country ought to be silver certificates in the small denominations, and Federal Reserve notes. The best place for gold and gold certificates will be in the Federal Reserve Banks. The national bank currency ought to be systematically withdrawn, and the greenbacks ought to be gradually turned into gold certificates as the missing gold cover from time to time is produced by the excess profits to be received from the Federal Reserve Banks or by some more rapid process that the future may evolve. While this process is taking its course, I think we are fully justified in permitting the Federal Reserve Banks to count greenbacks as part of their metallic reserve. It is freely admitted that this is not absolutely good banking theory. But, with the \$153,000,000 gold behind these notes and the power given to the United States to provide the additional gold cover by a sale of Government bonds, we may be warranted in temporizing and not making an over-rigid discrimination.

One cannot deal with the future of our Federal Reserve System and our reserve problem without being

puzzled by the question, what will be the coming standard of differentiation between Central Reserve Cities, Reserve Cities and country bank places when, after November 16, 1917, balances with correspondent banks will no longer count as reserve. I cannot undertake to discuss that problem today, but I think it is timely to point to this phase and invite you to give it your most careful consideration. The time is not distant when we shall have to deal with this conundrum and we shall welcome—indeed, we shall need—your very best thoughts in the matter.

The Federal Reserve System is the beginning of an imposing structure to be erected upon a broad foundation. It will prove a costly edifice unless it is developed to its full growth along these broad lines. Member banks and the country at large have a very vital and obvious interest in this, and they may well insist that there be no stopping half-way or haphazard additions or little patch work here and there.

The banks and the country are now entitled to enjoy, and will soon require, the strongest possible system, and the further it progresses, the more the concentration of gold in the Federal Reserve Banks proceeds, the further the discount market develops and the further grows the habit of banks, large and small, to invest in bankers' and trade acceptances, the less will it be necessary for them to keep unduly large sums locked up in their vaults, and the easier will it be for Federal Reserve Banks to return a portion of their paid-in capital. The roads to reduced reserve and capital requirements lie in these directions.

If member banks are to rely for their protection primarily upon their ability to create balances with their Federal Reserve Banks, they must be certain that they have in their possession an easy means of approach, a reliable key that will open for them the door leading to the Federal Reserve Banks' vaults.

#### AMENDMENTS TO THE LAW OF GREAT IMPORTANCE.

The amendments just passed by Congress are of great importance in this respect. Domestic acceptances will prove not only an efficient means of directing idle funds to districts where they may be profitably employed, thus working towards greater equalization of interest rates—but the increased supply of eligible banking paper will render much more easily accessible the credit facilities of the Federal Reserve Banks.

I do not think that I should dwell here on what I said to the New York State banking institutions at Atlantic City a few months ago. Let me only state again that I consider it the duty and, at the same time, the best self-interest of strong State banks and trust companies to join the system and contribute their share to the gold reserve fund that is being accumulated for the protection and progress of the United States. We have liberalized to the utmost of our ability the conditions under which these institutions may enter and be members of the System. They may join with all their banking power practically undiminished. It has been the aim of the Board to bring about a basis of parity between State banks and national banks—not by needlessly tying the hands of the State institutions, but rather by unshackling the hands of the national banks where they are needlessly tied.

The amendment recommended by the Board, most of which have now become law, such as power by ownership of certain bank stocks to operate in foreign countries, to accept drafts for domestic transactions, and for certain classes of finance drafts for the promotion of our foreign banking, to make loans on mortgages, etc., are evidences of the Board's policy in this respect. In the same spirit, the Board hopes that national banks will be granted the power to operate branches in cities where State laws do not prohibit State banking institutions from operating similar branches. Some banks have raised a cry of alarm and have severely arraigned us for appearing to

foster a branch banking monopoly apt to crowd out the small bank. But where State banks and trust companies enjoy the right to operate branches (in New York City alone there are over 100 branches of such institutions) small banks are already subject to the competition of these State bank and trust company branches. National bank branches would, therefore, hardly add to the alleged discomfort of the small banks, while it appears unfair to deny this right to national banks where their competitors, the State institutions, freely exercise it.

#### CANADIAN OR EUROPEAN BRANCH BANK SYSTEM INADVISABLE HERE.

I do not believe that we should adopt the Canadian or European branch banking system. It contains elements of excessive centralization that, with the American spirit of aggressive fight for supremacy and control, would lead to unsound and undesirable conditions. But, restricted to city lines—where State laws permit—branch banking would not justify an outburst of hysterical fear of the octopus. It would rather give an opportunity to the smaller and weaker banks to combine. It would thus enable them more effectively to meet the competition of their more powerful neighbors, to make better profits and to give better facilities to the customers they serve.

#### DUTY OF STATE INSTITUTIONS TO JOIN FEDERAL RESERVE SYSTEM.

Self-respect and public opinion will not permit the State institutions long to remain in the position of shirking their duty towards the nation and the State banks, at the expense of the national banks, and to the detriment of the entire country, cannot afford to refuse to bear their fair share of the burden, nor can they afford to be deprived of their fair share of the advantages.

I do not deny that, for some State institutions, particularly those that have private bankers on their boards, it may prove a hardship to lose some valuable directors, and that free balances with Federal Reserve Banks mean some loss of interest for most of these potential State member banks. But if that is the price to be paid for a system which is to insure the banks and the industries of the country against the horrors of some of the panics of the past and which will give us the possibility of future growth in relative safety under a modern system of mutual protection—then these sacrifices ought to be borne cheerfully by everybody as, indeed, being none too onerous.

#### SUGGESTIONS FOR ELIMINATION OF HARMFUL AND UNNECESSARY RESTRICTIONS IN OPERATIONS OF NATIONAL BANKS.

While thus I do not hesitate to confess freely that there are certain necessary inconveniences that have to be borne for the general good, I hold with equal emphasis that it is our duty to remove the unnecessary shackles that hamper and inconvenience the banks of our country more than those of any other nation in the world. My vision of the future would be very unsatisfactory indeed if it did not permit me to hope for the reversing of many an antiquated ruling, court decision, or law, which needs overhauling. Indeed, I see herein one of the most fruitful fields for the study and activity of the Federal Reserve Board.

It would lead too far at this time to do more than barely epitomize these thoughts. If banking in Europe is being carried on largely by cash advances on deposit account, why should it be unlawful with us to grant such overdrafts to business concerns? Do you realize that all rulings in this respect have been based mainly upon a court decision rendered in 1828, involving a construction of the powers of a bank operating under a charter granted by Congress in 1812, about 50 years prior to the passage of the National Bank Act?

Let me ask you further: Why should it be unlawful to charge interest in excess of 6 per cent.? The present discount rate of the Bank of England is 6 per cent. and large corporations and firms in that country no doubt pay more than 6 per cent. for their present credit facilities without the stigma of usury attaching to the British banks charging the higher rates. When money generally is worth 3 per cent. a charge of 5 per cent. may be excessive; but when money is generally worth 6 per cent., a charge of 7 per cent. should not be considered usury. I strongly believe in the protection of the public against extortionate rates, and to stabilize rates as far as practicable on a moderate basis is one of the chief aims and objects of the Federal Reserve Act. But we should have reasonable laws, laws recognizing the fluctuating value of money, like that of any other commodity, and recognizing that usury exists only where there is a question of extortion—where the borrower finds himself in a helpless condition. But where strong and solvent concerns, of their own free will, contract for loans, there can be no question of usury. We should modernize our laws in this respect.

Why should national banks be prevented from taking commissions? In Europe the commission account of banks is the one to which they point with the greatest pride. Any bank may execute orders for the investment of funds. I cannot see why the investment of depositors' funds should not be a proper function of banks.

We have discussed the structure of the Federal Reserve System—the foundation, and the building we expect to see erected upon it. Now the final question,—who shall be the master of the house? Shall it be business or politics or a neutral non-business and non-partisan, judicial administration? I have no doubt that the country wants the latter, and I am delighted to say that the character of the Reserve Board and of the administration of the Reserve Banks is of that nature today. But if we want to be certain of the future, I believe that nothing should be left undone that will insure the greatest independence of the Board and will thus make the positions of members of the Board such that, in coming generations, these offices will be coveted by men of worth like seats on the Supreme Bench of the United States. The safety of the country and the confidence that the Federal Reserve System will enjoy are dependent upon the character and the ability of the men charged with its administration. If a safe future is to be assured to the System, the Act must be perfected where it stopped half-way in this respect. Of course, there must be at all times intimate relations between the Treasury and the Federal Reserve Board and co-operation in broad questions of national policy, but there must be only one banking and discount policy and not the possibility of two. The law should provide that the administration of the Treasury funds within the Federal Reserve System should be subject to some control by the Board, and emergency relief operations ought to be carried out through the Federal Reserve Banks and not directly through deposits with member banks by the Treasury.

#### ADJUSTMENT OF RELATIONS BETWEEN RESERVE BOARD AND THE TREASURY NECESSARY.

The business and banking community should feel certain that the adjustment between Treasury and member banks will take place at all times in a natural, well-regulated manner, in keeping with the general banking policy adopted by the Federal Reserve Board and the Federal Reserve Banks. If at certain periods large payments are to be made by the member banks to the Treasury, there should be an easy adjustment by having the money withdrawn operate to strengthen the Federal Reserve System, leaving it to the Board and the Federal Reserve Banks, by rediscounting short paper, to return to the member banks sufficient funds to re-establish the

equilibrium. But this important function of balancing the scales ought to be the constant care of the Board, under a consistent plan of operation, and not the domain of the changing and arbitrary policies and views of each succeeding Secretary of the Treasury. That was the original plan of the Glass bill; unfortunately it was changed in conference. It is much to be hoped that a return may be made very soon in the direction of the original project so that the danger be removed that at some future time Federal Reserve Banks or member banks may ask and secure Treasury deposits without consultation with, and even in opposition to, the wishes and policy of the Federal Reserve Board.

In a similar way, the Board's authority and efficiency ought to be strengthened by providing that examinations and rulings by the Comptroller's office, and the compilation of banking statistics should be carried on under the auspices of the Board. However the present members may have been able, by personal effort, to meet the organic defects of the law—the fact remains that as it stands today, it places the Board half way between independence and dependence. It cannot remain long in that position. Evolution will carry it either in one direction or the other. The country will have to decide which development it desires and express itself in no uncertain voice.

I need hardly to say that, whatever view I have expressed in this address I have given you as my own personal convictions without attempting in any way to speak for my colleagues. I want to emphasize furthermore that whatever I have just said concerning relations between the Treasury Department, the Comptroller's office and the Board must be considered as a strictly impersonal statement, having no relation whatever to present incumbents, who are bound by the law as it stands, and applying solely to principles which have an important bearing upon the future.

#### CENTRAL BANK UNWISE, BUT FEWER DISTRICTS WOULD STRENGTHEN THE SYSTEM.

And now, in closing, let me say again that I am an unqualified believer in and enthusiastic supporter of the Federal Reserve System. Its fundamental principles are sound; its benefits to the country have been immense and will become more apparent with each succeeding year. Though from the point of view of banking technique, one single central bank would have been easier to administer and, in some respects, might have been more economical and efficient, I am convinced that the undisturbed development of our financial system is better assured and that danger of business or political control are more certain to be avoided by a system of co-ordinated central banks. That the system might possibly be simplified and made stronger and more efficient by merging some of the districts, is an opinion held by many, a view which I entertained before the organization of the districts, and to which I am still wedded.

The Federal Reserve System is an ingenious combination of centralization and decentralization. But decentralization carried too far defeats its own ends. If you try to create 100 independent centers each will be too weak to act as a point of crystallization, and, as a result, they will all depend upon the one that is the strongest amongst them. If it is the object of the system to counteract the preponderance of one district, the other districts must be strong enough to become independent centers of importance, containing a sufficient degree of diversity of interests, and sufficiently imposing to command undoubted prestige and confidence. By merging a few districts into twin districts, greater strength, greater efficiency, and cheaper operation might be secured, without changing or weakening the intimate touch now secured by the respective local organizations.

But actual experience will guide us ultimately in ad-

justing this problem. The principle, as I have said, is sound, and it is the duty of every one of us to devote all our energy and our best thoughts towards bringing it to its fullest fruition. Let us be frank in our criticism, but at the same time fair. We are never more severe than when we criticize our own children—that is because we love them best and entertain for them the highest ambitions. That is why I have been frank today—because I do care for this system, because I do care for this country and want it to succeed and take its proper place as a financial and industrial power amongst nations. That is why I think that the bankers of the country whose own success or failure is so closely linked to the future development of the Federal Reserve System should now set their minds upon its problems in the same spirit, as friends of the System, as fathers—if you please—who want to see their child grow and develop, even if it entails some sacrifices upon the parents.

#### PLEA FOR CO-OPERATION BY BANKERS IN BRINGING ABOUT GREATER UNSELFISHNESS AND BROADER VISION.

The greatest obstacle in the way of the Federal Reserve System's freest and most beneficial development is, on the one hand, selfishness on the part of some of our members, whose vision does not reach beyond their own limited sphere, and who are unable to grasp the larger question of the safety and future of the country. On the other hand, it is suspicion, prejudice, and half knowledge. These obstacles will be overcome by public opinion based upon better education. In this work of national scope and importance your association can render the greatest service. It can lead within its membership in developing sound banking practices and good banking ethics; and, as towards the public, it can lead in the work of teaching the gospel of modern and clean banking and help in enacting sound practices into sound law.

At the time of the opening of the Federal Reserve Banks, Sir George Paish said to me, "The future of your system will depend upon your ability to get under the control of the Federal Reserve Banks the scattered gold of your country." Two years have passed since. We have made great headway in many respects, but the organized control of our gold is still in its incipient stage. One reason for this disappointing condition is that the State institutions have not done their duty towards the System; the other is that there has not been enough clear thinking and too much immature criticism. Congress will not give us the necessary relief until there is greater accord in the minds of the banks and our financial writers.

Has it occurred to some of our critics that, before assailing us, it should be their duty to stop to consider that there is a difference between reserves of central banks and member bank reserves, and that a greenback and a Federal Reserve note are as different as day and night—the one issued as a perpetual currency to pay 200 millions of the Government's debts and the other issuable only against the purchase of self-liquidating paper, expanding and contracting according to the amounts so invested, and secured by a generous minimum reserve of gold? Let them bear in mind that it was that kind of superficial but persistent criticism that stood in the way of banking reform in years gone by; that made us endure the painful experience of 1907 before submitting to the remedy of more modern methods and that delayed final action until, half prepared, we had to meet the storm of 1914, subject to disturbances and sufferings which we might have avoided, and losing opportunities which should have been ours.

Some of these critics, sitting in their little chairs at their little desks, within their four little walls, with very little knowledge and very big words, stake their own local views against the world's acknowledged experience. They disregard the fact that buildings have grown so

high and reached such dimensions that fire engines and water mains—the weapons of protection—must be of the most powerful and most modern type. Some of them appear to think "that the engine that was used when father's house burnt down to the ground is good enough for everybody and that the big new houses won't burn anyhow"; others have a fire engine of their own invention, never tried, but better than all the rest; others are sore because they, themselves, are no longer the fire chiefs; and some object because they do not wish to pay their share for adequate protection.

But, gentlemen, let those of us who believe in foresight, experience, and co-operation, stand together and let us secure the very best possible protection, without hysteria and extravagance—not as schemers, but as conservative and conscientious men; as cautious captains alive to our responsibilities and to the storms that must come.

Immediately after the beginning of the war, Hartley Withers wrote, in "The War and Lombard Street,"—

"It was the chance of a century for New York. American ambition has long informed the world that the United States, having been the world's granary, is now the world's most progressive manufacturer, and means soon to be the world's banker. This may happen some day, and might have happened already if American policy in currency, financial and fiscal matters had been more thrifty. But they have tried their credit system in the bonds of narrow banking laws and their trade in those of a cramping tariff. These bonds they have just begun to shake off, and if the crisis had happened a few years

later they might perhaps have made a bid for London's place as the world's banker."

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"It was the chance of a century, but New York could not take it. When London called in its credits from other countries, any centre could have said to these countries, 'We will give you the credit that London has cut off, and lend you the money to pay London,' would have stepped straight on to London's financial throne and set London a very difficult task to regain it after the war was over. In spite of the large amounts of gold taken from America to Europe before the war, the United States had still a huge store within its borders—some estimates of it ranged up to 400 millions sterling. If the United States had had the courage to use this mountain of metal and let other countries draw on it, London would have had more gold than it knew what to do with, and New York would have had a big slice of London's business. But America feared to use its gold and held on to it as tightly as it could, fearful of internal trouble and a run on its banks if too much of the metal went abroad."

Since writing the above, two years ago, Mr. Withers has greatly modified his views. In his latest book, "International Finance," published a few months ago, he says:

"America is now one of the leading powers in international finance, and on the wise and skilful use of its strength the future prosperity of the civilized world will, to a great extent, depend."

Shall we be found wanting? The answer will largely depend upon you, the bankers of the United States; upon the strength you give to your Federal Reserve System and upon your contribution to the moulding of its future.

# Committee and Officers' Reports—Banking Section.

## Annual Report of the General Secretary.

New YORK CITY, Sept. 1, 1916.

To the American Bankers' Association:

GENTLEMEN: My report as General Secretary of the American Bankers' Association is respectfully submitted herewith and covers the period from August 15, 1915, to August 31, 1916. The early date of our Seattle convention last year compelled us to balance our books as "of August 14, 1915," so that this fiscal year, while ending on August 31, covers a slightly longer period than heretofore.

Details of the activities of the Association during the past year are given in the various reports presented by the officers of the Association, Sections, Commissions, Committees and Departments during the sessions of the Convention. To these activities I shall refer but briefly, while covering in detail the matters relating particularly to my administration of the affairs in general of the Association, including its finances, as called upon so to do.

### EXECUTIVE COUNCIL

The growth in membership and increased attendance at conventions each year serves to give emphasis to the fact that proper administration of the Association's affairs must be had through the medium of the Executive Council.

The Spring Meeting of the Executive Council was held at Briarcliff Lodge, Briarcliff Manor, New York, May 8, 9 and 10, 1916. The attendance was above normal and the few members compelled to absent themselves had good and sufficient reasons for so doing. The Council gave consideration to many matters of interest to our vast membership, with a freedom of expression that argues well for the interests of all concerned and resulted in a harmonious session.

Thirty-one members in the one-year class, twenty-four members in the two-year class, twenty-seven members in the three-year class and fourteen members *ex-officio* will constitute the new Council which organizes after the adjournment of this Convention—a total of ninety-six. Three states have added each a new member of the Council—by increasing the necessary membership: Kansas, Minnesota and Oklahoma.

### SECTIONS OF THE ASSOCIATION

The various Sections have actively engaged in matters of peculiar interest to their bank members; much has been accomplished and it affords me great satisfaction to report entire co-operation between all the Sections and the Association officials.

On Friday evening, February 25, 1916, the sixth annual dinner of the Trust Company Section was given at the Waldorf-Astoria in New York City. Nearly 800 bankers were present and aside from its record-breaking attendance it was a pronounced success.

The Thrift Campaign and the Centennial of the institution of savings banks in the United States are but two of the important matters in the hands of the Savings Bank Section this year. The Thrift Campaign as inaugurated and carried through the past fiscal year has been one of the important epochs in the history of the Association. The special committee, appointed by the Savings Bank Section, has been very active in supporting this movement. Much credit, however, must be given to Mr. M. W. Harrison, Secretary of the Section, for his energy, resourcefulness and push. He has been indefatigable in his efforts to make this the crowning effort of the work of the Savings Bank Section, which culminates in the Centennial Anniversary and celebration of the Thrift Campaign in Kansas City.

The Clearing House Section has been specially active in waging a "No Protest" check campaign and for the institution of country clearing houses as well.

The fourteenth annual convention of the American Institute of Banking Section was observed in Cincinnati, Ohio, October 18, 19 and 20. The Institute has grown in members during the past year and its increased activities in matters educational can but promise well for the future of our banks and bankers. The Bankers Health Commission is doing excellent work and considerable interest is being taken in the efforts put forth by the Commission for the maintenance of health among bank employees.

Again I want to commend the thoroughness of the activities of Mr. George E. Allen, Educational Director of the American Institute of Banking Section. When the Institute was first established, Mr. Allen set a high mark as the ideal of what should be accomplished by that organization, along the lines of its educational features. Mr. Allen's foresightedness, his energy and zeal have brought the support of all of the banks in the larger cities of the country to the various Chapters, with the result that the educational department is now what the Institute has been striving for and has realized.

The Secretaries of the various state bankers associations comprise the Organization of Secretaries Section and during the past year they have co-operated heartily in matters of local as well as general interest to our members. Particularly, many of the state associations have been active in promoting the educational features of the Institute Section and in due course the reward will come from this labor.

Organized at our Seattle convention, the National Bank Section has earned its spurs. Its Executive Committee and officials have been active in the consideration of matters of interest to its Section members and to the Association membership at large. Important phases of the Federal Reserve Act have been studied and changes recommended. Conferences have been held in Washington with the Federal Reserve Board and the Conference of Governors; and important meetings in other sections of the country have been attended, with most excellent results. Pending the selection of a Secretary for the National Bank Section, for five months your General Secretary acted in that capacity, until Mr. Jerome Thralls, former cashier of the Federal Reserve Bank of Kansas City, was chosen as Joint Secretary of this Section and of the Clearing House Section; and in his selection these two Sections have been most fortunate and are to be congratulated.

To Secretaries Babcock, Harrison, Thralls and Bartlett, as well as to Presidents Bean and McFadden and Educational Director Allen, I extend my appreciation and thanks for their assistance and co-operation during the year and I congratulate them upon their individual successes.

### STATE BANK SECTION

Due provision having been made in our Constitution for a State Bank Section, steps are being taken for the organization of such a Section during convention week and a call for a meeting has been issued, signed by prominent bankers in all parts of the country. The outcome of this meeting will be referred to the Executive Council for approval, and as I am a profound believer in Sections, and the efficiency of the work of our Sections now organized, I sincerely hope a State Bank Section will be organized.

### JOURNAL-BULLETIN

With an increase in circulation of almost 4000 copies a month over a year ago, the JOURNAL at this time issues over 34,000 copies each month. More extensive use than ever before of the matter contained in its columns is being made by the financial and daily press as well as other mediums. Its importance seems to be established and Editor Welton is to be congratulated, and the Association as well, upon the success of our publication. Commendatory letters continue to come in regarding the JOURNAL and we are specially glad to have the expressions of commendation of our members, and letters of protest as well, although the latter are few in number. Through these communications the pulse of our membership is taken and detailed information frequently furnished on matters of interest to the particular member. There are still evidences, however, that some of our members do not avail themselves of the columns of the JOURNAL as a bulletin of information of Association affairs, and to such I earnestly recommend a careful perusal of each issue as received.

### LEGAL DEPARTMENT

Of the many branches of Association work, none is of greater importance than that of the Legal Department, so ably conducted under General Counsel Paton. I bespeak your undivided attention to the report of the General Counsel, when same is submitted.

### STATE ASSOCIATIONS

There is now a bankers association in every state in the Union and the District of Columbia—forty-nine in all. While some of these associations, through greater size and numbers, must accomplish more than others, all are healthy organizations and much is accomplished through their efforts. Vast power is represented by the state associations and the American Bankers Association, and when wielded jointly results must come.

Your General Secretary has attended various conferences, conventions of state associations, group banquets, dinners of the Institute, etc. The Association has also been widely represented at state association conventions, etc., by President Lynch, First Vice-President Goebel, Assistant Secretary Fitzwilson, General Counsel Paton, Educational Director Allen, Secretaries Harrison and Thralls and by Messrs. Welton and Gammon, Managers respectively of the Department of Public Relations and Protective Department. In this manner, I believe the Association officials and Department heads have come in contact with a larger number of our members than ever before.

### DEPARTMENT OF PUBLIC RELATIONS

Manager Welton has again demonstrated the wisdom of the creation of this Department and his establishment as its head and manager. A forceful and versatile writer, he has through the medium of the JOURNAL and otherwise given extensive publicity to items of peculiar interest and import to our membership. Continued studied improvements have been effected in the JOURNAL and further changes may be expected as time goes on. He has been ably assisted by Associate Editor Lewis, to whom has fallen also the burden of publication, and the management of the contract and purchasing department. Mr. Lewis has proven himself eminently qualified for this important work.

### COMMITTEES

In an organization as great as the American Bankers Association has become, the importance of committees and their work cannot be overestimated, and each year we must still further depend upon our committees for the accomplishment of desired features of Association work.

The Administrative Committee has held several meetings since the Seattle convention and has given careful consideration to various matters connected with the administration of Association affairs. Among the more important that have been acted upon are:

Selection of Briarcliff Lodge as the place for holding the Spring Meeting of the Council; deciding upon the dates for the Kansas City Convention; approving the appointment of M. W. Harrison as Assistant to Educational Director Allen of the Institute Section; approving the selection of Jerome Thralls as Secretary (jointly) of the Clearing House and National Bank Sections; and it referred various matters to the Committee on Federal Legislation for their action.

The Insurance Committee has been active in enforcing betterments, in its particular field, for our members generally and has been peculiarly successful in several instances in bringing about more liberal settlement of cases than the companies were at first inclined to give. A new form of Bankers' Blanket Bond has been effected during the past year and was approved by the Insurance Committee as of June 8, 1916; and our members are advised to insist upon the form of bond carrying this indorsement printed on the face thereof. The Insurance Committee is fortunate in having as its Secretary, Mr. B. A. Ruffin, who is so familiar with the intricacies and detail of insurance matters. Secretary Ruffin conducts a vast correspondence with our members from his office in Richmond, Va., and will ever be found ready and willing

to advise upon any point within his province. Mr. Ruffin has attended several state association conventions during the year, thereby furthering the good work of his Committee and the welfare of the Association.

The Committee on Law has again been actively engaged in promoting various phases of state legislation and its efforts have been very successful. Its report will merit your attention.

The Committee on Federal Legislation has had a busy year and has met with success in many matters of Federal legislation it has recommended. Most prominent, perhaps, of all its efforts is the achievement of the passage of the Pomerene Bill (the National Bill of Lading Law) after a campaign extending over a period of eleven years. The full details of what has been accomplished by this Committee will be told in its report, covering perhaps the most important activities in its history.

The Finance Committee, together with its Sub-Committees, have given careful attention to matters of finance within the Association, analyzing the various reports, statements, etc., submitted at Convention and Spring Meeting periods. A committee on efficiency in the conduct of Association affairs was appointed at the Briarcliff Spring Meeting, to report at Kansas City, and it will be interesting to note that this committee found the conduct of the varied details of the Association to be generally up-to-date in every respect.

#### BILLS OF LADING

At our convention in Washington, in 1905, there was appointed a Committee on Bills of Lading; said committee consisting of Messrs. Lewis E. Pierson, New York, Chairman; William Livingstone, Detroit; Frank O. Wetmore, Chicago; J. A. Lewis, St. Louis, and William Ingle, Baltimore.

The Committee performed active service in connection with the task assigned it and presented reports at subsequent conventions. It also urged the various state bankers associations to form similar committees within their organizations, to aid in the work on this proposition.

In 1909, at our Chicago convention, Mr. Clay H. Hollister became Chairman of the Committee, with Messrs. Whitmore, Lewis and Ingle completing the same. In 1910 Mr. Daniel G. Wing was added to this personnel, and in 1911 Messrs. Sol Wexler and Nathan Adams were also added. This constituted the Committee until the Boston convention in 1913, the Committee, as such, making its last report at that convention.

The Bills of Lading Committee not having been continued, the Executive Council, at Boston, on Friday, October 10, 1913, passed a resolution referring to the Committee on Federal Legislation the task of carrying on this important campaign.

This Committee gave every attention to the proposition and its persistence along these lines has finally met with success. Chairman Charles A. Hinsch, the members of the Committee on Federal Legislation, and General Counsel Paton are to be congratulated on the outcome—the passage of the Pomerene Bill, S. 19, and its approval and signing by President Wilson on August 29 of this year. The culmination of eleven years of effort on the part of our Association has secured national legislation which will give bills of lading their proper status as instruments of credit. The vital parts of the law just enacted are (1) integrity, (2) full negotiability and (3) punishment of forgery of bills of lading.

#### CURRENCY COMMISSION

There have been no demands made upon this important body during the past year, but the Commission is intact and stands ready to serve when there is demand for its services.

#### AGRICULTURAL COMMISSION

Co-operating with various state associations and Agricultural Committees, this Commission has carried on its work during the year. The *Banker-Farmer* continues to be well received and no doubt much has been accomplished to bring about a closer relationship between the banker and the farmer. The campaign for improved conditions in farming sections, with better roads, schools, better crops through the diversification of same, etc., must of necessity be slow in showing results, but there is a steady improvement all along these varied lines of endeavor.

#### PROTECTIVE COMMITTEE

This committee, secretly named for obvious reasons, has given careful attention to the affairs of the Protective Department and proper supervision to the conduct of its affairs. Unfortunately they cannot, as individuals, receive the expressions of appreciation to which they are entitled.

The report of the Protective Committee (to the Executive Council) and the report of the Protective Department by Manager Gammon will show in detail what has been accomplished in this important field of Association endeavor during the year. These reports and the data given in the full report of the William J. Burns International Detective Agency, Inc. (available to all Association members), furnish full detail and warrant careful perusal by our members.

The Association has received many letters of commendation of the work of the Protective Department. Only a few letters of criticism have come to hand, and these generally have been written through misunderstanding of facts involved.

That there may be no misunderstanding whatsoever 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 again 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 Burns Agency office will be taken up without delay. It is unnecessary to communicate with the General Offices in New York before a case will be taken up, all allegations to the contrary being false.

Manager L. W. Gammon each year continues to improve and perfect his Department. An untiring worker and with a thorough knowledge of his line, he develops the best within his Department and can but demonstrate each year his value to the Association and its members in his particular field.

#### LIBRARY

In the Association Library and its Reference Department there has been a steady growth during the year. The loan feature is becoming better understood, and more general in use and the matter on the library shelves is more frequently in demand by bankers and others for reference and research work.

We trust that with the new year we are just entering upon, many more of our members will avail themselves of the Library and the wealth of reference data it contains.

The Association has received many contributions of books, pamphlets, magazines, newspapers, etc., etc., from organizations, libraries, bankers and individuals. These contributions stimulate what has already been gathered together and are much appreciated.

The Librarian, Miss Glenn, will make a report on the Library and Reference Department and to her untiring efforts much of the success of our library is due.

#### FINANCES

The Treasurer's report shows a cash balance on hand of \$32,264.22. The balance in 1915 was \$36,097.75 and \$20,152.70 in 1914.

The reduction of the cash balance at the end of the fiscal year of 1916, as compared with the fiscal year of 1915, is accounted for by the extraordinary expenses during the past year, which are covered in increased expenditures of Seattle convention, additional appropriation required by the Savings Bank Section for its Centennial and Thrift Campaign, and other special items which do not ordinarily occur. I recommend that the Finance Committee set aside, for investment, a portion of this balance. All bills have been paid for the full fiscal year just ended.

#### OFFICE IMPROVEMENTS

A new and up-to-date installation of the Turner Intercommunicating Telephone System between the General Secretary's office and various offices of his assistants has been put in during the year. This greatly facilitates the transaction of inter-office detail and proves a great convenience and time saver.

To our mechanical equipment has been added an Edison Rotary Mimeograph No. 78, electrically controlled, for the supplying of manifold copies of circular and publicity matter; also a Graphotype, electrically operated, which now enables us to make our own stencils for the addressograph equipment, without delay.

Some new furniture has been placed in the general "work room" with the elimination of old-fashioned roll-top desks—resulting in improved appearance of the room and increased efficiency of the employees.

#### ROUTINE WORK

During the fiscal year just ended we sent out from the General Offices more than 641,000 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 .....	13,877
Circular letters, etc.....	57,578
First-class mail other than letters, such as typewritten lists, etc. ....	2,474
	<hr/> 73,929

#### SECOND, THIRD AND FOURTH CLASS MAIL MATTER

JOURNAL-BULLETINS, including those of A. I. B. ....	390,041
Codes .....	1,350
Signs .....	1,530
Lists of Members.....	17,000
Packages .....	1,262
Postal Cards.....	253
	<hr/> 411,512

Total A. B. A. mail matter..... 485,441

#### SECTIONS AND DEPARTMENTS

Total first-class mail matter.....	128,230
Total second, third and fourth class mail matter.....	12,856
	<hr/> 141,086

Total mail matter..... 626,527

Express packages..... 15,162

Grand total..... 641,689

#### MEMBERSHIP

At the time of balancing our books, August 15, 1915, membership in the Association stood at 15,010. At the Briarcliff Spring Meeting this year, it was announced that we hoped for an increase of 1,000 members by August 31; and, on the date of closing our books, it is my pleasure to report there were enrolled 16,016 members, representing a net gain for the year of 1,006. Last year the net gain was 290 members. I am sure this result is most gratifying—a record that has been exceeded but twice in the existence of the Association. In 1901 there was a net gain of 1,113 and in 1912 a net gain of 1,251.

To the state of Oklahoma belongs the credit for greatest increase in membership in the Association with 118 new members, a total of 530. Kansas comes second with 111 new members, a total of 741. Nebraska comes third with 91, a total of 483. Missouri is fourth with 73 new members, a total of 611; Iowa is fifth with 70, a total of 678; Illinois stands sixth with an increase of 61 and a total membership of 981; and Texas seventh with an increase of 47 and at total membership of 567.

New York ranks first in Association membership with 1,019, Illinois second with 981, Pennsylvania third with 966, Kansas fourth with 741, Iowa fifth with 678, California sixth with 636, Ohio seventh with 621 and Missouri eighth with 611.

Relating to increase of membership by the various Sections and officers of the Association showing the number of applications known to be received from the sources mentioned below during the fiscal year ending August 31, 1916:

National Bank Section, through the co-operation of Mr. Jerome Thralls, Secretary of the Section; the Vice-President of the National Bank Section for Oklahoma, Mr. T. P. Martin, Jr.; Mr. G. D. Davis, Mr. E. W. Sinclair and others located in that state 150  
 O. T. Eastman, Vice-President A. B. A. for Nebraska..... 92  
 Note.—With the co-operation recently of Mr. W. B. Hughes, Secretary of the Nebraska Bankers Association, they having signed a joint circular.

Those who were most successful in membership campaigns:  
 M. A. Traylor, Vice-President A. B. A. for Illinois..... 32  
 P. W. Goebel, Vice-President American Bankers Association..... 27  
 A. C. Smith, Vice-President A. B. A. for Iowa..... 22  
 Trust Company Section..... 20  
 W. W. Woodson, Vice-President A. B. A. for Texas..... 17  
 Wm. J. Burns International Detective Agency, Inc., general solicitation with good results.

Very many of our State Vice-Presidents, Members of the Executive Council and State Secretaries gave us valuable assistance in increasing membership during the past year; and for this loyal work all are entitled to the sincere thanks of the Association.

August 14, 1915.....	15,010
*Erased from the rolls through failure, liquidation, consolidation and withdrawal December 1, 1915.....	883
Membership.....	14,127
August 31, 1916, new members joined during the year..	1,422
*Regained members (secured from the above).....	467
	1,889
August 31, 1916, membership.....	16,016
A net increase for the fiscal year of.....	1,006
A net loss for the year in failures, consolidations, etc.,	218
A net loss for the year in delinquents.....	198
	416
Making the actual gain in new members.....	1,422

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

	Paid Membership	Annual Dues
September 1, 1875.....	1600	\$11,006.00
September 1, 1885.....	1395	10,940.00
September 1, 1895.....	1570	12,975.00
August 31, 1905.....	7677	127,750.00
August 31, 1906.....	8383	137,600.00
August 31, 1907.....	9251	150,795.00
August 31, 1908.....	9803	162,507.00
August 31, 1909.....	10682	175,352.00
August 31, 1910.....	11405	188,934.00
August 31, 1911.....	12072	198,530.00
August 31, 1912.....	13323	213,752.50
August 31, 1913.....	14100	229,324.48
August 31, 1914.....	14720	233,915.00
August 14, 1915.....	15010	245,651.00
August 31, 1916.....	16016 (estimated)	262,021.76

**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, 1917.....	262,021.76
Making Total Income, year ending August 31, 1917.....	\$269,551.76

**MEMBERSHIP BY YEARS.**

YEAR.	MEMBERSHIP.	Gross Loss by Failures, Merger, Delinquents, etc.	Net Loss by Delin- quents, 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	.....	1,130	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
1916	16,016	883	416	1,880	1,006

**MEMBERSHIP OF STATES AND TERRITORIES HAVING LESS THAN 100 MEMBERS**

(As of August 31, 1916)

Arizona.....	82	Canal Zone.....	1
Delaware.....	42	Hawaii.....	10
Nevada.....	29	Philippine Islands.....	3
New Hampshire.....	70	Porto Rico.....	9
New Mexico.....	73	Canada.....	43
Rhode Island.....	40	Cuba.....	24
Utah.....	85	Isle of Pines.....	1
Vermont.....	76	Mexico.....	10
Wyoming.....	93	Panama.....	4
Alaska.....	17		
		Total.....	727

**MEMBERSHIP**  
 DIVISION OF BANKS IN ASSOCIATION, AUGUST 31, 1916

STATE OR TERRITORY	Nat'l	State	Private	Trust Co's.	Savings Banks	State Sec'y.	A. I. B. Chaps.	Total
Alabama.....	60	82	12	22	7	1	1	175
Arizona.....	12	48	0	20	1	1	0	82
Arkansas.....	52	164	2	26	1	1	1	247
California.....	206	296	6	36	87	1	4	636
Colorado.....	109	98	7	17	9	1	1	242
Connecticut.....	69	9	7	44	48	1	1	179
Delaware.....	22	1	1	15	2	1	0	42
Dist. of Columbia.....	14	3	3	3	16	1	1	41
Florida.....	40	125	4	12	4	1	0	195
Georgia.....	98	253	7	18	12	1	1	381
Idaho.....	49	85	2	7	1	1	0	145
Illinois.....	333	314	215	76	41	1	1	981
Indiana.....	153	152	40	56	3	1	0	405
Iowa.....	205	164	53	30	225	1	0	678
Kansas.....	192	533	2	6	7	1	0	741
Kentucky.....	76	70	1	27	4	1	1	180
Louisiana.....	34	123	1	21	5	1	1	186
Maine.....	58	0	0	36	21	1	0	116
Maryland.....	80	36	23	19	26	1	1	186
Massachusetts.....	157	2	27	74	109	1	1	371
Michigan.....	90	165	44	9	168	1	1	478
Minnesota.....	188	304	8	5	6	1	2	514
Mississippi.....	30	122	1	15	2	1	0	171
Missouri.....	106	401	22	46	32	1	2	610
Montana.....	59	151	19	12	0	1	0	242
Nebraska.....	175	294	4	7	2	1	0	483
Nevada.....	10	17	0	1	0	1	0	29
New Hampshire.....	47	1	0	7	14	1	0	70
New Jersey.....	181	27	3	97	18	1	0	327
New Mexico.....	36	26	1	8	1	1	0	73
New York.....	421	261	145	92	92	1	7	1,010
North Carolina.....	68	97	1	35	7	1	0	209
North Dakota.....	111	215	0	3	3	1	0	333
Ohio.....	245	139	62	56	115	1	3	621
Oklahoma.....	242	275	0	11	1	1	0	530
Oregon.....	77	90	10	12	8	1	1	199
Pennsylvania.....	583	99	52	194	34	1	3	966
Rhode Island.....	18	1	2	19	7	1	1	49
South Carolina.....	37	125	1	10	18	1	1	193
South Dakota.....	86	197	3	10	9	1	0	306
Tennessee.....	80	104	1	47	9	1	1	243
Texas.....	319	161	28	54	1	1	3	567
Utah.....	22	44	4	5	8	1	1	85
Vermont.....	41	0	0	21	13	1	0	76
Virginia.....	99	119	13	14	9	1	1	256
Washington.....	68	208	17	21	9	1	2	326
West Virginia.....	83	97	2	21	4	1	1	209
Wisconsin.....	117	249	2	11	21	1	1	402
Wyoming.....	32	53	1	6	0	1	0	93
Alaska.....	3	13	1	0	0	0	0	17
Canal Zone.....	1	0	0	0	0	0	0	1
Hawaii.....	4	6	2	4	0	0	0	16
Philippine Islands.....	0	3	0	0	0	0	0	3
Porto Rico.....	0	7	2	0	0	0	0	9
Canada.....	0	42	0	1	0	0	0	43
Cuba.....	1	18	3	1	0	0	1	24
Isle of Pines.....	1	0	0	0	0	0	0	1
Mexico.....	0	8	2	0	0	0	0	10
Panama.....	1	2	0	1	0	0	0	4
	5,701	6,699	850	1,421	1,240	49	47	16,016

**IN MEMORIAM**

On February 15, 1916, at Ormond Beach, Fla., there passed to the Great Beyond, George E. Lawson, president of the Peoples State Bank of Detroit, Mich., and member (1916 class) of our Executive Council and of our Finance Committee as well.

Mr. Lawson took an active interest in the affairs of our Association and gave of his best in its interest and welfare. A man of ability, always courteous, of a gentle nature and charitable, he will be missed in our assemblings as well as by all who knew him in his native city.

**APPRECIATION**

The General Secretary would take this occasion to word his appreciation of the assistance and courtesies rendered him by the Executive Council, Departments, Sections, Committees and Commissions; as well as by the Association officials, State Vice-Presidents and State Secretaries.

The general Association membership has been loyal in its support, and for this and their letters of encouragement and the warm welcome accorded when brought into personal contact with bankers of the country, your General Secretary is appreciative and grateful.

His association during the year with President Lynch and the Administrative Committee has been most agreeable and helpful. With the distance from the Atlantic to the Pacific separating us, President Lynch has found it possible to visit the general office and attend Administrative Committee meetings, and the other members have given freely of their time and attention to the betterment of Association matters. To Treasurer Wing, Assistant Secretary Fitzwilson, T. R. Wilson, secretary to the General Secretary, and to the employees in the General Office I also extend expression of my appreciation. The hearty co-operation given by them all has made this year, the ninth of my administration, the more enjoyable and the results attained more effective than heretofore.

**KANSAS CITY**

This convention of the Association in Kansas City is the forty-second in the history of our organization. Kansas City has once before entertained the American Bankers Association—on the occasion of our fifteenth annual convention, September 25 and 26, 1889. There are those



among our number who will recall that convention as one of the most successful held up to that time, and particularly marked was the unbounded hospitality of the bankers and citizens of Kansas City on that occasion.

At that time the Association had a membership of about 2,200 and the attendance at the convention was approximately 600 delegates, and with guests totaling in all about 1,500 people.

A Missouri banker was President—Mr. Charles Parsons, president of the State Bank of St. Louis; and Mr. Joseph S. Chick, president of the National Bank of Kansas City, Mo., was a member of the Executive Council. Mr. William P. St. John (well known in the past in this section of the country) was one of the principal speakers and Mr. George F. Baker of New York City, prominent banker and financier, was Treasurer of the Association. The income for that fiscal year was \$14,612. An interesting program was presented and there were many speakers on question of the day, with spirited discussions.

Again we meet in this great mid-western metropolis with marked changes in the Association, showing progress along all lines of endeavor; with a membership of more than 16,000 banks and an attendance of approximately 4,000 delegates and guests.

When the enterprising delegates from Kansas City presented their invitation at the Seattle convention there were promises made, which in every particular will be fully realized—in fact, will be more than realized by those who are so fortunate as to attend this forty-second annual convention.

Your General Secretary has made several visits to Kansas City during the past year, meeting bankers and citizens on each occasion, and has realized fully that Kansas City believes in co-operation; that its business and professional men co-operate thoroughly with the bankers in providing entertainment and hospitality, and in every way carry out the slogan of the city—"Kansas City, the Heart of America," "All for One and One for All."

I wish to express my sincere thanks to the Executive Committee and to all local committees of Kansas City for the aid and assistance I have received at their hands in the endeavor to carry out the vast details of this great convention; and to convey for the Association its thanks for a most successful convention, so well managed, and carrying with it the unbounded hospitality of the city.

FREDERICK E. FARNSWORTH,  
General Secretary.

### Report of Currency Commission

To the American Bankers' Association:

Your Currency Commission, through an interchange of views by correspondence, are unanimously of the opinion that our report this year should be one of progress. There remains only the short session of Congress, which terminates on the 4th of March next. It would be unwise, in our judgment, to attempt the accomplishment of any general legislation at that session. The administration also changes on the 4th of March, by the re-inauguration of the present incumbent or the inauguration of his competitor.

As time passes we are obtaining a better knowledge of the actual working of the Federal Reserve law, its strong points and its possible defects. It seems to us that upon the incoming of the new Congress the American Bankers' Association ought carefully to consider the present law relating to banks and banking, with a view to suggesting amendments, prompted by our banking and business experience. This should be done for the purpose of perfecting the Federal Reserve system and bringing it into co-operative harmony with the various banking institutions of the country.

In order to facilitate the labors of the Commission we think it would be well to have all papers and suggested amendments of a specific nature, which are submitted to the convention, referred to the Commission for its use another year.

Respectfully,

A. BARTON HETBURN, *Chairman.*

JOS. A. MCCORD  
J. F. SARTORI  
L. L. RICE  
E. L. HOWE

JAMES B. FORDAN, V. C. JOHN PERRIN  
MYRON T. HERRICK LUTHER DRAKE  
FESTUS J. WARD SOL WEXLER  
JOS. T. TALBERT ROBT. WARDROP  
GEO. M. REYNOLDS E. F. SWINNEY

### Annual Report of General Counsel, Thomas B. Paton

A considerable portion of the work of the General Counsel since the Seattle Convention has been in connection with the activities of the Committee on Federal Legislation, both in an advisory and executive capacity. General Counsel has participated in meetings, conferences and discussions upon legislative subjects, drafted and caused bills to be introduced for the Committee, attended Congressional hearings, had numerous interviews with members of Congress in Washington and elsewhere, prepared briefs and arguments upon particular measures, issued circulars, letters and telegrams, conducted an extensive correspondence, kept track of all bills introduced in Congress affecting the banking interests, closely watched bills of an objectionable character and, in short, endeavored both in a legal and secretarial way, to do all things necessary as an aid and adviser of the Committee in the successful prosecution of its work.

A very considerable measure of success has attended the labors of the Committee on Federal Legislation, both in the enactment of bills favored by the Association and in defeat of objectionable measures. Legislation favorable to the banking interests has been enacted at the recent session of Congress modifying the Clayton interlocking directorate act, establishing a satisfactory bill of lading law, modifying the revenue law, including the substitution of a less onerous corporation tax for the bankers' special tax, extending the powers of national banks with respect to foreign trade and amending the Philippine bill so as to remove the danger to holders of Philippine bonds. The year has been unusually fruitful in national legislation of value to bankers and in procuring this result, our Committee on Federal Legislation, under the guidance of its energetic Chairman, has taken an important part. The report of that Committee will doubtless be looked for with particular interest for a detailed statement of action and results upon the Federal legislative subjects committed to its charge.

In matters of state legislation, this has been an off year, only a minority of states holding legislative sessions. Nevertheless, some of the important measures recommended by our Association and actively pushed by the state bankers' associations have become law. The report of the Committee on Law (hereafter to be called the Committee on State Legislation) will contain reference to these subjects of state legislation.

Speaking in a general way, the aim and effort of General Counsel in the field of national and state legislation, has been to do all in his power to carry out the policies of our Association in the promotion of legislation having for its object the improvement of the banking system and the soundness and negotiability of commercial instruments of credit, and in opposition to legislation detrimental to the banking interests.

In this connection it may not be inappropriate to emphasize briefly the importance of that branch of the legislative work which has been directed toward improving the negotiability and commercial value of those instruments of credit which are part of the machinery of commercial transactions. The chief instruments of commerce upon which credit is extended are the bill of exchange and promissory note, the bill of lading and the warehouse receipt. The former represent money, the latter goods in transit or on storage.

It has been a long and aggressive fight conducted under the auspices of the American Bankers Association and through the active efforts of state bankers' associations to put the Negotiable Instruments Act on the statute books of the different states. With its enactment this year by the legislature of Mississippi, for which congratulations are due the bankers of that state, there now remain but four states which have not passed the Act—Maine, Georgia, California and Texas. Before the passage of that Act the law governing bills and notes was complicated by the divergent laws of some fifty states providing varying standards of negotiability and different rules governing liability of parties. A bill of exchange or a note originating in another state was discredited because of uncertainty as to its negotiability. The tremendous benefit of having one uniform law of negotiable instruments throughout the country in facilitating the operations of banking and commerce is obvious and this result has now been substantially achieved largely through the organized efforts of the bankers.

Of equal importance to commerce and banking has been the work of the Association in promoting legislation which would provide full negotiability and integrity to the bill of lading as an instrument of commerce. For eleven years the American Bankers Association has been urging national legislation to this end and has at last achieved success through the approval by the President of the Pomerene bill, passed at this session of Congress. In the 59th Congress we started with the Townsend-Burrows bill; in the 60th Congress we urged the Maynard-McLaurin bill; in the 61st Congress, the Stevens-Clapp bill, which passed the House; and in the 62nd, 63rd and 64th Congress, the Pomerene bill which passed the Senate in each of these Congresses but only in the last went through the House. Our Association was the pioneer in the movement but as it gained headway, other organizations became allied and all share in the glory of the achievement. The details of this year's successful campaign will, of course, be covered in the report of the Committee on Federal Legislation. In addition, largely through the efforts of our Association and its Law Committee, the Uniform Bills of Lading Act has already been passed in fifteen states and one territory and the Uniform Warehouse Receipts Act has been passed in 33 states. Congress at this session has also passed a law providing for uniform warehouse receipts containing many of the provisions of this bill. These warehouse acts facilitate commerce by enhancing the value of the warehouse receipt as an instrument of credit.

These subjects are mentioned as indicating the importance of the work of our Association in the field of constructive legislation and the great value of what has been accomplished in this direction. It is not necessary to extend this report by discussing the underlying objects and purposes of various other subjects of national legislation involving amendments of the Federal Reserve Act and other Federal laws nor the many subjects of state legislation handled by our Association in the interest of the banks. These subjects will be sufficiently dealt with in the report of the Committee on Federal Legislation as to Congress and in the report of the Committee on Law as to the different states.

It is interesting to note, in connection with the Revenue law which was approved September 8th and, with certain exceptions, took effect on the following day, that in addition to the elimination of the special tax on bankers and substitution of a smaller tax on all corporations, the stamp tax law was repealed and stamp taxes are no longer in force. Also that certain provisions of the old law, the interpretation of which has been matter of controversy with the Treasury Department, have been so changed as to remove the cause for complaint. The former income tax law upon corporations provided that in ascertaining net income there should be deducted from gross income, among other things, "all losses actually sustained within the year and not compensated by insurance or otherwise \* \* \*." Under this provision the Treasury Department ruled that banks would not be permitted to deduct the loss upon securities charged off upon their books within the year, unless the securities were sold or otherwise disposed of; this notwithstanding the amount charged off was by order of a national bank examiner or state bank department. Until sale or disposition, the Treasury Department contended the loss was not actually sustained and this ruling was adhered to, despite requests for reconsideration. The new law changed the provision to read: "All losses actually sustained and charged off within the year and not compensated by insurance or otherwise \* \* \*." The words "and charged off" were added by the Senate and agreed to by the conferees. Doubtless under the new law, banks will be allowed to deduct from gross income, the amount of loss caused by depreciation of securities charged off on their books within the year, without the necessity of sale or disposition of the securities. It was furthermore ruled under the old law that an individual could not deduct losses arising from dealings in stocks or bonds where such losses were not incurred in the trade or business of such individuals, although profits arising from similar dealings were taxable as gains. The new law corrects this injustice by a provision allowing an individual to deduct from gross income "in transactions entered into for profits but not connected with his business or trade, the losses actually sustained

therein during the year to an amount not exceeding the profits arising therefrom."

In addition to the work of General Counsel in connection with legislative matters, an extensive opinion work is carried on for members of the Association and he has acted in an advisory capacity upon matters presented by different sections and committees. It would be impracticable to enter into any detail of the numerous phases of this work. At the meeting of the Executive Council a year ago it was determined that the General Counsel should prepare for publication a digest of the different opinions he has rendered. Owing to the exigencies of the legislative situation during the last session of Congress it has been impossible to find the necessary time to complete this particular work. It is now in progress.

THOMAS B. PATON,  
General Counsel.

### Report of Committee on Federal Legislation

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

Your Committee on Federal Legislation has had a very busy year; also a very successful one from the standpoint of results accomplished. The Committee has had in charge a number of subjects of Federal Legislation pending in the 64th Congress, and has worked to promote certain Bills which have been favored by the Association, and in opposition to other measures.

The Committee has been aided throughout by a very effective system of organization, viz.: a Federal Legislative Council, consisting of one member of the Executive Council in each State, who was requested to perfect a State organization made up of a banker from each Congressional District, who in turn was expected to secure the co-operation of the bankers in his District. To the hearty and efficient co-operation of the members of the Federal Legislative Council is due in a great measure the successful results obtained by our Committee.

Mention should also be made of the encouragement and advice extended by President Lynch, Vice-President Goebel, our able Secretary Colonel Farnsworth, and the spirit of co-operation shown by the Executive Committees of the National Bank and Clearing House Sections, and their efficient Secretary Jerome Thralls, and the effective work done by the Secretaries and other officials of State Bankers Associations. It has been because of the combined efforts of all these different agencies, working to a common purpose, and under the guidance of our Committee, that the legislative policies of The American Bankers Association have been so effectively carried out.

An important measure upon which our Committee and Federal Legislative Council worked unceasingly until a successful result was obtained, is the Kern Bill, modifying the Clayton Act, which prohibits Interlocking Directorates.

The Kern Bill was signed by the President on May 15th, and permits a person to be a Director in not more than two other banks not in substantial competition, upon first procuring the consent of the Federal Reserve Board. The Kern amendment has been interpreted by the Federal Reserve Board, to allow a person who is permitted by the Clayton Act to be a Director of a member bank and one other bank, or Trust Company where the entire capital stock of one is owned by stockholders of the other, to also be a Director in two other banks not in substantial competition—making four in all under such circumstances.

The enormous amount of labor performed and campaign work conducted throughout the progress of this measure, and the history of the legislation in its successive stages of development cannot be detailed here. Credit is especially due to Mr. George M. Reynolds of Chicago, for most effective aid in procuring the passage of the Kern Bill.

A second successful result was obtained in connection with the Philippine Bill. As this measure passed the Senate on February 4th, it contained an addition known as the Clarke Amendment, which provided for the granting of independence to the Philippines in four years, but contained no provision for safeguarding the holders of some seventeen million dollars of Philippine bonds now in the hands of American Banks and other investors. Request for an amendment protecting the holders of these bonds, was made on behalf of our Committee to the House Committee on Insular Affairs, but the Bill was reported without amendment. Following this, long continued efforts were made while the Bill was pending in the House to secure the necessary protection, and as a result, on May 1st, when the Philippine Bill came up in the House, the Clarke amendment was decisively defeated by a vote of 213 to 165. As finally passed the Philippine Bill provides for a more autonomous Government of the Philippines, but the threatened weakening of the security of American investments has been entirely removed and the holders of Philippine bonds are safe. In procuring this result our Committee were without doubt, very ably assisted by the representatives of millions of dollars of Philippine Railway bonds, and by large business interests that would have suffered by the termination of business relations existing between this country and the Philippines.

A third success has been scored in connection with the Revenue Bill. As reported to the House this Bill, in addition to increasing the income tax on individuals and corporations from one to two per cent., also made permanent a special tax upon bank capital and surplus of one dollar per one thousand dollars. The attention of the entire membership of the House was immediately called to the injustice of singling out one class of corporations—the banks—and imposing such a burden of taxation upon them. As a result, the special bank tax provision was eliminated by the House by a decisive vote. Efforts to have the same put back in the Senate, were combated by our Committee and finally a provision was inserted imposing a special tax on all corporations of fifty cents for each one thousand dollars of capital, surplus and undivided profits, with an exemption of \$99,000 from the capital of each corporation. This removes from the operation of the tax the small corporations, including the banks, all over the country. The elimination of the Bankers Special Tax was a notable achievement, only made pos-

sible by the effective co-operation of the members of our Federal Legislative Council throughout the States, whose immediate response to telegraphic call for action and forceful protests against the injustice of the proposed double taxation carried great weight. Credit for effective assistance is also due to a number of the Clearing House and State Bankers Associations throughout the country. Bills recommended by our Association to amend Section 19 of the Federal Reserve Act so as to enable country National Banks, at the end of the 36 months' period, to exercise an option to keep three of the required twelve per cent. of its reserves in a Reserve Member Bank within the Federal Reserve District, or within a radius of three hundred miles of the country Bank, were introduced by Senator Pomerene in the Senate and Congressman McFadden in the House, but our Committee has been unable to secure a favorable report.

Quite a number of banks throughout the country object to the three hundred mile radius. Some feel that the radius should be extended, and others feel that it should be eliminated entirely. It would seem that some change in the proposed amendment could consistently be made. If the limitations are removed entirely banks would be allowed to continue to carry 3 per cent. or one-fourth of their required reserve, with any Reserve or Central Reserve City Bank in the system.

It has also been suggested that the reserve requirements of country banks be reduced from 12 to 9 per cent. Of this amount 4 per cent. to be carried in cash and 5 per cent. with the Federal Reserve Bank in the District. This would, without a doubt, relieve the country banks to a large extent, and the only objection to this plan is the tendency on the part of some country banks to run as close as possible to the reserve required by law.

At a joint meeting of the Federal Legislative Committee and Council just held at Kansas City, this subject was fully considered, and it was deemed unwise to continue to urge the adoption of the Pomerene McFadden Bills, but in lieu thereof to recommend to the Convention that legislation be urged reducing the reserves of country member banks to 10 per cent.

House Bill 13391 recently passed by Congress, contains an amendment to Section 11 of the Federal Reserve Act, giving the Federal Reserve Board power to permit member banks to carry in the Federal Reserve Banks of their respective Districts, any portion of the reserve now required to be held in their own vaults. This is a most important measure and member banks should be urged to forward to the Federal Reserve Bank of their respective Districts, the cash (Gold if possible) in their vaults in excess of their needs. This will strengthen the Reserve System and fortify our financial position so that we will be able to meet readily the readjustments that are likely to follow the termination of the European War.

Every encouragement should be given the Federal Reserve Board, in their effort to mobilize the Gold held in the Country.

European Banks only carry sufficient money in their own vaults to cover their customary needs, depending on their Reserve Banks for emergency calls, thus concentrating the Gold Reserves in the great Central Banks.

We are not in a position now to respond to a sudden and unexpected call for Gold; our holdings of the metal are known to be enormous, but it is not readily available; if the state banks can be induced to enter the system, their gold holdings would of course augment the gold reserves of the Federal Reserve Banks.

H. R. 13391 also amends Section 24 of the Federal Reserve Act authorizing loans on farm lands by extending the territory in which farm loans may be made to a radius of one hundred miles, from the location of the Bank irrespective of District Lines, loans limited to 50 per cent. of valuation and not to exceed five years. This measure also permits loans to the extent of 50 per cent. of the value, and not for a longer period than one year on improved and unincumbered real estate, other than farm lands within the same radius. The aggregate of both classes of loans is limited to 25 per cent. of Capital and Surplus or one-third of time deposits. If this aggregate were to be increased it would doubtless tend to popularize the system and encourage state banks to join.

Likewise a bill recommended by our Association to amend the Federal Reserve Act so as to reduce the paid-in capital of Federal Reserve Banks to one-sixth of one per cent. of the capital and surplus of the member banks and provide a return of the excess, was introduced by Congressman McFadden, but has not been reported.

The question of amending the Federal Reserve Act authorizing the establishment of Branch Banks, was carefully considered by the Executive Committee of the National Bank Section and by the Federal Legislative Committee. Some members favored and some were opposed to such a measure, and inasmuch as the Association itself has not given expression to an opinion on this subject, it was deemed best not to either approve or oppose the passage of the amendment. You are aware that this provision was eliminated from H. R. 13391. A great many bankers believe that if Branch Banks can be established by an indirect method, that some provisions should be made for them to establish Branches by a direct method. The Association should give expression to its wishes in this respect, and if the decision is in opposition to the establishment of Branch Banks, then the National Bank Act should be so amended as to prevent the absorption by National Banks of State Banks having Branches.

Probably the most important accomplishment during the year has been the passage of the Bills of Lading Act, known as the Pomerene Bill S. 19, which was signed by the President on August 29th. For eleven years our Association has been consistently working for a Federal Law which would give validity to Bills of Lading as instruments of credit, and in six successive Congress Bills have been introduced to that end. The Pomerene Bill makes criminally liable the person who forges a Bill of Lading, and the agent who issues a bill that does not represent goods. This is a much needed reform. No punishment whatever, was hitherto provided for such criminals under Federal Law. The measure will promote the Interstate and Foreign Commerce of the country by making Bills of Lading inherently safe. The Bill is especially advantageous to the small shipper, as the Bill of Lading will now have a commercial value as a credit instrument, that it has not enjoyed in the past, and Banks will more readily make advances on Bills on Lading drafts. In the 62nd and 63rd Congresses the Pomerene Bill, which

had behind it, not only our Association, but the American Bar Association, the United States Chamber of Commerce, and allied Shippers organization, passed the Senate, but failed in the House. The successful result in the present Congress has been due to the combined efforts of all these organizations in impressing upon the House, which heretofore proved the stumbling block, the great importance of this measure in the promotion of our Interstate and Foreign commerce. In this connection, great credit is due Secretary McAdoo and Dr. C. E. McGuire, Assistant Secretary General of the International High Commission, who have exploited the measure in South America; in fact, submitted a Spanish translation of the law to the International High Commission at Buenos Ayres in April, 1916. The Commission adopted resolutions advocating the adoption of similar laws, using this measure as the basis. The International High Commission referred to is a body of twenty National Sections, each of which consists of nine jurists of financiers with the Minister of Finance (in the United States the Secretary of the Treasury) as Chairman. The Commission was organized in the summer of 1915, as the result of the recommendation of the first Pan American Financial Conference, held in Washington May 24-29, 1915. The Commission aims to "adjust and harmonize the principles and procedure of commercial law and administrative regulations in the American Republics, and to seek a satisfactory solution for such legal problems as present themselves in the fields of banking and public finance."

Secretary McAdoo and Dr. McGuire have in addition been warm advocates of the Bill before the Senate Committee. Credit is also due to Mr. Charles S. Haight, representing the United States Chamber of Commerce—to Mr. Francis B. James, representing the American Bar Association, and to Mr. Guy M. Freer of the Cincinnati Chamber of Commerce, President of the National Industrial Traffic League, for valuable efforts in behalf of the measure. Our own share in the work, through our Federal Legislative Council and this Committee, has been in the bringing of arguments to bear upon individual members of Congress as well as in personal appeals at Washington. The thanks of this Association are due to Senator Atlee Pomerene, who introduced the measure and secured its passage by the Senate, and when the Interstate and Foreign Commerce Committee of the House delayed in giving consideration to the measure, the Senator arranged for a public audience on April 12th at the White House. A delegation of shippers and bankers, and members of The American Bar Association, and Chamber of Commerce of the United States, was received by President Wilson, and addresses were made on behalf of the measure by representatives of different organizations, including the Chairman of your Committee. On the following day an all day hearing was given by the House Committee to the delegation, and a series of hearings were subsequently held, as a result of which the Bill was favorably reported, with a few amendments on June 24th. It was passed by the House on August 9th—the Senate concurred in the House amendment on August 18th, and the signature of the Bill by the President makes the law an accomplished fact. By its provisions it takes effect on January first next.

The potent influence of our Association as an adviser of National legislation in the interest of trade and commerce is illustrated by a piece of constructive legislation originating with this Association, which has become law at this session of Congress as an amendment of Section 25 of the Federal Reserve Act signed by the President on September 7, 1916. This amendment is designed to facilitate foreign trade through national banks by adding provisions permitting the investment by National Banks in the stock of banks or corporations engaged in foreign trade. It originated in a conference of our Committee with the Executive Committee of the National Bank Section, following which there was framed and presented to the Federal Reserve Board the amendment proposed. The Federal Reserve Board favored the amendment and recommended it to the Committees on Banking and Currency of the House and Senate. It was included with certain other amendments of the Federal Reserve Act agreed upon by those Committees and by House and Senate, and has now become law. This measure is known as H. R. 13391. In this connection it is interesting to note a resolution adopted by the International High Commission:

"Resolved, That the International High Commission recommend to the American Government the adoption of such measures as will place the Banks of each country, wherever possible, in a position to extend their activities abroad, to establish branches on terms of reciprocity and to facilitate the granting of credit to the trade and industries of other countries of the continent.

"Resolved, further, That the International High Commission recommend to the institutions of credit of each country the adoption of such measures as are indispensable for the establishment of relations with these institutions in other American States, subject to their laws and on terms of reciprocity."

In connection with the enforcement of the Federal Reserve Board of the provisions of the Federal Reserve Act authorizing par collections, the Chairman of our Committee visited St. Louis and participated in a conference of country bankers relative to this subject. At the suggestion of the Administrative Committee of this Association, our Committee has in charge the matter of urging an amendment to the Federal Reserve Act which will eliminate par collections and provide for reasonable charges.

At the suggestion of the Executive Committees of the National Bank and Clearing House Sections, our Committee has deferred action on this proposed measure until after the Kansas City Convention, when there will be an opportunity to further discuss the subject. In the meantime Congressman Kitchin has introduced a Bill to amend the Federal Reserve Act, having this purpose in view.

In connection with Rural Credit Legislation, which has culminated in the passage of the Federal Farm Loan Act, our Committee from the inception of such legislation, followed the large number of Bills introduced on the subject, and was successful in securing the elimination of certain objectionable features from the Act as finally passed. The functions of our Committee have extended to examining and discussing a large number of Bills upon a variety of subjects of Federal Legislation, objectionable and otherwise, and determining what, if any action, should be taken thereon. It will serve no useful purpose to detail the subjects of all these Bills.

During the year our Committee have held a number of special meetings, in which the legislative situation has been thoroughly canvassed.

Initial meetings were held in Washington on January 19th and 20th, on which occasion interviews were had with individual Congressmen upon particular measures. A conference was also held with a Federal Reserve Board at this time. On this occasion also a joint meeting was held with the Executive Committee of the National Bank Section with regard to certain measures affecting National Banks, and a joint conference of both Committees was held with the Board of Governors of the Federal Reserve Banks, at which a number of subjects affecting National Banks were discussed.

At the spring meeting of the Executive Council at Briarcliff, a special meeting of our Committee was held, and also a joint meeting with the Federal Legislative Council. During the interim between meetings, the method of communication between members of the Committee on Federal Legislation and the Federal Legislative Council, has been by printed confidential Bulletin, referring to the subjects of legislation of more pressing importance, and by telegraphic communication on matters of special urgency, supplemented by a large mail correspondence. Both the Chairman of the Committee and General Counsel of the Association, who has acted as its Secretary, have visited Washington on a number of occasions in connection with its work.

In closing this report it is fitting that special recognition be made of the service of Mr. H. H. McKee, of Washington, D. C., member of our Executive Council, and of the Federal Legislative Council for the District of Columbia. Mr. McKee has given daily of his time in watching and reporting upon the development of Bills in which our Association is interested, in personally interviewing members of the Senate and House, and in aiding and guiding our Committee by his valuable advice as to the proper course of procedure at critical times. His intelligent grasp of the matters entrusted to his care and judgment provided an inspiration to those associated with him in the work. His services have been invaluable.

This report would not be complete did it not bear testimony to the splendid services rendered by Mr. Thomas B. Paton, General Counsel of the Association, and Secretary of our Committee.

He has been tireless in the discharge of his duties, and our success is due in no small degree to his counsel and advice.

In conclusion your Chairman extends his sincere thanks to the members of the Federal Legislative Committee, Federal Legislative Council, and the members of the various organizations in each State, who have given so generously of their time and ability during the past year, at the same time expressing the hope that the Federal Legislative Council will be continued, and that the organization in all of its ramifications will be fully perfected, which will insure a continuation of the results which have been accomplished during the past year.

We are submitting herewith, without reading, a summary of legislation which has received the attention of the Federal Legislative Committee for the past year.

Respectfully submitted—

Committee Federal Legislative	{	J. H. MASON, Vice-President, Commercial Trust Co., Philadelphia, Pa.
		J. H. FULTON, President, Commercial National Bank, New Orleans, La.
		JAMES B. HOGG, President, Union Savings and Trust Co., Seattle, Wash.
		J. W. PERRY, President, Southwest National Bank of Commerce, Kansas City, Mo.
		S. A. SADD, President, Chattanooga Savings Bank, Chattanooga, Tenn.
		CHARLES A. HINSON, President Fifth-Third National Bank, Cincinnati, Ohio.
		Chairman.

### Report of Law Committee (Committee on State Legislation)

By amendment of the Constitution adopted by this Convention, the name of our Committee has been changed from the Committee on Law to the Committee on State Legislation. Aside from the special duties imposed upon our Committee from time to time by the Executive Council or the General Convention, its chief function is to give consideration to State statutes affecting the business of the members as well as the subjects of uniform laws and commercial usage and to recommend from time to time drafts of new statutes for the approval of the Association and urge the enactment of such approved drafts through State organizations. Only eleven states have held regular sessions of their legislatures during 1916 namely:

#### MEETINGS OF STATE LEGISLATURES

Georgia, convened June 28; Kentucky, convened January 4th; Louisiana, convened May 8; Maryland, convened January 5th; Massachusetts, convened January 5; Mississippi, convened January 4th; New Jersey, convened January 11th; New York, convened January 5th; Rhode Island, convened January 4th; South Carolina, convened January 11th; Virginia, convened January 12th.

#### UNIFORM NEGOTIABLE INSTRUMENTS ACT

We are gratified to report that the legislature of Mississippi has, this year, passed the Uniform Negotiable Instruments Act which leaves only four states which have not yet enacted the law, Maine, Georgia, California and Texas.

#### PUNISHING THE GIVING OF CHECKS WITHOUT FUNDS

The legislature of Mississippi also passed the law recommended by our Association which punishes the giving of checks or drafts without funds. The legislature, however, modified our recommended form of law by making it a condition to conviction that money or something of value must be obtained upon the check; that the check must be presented by the payee or holder within 30 days from its date and a further modification permits the drawer to pay the check within 10 days after receipt of written notice of its non-payment, upon which he escapes the penal consequences of the act.

The legislature of Rhode Island has also passed our recommended law punishing the person who issues a check without funds, but changed it by provision to the effect that if the maker deposits with the drawee the amount due on the overdraft within 7 days after he receives notice that it has not been paid, this will relieve him.

UNIFORM STOCK TRANSFER ACT

The legislature of New Jersey this year passed the Uniform Stock Transfer Act.

The above are the only measures recommended by this Association which have been passed this year. Other legislation of interest to banks has been enacted during the present year in the different states, as follows:

NEW GEORGIA LAWS

Georgia. The legislature passed an acceptance act and a usury act. The acceptance act authorizes banks and trust companies to accept drafts and bills of exchange drawn on them by their customers having not more than six months sight to run and to issue letters of credit authorizing the drawing of such drafts and bills of exchange with a proviso that no letter of credit or acceptance shall be issued by any bank or trust company in the State of Georgia except against marketable collateral, to be specified in the face of such acceptance or letter of credit. The usury act repeals the old usury law under which a person or corporation taking usury forfeited the excess of interest and which also avoided all titles to property made as a part of an usurious contract or to evade the usury laws and substitutes a penalty of forfeiture of the entire interest and a provision that no further penalty should be suffered.

NEW LAWS IN KENTUCKY

In Kentucky, the 12th day of February of each year has been made a legal holiday to be known as Lincoln Day. The law relating to state depositories has been amended by the addition of a provision that national banks assigned as depositories, having a combined capital and surplus of \$50,000 or over, shall not be subject to the examination provided. A law also has been passed to prohibit the declaring of bank dividends until the surplus equals 10 per cent. of capital.

NEW LAWS IN LOUISIANA

In Louisiana a law has been passed authorizing banks to forward checks direct to the drawee which, under the judicial law is negligence. Other laws have been passed as follows, by the Louisiana Legislature:

Amending Act 179, of 1902, regulating Associations and savings banks.

Amending Section 5, Act 45, of 1902 relating to reserves of savings, safe deposit and trust banks.

Amending Sections 1 and 6, Act 193 of 1910 relating to the number and qualification of directors of banks, savings banks and trust companies and the borrowing by officers of such banks.

To require officers and employees of trust companies to furnish surety bonds.

Amending Section 2, Act 112, of 1910 creating a state banking fund. Amending Section 5, Act 198, of 1898 regulating powers and duties of state bank examiners.

NEW LAWS IN MASSACHUSETTS

In Massachusetts an act was passed to empower trust companies to accept drafts and bills and issue letters of credit, constituting Chapter 189 General Laws 1916.

Also an act amending Section 17 of Chapter 219 Laws 1913 to permit deposit of trust funds in trust companies incorporated under state laws, constituting chapter 101 General Laws of 1916.

Also a law to limit and provide for increase in capital stock of trust companies, constituting chapter 37 General Laws 1916. Also a law requiring savings banks to pay certain unclaimed deposits to the Treasurer and Receiver General, constituting chapter 198 General Laws 1916.

The Legislature of Massachusetts passed an act making January 1 a legal holiday. Constituting chapter 104 General Laws 1916. A further act was passed which gives the bank commissioner the same power over savings and loan associations as over savings banks. Chapter 26, General Laws 1916.

An act was also passed imposing a tax upon incomes. Chapter 263 General Laws 1916.

A law was passed to permit the appointment of national banks as trustees, administrators, executors. This however, was vetoed by the Governor and the veto was sustained.

NEW LAWS IN MISSISSIPPI

The legislature of Mississippi passed the following laws with reference to banks:

Chapter 97 Laws 1916, the Blue Sky Law.

Chapter 103 Laws 1916. Prohibits liquor shipments into the state and makes it unlawful for banks to collect or pay drafts having attached a bill of lading or order covering intoxicating liquors.

Chapter 125 Laws 1916. Declares Thanksgiving Day a legal holiday for all public schools in the state after proclamation of the Governor setting apart a day to be observed as Thanksgiving Day.

Chapter 207 amends sections 15, 19, 23, 34, 35, 38, 39, 56 and 59 of the Banking Law of 1914.

An act to authorize the incorporation and operation of farm loan banks was vetoed by the Governor and the veto was sustained.

NEW LAWS IN NEW JERSEY

In New Jersey the following laws of interest to banks were passed: Chapter No. 46 Laws 1916 amends section 1 of the Banking Law by adding the following proviso: "Provided, however, that with the approval of the Commissioner of Banking and Insurance, any corporation organized under the act entitled 'an act concerning trust companies (revision of 1899),' approved March 24, 1899, to take effect and continue the business of any bank heretofore organized under this act, or under special charter, or any existing national bank, may use the word 'bank' or 'banking' as part of its corporate title."

Chapter 123, Laws of 1916 provides: "Any depository subject to withdrawal, by check or demand draft, shall pay any check or demand draft drawn by any person who has funds on deposit to meet the same, notwithstanding the death of such drawer in the interval of time between the drawing of such check or demand draft and its presentation for payment, providing such presentation shall be made within ten days after the date of such check or demand draft."

NEW LAWS IN RHODE ISLAND

In Rhode Island an act has been passed taxing interest-bearing deposits in national banks on participation or deposited in the same manner as in savings banks, constituting chapter 1359 Laws 1916. This tax on savings and participation accounts in national banks follows closely the Vermont and Connecticut laws except as to rate of taxation.

SOUTH CAROLINA USURY LAW AMENDED

In South Carolina a law has been passed amending the usury law by adding a new section reading as follows:

"No lender shall be charged with usury under the preceding sections by reason of money paid or agreed to be paid others by the borrower in order to obtain a loan where the lender never took nor contracted to take more than lawful interest; provided, however, that suit may be brought within six months from the date of such transaction against such other persons as may have charged excessive fees or excessive commissions and recovery may be had thereon for the excess over and above a reasonable fee or reasonable commission." No. 534 Acts of 1916.

NEW LAWS IN VIRGINIA

In Virginia, the act of 1914 relative to trust companies and banks doing a trust business was amended by omitting the requirement that the word "trust" or "Trusts" shall be a part of the corporate name of a bank desiring to do a trust business.

A law was also passed authorizing a bank or trust company to accept for payment at a future date drafts drawn upon it by its customers and to issue letters of credit authorizing the holders to draw drafts upon it or upon its correspondents at sight or on time not exceeding one year, with a proviso that the total of such drafts so accepted or letters of credit so issued for any one person, firm or corporation shall not at any time exceed 10% of the capital and surplus of the accepting or issuing bank or trust company. Constitutes Chapter 298 Laws 1916.

The interest law was also amended by authorizing banks to "charge a minimum loan or discount fee of 50 cents on loans or discounts for thirty days or more."

OKLAHOMA FIXES LEGAL RATE OF INTEREST

In Oklahoma at a special session of the Legislature an act was passed fixing the legal rate of interest at 6% and the contract rate at 10%.

CORNELIUS A. PUGSLEY,  
Chairman.

Annual Report of the Protective Department, L. W. Gammon, Manager.

NEW YORK, N. Y., Sept. 1, 1916.

During the period covered by this report there has been no marked increase in the number of crimes committed against members of the Association other than could be expected in proportion to the large increase in the membership.

ARRESTS

For the period from August 1, 1915, up to and including August 31, 1916, I beg to report as to operations against criminals, as follows:

Total cases not disposed of arrested prior to August 1, 1915.....	108
Total arrests since August 1, 1915.....	428
.....	536
Convicted .....	307
Released, escaped, insane and died.....	116 423
.....	
Awaiting trial .....	113

Since August 1, 1915, up to and including August 31, 1916, there have been burglaries and attempted burglaries on members, and similar crimes on non-members, as follows:

	Members	Non-Members
Alabama .....	1	2
Arkansas .....	1	2
California .....	2	1
Colorado .....		2
Georgia .....	1	
Illaho .....	2	
Illinois .....	2	8
Indiana .....		2
Iowa .....		2
Kansas .....	1	4
Michigan .....	1	1
Mississippi .....	1	
Missouri .....	2	3
Nebraska .....		1
New Mexico .....	1	
New York .....	2	
North Dakota .....		4
Ohio .....	2	1
Oklahoma .....	5	6
South Carolina .....	1	
South Dakota .....		1
Texas .....		1
Washington .....	1	1
Wisconsin .....		1

Of the 26 attacks on members, 7 were successful burglaries, 19 unsuccessful.

Of the 43 attacks on non-members, 27 were successful burglaries, 16 unsuccessful.

The loss sustained by members in connection with burglaries was \$7,754.03; while the loss sustained by non-members amounted to \$60,242.30.

There have been 35 hold-ups on members with a loss of \$65,821.03, also one sneak thefts with a loss of \$26,511.34.

During the same period there have been 40 hold-ups on non-members with a loss of \$68,229.56; also two sneak thefts with a loss of \$2,148.00.

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

The following figures show the reported and attempted burglaries on banks since the inauguration of the protective feature, so far as known:

Non-Members .....	1539	Loss .....	\$2,190,438.72
Members .....	431	Loss .....	266,801.20
Difference .....	1088		\$1,923,637.52

## CORRESPONDENCE

During the period from August 1, 1915, up to August 31, 1916, the Protective Department has received 36,741 reports and other communications from our detective agents. The department has also received 1034 letters and telegrams, and written 2497 letters and telegrams. These figures do not include circular letters and similar communications.

## PHOTOGRAPHS

The department now has 4720 photographs of criminals, comprising burglars, hold-up men, sneak thieves, forgers and bogus check operators, with a complete record of each.

## OFFICES OF OUR DETECTIVE AGENTS

The William J. Burns International Detective Agency, Inc., now have twenty-three offices of their own in this country, as follows: Birmingham, Alabama; Los Angeles and San Francisco, California; Denver, Colorado; Chicago, Illinois; New Orleans, Louisiana; Baltimore, Maryland; Boston, Massachusetts; Detroit, Michigan; Minneapolis and St. Paul, Minnesota; Kansas City and St. Louis, Missouri; Buffalo and New York City, New York; Cleveland, Ohio; Portland, Oregon; Philadelphia and Pittsburgh, Pennsylvania; Providence, Rhode Island; Houston, Texas; Seattle and Spokane, Washington; and one correspondent at Des Moines, Iowa. They also have three special representatives, C. E. Sears, c/o Hotel Albert, Jacksonville, Florida; P. R. Schmacher, 601 Young Street, Dallas, Texas; and Wm. Duffy, 407 East Broadway, Salt Lake City, Utah. They also have offices of their own in London, England, and Montreal, Canada.

## INSPECTION TOUR

During the fiscal year I made a personal inspection of the Burns offices at Spokane, Chicago, Kansas City, Baltimore and Philadelphia.

I also attended the convention of the Oklahoma Bankers Association in May last, and made a personal tour in that state with the manager of the Kansas City office by going over the ground where the numerous hold-ups had taken place, with a view of becoming personally acquainted with the situation there. I am pleased to report that the operations of the hold-up men in that State have been practically broken up owing to the number of arrests as the results of the co-operation of the various state and county officials, the vigorous prosecution on the part of the district attorneys, and the severe sentences imposed by the various judges.

## SUGGESTIONS

A large part of our troubles are due to the carelessness on the part of the banks in permitting customers to use funds represented in uncollected checks, and I believe this practice should be discontinued.

Another trouble is caused by members allowing checks to be left on their counters, not alone pads of checks on their own institution, but also pads of checks of other institutions in the same locality. I would suggest that no bank leave any checks on its counters, unless such checks be printed across the face in large type, "Counter Check," that is, to be used for withdrawing funds from the particular bank wherein the check is used. I would also suggest that banks in trying to accommodate their customers who desire to withdraw funds from other banks, have printed a form of check on which the customers are required to fill in the name of the bank on which they desire to draw, and have same placed in charge of a teller, to be handed out only on request. By following these suggestions it would not only save the banks a large amount of money, but also save this Association the cost of making investigations in cases which come as a result of these practices.

## DETAILED REPORT

For more detailed information relative to individual cases and the work accomplished, I respectfully refer you to the monthly *Journal-Bulletin*, Section Two, which gives a detailed account of what is being performed each month in connection with the work of the Protective Department.

I wish at this time to thank the Federal, state, county and local authorities throughout the United States for their co-operation, for they have aided this department very materially in the investigation of cases during the fiscal year.

L. W. GAMMON,  
Manager.

### Report of the Agricultural Commission by the Chairman, B. F. Harris, President, First National Bank, Champaign, Illinois

Member of the American Bankers' Association:

It is not known to all of you that the Agricultural Commission is not provided for by our constitution, but that it was created by the convention, therefore, it must report to you and only lives from year to year at your will.

The chief activity of the Commission is its publication of *The Banker-Farmer* in addition to the very large and extensive correspondence it carries on with state associations and individual banks throughout the entire country.

The expenditures of the Commission for the year just ended, including thirteen months' expenses in several lines was \$10,081.05 while the total receipts were \$10,469.94.

The American Bankers' Association gave us an appropriation of \$4000, of which we have on hand \$442.54, while individual banks and state associations paid us \$5869.94. In other words, of twelve months' expense 65 1/2 per cent. came from outside sources and the net cost to this association for twelve months was \$3837.46.

We are charging state associations that subscribe for *The Banker-Farmer* 12 1/2 cents per member per year and we sell it to in-

dividual banks in quantities at \$1.25 per hundred copies. If we advance these prices 30 per cent. which would still be below cost we would increase our net income \$1600 and reduce the expense to this association by an equal amount.

Twenty-three state associations—a gain of five during the year—almost every agricultural state of prominence except Iowa, Indiana and Missouri, are getting *The Banker-Farmer*. These three splendid states ought to come to us—the price is trivial though a financial loss to us.

397,982 copies of *The Banker-Farmer* were printed this year of which 180,000 copies went to state association members while 217,982 copies were purchased and paid for by individuals and banks.

A statement in detail of every single item with receipted voucher is in the hands of your General Secretary, and its summary attached hereto.

Not one cent of expense money has ever been used by the chairman or any member of this Commission except in attendance on the annual May meeting where certain expenses are paid for all your officials as provided in your by-laws. Your Commissioners have all done more or less traveling in connection with the work but not at the expense of this association.

During the three years since the publication of *The Banker-Farmer* was instituted more than a million and a quarter copies—twenty-three million pages—have been distributed throughout the nation, carrying the message of the bankers' living interest in agriculture and the public welfare. If you have followed the column, "What They Say" on the back page of each issue you can form some meager idea of the impression made on others.

It seems clear that, as a result of the present and growing upheaval and readjustments in international and national economic and trade conditions, and the severe competition to follow, it is our bounden and patriotic as well as selfish duty to inform ourselves and co-operate with the public generally, to the same end, by broadening the scope of *The Banker-Farmer* to include an all-American, non-partisan discussion of our foreign trade, shipping, tariff and fiscal, as well as our manufacturing and agricultural needs.

Foreign bankers lead in such work, which is another reason why they lead in many other respects. The policy of Mr. Vanderbilt's great bank in its comprehensive literature and constructive efforts in this direction should be applauded and emulated.

Several members of this Commission and the chairman have had many calls to go out and address various meetings in behalf of the cause and it has been a matter of regret to all of us that we had to forego so many interesting and urgent invitations.

A very sincere and concrete evidence of the bankers' interest in the banker-farmer work, lies in the fact that the various state agricultural committee chairmen are so alive and constructive in their work which has been so much appreciated that almost invariably they have been elected to the presidency of their several state associations.

We cannot close without urging every bank to take up at once the matter of distributing a number of copies of *The Banker-Farmer* each month among its clients. It is the cheapest advertising of which we know and almost, without exception, every bank undertaking it continues and increases its orders. Several hundred copies monthly are even purchased by Canadian banks to use in this way.

Very respectfully submitted,

B. F. HARRIS,  
Chairman.

### Report of the Library and Reference Department

MARIAN R. GLENN, Librarian.

Five years ago the Library Department was only an idea in the mind of the General Secretary.

The need of such a reference service to Association members was obvious, but no action was taken until Secretary Farnsworth created the department in October, 1911. At that time no special appropriation existed, and the facilities for developing the service consisted only of a few books, some unbound periodicals, and a trained librarian.

There now exists at headquarters, a department requiring a staff of four assistants to collect, care for and supply the information requested by bankers. Three rooms are used as working quarters for the cataloging, the reference work, and the mail order feature known as the "traveling package library" service, which supplies current banking and business information to Association members.

The original book collection of less than 400 volumes has been increased to nearly 3,000, of which only about 700 have been purchased. Where there were only a few unused magazines five years ago, there is now a row of vertical filing cases, containing nearly 40,000 articles, addresses, pamphlets, pictures and clippings, mounted and classified according to the hundreds of financial subjects which they cover. Information which, five years ago, was unavailable to bankers except at great expense of time and money is now easily supplied from the more than 30,000 card index entries which have been made to periodicals, books, reports and proceedings.

A noteworthy feature of the Library is the clipping records which are kept of controversial subjects connected with money and banking. From no other financial library can there be so readily obtained a resume of such events, for instance, as the money trust investigation, the postal savings bank controversy, currency reform debates, the Higgs Bank case, and the development of the Federal reserve system and the regional banks.

For the first four years, the Library was without a definite policy, other than that of supplying Association members, and occasionally the press, and economists, with the current information requested. In 1915 the Librarian suggested that, since the Library was maintained by the national organization of American bankers, it should become responsible for keeping as complete a record as possible of American experience in monetary and banking systems.

The need of some library assuming the function of a central source of such information, is emphasized by the amount of pamphlet and document material wasted yearly by member banks, and the difficulty of securing facts regarding early phases of American banking experience

which would be of current value in the analysis and interpretation of the trend of economic events.

Since the Association Library is specializing in practical banking, rather than economic theory or investment data, it seems a more logical center than other financial libraries for the collection of information on American banking experience, and its daily index of all articles and items of importance in financial periodicals, constitutes a fairly complete record of present events and conditions in American banking.

The Librarian suggests, for the consideration of the Incoming Library Committee, the problem of how the Library shall acquire that background of previous American experience in money and banking which it should possess, or to which it should have access, if it is to fulfill its function as the representative American financial library. There are several important private collections which will eventually be available for purchase, and which properly belong at Association headquarters. Financial provision should be made which will secure an option upon at least one of these collections, or permit the purchase of portions of other collections as they come into the market.

In the opinion of the present Librarian, it will not be advisable to emphasize the historical as fully as the current features of the Library, but, since it is keeping more complete current records than any library of its kind, it is obvious that its future historical function in connection with banking, business, and economics, must be adequately provided for by making its resources as complete as possible now. Each year adds to the value of the Library's card index records and its special collections of pamphlets on certain subjects, but its usefulness can be increased by reaching an early decision as to whether the Library shall attempt to complete its resources by purchasing special collections, or whether it shall begin the compilation of a central card catalog of financial information in other libraries throughout the country.

The Library's most immediate problem is always that of advertising its services to Association members. While the Library is now loaning eight times as much material as in its second year, and bankers in all but three states borrowed data or requested information during the past year, the department still has undeveloped possibilities for service which the international activities of American bankers will increase during the coming year.

Since the last report, 536 books have been added; 2,907 pamphlets; 11,400 clippings; 460 pictures; 216 advertisements; and 9,836 card index records; while 16,000 items have been loaned. In addition to the reference correspondence and the answering of requests at the Library and by telephone, a list of subjects covered by the package library service has been published in pamphlet form; a purchasing list of books for bank libraries and a thrift bibliography for the Savings Bank Centennial have been compiled; a check-list of periodicals and annuals in New York financial libraries has been made; a canvass of libraries has been carried on by correspondence in an effort to secure financial pamphlet literature; and the Library has distributed hundreds of current pamphlets to Association members.

MARIAN R. GLENN,  
Librarian.

**Report of the Treasurer, E. M. Wing**

LA CROSSE, Wis., Sept. 13, 1916.

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

The cash balance in the hands of the Treasurer, August 14, 1915, was \$36,097.75. The balance on hand September 1, 1916, was \$32,264.22. During the year the receipts have been \$264,780.46 and the disbursements \$268,613.99.

On September 1st the drafts for membership dues were sent out, 15,471 in number, amounting to \$246,055, an increase of \$10,250 over last year, and 775 in number.

While the income of the Association shows a large increase, the expenses are increasing even more rapidly, and this year for the first time in some years, will exceed the income of the Association.

The surplus funds of the Association are invested as follows. The securities, under the control of the Executive Council, are held in the Bankers Trust Company of New York as follows:

	Carried On			
	Par Value	Books At	Market Value	Cost
Chicago, Burlington and Quincy, Ill. Division, 4's due 1949.....	\$50,000.00	\$47,400.00	\$47,000.00	\$50,843.75
Chicago, Burlington and Quincy, Joliet 4's due 1921....	12,000.00	11,000.00	11,730.00	11,559.09
Atchison, Topeka and Santa Fe, General Mortgage 4's due 1995....	30,000.00	28,500.00	27,750.00	30,825.00
New York City Corporation, Registered 3 1/2's due 1940 .....	30,000.00	26,500.00	27,075.00	25,506.67
	\$122,000.00	\$114,000.00	\$114,155.00	\$118,734.51

Respectfully submitted,

E. M. WING,  
Treasurer.

**Report of the Committee on Insurance**

Your Committee on Insurance begs to report that its work for the last twelve months has included many forms of activity from which satisfactory results are being obtained. Among these are the compilation of a blanket bond, continued introduction of all copyright forms to the member banks, investigation of claims, assistance in the settlement of claims, collection of data at the direction of the Executive Council and furnishing member banks information and assistance on a multitude of insurance subjects.

**BANKERS' BLANKET BOND**

There has been a great demand from many of the banks of this country for a form of insurance covering fidelity and burglary as well as forgery, sneak-theft, misplacement or destruction of money

or securities and other losses not heretofore included in the insurance forms offered by American insurance companies.

Certain underwriters, representing Lloyds' groups, of London, England, have, for a number of years, offered American banks a blanket bond, undertaking to cover losses due to dishonesty of officers and employees, burglary, hold-up and other losses referred to above. In an effort to meet this demand we conferred early last year with various insurance companies, looking toward some arrangement whereby the American companies could meet the Lloyds' competition under a form of bankers' blanket bond, that would meet the approval of this committee, retain in this country large sums of insurance premiums that are now going abroad and eliminate possible litigations in the collection of claims, which might arise by reason of the fact that Lloyds' underwriters are not licensed to transact business in the United States. During a period of twelve months four forms of blanket bonds were compiled by insurance companies and submitted for the approval of your committee, each form being an improvement over the former, but none of them coming up to our requirements.

We are happy to report to you, however, that within a few days after the May council meeting, one of the leading insurance companies of New York made further concessions, which enabled this committee to approve the form offered, and most of the insurance companies have promptly followed, so that a very satisfactory form of blanket bond has been available to the banks for the last four months, a copy of which is hereto attached and made a part of this report. The history of this new policy, together with a list of its principal advantages, will be found in the July issue of the Journal of the American Bankers' Association. In purchasing this policy, the banks are cautioned to see that they are furnished with the form bearing the printed approval of this committee under date of June 8th, 1916. The introduction of this blanket form of insurance by American insurance companies marks an epoch in insurance underwriting, but your committee is of the opinion that continued co-operation with the insurance companies will make available to a larger number of banks this attractive form of insurance.

**ADJUSTMENT OF CLAIMS**

Your committee has found a wide field for service in assisting in the adjustment of claims of the banks against various insurance companies. Through the co-operation of the protective department of the Association we are furnished with a prompt report of all burglary, robberies and hold-up attacks made against member banks, which reports are immediately followed up by us by correspondence directly with the bank. Last year we investigated seventy-one cases involving total claims of \$107,276.11. Of this amount \$43,272.02 was not collectible under the terms of the policies carried. In the majority of cases, settlement is satisfactorily made by the insurance companies within the terms of the insurance contract in force at the time of the loss, and in such cases your committee can only obtain and preserve a record which becomes invaluable both as to determining the losses of member banks and more particularly for the information and guidance of your committee in eliminating dangerous restrictions from insurance contracts. In such cases, however, where appeal is made by the banks to this committee for aid we have been able to exercise a most satisfactory influence for better and more liberal settlements in spite of the failure of the claimant bank to have secured the best available form of insurance.

It will undoubtedly be of interest to refer to at least one of these cases for the purpose of bringing to your attention both the value of this Association's service to its member banks and the possible intimate relation of the solvency of the bank to the character of its insurance. Last April the protective department referred to this committee a hold-up loss of approximately \$17,000, occurring in one of the member banks. The bank advised this committee in reply to its inquiry that the loss exceeded the surplus of the bank—that the insurance company had denied liability under its policy and that unless some adjustment could be made, inevitable embarrassment to the bank would follow. Upon investigation, we found that the bank held an old form of insurance contract provided by the company itself in which was contained under the schedule of equipment a warranty to the effect that all money in excess of \$5,000 would be kept locked in a safe under at least one combination lock when not more than one man was in charge of the bank. The robbers entered the bank quietly in the middle of the day and waited until all employees but one had gone to lunch. The safe was not locked and the robbers were able to get away with about all of the money in the bank. The insurance company's denial of liability was based upon the failure of the bank to observe the warranties as set forth in the policy.

Your committee after several conferences with the insurance company obtained a compromise settlement under which the bank received approximately one-half of its loss. The insurance company attempted no evasion of its exact legal liabilities as set forth in the contract existing between itself and the bank. The insurance company received this committee with every possible courtesy and finally made settlement far beyond the technical restrictions laid down in its policy. The copy of the burglary policy of the American Bankers' Association does not contain any warranties, and had our policy been purchased by this bank at the same cost, the loss would have been fully covered.

**PUBLICITY**

Your committee has not only undertaken the compilation of improved forms of burglary policy, fidelity bonds and blanket bonds and the investigation of burglary and robbery claims, but has further taken every means possible to bring the service of this committee to the attention of the member banks. The columns of the Journal of the Association have been used, many copies of our annual reports have been distributed, 25,000 copies of the warning cards have been gotten out with the assistance of the state associations and interested banks, and the correspondence of your committee has grown to approximately 3,000 letters in the last twelve months. Requests for information, opinions and other character of insurance service are being continually received in increasing numbers and our replies are bringing the most satisfactory and complimentary acknowledgments.

For the information of the membership generally, it should be repeated that the Association has provided this Committee with a Secretary who is an able insurance expert, without whose services it could not accomplish any important results in its consideration of a business so highly technical as that of insurance. Your committee desires to express publicly its appreciation of the services rendered by its Secretary. Acknowledgment is also made of the hearty co-operation of the officers and other committees of the Association and the Secretaries of the state associations.

**GENERAL**

The Committee should continue to compile data which will enable it to get accurate statistics in reference to proportion of losses to premiums paid. When complete data is secured, it will be invaluable to members. The improved policy forms have already greatly reduced the cost in that our members are now getting more for their money than ever before.

Conditions change rapidly in the business of insurance, and new problems are continually confronting your committee. The banks of the country expend annually more than four million dollars for various forms of insurance protection, the validity of which is the most serious import to them, and your committee cannot too strongly emphasize the need for continuous and expert attention to the subject by this Association.

Just as the moral influence of bank supervision conduces to better conduct of the business of banking, so the continued activities of your insurance department are exerting a wide and growing influence for the better upon all insurance interests having relations with the banks of the country, at a cost to the Association of twenty-five cents per member per annum.

Respectfully submitted,

OLIVER J. SANDS, Chairman.

# Detailed Report of Proceedings.

FORTY-SECOND ANNUAL CONVENTION, HELD AT KANSAS CITY, SEPT. 28-29, 1916

## FIRST DAY'S PROCEEDINGS.

### MORNING SESSION,

Thursday, September 28, 1916.

JAMES K. LYNCH, President, presiding.

FREDERICK E. FARNSWORTH, General Secretary

Convention Hall, Kansas City, Mo.

The President called the meeting to order at 10 o'clock A. M.

Invocation was said by the Rev. George H. Combs.

THE PRESIDENT: The Honorable George H. Edwards, Mayor of Kansas City, will deliver an address of welcome.

### Address of Welcome by George H. Edwards, Mayor of Kansas City

Mr. President, Members of the American Bankers' Association,

Ladies and Gentlemen:

On behalf of Kansas City, I want to extend to your Association, Mr. President, a hearty welcome to our city.

I suppose that this week we have had more wealthy men in our town than we have ever had here before, and we kind of like the feeling. We would like to have you people stay as long as you can. We would like to have you come back as soon as you can. If it is possible for you to do so, we would invite you to stay until our tax assessor can get each one of you on his roll (Laughter), and we would like to have you to be sure to come back in time to pay the taxes.

We are building a great city here at the Junction of the Kansas and Missouri River, and it has not been an easy task. The site of Kansas City was perhaps as forbidding for the building of the city, as any that you could find, far or near. Where our great buildings stand were high rocky bluffs. Where our streets are were deep ravines. Those bluffs had to be leveled down, and these ravines had to be filled, and it was at the cost of tremendous energy, and the expenditure of great sums of money that this was brought about.

The men who have made Kansas City, had plenty of courage, they had plenty of foresight; they had plenty of energy, but they lacked in capital; and I want to say to you, Mr. President, that the banks of Kansas City in that respect are very largely responsible for our rapid growth. We could not have in the time that we have taken built such a city as we have here, regardless of the fact that we have a tremendous territory back of us, rich in agricultural products, rich in mineral products, with oil and gas in plenty, we could not have, as I say, even with these resources built such a city as we have built in the short time that we have consumed in accomplishing this, without the help of our friends the bankers; and I know that each merchant in town; I know that all our inhabitants realize the part that these banks have had in this work.

We feel that we have a great city here. We feel that we have really a great city, but we are not content. We have ambitions, and without endeavoring to discourage any of our sister cities, I might say that we hope to be, and we expect to be the third greatest city in the United States.

We will not be satisfied when we have accomplished this purpose, but we feel that we are making progress.

Today, Kansas City, greater Kansas City—and you know our town lies in two states, though it is really one community. Kansas City just across the street from Kansas City, Missouri. Our interests are common, our business is common. Our bank clearings in Kansas City, Missouri, are made up to a considerable extent of industries located in Kansas City, Kansas, and I say that this community has a population of something like 450,000 people.

We are first with a winter wheat market. We are first as a hay market. We are first as a yellow pine market. We are first as a market for agricultural implements, of all the cities in the United States. We are second as a primary grain market. We are second as a live stock market. We are second as a packing center. We are sixth in bank clearings part of the time, and part of the time we are fifth. I do not want our friends from St. Louis to take any exception to this, but I am merely stating facts. (Laughter.) We are tenth in the value of factory products. We have over 1,200 factories, with an annual output of over \$300,000,000.

You have seen something of our park and boulevard system. You have seen something of our residence districts. You have seen something of our downtown retail district, so I will not speak of those things; they speak for themselves.

We have here an assessed value of property for taxation purposes of \$210,000,000, that is in Kansas City, Missouri, alone. We tax on a basis of from 33½ to 40 per cent, so that our real value is something over \$525,000,000, and our total net indebtedness is \$5,200,000. In other words, our indebtedness is less than one per cent of our net worth.

We are a young city. Fifty years ago, the first passenger train entered Kansas City. Today, we are second as a railway center; but while we feel that we have accomplished much in a material way, I for one feel that we have been lacking in some respects; and I feel that our lack is that which is common to business men, to men who are absorbed in their individual business, and especially to bankers; and I am going to say something about what I conceive to be the shortcomings of your fraternity, as well as of other business men.

For many years, Mr. President, I have been taking advice from bankers, and I can say to you that it is with a great deal of satisfaction that I have an opportunity to offer a little advice to you men. (Laughter.)

I feel very strongly that the banker and the business man is inclined to take too lightly, his responsibilities as an American citizen. If your city councils are made up of war dealers; if your state legislatures and your houses of Congress have demagogues and grafters in them—and I do not believe, Mr. President, that there is nearly as many of that sort of people in public life as some newspapers would lead us to believe—but if your Congress and your legislatures and your city councils are filled not with men who are crooks, but even with men whose education and whose experience does not fit them to discharge the duties of those offices, to the good of the whole people, you, Mr. President, and people like you, are alone to blame, and that condition will not be remedied until the business man and the banker realizes that he owes to the commonwealth, something more than the running of his business in an economical and profitable way. You cannot get away from these responsibilities, and if you do continue to try to get away from them, that lack will very materially decrease your power to earn money.

True, there are notable exceptions to the rule that business men and bankers do not give of their time and effort to the good of the commonwealth. Leland Stanford of California was a banker, yet he founded Stanford University. Stephen Gerard of Philadelphia was a banker, and he founded Gerard College. Lyman Gage, one of your former Presidents, was a banker, and he served his country acceptably in the Cabinet.

Here in Kansas City we have had numerous instances of bankers sacrificing their time and their money for the good of the city. Mr. E. F. Swinney of the First National Bank, has devoted considerable time to the Board of Education work. He has also served the City as a member of the Hospital and Health Board. George W. Fuller, of the Fidelity Savings Trust Company, is now, and has been once before, a member of our Park Board, and it is largely due to his efforts, and to the efforts of the men associated with him, that we have such a park system as we have here today. Granville M. Smith is giving of his time to the City as a member of the Civil Service Board, a most undesirable job. But these men are the exceptions. The ordinary run of business men and bankers are content if they can handle their business in a way to bring them profits, and take care of their customers.

It is true also that many of you people will subscribe to campaign funds and, sometimes, by so doing you make things worse than they would have been had you not so subscribed.

What we need, my friends, is not only your money in politics, but we need your personality. We need your brains; and until such time as you can give of your personality, of your time, of your experience and of your brains to the political affairs, politics will be run as they have been run.

This week, I have been playing some golf with some of these bankers. I can remember the time here when we were glad to get money at eight per cent. You people are certainly developing into a kind of benevolent society. Recently, we have been able to get money at six per cent, and sometimes at five per cent, and these men to whom I have been talking this week, are talking of four per cent, and I would not be surprised if before long we could get it as low as three per cent, and the time may come when you bankers will offer your customers money without interest, as an inducement to hold their business. (Laughter.)

Now, Mr. President, that there may be no misunderstanding, we want to extend to you again our most hearty welcome. We are glad to have you with us. We want to do everything that we can to make your stay here pleasant and profitable. We will go any lengths. We will even go so far, Mr. President, as to furnish you with a President for the coming year from Kansas City, and I want to say to you that if you elect Peter Goebel, as President of this Association for the coming year, Kansas City will guarantee that you and we will never regret your coming to us for this meeting.

THE PRESIDENT: I will now introduce Mr. J. W. Perry, the President of the Kansas City Clearing House Association, who will add something to the Mayor's words of welcome.

Mr. J. W. Perry (Kansas City Clearing House Association): Mr. President and Members, Ladies and Gentlemen: It is a great pleasure to me, on behalf of the Clearing House banks of Kansas City, to welcome the membership of the American Bankers Association to our City.

From listening to the words of our Mayor, you would think that we were already the second city in the country, and I hope that sometime we may be; but the bankers of Kansas City are not making claim to anything to which we are not justly entitled.

We invited you here because we wanted you, because we like you, because we want to feel that we have an interest in your work, and that you have an interest in our work, as well as in our City, and we hope that your stay here will be altogether profitable and pleasant.

It is somewhat of an undertaking for a city of our size, to entertain the membership of the American Bankers Association.

Our facilities for entertainment are not all that we would

like to have, but gentlemen, what we lack in facilities, and what we lack in natural resources, we are making up to the best of our ability, with our good will and our endeavors on your behalf.

Since your coming here, the expression has been made from time to time that you were quite satisfied with our efforts, but I want to tell you something about the men who have been responsible for this work. Mr. George Hobby, of the Interstate National Bank, is the Chairman of the Entertainment Committee, and we leave it to you to judge of his efforts in that respect.

Your convenience in hotel accommodations has been provided for and looked after by Mr. Menefee of the Commerce Trust Company, the good roads that you have traveled over in our cities, and some of them are darn bad, and in our country, have been looked after by Mr. William T. Kemper, and Mr. George W. Fuller, members of our Committee.

The Ladies' Entertainment Committee, of which Mrs. Perry is Chairman, has also been well looked after by Mrs. E. F. Swaney, in charge of the luncheons at the clubs of our City, and by Mrs. George W. Fuller, looking after some this afternoon in some of our Kansas City homes.

We regret very much, gentlemen, that we have not been able to invite you to the clubs and to the homes, but we took a solemn prouise in inviting this convention here, that we would do nothing in an entertaining way that would detract in any way from the sessions of this convention, and we are going to keep the faith.

Now, Mr. Chairman, rather than burden you with the remarks that I have expected to make, I am going to ask that the few remarks that I want to make for the record be handled as you see fit, and in conclusion, I want to say to every man, woman and child that have been the guests of our city, that the Kansas City Bankers welcome you heartily, and we hope that your deliberations may be such as will bring credit to you and very great pleasure to us.

Gentlemen, the banking business at this time is confronted with problems that never before confronted the American banker.

The devastating war that is going on abroad, the wealth that is piling up in our country, such as was never had in any country in the world, is going to be a problem, and you and I as bankers are going to have to solve these difficulties; they are difficulties. No country was ever surfeited with wealth such as we have. No country was ever put into possession of wealth so rapidly as we now are getting it, and you and I are laying up problems for the future; and we just as well make up our minds now as hereafter, that you and I as individuals, and you and I as bankers are going to have to pay the price.

I hope, gentlemen, that this price will not be such a price as is being paid by our brothers across the sea, but it is going to be paid, and you and I had just as well start in now to help to solve these problems, and it is one of the great satisfactions in having you here that the American bankers will at this convention plan well for the future.

I would regret it as long as I lived, if after the war is over, the American banker was confronted with problems that he is not able to handle, and I believe that with our new Federal Bank Law and with our business as well organized as it is today, we need have no fear for the future, if we are just as conservative as I think you are, and will be hereafter.

Mr. Chairman, again I want to say to you that we welcome you to our city, not only on your own account, but, gentlemen, we have a pride in having one of our number, Mr. P. W. Goebel, a candidate for your presidency, and if he is elected, as our Mayor has said, we are going to guarantee to you the efforts of one of the biggest and best men ever produced in this part of the world. (Applause.)

#### Address of Welcome of J. W. Perry, Pres't Kansas City Clearing House Association

One year ago this month, in the city of Seattle, it was my privilege, in behalf of the Banking Interests of Greater Kansas City, to extend to the membership of the American Bankers Association, a cordial invitation to hold their Forty-second Annual Convention in our city. We were sincere in our invitation and we are now delighted with your presence, and glad of the opportunity to welcome you in the true Kansas City spirit. Joining us in this invitation, were the bankers of the great states of *Missouri, Kansas and Oklahoma*, and in their behalf, also, we extend to you a hearty welcome. The comfort, convenience and pleasure of each of our guests shall be our every thought while you are with us.

The history of your Association is closely linked with banking events in our own state and many men prominent in your councils have been among our most successful bankers. It was our privilege this very week, twenty-seven years ago, to entertain the American Bankers Association, with one of our own state bankers, Hon. Charles Parsons, of St. Louis, as president. We sincerely hope that many of those present at that time are with us today, and if here, they will be the best judges of the real progress made by your Association and by our city as well.

From these hills, an illustrious Missouri statesman, Thos. H. Benton, looked out over what he declared to be the greatest agricultural empire on earth, and according to the late James J. Hill, here will be builded one of the great cities of modern times.

It is a wonderful privilege to grow up in, and have a part in building such a city as Kansas City. It is here that an honest effort, if well directed, can have its reward; and here also that opportunity is knocking at the door of young America. Some of our success and prosperity may be accounted for by the fact that Kansas City is surrounded by the greatest area of good agricultural land to be found anywhere on earth. We reap not alone from the soil, but from the depths of the earth, which yield to us treasures in oil and mineral. Since the day John C. Fremont set out toward the land of the setting sun, we have been receiving tribute from and supplying the needs of a vast extent of territory to the West of us; and through this, the gate-way to the Southwest, there continues to flow a traffic that will make this one of the great commercial centers of the country.

We are glad indeed that our friends from the East can be with us today; we are grateful to many of them for assistance in the past, for no growing community such as this can be properly developed without assistance both in men and money from older and richer states. By drawing on the East for these essentials, in years past, we have been able to make rapid progress, and to the East we now express our gratitude. With such undeveloped resources as lie about us, we have been able to attract a very desirable class of people, and we have also been able to interest capital in abundance for our needs. To our friends in the South and West, we are rendering the same assistance we have received from our friends in the East in years past, and as the East has prospered through our development, so we have prospered as development of the South and East has taken place.

While we of America may be separated by a vast expanse of territory, yet we are closely tied by bonds of kinship and by ties of business, and all must acknowledge a marvelous pride and love for the land we call "Our Country." We believe this to be the *time and place* to discuss the many important problems that now confront us as a nation. Wonderful opportunities in business have been pressed upon us in the last three years, and an accumulation of wealth such as never was known in the history of the world is ours. With this great storehouse of wealth, and the employment of all our resources, in labor and commerce, we must of necessity have been gathering problems for the future. When world conditions have changed, when we are no longer able to employ all our commercial resources in profitable foreign trade, when we must seek markets and trade under peaceful conditions, and when the gold of the world shall flow out to pay the wages of millions of men in peaceful pursuits instead of in war, then it will be that a steady financial policy, both governmental and commercial, will be needed. These changed conditions must come, and when they do, it may well behoove us as bankers to have our house in order; for the greater part of the wealth of the world outside of America will have been either destroyed or mortgaged for generations to come. No man here present will live to see the day when the accumulating war debt of the warring nations of Europe will be paid, and it is only on a false hypothesis that we congratulate ourselves over the present prosperity of our country, had at the terrible cost and distress existing abroad. And we may as well make up our minds now that we will have to help pay the price. It may not come to us in such severe form as it is now coming to our friends across the sea, but it must and will come in some way.

Therefore, gentlemen, let us consider well the signs of the times, and so build our house of finance that the breakers will not fall too heavily on our shores. Situated as we are, so far from the scenes of war, and not being engaged in the manufacture and sale of war supplies to any great extent, we believe this to be a fitting place and an opportune time to plan well the work ahead of the American banker. Not alone are we influenced by conditions abroad. Our own country has conditions, political and financial, to be solved. Such a mass of legislation, Governmental, State and Municipal, as was never thought of before, is being enacted, and the banking business is getting its full share of attention. I am, therefore, led to believe that this is a most important time in American finance and may your deliberations here begun, be of a character that will protect the interests of your members wherever situated.

The Associated banks of Greater Kansas City have only one purpose for the present, and that is to see that you, our guests, enjoy your stay. To this end, we shall endeavor to supply a pleasant and hospitable entertainment. In this effort, we shall have with us the Commercial Club of Kansas City, and every citizen. We are all really glad to see you. Your membership is of such a democratic character and the purpose of your association so fraught with high ideals, that it is a pleasure to us to have you with us, and we feel that Kansas City will be much benefited by this closer acquaintance. We extend to you all a cordial welcome.

#### Reply to Address of Welcome, by Pres't James K. Lynch

THE PRESIDENT: Mr. Edwards, the Mayor of Kansas City, and Mr. Perry, the President of the Kansas City Clearing House Association, Gentlemen of the Convention: I have been asked to say a few words in response to the addresses of welcome that have just been made to us.

I regret that I am not more competent to do it, more competent to express the thanks that we feel at the manner in which we have been received.

For over forty years the American Bankers Association has been meeting in different parts of the country, usually at the Atlantic seaboard or near there, but some of the meetings have been on the Pacific and some on the Gulf of Mexico. Last year we met in the extreme Northwest of this country, and now we are assembled in the heart of the continent, in Kansas City, the city nearest to the geographical center of the United States.

I come from a state that produces oil and wine, nuts and raisins, fruits and flowers, the salads and desserts of



our National Banquet; but the beef and the bread are produced here in Kansas City—in the vicinity of Kansas City, the granary and the cattle market of America.

Our meetings are held for the purpose of mutual instruction, of education, if you please; but I think that we all realize that we learn more from the enlarged view that we obtain of our country from the opportunities of seeing this splendid heritage that has been handed down to us than we do from addresses and speeches, no matter how carefully they may be prepared; and so I congratulate you on meeting in this city, that represents, as it does, the solid and substantial elements in our everyday fields.

As far back as the time that I studied geography,—and that was some years ago—I recall that the State of Missouri was the center of the lead and zinc industries. Recently oil has been developed, and you have in the minerals, as well as in the food stuffs, a substantial—the necessary everyday elements of our prosperity.

It did not need the gracious words of welcome which we have received to assure us that your citizens are giving us more than their time and their money, that they are giving us that gift without which all others are as nothing,—that they are giving us themselves; and in reply to the excuse or apology, perhaps, given by Mr. Perry, I wish to say that in no city that I have attended a convention have things been more perfectly adjusted than they are here. Mr. Perry, if you already occupied the position which perhaps some day you are destined to attain, the first city in the United States, you could not do better as regards those essentials than you have done today, and on behalf of the bankers of America I thank you.

#### Annual Address of the President, James K. Lynch

Following the language of the Constitution, it is my duty to make to you a formal report, "summarizing the general condition of the Association." For statistical information, I shall refer you to the reports of the other officers of the Association and to the report of the Executive Council. You will be pleased to note that there has been a substantial gain in membership since the last Convention, and that we now have 16,016 members. When we consider that the total number of banks in the country is about 28,000, and that of the non-member banks a considerable number are savings banks affiliated with national banks holding memberships, this is a very satisfactory showing. There are, however, many banks not now members that would derive substantial benefits from the Association, which they in turn would strengthen and assist in the work of raising the standard of banking. Let me ask all of you to urge such banks to join.

Immediately following the Seattle Convention, the National Bank Section was organized and during its existence of less than one year, has demonstrated its value. Of the Sections authorized by your by-laws, the State Bank Section is the only one yet to be organized, and there is no reason why the work should not be undertaken at an early date.

The policy of dividing the work of the American Bankers Association into Sections has been fully vindicated. Through this means special problems affecting particular lines of business are discussed by those most interested, while the Sections have learned to co-ordinate their work with that of the Association. Through the better understanding which comes with time, there is no doubt that the small differences necessarily arising will be adjusted and that the various parts of the machinery will work together in harmony.

The Trust Company Section is the oldest of the Association Sections. It is thoroughly organized and it has done much important work in shaping the growth of this new branch of banking.

The Savings Bank Section has undertaken and is carrying out a special campaign on the subject of thrift, always a timely topic but particularly so this year, as it is the centennial of the establishment of savings banks in this country. The work has been characterized by a high order of ability and must have a good effect even on a people so extravagant as our own. It is to be hoped that this campaign will be continued and that the material furnished by the Association will be used by the savings banks throughout the country. It is only by long and persistent effort that results can be secured when dealing with a subject not in accord with the present disposition of the people.

The Clearing House Section has been the means of co-ordinating the activities of the loosely organized clearing houses in the different states. Its great achievement is the numerical system, by which numbers are substituted for names of banks and adding machine records and letters are made possible.

The State Secretaries Section keeps the state associations in touch with each other and in touch with the American Bankers Association, and through its means unity of action has been secured and duplication of work avoided.

The Department of Public Relations, authorized by the Convention of 1914, has proved of especial value in securing for the bankers of America the right kind of publicity. Of the other kind, we can all agree that we have had too much, and this has been due in great measure to a certain shrinking timidity which comes over the banker when he is invited to say anything for publication. Banking is such an important matter to the people that it cannot be ignored by the newspapers, and if they are not furnished authentic information so presented as to have a news value, they cannot be blamed for printing what they can get.

The Journal, which is edited by Mr. Welton, the Manager of the Department of Public Relations, has advanced from a formal announcement of the routine of the Association to a live publication, giving not only news but opinion, so presented as to be eagerly read and to be quoted by the daily papers as well as by the financial journals.

The American Institute of Banking, a Section of our Association, is so firmly established and has so thoroughly demonstrated the importance of its work, that it requires no extended notice here. The correspondence course of instruction is bringing the advantages of the Institute to the young men in the country banks, and thus greatly enlarging its usefulness. It is not too much to say that the development of banking in this country along sound and safe lines, depends more on the Institute than upon any other agency.

The Library of the Association has become the nucleus of what we may reasonably expect to be one of the great financial libraries of the world. It is already first in its collection of pamphlets on current financial topics, carefully indexed so that they form historical material of great value. Your continued and increasing financial support of this department will be money well expended.

The committees of your Executive Council have been active in prosecuting the work entrusted to them, and have worked for the Association at considerable sacrifice of their own time. Where all have done well it is perhaps invidious to select one for special mention, but the importance of the Federal Legislative Committee certainly entitles it to more than ordinary notice. I commend the report of this Committee to your particular attention. Granting that bankers have a right to be heard of every question affecting their business or relating to the financial affairs of the country, it is important that the personnel of this Committee be kept up to its present high standard of ability and efficiency.

The work of the Legislative Committee is greatly assisted and furthered by the General Counsel of the Association, who has labored most faithfully to obtain favorable action on the bills endorsed by the Committee. As this work is in addition to the routine of the department, which involves extensive research and opinions on a great variety of legal questions of interest to the members, it is obvious that his time has been fully occupied.

The Finance Committee controls and safeguards the disposition of the Association funds. Its duties are most responsible and have been well performed. The Vice-President of the Association being the Chairman of this Committee, assumes the office of President with a full understanding of Association finances.

The report of the Insurance Committee is one that you will find instructive; the efforts of this Committee have been directed toward dividing and securing the use of policies that would give greater protection to the insured, but recently they have been conducting an investigation to ascertain if the banks are not paying more than their share of the premiums on fidelity, indemnity and burglary insurance. This information, when tabulated, will be of great value and may be the means of securing a substantial reduction in the cost of insurance to the banker.

While the Protective Department has nothing spectacular to report, its work has gone on steadily making the membership sign a terror to criminals and affording an increasing measure of safety to the members of the Association. On this account, if on no other, it is becoming understood that a bank cannot afford to dispense with a membership.

The work of the Agricultural Commission, a special committee of the Association, will be presented by its retiring chairman, Mr. B. F. Harris, a man who has devoted much time and energy to what has been for him a labor of love. Mr. Joseph Hirsch, one of the active members of the Commission, will tell you something of the results accomplished in Texas and throughout the Southwest. You will be well repaid for attending the session at which these reports are read.

The Commission has been the subject of a good deal of discussion and I think of some misunderstanding, but I believe that the bankers are coming to realize that it is not an attempt to teach farmers how to farm, so much as it is a method of bringing about a better feeling between the country banker and the men and women who are his customers. The banker is himself learning things that he must know if he is to achieve success, and the farmer is learning much of the banker which places him in a light very different from that in which he is exhibited by the campaign orator. As the virgin fertility of our soils becomes exhausted, better methods of farming are essential and it is important to the banker to know these methods and to see that his customers are employing them. Above all, this movement makes for the proper development of our resources and is a step toward the organization of our people in a better citizenship.

I take this opportunity of thanking the officials and employees of the Association, as well as the members of the Executive Council, for cordial support and for much assistance and many courtesies extended to me. All have labored conscientiously for the advancement of the Association. General Secretary Farnsworth is entitled to particular credit, as it is on him that the guidance and development of the Association principally depends. The combination of good qualities which has enabled him to secure such a decided success is rarely met with.

Without doubt, the most important subject before the bankers of America is the Federal Reserve Act, and the operation of the twelve Federal reserve banks organized under this Act. When these banks began business, the financial storm which had swept over the country in August, 1914, had subsided, and since then there has been no real need for the facilities which they afford. Banks in the principal cities could hardly be expected to rediscount paper at rates above those at which they could loan their funds; nor had they reason for doing so while deposits poured in on them in an apparently ceaseless deluge. The country banks rediscounted to a moderate extent, but more as an experiment than from need; their requirements could, in fact, have been easily cared for by their established correspondents. An exception to this statement must be noted in the case of the three reserve banks located in the South and Southwest, where, on account of special problems growing out of the financing of the cotton crop, these banks have found a strong demand for their services.

Criticism of the reserve banks has come from different sources; the banks in the financial centers object to the absorption by the reserve banks of the supply of bank acceptances, one of the few open market operations permitted to them; the small banks in the more remote districts complain that the requirements for eligible paper are too strict; and the member banks generally protest against an enforced investment which carries no immediate prospect of dividends, and on reserve deposits on which no interest is paid. To all of the objections we may say—Wait! The conditions which have existed for two years

past are abnormal and furnish no evidence of what the Federal reserve system can do. In one sense, the reserve banks have not been in operation, and yet if we but stop to consider, they have accomplished many things.

Bank acceptances were for the first time made possible by the Federal Reserve Act, and these most important credit instruments are rapidly coming into use in connection with the import and export of merchandise. When there is more demand for rediscounts, the reserve banks will not monopolize the acceptance market, but it is the use of these acceptances that makes an international discount market possible and gives us a place in the financial affairs of the world.

The dollar credit is making its way in South America and in the Orient, and I do not doubt that its use will persist, particularly as it is reinforced by a discount market which we can hope will be as open as the London market has always been. Prior to the passage of the Federal Reserve Act, national banks could issue credits, but these credits had to be addressed to foreign banks, usually to banks located in London and to a lesser degree, to banks in Paris and Hamburg; the reason for this procedure being that national banks were forbidden by law to accept drafts other than those drawn at sight. These banks had no actual warrant for issuing the credits, but did so on the assumption that, not being expressly forbidden, it was included in their general banking powers.

Now the power to issue the credits and to accept drafts drawn under them, is definitely granted by law and is no longer open to question. Under the provisions of the Act our banks are empowered to establish branches in foreign countries, and several branches have already been started in South America and in the Orient. One very large bank is about to open branches in Russia, and we may hope that we are really started on the business of international banking. Neither foreign nor domestic trade goes by favor, and it is only by providing slips to carry the goods and banks to transmit the credit, that we can hope to retain the business of the more undeveloped countries.

The Federal reserve banks are gradually concentrating the stock of gold which heretofore has been almost useless, because scattered. In the hands of those banks it will be a firm basis for a note issue which will take care of any demands for currency that panic conditions may produce. We all know how futile it has been to attempt to meet extraordinary demands by paying out gold, and we know how banks have competed with each other to secure gold, drawing it from centers where it would be of some use to outposts where it was valueless. It is obvious that we have overworked the word "reserve." Gold is the only true reserve, for it pays debts in any civilized country and under any conditions. Under ordinary circumstances, balances carried with corresponding banks form a convenient method of paying our debts to depositors, so such balances have been called reserves though they cannot properly be so designated. Balances with the Federal reserve banks are now legally entitled to be called reserves and yet they fall short in the final test—availability in all countries and at all times. These balances will liquidate deposits in our own country, so we may ask why the notes of the reserve banks cannot be counted—if not as "reserves" at least as cash. In estimating the ability of a bank to meet extraordinary demands we can certainly add to its gold, not only Federal reserve notes, but national bank notes, which paper might be given a special designation such as "cash means." In a country where such an immense volume of credit is transferred by checks, subject to immediate payment and cancellation, it is perhaps unnecessary to demand the summary extinguishment of the bank note. At any rate it has not been possible to retire our bank notes with the promptness theoretically demanded and it may be that the persistence of the notes marks a healthy development in our financial affairs. We may recall that at one time the check was no more than a receipt for money paid across the counter. The Aldrich-Vreeland issue of national bank notes supplied the real need and allayed the panic demands in 1914. These notes were genuine bank notes issued against commercial paper, although the method of issue was somewhat cumbersome. We cannot doubt that Federal reserve notes with which the country is already familiar will perform the same service without friction and without disturbance to business. These are great achievements to which I have so briefly referred, and they already justify the existence of the Federal reserve banks, no matter whether we support them by direct assessment or whether in earning their expenses they may at times cut into our profits.

The check collection plan is a part of this subject which touches many of us. Panics seem far away, though we should remember how quickly they arise. International finance has but little interest for the country banker, little apparent interest I should say, for to him as to all others it is vitally important that the seas be kept open for the shipment of goods, and the avenues of credit be kept clear to the end that the producer may be paid for his produce.

My sympathies are strongly with the country banker who is contemplating a loss of revenue through the operation of this portion of the Reserve Act. To my mind, it is pointless to compare the removal of exchange charges to the removal of toll gates from the highway. The transfer of funds is a service which is as much entitled to compensation when made by a bank, as it is when made by an express company or by the post office. But exchange charges on drafts sold are not forbidden, nor is a collection charge on mercantile drafts and notes interfered with; the one service which member banks are called on to perform without pay is to remit for checks drawn on themselves at par. There has been no uniformity about charges; some banks have always remitted at par for checks drawn on themselves. In some towns and even in some states, this has been the general rule, and I believe that the banks following this rule are generally the most prosperous, not always because they have remitted at par, but certainly the two things have gone together. High charges, on the other hand, have usually originated under pioneer conditions which justified them, but in too many cases the charges have continued after the conditions which made them necessary have passed. There is no place within the continental United States where a charge of one per cent. is legitimate, and yet there are places where such charges are made. Where banks have grown to depend on charges of this character for a considerable part of their income, there is obviously no room for a bank unless a complete change in policy should have the effect of building up a deposit line that would give the bank a legitimate income.

We must all recognize that improved transportation, lessened time in transit, reduced insurance and express charges, together with competition, have worked to reduce or eliminate exchange charges, and that the Reserve Act is doing no more than to hasten a process which was already well under way. If the check collection plan now published, or some modification of the plan, provides a more economical way of collecting checks than the one now in use, it will inevitably succeed. If it does no more than diminish the amount of float and cut out the roundabout methods of collection, now used to minimize charges, it will succeed, and our opposition puts us in the position of workmen objecting to labor-saving devices.

Nothing in the Federal Reserve Act, or in any other law of the land, determines the amount of free service which the banker must render to his client; that will be based in the future, as it has been in the past, on the value of the account.

The Federal Farm Loan Act which became a law in July of this year is a piece of legislation regarding which there is a wide difference of opinion. That the Act will prove workable is probable but that it contains great possibilities for evil is certain. When the government places its credit behind one class of the community, no matter how important the class may be, it is setting a precedent which is sure to be followed by demands for assistance from other classes equally worthy. In part the end sought is sociological and is in fact an effort to stem the drift of population to the cities. Lower rates of interest and greater facilities for getting into debt will not of themselves serve to accomplish this result. The men who have the most intimate experience with farm conditions generally believe that borrowing is already too easy for the farmer.

Instruction in proper methods of husbandry, improvement in living conditions and particularly improvement in facilities for social recreation will do more to keep the boys and girls on the farm than will improved methods of borrowing. Reforms of this character also tend to reduce rates of interest by the only method which can legitimately reduce them, that is, by improving the security.

For two years, the great European War has overshadowed this country and has produced the most profound effects upon our agriculture, our commerce and our industries, which disturbances have been reflected in our financial affairs and have resulted in a great increase in our bank deposits.

In his address read at the Seattle Convention in 1915, President Law made some interesting comments on the course of financial affairs during the first year of the war.

The beginning of the second year found this country accustomed to the unprecedented conditions and a new routine of business established. The extraordinary fluctuations of exchange had practically ceased, and during the year ending September 10, 1916, the extremes for slight draft on London have been from 4.66 to 4.77, with the ruling rate for a long time not far from 4.75. This very gratifying steadiness was due to a variety of causes, among which the foreign loans floated in this country were without doubt the most important. Chief among the loans extended to the warring countries are the Anglo-French loan of \$500,000,000 and the United Kingdom loan of \$250,000,000; other loans to the belligerents aggregate \$202,000,000, while loans to neutral nations in Europe, to Canada, and to Central and South American countries bring the grand total of foreign loans up to approximately \$1,625,000,000. As far as the loans to neutral nations and to Canada are concerned, this country has followed the suggestion made by Sir George Paish in 1914—that we take the place of the three great commercial countries engaged in war, and keep the wheels of industry turning in the newer countries that had hitherto looked to them for capital.

The loans made to the Allies were in a sense bookkeeping entries, for they owed us such large sums for supplies and munitions purchased in this country that there was no actual transfer of funds. At the same time the capacity of those countries to purchase here was kept up, to our own profit. It is gratifying to know that at such a crisis in the world's history, our country was able to take on a substantial share of the world's financial burden.

It is estimated that American securities owned abroad have been sold in this country in the neighborhood of two billion dollars, which amount has further liquidated debts due us from Europe. The absorption of this vast sum was at fairly steady prices, which is further evidence of the inherent soundness of our affairs.

In addition, gold has been imported to the amount of approximately \$600,000,000 and at this time the inflow of gold seems to be increasing. We may expect that as soon as the war is over and the normal imports of merchandise are resumed the excess of gold will leave us, and this will be by no means an evil. The surplussage of gold and the loaning power set free by the Federal Reserve Act together are likely to cause a credit expansion which will need careful supervision by our bankers, to the end that the corresponding contraction does not find us unprepared. The control of both the export and the import of gold should be guided by the Federal Reserve Board, which was intended to perform this function and which has the power necessary to stabilize exchange through this means.

The products of the soil have advanced in price on account of the demand from the belligerent nations, and the advance would have been still greater, were it not for our lack of shipping and the consequent increase in freights which have prevented the sale of much produce. Our shipping laws have so hampered our citizens that the carrying of our goods by water had already passed into the hands of other nations, and now they are no longer able to serve us.

It is true that every ship yard in this country is working night and day to supply the deficiency, but it will take years to overtake the demand and when the war ceases the problem of competition is still before us. Manufacturers of all kinds have prospered amazingly, on account of the varied demand which the withdrawal of millions of men from their usual avocations in Europe has thrown on this country.

It is not to boast of the prosperity which the misfortunes of others have given us, that I have recalled these facts, but rather to speak of the weaknesses which have developed. War tries the souls of men, and even a war in which we are not directly concerned has searched ours and found us wanting. We lack in national spirit, in national unity, perhaps in national nerve. We are given to boasting of our size, but when we are no longer capable of feeling pin pricks in our feet, are we not too large? For years our citizens in Mexico have been subjected to murder and the most untellable outrage, and the national

consciousness is barely aroused. Not in Mexico alone, but within our own borders as well as on the high seas, have our people on their lawful occasions been done to death while the nation has slumbered or murmured feebly in its sleep.

I am sure that Missouri is misrepresented when it is said that the middle of the country cares nothing for a navy, because it knows that even the most powerful of modern guns will not reach that far. But, seriously, is there not some truth in the jibe? Do you fully appreciate that the bombardment of San Francisco, the invasion of Texas, or the landing of a force on Long Island is also the invasion of your own state? Yet each of these events is as much a possibility as any one of the impossible things which have occurred since August, 1914.

It is easier to point out what is wrong than to tell how to remedy the wrong, but there are certain fundamentals that are so plain that none can ignore them. As a nation, we have grown rich, and have grown fat, and have grown soft, and we are today the most tempting prize under the blue canopy of heaven.

If as a nation we are sick, it is as individuals that we must supply the cure. We are ourselves to blame, not Congress, not the government, but just we Americans. Congress does not lead, but follows public opinion. First of all, we need co-operation, team work, the things that win in any line of human endeavor, and to secure this there is nothing quite so good as universal military training which arouses national feeling and national consciousness as nothing else can do. Our educators are already demanding this training as a remedy for the excessive individualism of the boys who have an exaggerated idea of their importance and of their rights, with a deficient sense of their responsibilities and their duties. As has been aptly said, it is as absurd to have some men volunteer to fight the battles of the Republic as it would be to have some men volunteer to pay the taxes. Let the burden of military service rest on all, rich and poor alike, and then it will not press unduly hard on anyone, and if war should come, it will not be the best and bravest and most generous hearted that will be first sacrificed, but each will go in his turn.

The primary purpose of a government is to provide adequate defense for the country governed, and how shamefully this purpose has been neglected under one administration after another is a familiar tale. Should our people demand that the army be disbanded and the navy scrapped, the position would be consistent, but to consent to an army pitifully inadequate and to a navy that dooms our boys to hopeless defeat and certain death is not the American way of doing. In fact, America is not awake; her people have been busy getting rich and her legislators have carried village politics into national affairs, and have busied themselves with petty improvements and meddled with the business concerns of the citizens, without a clear idea of the harm they were doing or an understanding of the world problems requiring solution. We need the industrial organization of the country, and we must in some way cause our legislators to understand that our steel mills, our railroad systems, our ship yards, our factories and our shops are to be encouraged and developed to the end that they may serve the nation. If the government finds it necessary to build an armor plant or a gun factory, it should be to supplement the private factories and not with the fabulous idea of putting any of them out of business. There is enough work for all before this country can be deemed adequately protected.

The Federal Reserve Act has made the financial organization of this country possible, and the preliminary steps to that end have already been taken. This, to my mind, is the great reason why the bankers should work with the Act and not against it; should try to make it succeed instead of pointing out defects which might cause it to fail, for in doing so, they will have not only strengthened the banking system but will have also strengthened the nation.

Here is the excuse for what may seem a digression to matters remote from banking. Every question merges into the question of finance, no matter what the activity; whether charitable or industrial, whether educational or military, the banker must find the means or the project contemplated must wait.

In the task of vitalizing the nation, the most important agency is the press, which informs, instructs, advises, admonishes the people. It ill becomes one ignorant of the difficulties encountered in collecting and distributing the news, to criticize apparent failures or deficiencies, but it is too much to ask of our papers that they take the larger view of our national affairs and help in the difficult task which is before us, and to ask of our people that they discriminate between the varying grades of ability and integrity with which the work is done?

If our people can rise to the heights of citizenship that the times demand, the work that must be done can be accomplished peacefully and in order, but if they will not learn from the bitter experience of our kin across the sea, the reformation will be worked out amid the ruin of war. High ideals and lofty purpose are but feeble defenses against invading armies, and the God of battles may have decided that other ideals than ours are to prevail.

Let us not doubt, however, that we can return to the stronger and simpler faith of our national youth, when we were poor in wealth but rich in courage. The navy that remembers Decatur and Paulbridge and Perry will again fly the starry flag on every sea, and our people, no matter how far from home, can once more say, like the Romans of old—"Ovis Americanus sum" and find in the flag protection.

(PRESIDENT LYNCH, continuing:) We pride ourselves on being prompt, and yet we did not begin our meeting until thirty minutes after the appointed time.

Owing to that late start, we have not been able to conduct our program as arranged, and the hour has now arrived at which Mr. Vanderlip was to address you; and we will therefore suspend the regular order of business while he delivers his address to the Convention.

Kindly take any seats that are now vacant, coming as near to the front as possible. I will ask all delegates now to be seated and out of courtesy to our distinguished speaker I will ask that no one leave the hall or enter it after his address is

begun and until it is concluded. It is not fair to have constant disturbance by those who keep coming in late.

MR. VANDERLIP, gentlemen! (Prolonged applause.)

Here insert Mr. Vanderlip's printed address, already furnished to the Financial Press and the Association.)

### The Need of a United Nation, by Frank A. Vanderlip

[Mr. Vanderlip's address in full will be found on pages 99 to 104.]

THE PRESIDENT: Gentlemen, just one moment. I was going to propose that this convention give a vote of thanks to our distinguished speaker for the thoughtful, timely, and most philosophical address which he has just given us. Will such a motion be made?

(The motion was duly made and seconded that a rising vote of thanks be given to Mr. Vanderlip for his address.

The motion carried unanimously.)

We interrupted the usual program of the business in order to hear this address. We will now take up the routine business which will be gotten through as rapidly as possible and we will then adjourn.

The report of the general secretary is next in order.

THE GENERAL SECRETARY: Mr. President, it is not my intention to read the Report of the General Secretary, which is published and you will find it in the printed report. I want to emphasize only two or three things in connection with that report and read some things that should be read to the convention.

THE PRESIDENT: Gentlemen, if you will kindly remain seated we will adjourn this meeting as rapidly as possible.

THE GENERAL SECRETARY: I want to call your attention particularly to the clause on Bills of Lading. At the convention in Washington in 1895 there was appointed a committee on Bills of Lading, said committee consisting of Mr. Louis Pearson, of New York, Chairman, and others. That committee has been working eleven years, with the result that the Bills of Lading bill has been reported out and signed by the President within the last few weeks.

I call your attention to the large increase in membership during the past year; you will find it on page 22, giving credit therein to the members of our Council and State secretaries and so forth, who have performed the largest amount of the work in that connection. I will express our thanks to all of the officials who have assisted.

It will be observed that the list of delinquents is exceedingly small, considering our large membership. The delinquents for the year were 198, the lowest in proportion to the membership in the history of the Association, with a membership of 15,000, less than the year before when the membership was 14,720 and the delinquents 216; or, in other words, with a larger membership a less number of delinquents.

Now, in regard to the membership and collection of dues, I received from the general offices this morning this telegram: "Membership 16,107"—That is an increase of 100 since the 1st of September, when our membership was 16,010.

The cash receipts in collection of dues, up to September 25th, which have been reported to New York, are \$212,660 as against a collection last year for the entire month of September of \$198,000.

I do not believe there is any organization or any other kind of organization on earth which can show so large an amount of money paid in so short a time, and so promptly, as has been paid now by the members in paying the dues of the American Bankers Association.

There is one other paragraph which I wish to read to the members.

In Memoriam. On February 15, 1916, there passed to the Great Beyond George E. Lawson, President of the Peoples State Bank of Detroit, Michigan, and member of the 1916 Class, on our Executive Council, and on our Finance Committee as well. Mr. Lawson took an active interest in the affairs of our Association and gave of his best to its interest and welfare. A man of ability, always courteous, of a genial nature, and charitable, he will be missed in our assemblings as well as by all those who knew him in his native city.

I would like to say that the Executive Committee of the Council at the May meeting passed appropriate resolutions on the death of Mr. Lawson, one of their associates.

Now, in conclusion I want particularly to call your attention to page 39, of the pamphlet of the A. B. A. containing the reports of the Association, which applies to Kansas City and this magnificent convention which we are enjoying. I will not read that because I hope that papers will publish it, but it is simply an allusion to Kansas City, and the work of the Association.

I thank you, gentlemen, and Mr. President.

MR. PETER W. GOEBEL: Mr. Chairman, in view of the fact that all the reports which are listed on the program have been printed, as part of the program, which is in the hands of every delegate, I move that they all be considered, received and filed. (The motion was duly seconded.)

### Reports of Officers and Committees

[These reports will be found on pages 122 to 130 of this publication.]

**THE PRESIDENT:** It has been moved and seconded that the printed reports of the various officers of the Association, which have been printed, be received and filed. What is your pleasure? All in favor will say aye. The motion is carried.

Now, gentlemen, before the adjournment is taken, please remember that the adjournment will be until two o'clock. We will endeavor to call the meeting to order promptly and transact the business in due order, and remember particularly that at three o'clock Mr. Joseph Chapman—our own Joe—will give you something worth listening to, so don't fail to be on hand before that time and be in your seats.

**MR. LEWIS E. PIERSON** (Chairman, Board of Directors, Irving National Bank, New York, N. Y.): May I rise to make a statement? The General Council has very kindly given certain credit for the enactment of the bill of lading measure to the initial committee of the Association. I find on page 19 in the printed program, which may escape your notice, the additional credit which should be given to the succeeding members of the various committees who acted upon that important measure, and I deem it a duty on my part to voice what I know is the gratitude of the Association here for the work of the present Federal Legislative Committee, who secured the enactment of the measure, that committee being headed by Mr. Charles A. Hinsch. (Applause.)

**THE PRESIDENT:** I am very glad indeed that that announcement was made, and there is no one from whom it comes with better grace than from Mr. Pierson, who has labored long and faithfully and intelligently for the passage of this most necessary measure, and in fact it is through his work that it has largely crystallized into the form in which it finally passed.

The next business is—

### PROPOSED AMENDMENTS TO CONSTITUTION AND BY-LAWS.

**THE GENERAL SECRETARY:** I now call attention to the proposed amendment to Article XI, sec. 1, of the Constitution. You will find these amendments on page 29 of the printed program. These amendments have been published in accordance with the conditions of the Constitution, and they have been published 30 days in advance of the Convention. The amendments were approved by the Executive Committee of the Convention, and submitted by them after the meeting on Monday, and have been approved by the Executive Council, and recommended to the Convention for their approval.

**MR. P. W. GOEBEL:** Mr. Chairman, I move the adoption of the amendment.

**THE PRESIDENT:** A motion has been made to adopt the amendment. Do you desire to have it read, or are you sufficiently familiar with that already?

**MR. GOEBEL:** Mr. Chairman, may I explain the first amendment is for the purpose of creating a committee on the library. As you will find, if you will read the report of the Librarian, the American Bankers Association is organizing and developing, and gathering together what will be eventually—at least, we hope it will—be the greatest library on financial subjects in the world. Heretofore it has been simply under the guidance of a department. It was deemed wise by the Executive Council, and at the Executive Session at Briar Cliff, last Spring, that there should be a Library Committee to look after the necessities of this department, which is growing more important every day, and for that reason the submission of this amendment to the Constitution has been suggested, which simply provides for the appointment of a Library Committee.

**THE PRESIDENT:** I must ask you to remain seated a little longer, gentlemen. This will be brief. You know Mr. Goebel very well, and he will not take up your time.

**MR. GOEBEL:** The Library Committee will be a council committee, and will not add anything to the expense of the Association.

**THE PRESIDENT:** The question is on the amendment as a whole, or on the particular one which Mr. Goebel mentioned? (Cries, "As a whole!")

**THE GENERAL SECRETARY:** There is a Committee on State and Federal Legislation. (Cries of, "Question!")

**MR. GOEBEL:** You will find Mr. Paton's note after this amendment. Heretofore we have had a Federal Legislative Committee and a Law Committee, which was somewhat confusing. The Law Committee was supposed to have charge of State legislation, to prepare uniform bills that were desired to be passed by all the States, and to be submitted to the various legislatures by the State Associations; but the name was somewhat confusing, so this is simply in place of calling it a Law Committee; hereafter it will be called the Committee on

State Legislation and to which will be referred all matters in regard to State legislation, while all Federal Legislation will be hereafter, as heretofore, handled by the Committee on Federal Legislation. These are the only amendments to the Constitution, and I think they ought to be passed or rejected now, and there are some propositions also to amend by-laws.

**MR. SMITH:** I call for the question.

**THE PRESIDENT:** All in favor of the amendments to the Constitution will signify by saying aye.

(The motion, after being seconded, was carried unanimously.)

**MR. GOEBEL:** The first proposition to amend the by-law is on page 30 at the bottom. It simply amplifies the amendment of the Constitution in regard to the Federal and State Legislative Committee. The next one is in regard to the subscription price of the Banking Journal, the journal of the American Bankers' Association.

Under the Federal Postal law, it is necessary that you must have a subscription list and a price of subscription, in order to get the benefit of second class mail matter. Heretofore the by-law said that the subscription price should be one dollar, and for each membership one dollar has been set aside, and the same subscription price has been made to outside subscribers, of whom we have some six or seven hundred. Now, the price of everything that enters into the publication of the Journal has advanced, and one dollar to outsiders does not cover the cost of the Journal that we sell to them. For that reason, the amendment of this by-law is asked so as to raise the price of the subscription to the Journal to two dollars. As far as the membership is concerned, it is simply a matter of bookkeeping, because every dollar that has been expended by the Journal must be appropriated by the Executive Council, anyway; but it will enable us to get two dollars, which will more nearly represent the cost of the Journal, from outsiders.

**MR. CHAIRMAN,** I move the adoption of these amendments to the by-laws.

(The motion was duly seconded.)

**THE PRESIDENT:** The adoption of the amendment to the by-laws has been duly made by motion, and has been seconded. Are you ready for the question? All in favor will please signify.

(The motion was carried unanimously.)

There are no communications, but the Secretary has some announcements to make.

### OLD VETERANS HONORED

**THE SECRETARY:** They are very short, and I will detain you but a moment. In 1875 at Saratoga, in July, the American Bankers Association was organized—41 years ago. One of the pioneers and I understand in fact two or three, are attending this Convention. Mr. F. T. Hardwick of Georgia attended that Convention in 1875, and he has asked me to read this notice.—It is suggested that all members here who attended the first meeting of the A. B. A. in 1875 at Saratoga are requested to leave their cards or names with the General Secretary and indicate their willingness to meet in an informal way at a modest reunion dinner at some time and place to be agreed upon.

**THE PRESIDENT:** Gentlemen, it is a very interesting communication and I hope there are some other members here, or at least in the city.

**MR. GOEBEL:** Mr. Chairman, I move that these old veterans that are here be invited to take a seat on the platform during the remaining sessions of the Convention. (Seconded.)

**THE PRESIDENT:** It has been moved and seconded, gentlemen, and all in favor will signify by saying aye.

(Motion carried unanimously.)

**THE GENERAL SECRETARY:** I have a telegram from Major Dinkins that an informal dinner will be given on Thursday, September 28, 1916, at six P. M., at the University Club, Kansas City, to which all members of the Old Guard of the A. I. B.—the American Institute of Banking, who are in attendance at this convention, are cordially invited, in order to enable us to arrange definitely for the necessary number,—please signify your acceptance promptly by signing and returning speedily the enclosed slip to Box 1018, Muehlebach Hotel. All members of the Institute are cordially invited. Signed by C. W. Allendoerfer, E. G. McWilliam, R. S. Hick, Committee.

Also a telegram from the great State of Washington,—“Congratulations from the bankers of the only State in the Union having a perfect membership. W. H. Martin, Secretary.”

I want to take exception to that remark, because we think all the 49 States have perfect memberships, but what that means is that Washington is the only State where every bank in the State is a member of the State Association. Some of them run very close, but I think Washington carries off the palm.

MR. BECKWITH: I move that Mr. Farnsworth make a fitting reply to that telegram by the authority of this Convention.

THE PRESIDENT: If there is no objection, Major Farnsworth will reply. He is a very good hand at doing such things.

MR. ALLEN: "Question!"

THE PRESIDENT: All in favor will say aye.  
(Motion duly seconded and carried.)

THE SECRETARY: I presume you all understand that all mails and telegrams not directed directly to your hotel, and so forth, the Local Committee are endeavoring to distribute the same, but at the Information Bureau at the Hotel Baltimore is quite a collection of mail.

Now, I call your attention to the meeting this afternoon of the General Nominating Committee. Those who have been nominated by the various States to place in nomination at this Convention the names of candidates for the offices of President and Vice-president will attend. It was supposed that when this announcement was made that the Convention would adjourn at the time which I think it will, but for the convenience of the Nominating Committee the meeting is called for in this building, in the second floor, where there has been a room arranged where the Nominating Committee can meet at 4:30 this afternoon. That is all, Mr. Chairman.

THE PRESIDENT: A motion to adjourn is in order and the adjournment will be until two o'clock.

(Motion duly made, seconded, and adjournment taken until two o'clock P. M.)

#### AFTERNOON SESSION

Thursday, September 28, 1916

President Lynch presiding.

THE PRESIDENT: The meeting will please come to order.

The first number on this afternoon's program is the report of the Trust Company Section. Mr. McCarter, will you please come to the platform and present that report?

#### Report of Trust Company Section

MR. U. H. McCARTER: Gentlemen of the Convention; The Trust Company Section begs herewith to report a year of increased prosperity in its growth, its membership having been increased during the year by 87 members, making a total of 1459 members. The work of the Committees has been continued during the year under trying circumstances due to the prolonged and continued illness of its Secretary, Mr. Philip S. Babcock, who by reason of such illness has been constrained to resign his position of Secretary and his place has been filled by the selection of Mr. Leroy A. Mershon, as Secretary. Mr. Babcock has served the Section for eight years and it is the unanimous hope of the members of the Section, that he may soon be restored to his usual health.

The sessions of the Section at this Convention and the meetings of the several committees have been largely attended and much interest was displayed by those so attending. The Executive Committee departed from the usual custom of having set addresses at the meeting of the Section, and the time was profitably consumed in a discussion by the members of the practical problems which they daily meet in their business.

The appropriation granted the Trust Company Section last year was \$8,075.00, while \$7,472.26 was expended and the balance, \$704.34, was returned to the general association.

The Trust Companies of the country have greatly prospered during the past year, as is evidenced by an increase of their aggregate assets during the year of \$1,300,000,000, making their total assets at the present time \$7,600,000.

The new officers of the Section are:

MR. UZAL H. McCARTER, *President*,  
MR. FRANK W. BLAIR, *Vice-President*,  
MR. JOHN W. PLATTEN, *Chairman of Executive Committee*,  
MR. LEROY A. MERSHON, *Secretary*.

Through the efforts of the Chairman of the Executive Committee and our new Secretary, a much increased activity in the Section's affairs is confidently expected this year.

Respectfully submitted,

TRUST COMPANY SECTION,

By UZAL H. McCARTER, *President*.

THE PRESIDENT: Gentlemen, you have heard the report of the Trust Company Section; a motion to receive and file is in order.

(Motion made, seconded and carried to receive and file report of Trust Company Section.)

THE PRESIDENT: The next number on our program is the report of the Savings Bank Section. The Chairman of that section not being present at this time, I will call for the report of the Clearing House Section. Is the Chairman of the Clearing House Section present.—Mr. Thralls? (No response.)

The next is the report of the American Institute of Banking Section, Mr. Robert H. Bean, President of that section.

#### Report of American Institute of Banking

MR. ROBERT H. BEAN: As our report is more or less voluminous, and has been filed with the Secretary, I would ask that as it is to be printed in the proceedings that the reading of it be omitted at this time. I would like to say that we have had the most successful year in the history of the Institute,

which now numbers some 15,000 members; and we are increasing constantly our educational forces. One feature I would like especially to bring to the attention of the Association is the Correspondence Chapter. I trust you will all be good enough to read the report when it appears in the proceedings, and especially the part to which I have just called attention, the Correspondence Chapter.

THE PRESIDENT: You have heard the report of the Chairman of the American Institute of Banking Section; a motion to receive and file the report is in order.

(Motion to that effect made, seconded and carried.)

THE PRESIDENT: Next is the report of the State Secretaries' Section. Mr. Haynes McFadden is the Chairman of that section. Is Mr. McFadden present? (No response.) We will pass, then, to the next number on the program,—the report of the National Banking Section, of which section Mr. Hyde is Chairman.

FREDERICK W. HYDE: Mr. President, and Gentlemen of the Convention: If you will bear with me I will read the entire report. It is not long. It is our first year, and we want to let you know what we have done.

#### Report of National Bank Section

During the first year of its existence this Section has rendered much valuable and constructive service to its members. Through its efforts 150 new members were added to the American Bankers' Association during the period of six months ending with September, 1916.

The Executive Committee of this Section has held six important and interesting meetings: One in the city of New York; two in Washington, and three at Briar Cliff, N. Y. These meetings covered seven days and the major part of seven nights. At the New York city meeting conferences were held with officers of the Federal Reserve Bank of that city, and at the Washington meetings conferences were held with members of the Federal Reserve Board, Governors of the Federal Reserve Banks, and the members of the Committee on Federal Legislation.

The Secretary of the Section represented the American Bankers' Association at the conventions of the Bankers' Associations of the States of Missouri, North Carolina, Ohio, Oklahoma and South Carolina; also at the meeting of the Reserve City Bankers at Detroit. The good work which he did at these various meetings and the valuable information which he gathered are detailed in written reports which he filed with the General Secretary and the Chairman and President of this Section upon his return from these meetings. He returned from one meeting with the applications of 24 banks for membership in the American Bankers' Association. The Secretary rendered most valuable service to the Association and its members at the Conference of Country Bankers held in St. Louis, June 10, 1916, and at the meeting of the Administrative Committee of that body later held at Washington, D. C.

The Section has proven of great worth in co-operating with the Committee on Federal Legislation on all proposed laws and amendments that are of interest to National Banks. Through its office and organization of Vice-Presidents in the several States it can gather data, disseminate information, and crystallize sentiment in support of corrective and constructive measures and in opposition to the passage of laws that are harmful to banks and general business interests.

The Section has given earnest consideration to and has expended much effort on the following propositions:

Foreign Banking Connections, Interlocking Directorates (Amendment to the Clayton Act), Bills of Lading, Special Bankers' Tax (Revenue Bill), Readjustment of Bank Reserves, Retirement of Greenbacks, Usury Bills, and the nation-wide Clearing Plan (Proposed Amendment to Section 16 of the Federal Reserve Act).

The Section serves as a valuable agency in adjusting matters of conflict between the Departments of the Government and the Banks. Complaints may come into the Section office which can be settled only through personal visit to the Capitol, and the individual member filing such complaint cannot afford to stand the expense of a trip to Washington, whereas a representative of the Section may handle several such cases on one trip to the Capitol.

The appropriations made for this Section at Seattle and Briarcliff aggregate \$6,050. The expenses for the year ending August 31, 1916, were \$5,416.24. The estimated expense for ensuing year is \$7,500. The Section has on hand a balance of \$633.75, and has requested the Finance Committee for an appropriation of \$6,770.

Three hundred and fifty-eight National Banks have joined the American Bankers' Association during the year. This brings the National Bank membership up to 5,813 and of this number 5,733 are bona fide members of the Section. Eighty National Banks that are members of the American Bankers' Association are not enrolled in the Section. There are 1811 National Banks that are not members of the American Bankers' Association. The Section will make all possible effort to induce these non-member banks to join during the coming year.

The Federal Reserve System is yet in the experimental stages and many changes and amendments may be necessary, and the Section can be very helpful in bringing them about.

The Section is a very useful factor in encouraging better systems, methods and practices among its members. There is a constantly increasing demand for service to the members, and we feel confident that the Section will be able to render even more valuable service during the ensuing year than has been rendered during the year now closed.

Respectfully submitted on behalf of the Section,

FREDERICK W. HYDE, *Chairman*.

THE PRESIDENT: You have heard the report of the Executive Committee of the National Bank Section. What is your pleasure?

(Moved, seconded and carried that the report be accepted and placed on file.)

**THE PRESIDENT:** Next is the report of the Committee on Laws.

**MR. C. A. PUGSLEY:** The Committee on Law has a detailed statement, and as that Committee is now specifically a Committee on State Legislation, as distinguished from the Federal Legislative Committee, I do not think it is worth while that the report be read in full. I am going to ask leave to print it in the record.

**THE PRESIDENT:** Gentlemen, you have heard the request and motion of Mr. Pugsley. What is your pleasure?

(Moved, seconded and carried that the report be printed in the record of the Proceedings.)

### Report of Committee on Laws

[The report of the Committee on Laws is printed on pages 127 to 128 of this publication.]

**THE PRESIDENT:** The next is the report of the Committee on Federal Legislation, of which Committee Mr. C. A. Hinsch is Chairman. Is Mr. Hinsch present? (No response.)

We will call then on Mr. Thralls, on behalf of the Clearing House Section, to make the report of that section.

**MR. JEROME THRALLS:** On behalf of the Clearing House Section, I would like to ask for leave to file their printed report with the Secretary.

**THE PRESIDENT:** Mr. Thralls moves that the report of the Clearing House Section be passed to print. Is there a second to the motion?

(Motion seconded and carried.)

### Report of Clearing House Section

KANSAS CITY, Mo., September 28th, 1916.

To the American Bankers' Association,

Gentlemen:

The Clearing House Section held its annual meeting on Tuesday of this week. The attendance was the largest in the history of the Section, and this fact, together with the animated and very general discussion of the topics on our program, convinces me that interest in the Clearing House Section is greater than ever before.

In addition to very able addresses and discussion of topics of interest to members, we had a conference of Clearing House Managers and Clearing House Examiners, who had been especially invited to attend this year's meeting.

About thirty managers and examiners were present. They held a separate meeting and arranged for a conference later in the year, and we believe this conference of Managers and Examiners and the organization resulting therefrom, will be of great assistance in extending the influence of the Clearing House Section.

The officers elected for the ensuing year were:

President—W. D. Vincent, Vice-President Old National Bank, Spokane, Wash.

Vice-President—John McHugh, Vice-President Mechanics' & Metals National Bank, New York City.

Secretary—Jerome Thralls.

Members of the Executive Committee:

Mr. Stoddard Jess, President First National Bank, Los Angeles, Cal.  
Mr. R. E. McNally, Vice-President Mississippi Valley Trust Co., St. Louis, Mo.

During the year, the work of the Section was carried on more vigorously than ever before by our capable and energetic Secretary, Mr. Thralls.

**The Universal Numerical System:** The No-protest Symbol Plan and other methods and systems promulgated by the Section are developing rapidly.

The Clearing House Examination System and the Country Clearing House are finding new friends through the efforts of the Section.

Thirty-one cities are reporting total bank transactions. The transactions of these 31 cities for six months ending June, 1916, were \$28,471,000,000, while their bank clearings for the same period, aggregate \$11,623,000,000. Total bank transactions we believe are the only true indication of the volume of business passing through the banks, and during the coming year we hope to bring the total number of cities reporting total bank transactions up to 100.

The Section was instrumental in the organization of 22 new clearing houses during the year and we hope to bring about the organization of 100 new clearing houses during the coming year.

Our Secretary represented the American Bankers' Association and the Clearing House Section at 6 annual conventions of Bankers' Association and at various other Bankers' Meetings and in addition to advancing the propaganda of the Clearing House Section on these occasions, through his efforts, a large number of banks were induced to join the American Bankers' Association.

Only a limited number of persons including bankers, seem to realize the important part that clearing houses have played in the development of this country. Our numerous committees and state representatives have been quietly conducting a campaign of education—along the lines of co-operation on matters of common interest to the banks and general public.

We believe that next to the American Bankers' Association the clearing houses of the country wield the greatest influence for good among the banks, and every possible effort should be extended in their development.

The appropriations for the Section for the year just closed were \$5,725. The expenses were \$4,960.66, leaving a credit balance of \$764.34, which we returned to the Association.

Our estimated expenditures for the ensuing year are \$7,000.00, which amount has been requested.

**MR. THRALLS:** The report is signed by President Ayres.

### Report of Savings Bank Section

**THE PRESIDENT:** The next is the report of Savings Bank Section. I am informed that the full report of the Savings Bank Section as submitted to the Executive Council appears in the printed Proceedings of that body.

### Report of Savings Bank Section to the American Bankers Association

KANSAS CITY, Mo., Sept. 25, 1916.

Mr. President and Gentlemen:

Since the Seattle meeting, the Savings Bank Section has done much to further the interests of the American Bankers' Association and to show to the members the real value of Association membership. The Section has brought bankers together in hundreds of communities; into co-operation with each other, thereby carrying out the fundamental idea of the Association. Better relationship and team work between banks in the various communities are conducive to better banking and a greater degree of confidence on the part of the people in the banks.

Through the Nation-wide Thrift Campaign which the Section has been conducting during the past year, and the systematic organization of it, there has been effected an organization the possibilities of which are excellent in creating an efficient machine to render constructive service to the members of the Association. The public of the United States has perhaps heard more of the American Bankers' Association during the past year through the effort which we have made to promote thrift than at any other time. The result of our work is vast. This has been evidenced by the number of letters received from bankers and from communities respecting the good accomplished in those communities by the propaganda conducted by the Section.

More than 100,000 pieces of mail have been sent out from the office during the past year, and since the Spring Meeting over 5,000 letters have been received.

Nine hundred and thirty-nine new members have been enrolled since the Seattle meeting, twenty-seven more than the combined total number enrolled for 1913, 1914 and 1915. There are enrolled as members of the Section at the present time 3,533 banks of all classes.

The past year's appropriation to the Section's work amounted to \$13,888.25, inclusive of \$3,500 appropriated at the Spring Meeting. There were miscellaneous receipts of \$45.96, making the total credits \$13,934.21. The expenditures for the year aggregated \$13,542.34, leaving a credit balance of \$391.87.

Our Law and Segregation Committee has been on constant watch for Federal legislation affecting the interests of savings banks. It is the desire of that committee to promote the establishment of savings departments in commercial banks and trust companies throughout the United States. If this is not done, the inevitable law of supply and demand will call for the creation of other kinds of institutions for savings. In this respect, it is planned to publish a pamphlet detailing the organization of a savings department, suggested forms to be used, etc.

The Special Committee on Postal Savings Legislation has kept in touch with the activities of the postal savings system, and when it has been necessary, owing to the aggressiveness of such system, they have brought complaint to the attention of the Director of Postal Savings.

The Secretary has visited forty-three cities in the past year and has given forty-four addresses with respect to the thrift campaign and other subjects pertaining to the banking business. He has represented the Association at the following state bankers' conventions: New York Savings Bank Association, and Maryland, Virginia, South Carolina and Colorado Bankers' Associations.

The detail work in the Section office has been well organized and proper system is maintained.

It is with appreciation that the Section acknowledges the support it has received from the Executive Council, the Administrative Committee and other Sections of the Association, particularly the American Institute of Banking, which has been of splendid service in promoting the thrift campaign throughout the country.

Respectfully submitted,

N. F. HAWLEY, President.

**THE PRESIDENT:** What is your pleasure in connection with this report? You have heard the statement and the suggestion.

(Moved, seconded and carried that the report be received and filed.)

**THE PRESIDENT:** The next is the State Secretaries' Section. Is the representative of that Section here at this time? Is Mr. McFadden present? (No response.)

**THE GENERAL SECRETARY:** There are a number of telegrams here and I will call the names and deliver them to those who respond. (Telegrams distributed.)

(The General Secretary Continuing:) Here is a telegram which is addressed to the President from John Clausen, President of the San Francisco Chapter of the American Institute of Banking:

"San Francisco, Cal., Sept. 25, 1916.

"JAMES K. LYNCH,

"President, Convention Headquarters,

"American Bankers' Association,

"Kansas City, Mo.

"One thousand and fifty members extend greetings and desire to express spirit of hearty co-operation with parent association in its important deliberations which so markedly affect policies of Institute. Appreciating necessity making education-bank-man paramount and real factor for higher spheres his vocation. Our aim has been to obtain best results in collaboration with University of California, feel-

ing confident with true effort our part subject matter will be brought within a world that is practical. Commercial law, banking and finance outlined by Institute are interlinked with accounting, English, French and Spanish. Members responding with regular attendance approximating six hundred. Bi-monthly lectures from prominent successful business men also arranged, dealing directly with topics of practical business value. San Francisco Chapter voices sincere good wishes successful convention corresponding to lofty motives which inspired its inception.

"(Signed) JOHN CLAUSEN."

**THE PRESIDENT:** Is Mr. McFadden of the State Secretaries' Section in the room? (No response.) If not, we will pass that by and I will call on Mr. Hinsch, Chairman of the Committee on Federal Legislation, to give his report.

### Report of Committee on Federal Legislation

[We print the report of this Committee on pages 126 to 127.]

**MR. HAWES:** I think it is fitting, sir, that a report of such importance, showing as it does, results for the good of the whole financial community, be acted upon not in the routine way; that a resolution of thanks be given to the Committee, and especially to its Chairman, Mr. Hinsch, for the great work the Federal Legislative Committee has done, and that his report's recommendations be carried out, and a word of thanks be sent to Senator Pomerene for the passage of that magnificent Act.

**THE PRESIDENT:** You have heard the motion made by Mr. Hawes of Missouri. Is there a second?

(Motion seconded by Mr. Downing.)

**THE PRESIDENT:** Is there any discussion?

(Cries of "Question!")

**THE PRESIDENT:** All in favor of such resolution say aye; opposed, no. It is carried unanimously.

**THE PRESIDENT:** Mr. Hinsch has another communication he would like to read.

**MR. HINSCH:** Our Committee had a hurried meeting yesterday afternoon, and our Committee recommends the adoption of the foregoing resolution, modified so as to provide that the requested hearing be given the Committee on Federal Legislation, acting in conjunction with the representatives of the Savings Bank Section, and of such other section or sections as may desire to be heard upon the subject.

**THE PRESIDENT:** Gentlemen, that is an important subject and an important resolution. It cannot be considered except by consent of the Convention, under our Constitution. It has not been submitted in time to have it considered at the Committee of Resolutions, is it your pleasure to consider it at this meeting? I call on Mr. Edwards.

**MR. EDWARDS:** Representing the section from which the resolution, or preamble emanated, I would move you that consent be given to the consideration at this time.

**THE PRESIDENT:** Mr. Edwards moves that the Convention consider the resolution at this time.

**MR. HINSCH:** I second that motion, Mr. Chairman.

**THE PRESIDENT:** The motion is seconded. Do you desire to discuss the question. If not, I will call the question. All those in favor of considering the resolution will signify by saying aye.

(Motion carried unanimously.)

The Convention has decided to consider the resolution. Do you wish any discussion on the subject matter of the resolution.

**MR. HINSCH:** I move that the recommendation made by the Federal Committee be concurred in. (Cries of "Read the recommendation.")

(Here the Secretary again read the recommendation.)

**THE PRESIDENT:** Gentlemen, are you ready for the question? The motion was made by Mr. Edwards to pass the resolution as offered as the resolution of the Convention. All the favor will say aye.

(The motion was carried unanimously.)

**THE PRESIDENT:** Before taking up the next business in order, I will announce the appointment of the customary Committee on Resolutions. These resolutions are merely resolutions of thanks to our hosts, and those who are responsible for the splendid entertainment which we have received and are receiving. I will appoint Mr. Smythe, Chairman, President, New York State Bankers' Association. Mr. P. C. Hill of San Francisco. Mr. Charles H. Bender of Grand Rapids, Michigan. Captain James Dinkins of Louisiana.

Those gentlemen can meet at a convenient time and present the resolutions tomorrow afternoon.

We will now have the pleasure of hearing an address by Mr. Joseph Chapman of Minneapolis.

### "Co-operation" by Joseph Chapman

[Mr. Chapman's address is printed on pages 104 to 105.]

**THE PRESIDENT:** Mr. Nathan Adams, the Chairman of the Conference of Country Bankers, has a resolution which he desires to put.

### RESOLUTION CONCERNING PAR COLLECTION OF CHECKS

**MR. NATHAN ADAMS:** (Reading.)

**WHEREAS,** The purposes of the Federal Reserve Act are to mobilize the reserves and to unify the National Banking System, thereby providing an elastic currency and a system of re-discounts, and

**WHEREAS,** The Act has in it the possibilities of preventing the suspension of cash payments by banks, thereby making the country safe from currency panics, and

**WHEREAS,** Section 16 of said Act providing for the so-called par collection of checks is not a feature necessary to the attainment of the objects sought by the Federal Reserve Act, and the system of collecting checks now in operation under the law, as interpreted and applied by the Federal Reserve Board, works serious hardships upon and heavy losses to thousands of country banks, and

**WHEREAS,** It is the belief of the majority of bankers that Congress did not intend to deprive the banks of legitimate profit, therefore

**BE IT RESOLVED,** That the American Bankers Association, while approving the fundamental principles of the Federal Reserve Act and expressing loyalty to the Federal Reserve System, protests against the provisions of the Act relating to the collection of checks, and instructs the Committee on Federal Legislation of the American Bankers' Association to endeavor to secure amendments to the Federal Reserve Act, providing for the establishment of a collection system which is fair and equitable to all banks and to the general public.

**BE IT FURTHER RESOLVED,** That the President of the American Bankers' Association be authorized and directed to appoint a Committee of twenty-five bankers, fifteen of whom shall be country bankers, and ten of whom shall be reserve city bankers, and that this Committee co-operate with the Committee on Federal Legislation of the American Bankers Association in bringing about the enactment of the desired amendment.

I move its adoption:

**THE PRESIDENT:** You have heard the reading of the resolution, and Mr. Nathan Adams moves its adoption.

**MR. HAWES:** Mr. President, I rise to second the resolution as offered to the Convention. I do so with the feeling that the resolution as presented is fair and equitable to all classes of bankers —

**THE PRESIDENT:** One moment, Mr. Hawes. This resolution coming as it does, the Convention will have to decide whether it will consider it. A motion to consider this resolution at this time.

**MR. HAWES:** I move we consider it, Mr. President. (Motion duly seconded.)

**THE PRESIDENT:** All in favor of considering this resolution at this time will signify by saying aye.

(Motion carried unanimously.)

**MR. HAWES:** I do not desire to make a speech. I only desire to move the adoption of the resolution as offered. As I have said before, I believe it fair and equitable, and because it makes a Commission of bankers composed of all classes and kinds, I hope the resolution will prevail.

**THE PRESIDENT:** The question now comes on the adoption of the resolution as offered by Mr. Nathan Adams. All those in favor of its passage will signify by saying aye.

(The resolution was carried with only one dissentient voice.)

**MR. GEORGE E. WEBB:** Mr. President, I have a resolution that I wish to present here at this time, and I ask for its consideration at this session of the Convention. May I read this resolution?

**THE PRESIDENT:** Come to the front, Mr. Webb.

### RESOLUTION CONCERNING CONSERVATION OF SOIL FERTILITY

**MR. GEORGE E. WEBB:** (Reading.)

History records that only such nations have endured as have given heed to the conservation of their soil fertility. The facts are that in all time there is no record of any nation having mined and dissipated this priceless heritage with such a degree of careless abandon as ourselves. With thousands of acres of virgin land being brought annually under the plow, we have reduced our annual average production of grains per acre to about fifty per cent of the production of our virgin soils, producing today less than half the average per acre of European farms. This, while yet our nation is in its infancy.

And whereas, it is recognized by soil economists that animal husbandry is the most economical method of conserving and of building soil fertility, we face the alarming fact that for the past twenty years the production of cattle in the United States not only has not kept pace with the increase of population but has decreased in number.

Now, therefore, be it resolved by the American Bankers Association in convention assembled that the Congress of the United States be petitioned to order an investigation by the Trades Commission into the production of cattle, the marketing of cattle, the slaughter of cattle, the distribution and sale of all products therefrom.

In the hope that means may be found by which this important agency in the conservation of soil fertility may be increased and the masses of our people be supplied with this wholesome food product at a reasonable cost.

And to the further ends, that reliable data may be secured by which the value of loans based upon cattle as collateral may be judged,

so that the banking interests of America may co-operate with the farmer in developing the live stock interests to the maximum limit; thereby increasing the fertility of our farms for the benefit of future generations, and the safeguarding of the hundreds of millions of dollars invested in farm mortgages.

**THE PRESIDENT:** You have heard the communication read by Mr. Webb. It is up to the Convention again to decide whether the subject matter shall be considered. A motion on this subject is asked for.

**MR. TRAYLAR:** Mr. Chairman, I am very much interested in the subject matter of that resolution. Would it be out of order that the resolution be referred to the Resolutions Committee?

**THE PRESIDENT:** We have no Committee on Resolutions except one on purely matters of courtesy.

**MR. TRAYLAR:** I see. I should like to have the opportunity, and I think this Convention would be entitled to an opportunity to think that proposition over, which has been brought up in the resolution. I do not care to speak in opposition to it.

**THE PRESIDENT:** The point now is whether it shall be considered or not considered, whether it shall be considered at this time or a future time.

**MR. TRAYLAR:** I move the consideration of the further resolution be delayed, until a further session of the Convention.

**THE PRESIDENT:** Will you specify the session?

**MR. TRAYLAR:** Tomorrow.

**THE GENERAL SECRETARY:** The regular order of business for resolutions is on tomorrow afternoon.

**MR. TRAYLAR:** Tomorrow afternoon is satisfactory.

**THE GENERAL SECRETARY:** That would be your motion, that it be referred to the regular order of business under resolutions, tomorrow afternoon?

**MR. TRAYLAR:** Yes, sir.

**THE PRESIDENT:** It has been moved and seconded that the consideration of the subject matter of this resolution and this resolution be deferred until the session tomorrow afternoon under the head of resolutions. All in favor will signify by saying *aye*. (The motion was duly carried.)

Is the State Secretaries' Section ready to report? They have been called twice. I call on Mr. McFadden. (No reply.) Now, the report of the Currency Commission.

### Report of the Currency Commission

[This report will be found on page 125 of this publication.]

**MR. MOEHLERPAH:** A majority of the American Bankers' Association feel like expressing a proper vote of appreciation, and I also believe that the rank and file of this Association believe that the work, the function of this Commission has ceased, and I would like to have time to gather some of my associates, if it would be in order for us to do so, to draft this appropriate resolution, that it may be put properly upon our record, and go to this ex-Commission.

**THE PRESIDENT:** It seems to me, Mr. Moehlenpah, that the purpose that you desire to carry out must be divided into two parts; one would be the receiving of this report, and the other is the discharging of the Commission. It can be done by the Convention.

**MR. MOEHLERPAH:** Mr. Chairman, the first is entirely agreeable, but the second takes some time. I believe just as I have stated that you can rule that way, so that we can vote that way, it would be satisfactory to the membership.

**MR. GOEBEL:** Mr. Chairman, I do not think that this Convention is ready, upon a few minutes' notice to discontinue the Currency Commission that has done such notable work in behalf of currency reform.

I also believe that it would not be wise at this time, without further consideration to concur in the recommendation of the Currency Commission, as announced in their report. Therefore, I move that the report be received and filed. Motion seconded. (The motion was carried unanimously.)

**THE GENERAL SECRETARY:** I want to notify the Nominating Committee, who are now present here, that the meeting scheduled for this afternoon is at 4:30 o'clock, and it has been arranged to have it in this building so that you can remain at the Convention until about that time, and the meeting is held in the rear of the building. That is all.

**MR. COLLINS:** We have with us this evening a very distinguished member of the Federal Reserve Board, and I feel sure that every member of this Association would like to hear him say a few words to us this evening, and I make it a motion to ask him to say a few words, Mr. Harding.

**THE PRESIDENT:** It has been moved that Governor Harding, of the Federal Reserve Board, be invited to address this meeting. All in favor will signify.

(The motion was seconded and carried.)

**THE PRESIDENT:** I now call on Governor Harding.

### The Federal Reserve Law and Its Amendments, by W. P. G. Harding

[Mr. Harding's address will be found on pages 110 to 111 of this publication.]

**MR. GOEBEL:** Mr. Chairman, Mr. A. J. Frame desires to say a word at this meeting on the subject of the resolutions that have been adopted.

**MR. A. J. FRAMES:** Mr. President, Gentlemen of the Association, I was delegated at the Country Bankers' meeting to present the resolutions which were passed by them the day before yesterday to this Convention. I have come for just one moment, perhaps not to present the resolutions, because it appears to me without consultation with the rest of the Committee that the Federal Legislative Committee has practically covered the very things that we had in our resolutions—that is correct, is it not? Therefore, the object for which I was appointed seems to have been accomplished. The voice of the country banker has been heard, and I feel under a debt of obligation, and, as harmony seems to be in the air, for the uplift of this nation, I commend you all, and thank you for your attention, and that is all I have to say.

**MR. GOEBEL:** Mr. Chairman, I am informed that Mr. Von Angelen, the Director of the Mint, is present. If so, I would move that he be cordially invited to address this Convention at this time.

**THE PRESIDENT:** Is the gentleman present—the Director of the Mint? (No reply.)

The Secretary desires to make an announcement.

**THE GENERAL SECRETARY:** On behalf of the Entertainment Committee of the local bankers, I wish to call your attention to the ball in this room this evening, at nine o'clock, and to those of you who were not here on Monday night, it is well to tell you that this entire room is used for the ball purposes. You will have plenty of room to dance, if you want to dance, and several thousand seats close by, if you want to look on, and plenty to eat, first-class music, a very hospitable Reception Committee—and pretty girls.

**THE PRESIDENT:** A motion to adjourn is now in order. We will adjourn till tomorrow at 9:30 A. M.  
(Motion duly made, carried and meeting adjourned.)

### SECOND DAY'S SESSION

Friday, September 29, 1916.

The President called the meeting to order at 9:45.

**THE PRESIDENT:** Gentlemen, before formally asking the meeting to come to order, I will request you to come to the front and fill up the seats vacant there, disregarding the positions of the state banners.

The first business which we will take up from the program this morning is an address by Mr. Joseph Hirsch, of Corpus Christi, Texas. Mr. Hirsch is going to speak on "The Country Banker's Opportunity"; and it is an address which will well repay your closest attention, I am sure. Mr. Hirsch, gentlemen.

### The Country Banker's Opportunity, by Joseph Hirsch

[Mr. Hirsch's address is printed in full on pages 106 to 110 of this issue.]

**THE PRESIDENT:** Will the gentlemen who have come in since we opened the session please come to the seats near the front, and it will be easier for them to hear and it will be very much easier for the speakers to "put it over."

The next business in order is the Report of the Chairman of the Agricultural Commission, Mr. B. F. Harris.

**MR. B. F. HARRIS:** Mr. Hirsch's splendid presentation can but give you a meager idea of some of the great accomplishments of the Banker-Farmer Movement. Some of us are apt to place the value of the thing on what it costs; but in this work I ask you not to value this by the cost of the work to the American Bankers' Association, because it only cost the Association less than \$3,000 this past year. It is not known to all of you that the Agricultural Commission was created by the Convention. It is not a constitutional committee, so it only holds over from year to year, and with the presentation and acceptance of its report it dies, and at a proper time its work is continued by the Convention.

### Report of the Agricultural Commission

[The reader will find this report on page 129.]

ADDRESS OF B. F. HARRIS, CHAIRMAN OF THE AGRICULTURAL COMMISSION.

And now, having reported for your Agricultural Commission, may I address you briefly and speaking solely for myself? I have just completed five years of service with this association—from the inception of this work.

Three years ago I suggested and with the generous endorsement and whole-hearted support of the Agricultural Commission launched *The Banker-Farmer* monthly, which has given the nation-wide known name and far-reaching impetus to our movement for a better agriculture and rural life and citizenship in the United States.



*The Banker-Farmer* is now an established institution, organized on a permanent basis,—just as the Savings Bank Section, for instance. Therefore, I am doing neither you nor the cause an injustice when I say to you that, with your acceptance of this report, my five years' work and service as member and Chairman of your Agricultural Commission and Editor of *The Banker-Farmer* is terminated and I retire to the ranks of the country bankers. I haven't words to express to you my deep appreciation of the faithful and loyal support the Commission, the Executive Council and officers, the Associate Editor, and the rank and file of the members have given me.

Like all really great movements, this movement we call the banker-farmer movement started in a simple, quiet way with none of its pioneers—optimistic and persistent as they were—having any adequate conception of the dimensions it would attain. And just here I want to make the confession, which you have closely read—and read between the lines of *The Banker-Farmer*—have long since discovered, to-wit: That so far as I was concerned the effort was not simply to enlist the bankers in service with the farmers to build up a permanent agriculture and better country life—great as is that need and duty—but greater than all to arouse and inspire our fraternity generally to become co-operating, militant citizens, working for a greater local and national life and citizenship; for a real, all-American citizenship embraces, cares for and solves all our problems.

At our great conference in Chicago, July 7-8, 1915.—“The story of a great aspiration but of greater achievement; the most representative meeting for agriculture ever held in the United States,” as one prominent writer put it; “Sounding a new note in national life,” and “Doing a work that cannot be undone,” as the Chicago *Herald* and New York *Times* expressed it,—we permanently placed “Citizenship” as the first plank in our platform.

If we do our duty as militant citizens we will cover every phase of social, industrial, commercial and agricultural welfare, and instead of being simply banker-farmers, we become bankers-everybody. As the *Saturday Evening Post*, speaking of us editorially, said—“What a startling difference it would make if the banker-farmer partnership took in everybody!” How the world and these United States need just that partnership—and just at this time; not that we be our “brother's keeper” so much as our brother's brother.

As *Financial America* said of our work: “Inspiration is a particularly valuable asset at this time when there is such imperative need of men in business and financial life who will guide their activities with constant regard for their responsibilities to their neighbors.”

The more points at which we touch a human life and interests, the more alive we become and the longer we will remain so. Most of us are proceeding now with the conviction that, if you succeed, I benefit; if I fail, you are injured; should you do the community service, we are all gainers, while if I waste its taxes or resources or opportunities, I am a public enemy, for the interests of each of us are inseparable from the welfare of all of us. None of us are so small that we cannot count for good or evil; none of us are so big but that our bigness makes us more responsible.

Mr. Lynch, our president, addressing the bankers of Minnesota, covered the point, as he always does, when he said—speaking of the banker-farmer movement—“its chief merit, I am convinced, is that it marks a departure from the traditional policy of the banker; I will not say his real policy, but the one that has been ascribed to him and whose existence he has hitherto done nothing to disavow. In other words, it has shown to many people that the banker is human, that he does not take an interest in his customers and in his neighbors, and that he is willing to help them to succeed with only the remote possibility in mind that their success will in turn benefit him.”

This world, or perhaps I should say the United States, is getting better and farther every day because it is getting more practical, more human. We don't believe in honesty today for “policy's sake,” but for honesty's own sweet sake. We want our religion and all the verities not as a seventh day, but as a seven day proposition, and we are beginning to look at politics or government not as an annual election day nuisance, but as a 365-day business proposition. In other words “Service” expresses it, and service grows out of a sane combination of sense and sentiment; though sentiment, not so long since, was supposed to have a little place in business as business had in politics. We must mix the quantity of our materialism with the quality of our idealism; we must propagate our citizenship or give it up.

Democracy is on trial;—we must learn what “Sovereign Citizen” means, for never did your country need you as it needs you today. Look about us, all the way from the township up to the Capitol, then ask ourselves the question—“What would my community or this nation be if all its citizens were like me?”

Today our boys and girls are learning or unlearning their ideas and ideals of citizenship from the apathy of the average citizen, or the affinity of the average politician or public official toward petty or monstrous indifference, waste or worse. Our greatest danger today is not so much from corruption in public life, as from the cowardice of our public officials and from citizens, particularly those situated as we are. And just here, as emphasizing this greatest danger to our Republic—*coincidence*—and speaking solemnly and solely for myself, I register my protest, as every similarly-minded American should, at the amazing attitude of the National Administration and Congress in the illy considered and panicky haste with which they,—sworn to act for the welfare of every citizen of the nation—cringed and threw up their hands on forty-eight hours' notice so to do from a handful of men.

I care not who the men are, nor the merits of their case—the humblest toilers or the most arrogant captains of industry would hardly hold their flag and its representatives so lightly, or dare to attempt so gigantic a “hold-up” of the rights of a free people.

And yet, un-American and intolerant as were the methods of these men, the abject, unjustifiable surrender of Congress is the sinister sign in the whole miserable transaction. It is the greatest break-down, the heaviest body blow our nation has had. The international situation; the effect of a nation-wide strike, sing into insignificance for us in comparison with this fundamental assault on and surrender of vital principles, the square deal and self-respect.

With such appalling cowardice on the part of public officials, how can a good American hold his peace or hold up his head?

We call character the real basis of all our banking transactions—yet how little we do to help build up that priceless possession in the community, even by our own forceful, constructive and helpful example. Can't we do more to teach that ability and genius are as nothing without character and the will to work,—and to work for others? Our work for citizenship is character building.

What can we do?—a hundred things all near at hand. One of the easiest is to help mobilize public opinion and get that greatest force in this nation to work along sane and constructive lines.

We can work for a patriotism that rises superior to partisanship. We want a patriotism that will not allow us to permit a party label to prevent us from seeing that every public office is better manned and every school better womaned than it has ever been before.

There are many false notions abroad and not a few of these are with reference to the banker. Here, for instance, is our great American Bankers' association of some seventeen thousand members. The press, the public, even many of our members, don't realize, or act as if they did, that over fifty-five per cent of our members are actually country, cross-roads bankers with a capital of \$25,000 or less, while seventy-five per cent have a capital of \$100,000 or under. If all of the more than 28,000 banks in the United States are considered, at least seventy-five per cent have a capital of \$25,000 or less.

This association really belongs to the country bankers, too modest to assert their views as are so many majorities,—yet the politician, the demagogue, the funny paragrapher only sees or picks out the relatively few Morgans, National Cities, big trust companies, etc., and leaves the impression that we are all as opulent. It only goes to show how we frequently lose our bearings, forgetting that this great nation and its great industries or lines of human endeavor are really constituted of the great average; the great common people of whom Lincoln said “the Lord most loved because He made so many of them.” They are our bulwark; they made this nation great, and the average banker—the banker-farmer—is “one of them,” with several of his neighbor farmers and merchants as big a “magnate,” or probably a bigger one, than is he.

The nation stands on the shoulders and lives from the business, the integrity, the industry and the citizenship and patriotism of the average man, and the well-being and perpetuity of all depends on his prosperity.

The banker, however, is in many respects the most important man in town whether he knows it or not; he should be the bravest and the least afraid of criticism, and our effort has been to have him as well and favorably known in front of his counter as he is behind it. Such prejudice as existed against the banker was largely because of his failure to show his interest in public welfare. Fear of being misunderstood explained his inactivity and resulted in his really being misunderstood and misjudged.

We must be progressive in order to be conservative; we know that life is something more than living; that “no man liveth to himself alone, not by bread alone,” and so we are working for the big, broad, human and public-spirited side of things. We do not believe that any man can be a good banker or a good business man who is not first a good citizen—in all that term implies. You may call this idealism, but I ask you to show me today the man, or the business; the bank or the institution not directed by service nor squarely up to the Golden Rule—within which all my suggestions are encompassed—and I will show you a dead or a passing one. Some incentive besides the dollar is needed to save us from failure.

I do not believe as many of you as should realize what our movement has done or can do for you and our fraternity; not to speak of its service to public welfare, its demonstration of our vital interest and practical co-operation, nor that the movement is just coming into its own—with enormous possibilities.

Our phrase, “Take interest in the farmer as well as from him” has gone throughout the country with constantly increasing emphasis on the “in.”

It was really not so necessary for me to reiterate so many of the things we have been preaching in *The Banker-Farmer* because bankers now in every section of the country are preaching and acting on the banker-farmer platform,—but I could not resist this, my last chance.

Let me quote H. C. Carr of the First National of Portville, California, who, writing on the banker-farmer movement, said: “It may be that you haven't given this proper and serious consideration. It may be that you do not care. If you don't care, then hang the three balls over your door, don the grey garb of the collector of tribute and go out and clean up the earth of its substance, and while you are accumulating all those glorious dollars you may be sure that you are also accumulating the hatred of mankind, the contempt of their wives and daughters and the curses of the luckless victims who have been cleaned. ‘The bank that helps’ is a good motto, but ‘The banker that helps’ is a better one.” Mr. Carr, like many another convert to our cause, has found new life and a new vision, realizing that nothing we can give counts like the giving of ourselves. It all sums itself up into the question, “What are we working for; what is the Journey's end; have I or we any vision or ambition either for ourselves or our country?”

And now, finally,—my whole conception of, and work and hope for, this banker-farmer movement is to bring about militant, co-operating citizenship among all classes of our people, and for that reason I have confined my remarks entirely to the spirit back of, and the spirit that I hope will continue to actuate, this work.

Never in the world's history, nor in our own in these portentous times of stress and readjustment, was such a spirit so necessary, nor from any class of men more than from the banker-farmer class. We have very much to maintain as well as to attain;—all that we and the beloved who have gone before us sought for and wrought for and fought for is more than ever worth fighting for, and these requisites of citizenship we are working for spell through preparedness, independence and protection in every sane form.

The solution of many problems presses upon the present and every person, and a prompt and successful solution reaches far into the future, for it furnishes the foundation for all the years that are to come. We are barely peeping through the portals of our possibilities, the greatest ever vouchsafed to man. Are we going to be equal to it;

will the bankers lead the vanguard of aggressive citizenship? "Lord God of Hosts, be with us yet; lest we forget, lest we forget."

If you agree with me, see that the work of this Commission is continued, and particularly the publication and wide distribution of *The Banker-Farmer*, along the lines suggested,—with "Citizenship" always at the masthead,—for it is the most needed and worth-while work we have undertaken.

"THEREFORE, when we build," as Ruskin said, "let us think that we build forever. Let it not be for present delight, nor for present use alone; let it be such work as our descendants will thank us for, and let us think, as we lay stone on stone, that a time is to come when those stones will be held sacred because our hands have touched them, and that men will say as they look upon the labor and wrought substance of them: 'See! this our fathers did for us.'"

MR. SHEPPARD (Idaho): If it be not out of order at this time, I ask the privilege of offering a resolution.

THE PRESIDENT: Bearing upon the report just read?

MR. SHEPPARD: Yes.

THE PRESIDENT: It is in order.

MR. SHEPPARD: After listening to the admirable address of Mr. Hirsch, and the very interesting report of the retiring Chairman of this Commission, I am sure there is not a man or a woman within the sound of their voices who would for an instant wish the discontinuance of this excellent work inaugurated by the Agricultural Commission. I therefore, Mr. Chairman, make the motion that the Agricultural Commission of the American Bankers' Association be continued.

(The motion was carried unanimously.)

In addition, my attention is called to the fact that the report has not been acted on. A motion was made to continue the Commission, but a motion should be made to receive and file the report.

MR. McCULLOUGH (Ind.): I move the report be received and filed.

(The motion was duly seconded and carried unanimously.)

THE PRESIDENT: The next business before us is an address by the Hon. Paul M. Warburg, Vice-Governor, Federal Reserve Board, Washington, D. C., on "The Reserve Problem and the Future of the Federal Reserve System." Will the gentlemen kindly walk to the front seats, as far as you can, so that you can hear?

MR. R. F. MADDOX (Atlanta, Ga.): I understand that a motion has been made and carried to continue the Agricultural Commission. I also understand that a motion has been made and carried to receive the report. If I am in order, Sir, I think it would be quite appropriate at this time to express the thanks of the Association for the splendid and unselfish work that the Chairman of this Agricultural Commission has given to this matter during the last few years.

I believe there is no movement started by the American Bankers' Association that has brought more advantage to this Association and the country. I believe the co-operation of the banker and farmer will make for the permanent and great prosperity of this country, and the gentlemen who have thus promoted it so far, and given it such a good start, should receive the thanks of the Association. I therefore move you, Sir, that the thanks of this Association be extended to Mr. Harris, and the Committee for the splendid work which has been done.

(The motion was duly seconded and carried.)

### The Reserve Problem and the Future of the Federal Reserve System, by Paul M. Warburg

[Mr. Warburg's address in full will be found on pages 111 to 121 of this publication.]

THE PRESIDENT: Gentlemen, we will not detain you but a few moments longer.

MR. GEORGE REYNOLDS (Ill.): Mr. Chairman, I ask your recognition, in order to introduce a motion in connection with this address that has just been made, and while I am on my feet I ask for only a moment for a remark or two in connection therewith.

The splendid analysis which Mr. Warburg has given of what I believe to be the very crux and the vitals of the Federal Reserve System, has been so comprehensive and so logical that I feel very little emphasis is necessary. However, since this is an institution that is here to stay, and since it is an institution which belongs to you gentlemen, I would like to impress upon you the fact that in your assembly here to-day you are very much in relation to this problem and to the address which Mr. Warburg has made, as your facilities are in your respective banks, in your relations to your stockholders, in your annual meetings. You are always glad to have stockholders, who are interested in the success of your institution, make recommendations to you, and I regard the recommendations which Mr. Warburg has made to-day as being another relation to this institution, which, gentlemen, is after all your institution, not only because you own all the stock but you are the entire depositors; whether or not you are voluntary stockholders or involuntary makes no difference, the condition exists, and it is the only bulwark in which we can turn in

times of stress or need, and whether that bulwark is one of strength or weakness depends very materially upon what we as individual stockholders, people interested in it, may do in our individual capacity, and in our individual relations toward it.

I only want to emphasize one thing,—Mr. Warburg, in connection with your address to-day, and that is what I believe the efficacy and benefits which will be derived through this Association, if we as bankers follow the practice which has prevailed in Europe for one hundred years nearly, and give to the Central organization the Federal Reserve System, the Federal Reserve bank, in our own respective districts the bulk of the gold reserves which we carry, and go more nearly to the basis practiced by the European bankers of carrying till money. To emphasize the thought I have in mind, I want to say that the institution over which I have the honor to preside, while carrying a Federal Reserve Bank balance in Chicago at this time, about \$15,000,000 on deposit, carries in its vaults some 25 to 30 million more of legal reserve money; and it may be of some interest to you to know that I have already given instructions that the reverse of that condition should be true, and that in the future it is our purpose to carry two-thirds of that balance with the Federal Reserve Bank, and only one-third in the institution's vaults. This system will be exactly what we make it, and it is in these vital things that I invite your co-operation.

Mr. President, and gentlemen of the Convention, I rise for the purpose of asking for a standing vote of thanks to Mr. Warburg for his splendid address which he has given to this Convention to-day on the question of the Federal Reserve System.

MR. PULIKER: Before putting the motion, may I amend it by asking the Association in addition to publishing the address in the Proceedings of this Convention that it be put in pamphlet form so that it may be read and studied by every banker of this land, be he National banker, be he State banker, or be he private banker; be he for the Act, or be he against the Act.

I therefore move you, Mr. President, that this Association publish in pamphlet form—if I am in order—for general distribution, the address of Mr. Warburg which we have just heard, and if Mr. Reynolds will permit me that the rising vote may be considered the affirmative vote to the motion.

THE PRESIDENT: I would like to call the gentlemen's attention to the fact that the address will be printed in *THE JOURNAL* and will receive the circulation that it carries, which is more than 16,000 members, because it goes also to the American Institute of Bankers, and 35,000 copies will be circulated in that way. (Cries of, "Question!")

The question is as I understand it on Mr. Reynold's motion, a rising vote of thanks.

(The motion was carried unanimously.)

Kindly give us a little more attention, gentlemen.

THE SECRETARY: I have just received the following telegram: (Reading.)

"The Farm Mortgage Bankers' Association of America sends cordial greetings and congratulates the American Bankers' Association upon the splendid attendance at its 42nd annual convention and expresses the hope that it has been marked with the success of its preceding notable conventions. (Signed by) Fred. W. Thompson, President."

I want to call the attention of the Convention particularly to this afternoon's session and urge all the delegates present and guests to be on hand at two o'clock. You will have one of the most important reports of the week in the report of the Insurance Committee. Then, at that session, the special committees are appointed for the invitations for the next convention, and the communication from the Executive Council and a resolution which was laid over yesterday. Then comes the report of the Committee on Nominations, and the election of your officers, and the installation of the officers. Those are very interesting ceremonies.

Then we have some visitors here as well, whom I know you will be interested in hearing, so I hope there will be a full and large attendance at this afternoon's convention, the closing session of the most successful convention the American Bankers' Association has had in its history of forty-one years!

THE PRESIDENT: A motion was made this morning by the gentleman from Idaho, Mr. Sheppard, passing a resolution continuing the Commission, but it did not include in that motion the power to the President, that will be the incoming President, to appoint the members.

MR. B. F. HARRIS: Mr. President, I move you that inasmuch as there are to be changes in the Commission, that the motion be corrected to provide that the President shall appoint the seven members of the Commission for the ensuing year.

MR. SHEPPARD: I accept the correction.

THE GENERAL SECRETARY: That is one of the orders already, that all committee appointments must come in under the heading toward the close of the Convention, and this appears under Friday, September 29, under the head of "Committees and Committee Membership." The reports can be approved, but the committees must be appointed at that time, under the order of business.

MR. P. W. GOBBEL: Mr. Chairman, may I ask every member of the Executive Council to be here at the platform five minutes before two o'clock this afternoon for a short conference, both the new members as well as the old ones?

THE PRESIDENT: A motion to adjourn is in order.  
(Motion duly seconded, carried, and meeting adjourned.)

## AFTERNOON SESSION.

Two o'clock P. M.

CONVENTION HALL, KANSAS CITY, MO.

The meeting of the American Bankers' Association in the afternoon met at Convention Hall.

President James K. Lynch called the meeting to order at 2:30 P. M.

THE PRESIDENT: Gentlemen, I must apologize for the delay in opening the session. Matters developed which I could not very well control. The first business of the afternoon session is the Report of the Insurance Committee, Mr. Elder J. Sands, of Richmond, Va., Chairman. This is a very important report and one which will repay your close attention.

## Report of the Insurance Committee

MR. COX: I happen to know something of the great amount of the work which this committee has done, and I know that a new committee would take years to acquire the information that this committee has, and I move you therefore, sir, the acceptance of this report and that it be filed, and the same Committee continued as provided by our Constitution in Section 6, I think.

MR. JESS: I heartily concur in every way in what was said by the mover of this motion. The Insurance Committee has rendered the bankers of this country signal service; the securing of this Banker's Bond, the blanket bond which was discussed by the Chairman of the Committee in his report, is a step in the right direction; not only is the covering better than any other policy offered but the premiums that we are called upon to pay for insurance are something that are far less than ever before. This Committee has given freely of its time and strength in the interests of the bankers of the country. Its work is not finished, and I, with great pleasure, second the motion made by Mr. Cox that the Committee be continued.

THE PRESIDENT: In order to get it before the Committee in regular order I would request that Mr. Cox divide his motion, and we will receive and file the report.

MR. COX: I shall be glad to do so. I move that we now receive this report, and that the Committee be appointed.

THE PRESIDENT: Yes; it is seconded by Mr. Jess, and all in favor will say aye.

(The motion was carried unanimously.)  
The motion is carried, and the report will be received and filed.

MR. COX: Now, I move you, Sir, that this Committee be continued, as provided by our Constitution.

MR. JESS: I now second the motion.

THE PRESIDENT: The motion to continue the Committee, with same membership, is made and seconded. Are you ready for the question? All in favor will signify by saying aye.

(The motion was carried unanimously, with the exception of one dissenting vote.)

Now, Committees and Committee Memberships, this is the next in order on the program. Under that heading will come the membership of the Agricultural Commission.

## COMMITTEES, AND COMMITTEE MEMBERSHIPS

A motion to either continue the Committee or have the incoming President appoint them, will be in order.

MR. SHEPPARD (Idaho): Mr. President, at this morning's session I made a motion providing for the continuance of the Agricultural Commission, which motion was carried. However, I overlooked making provision for the method of continuance, and I wish at this time to amend my motion by providing that the Commission be continued by appointment by the President.

THE PRESIDENT: A motion has been made and seconded with respect to the Agricultural Commission, to the Convention Committee, to the effect that the Committee be continued, the appointment of the personnel, and the committee, to be left to the hands of the incoming President. Are you ready for the question? All in favor will say aye.

(Motion carried unanimously.)

There appear to be no other committees. The Secretary will make a statement.

THE GENERAL SECRETARY: The next order of business is the—

## INVITATIONS FOR THE NEXT CONVENTION.

These are submitted to the Convention, with a view of having the Convention express, if they wish, any desire they may

have in regard to that, but under the Constitution now a decision for the choosing of a city for the next Convention is vested in the Executive Council. The invitations which have been received for the Convention of 1917 are as follows: Atlantic City, N. J.; this invitation comes from the Atlantic City Bankers' Association, or, in other words, the bankers of Atlantic City.

From the New Jersey State Bankers' Association, the Governor of the State, the Mayor of Atlantic City. I have on this file written invitations of these various bodies which I will read to the Convention if they desire to have them read. They are all in most hospitable terms. Now, the other invitations which have been received, and which are also on this file, come from commercial bodies.

Chicago, Ill. From the Chicago Association of Commerce.  
Asbury Park, N. J. From the Mayor and Director of Public Affairs.

Milwaukee, Wis. From the Merchants and Manufacturers' Association of Milwaukee.

Columbus, Ohio. From the Columbus Convention & Publicity Association.

Portland, Ore. From Portland Chamber of Commerce.

New York, N. Y. From the Merchants Association of New York.

Toledo, Ohio. From Toledo Convention & Tourist Bureau.

San Francisco, Cal. From San Francisco League.

Norfolk, Va. From the Chamber of Commerce of Norfolk.

I will only say that in that connection the American Bankers' Association has never accepted the invitation of any commercial body. It has been the rule to observe only those invitations which come, and which are joined in, by the bankers of the city that wish to entertain the Association.

MR. EDEN: I move you that the American Bankers' Association accept the invitation extended on behalf of the bankers of Atlantic City, and of the State Bankers' Association of New Jersey, and of the commercial interests at Atlantic City.

THE PRESIDENT: Mr. Eden, will you modify your motion to make that recommendation to the Executive Council? That will be following the form provided; the Convention can not settle the question. It has to be referred to the Executive Council, who will without doubt attach great weight to the recommendation of the Convention, and unless something arose between now and the Convention date would unquestionably follow it out. Will you therefore change your recommendation to that effect, Mr. Eden, as a recommendation that this Convention recommend the Executive Council to accept the invitation from Atlantic City?

MR. EDEN: Yes, sir.—So that we get to Atlantic City!

MR. COLEMAN: I second that. (Motion duly carried.)

The recommendation goes for Atlantic City.

MR. C. A. HINSCH: I believe the next in order will be Unfinished Business?

THE PRESIDENT: Yes.

## CONVENTION VOTES IN FAVOR OF REDUCING RESERVES OF COUNTRY BANKS FROM 12% TO 10%.

MR. C. A. HINSCH: I would like to call attention, Mr. Chairman and Gentlemen, to the fact that in submitting the report of the Federal Legislative Committee we asked for an expression of opinion from this Convention as to two subjects: One was the recommendation of the American Bankers' Association recede from the position taken by it at the Seattle Convention, in which we recommend the adoption of what is now known as the Pomerene-McFadden Bill, pertaining to the readjustment of bank reserves. Our recommendation was that we abandon the provisions provided for in the Seattle Resolution, and instead thereof that we recommend a reduction in the required legal reserves of banks, country banks, from 12 to 10 per cent. I would like to have an expression from this Convention on that subject.

In addition, I would like to have an expression from you in regard to the question of branch banks. This Association has never given an expression upon that subject; and in submitting our report we called your attention to the fact, asking you to do so. I would ask, if you please, Mr. Chairman, that you take that up separately: one upon the question of the reserves, and the other upon the question of branch banks.

THE PRESIDENT: The question is before you, gentlemen, and the Chair will entertain a motion.

MR. W. M. VAN DEUSEN (Newark, N. J.): I move that the Convention recede from the position taken at the Seattle meeting, with regard to the reserves, and that the Legislative Committee be instructed to secure a reduction of the reserves of all country banks to 10 per cent., to be kept entirely in cash or in the Federal Reserve Bank.

MR. HINSCH: I second that, Mr. Chairman.

THE PRESIDENT: It has been moved by Mr. Van Deusen, and seconded by Mr. Hinsch, that the action taken at the Seattle Convention be rescinded, and that the Convention recommend a reduction of the reserves of the country banks to 10 per cent., to be kept either in their vaults or the Federal Reserve Bank.

The question is an important one and I would not like to have it voted on without proper discussion. It is before you for discussion. (Cries of "The Question!")

MR. C. A. HINSCH: Mr. Chairman, it might seem proper to advise the Convention that at a meeting held in New York, this Spring, that this matter was pretty thoroughly discussed with Governor Strong, of the Federal Reserve Bank of New York, and while he did not state at that time that he favored the reduction of the reserve from 12 to 10 per cent., he rather intimated that he would look in favor upon such a proposition, stating that he believed that that would be economically sound, for he did not believe the other proposition adopted at Seattle would be.

I want you to understand just his attitude, and also it seems to me that Mr. Warburg this morning gave us some encouragement to believe that the Federal Reserve Bank itself might look favorably upon such a proposition. We all realize that in addition, of course, to the legal reserve of 10 per cent., each bank will be required to continue to carry balances with allied banks in their control, which will not count with part of their legal reserves but will be a quick reserve from which they can call. I think it would be wise to let you know that.

MR. COLBURN (California): This question that is submitted by the Legislative Committee at this last session of the Convention is one of the most definite recommendations that this Convention has been called upon to act on. It does not seem that in the limited time at our disposal there can be sufficient discussion or sufficient thought applied to this important measure to give it the weight that it should have. Many speakers that have addressed us from this platform have cautioned the bankers of the country that we were in the presence of very uncertain times; owing to the fact that the Great European War, possibly, it is to be hoped will be brought to a close, and that the American bankers and American businessmen will then be confronted with a situation that is entirely new, and greater problems for their solution that have met us here before.

In view of that condition of affairs, Mr. President, I move that action on this recommendation be deferred until the next convention of the American Bankers' Association.

There is an additional reason, that the reserves of the banks of the country have recently been reduced from 15 to 12 per cent., and it is possible that we are not entirely readjusted to that change. I, therefore, offer that as a motion.

(Motion seconded.)

THE PRESIDENT: It is a motion to postpone until the next meeting of the Convention. Are you ready for the question? (Cries of "Question!") All those in favor of the postponement of this question will signify by voting aye. (Numerous votes.) Those opposed will vote no. (Numerous votes.)

The Chair is in some doubt. Will those who have voted aye kindly rise? Kindly remain, gentlemen, until the tellers have an opportunity to count you.—The Tellers report 110 ayes. The gentlemen who are opposed to the postponement, now rise. The motion to postpone is lost, by a vote of 136 to 110.

The question now comes upon the adoption of the resolution. All those in favor will indicate by saying aye.

(Some voting for, and some against the motion.)

The ayes have it.

#### CONVENTION ADOPTS RESOLUTION DECLARING AGAINST BRANCH BANKING.

The instruction asked for by the Chairman of the Federal Legislation Committee was for a declaration of the policy on the subject of the Branch Banks, by this Convention. A motion is in order.

MR. WM. J. COUSE (Asbury Park, N. J.): I would like to make a motion that this Association go on record as opposed to Domestic Branch Banking, if that is in order. My reason for it is that in our opinion it places the control of the banking business—

THE PRESIDENT: You have heard the declaration that the Convention is opposed to Branch Banking, applied to domestic banks. Does the motion receive a seconder?

(The motion was seconded.)

It is now before the Convention for discussion.

MR. WM. J. COUSE: My reason for making that motion is I believe it places the control of the bank business in the hands of a few big institutions. We have had that tried out in New Jersey, and find it to be a bad law, and we had a law that provided for Branch Banking, within county lines. We found it necessary to have that law repealed. There were 300 independent banks opposed to the system, and two banks only that I know of that were in favor of it, and yet, after passing the repealer throughout the Senate and House, unanimously in the Senate, and 40 to 6 in the House, the Governor saw fit to veto the measure through the influence of two very large trust companies; notwithstanding that we passed the repeal over the veto of the Governor, thus repudiating the dangerous principle of branch banking. It concentrates the funds of the different communities in a few large cities, and does not enable the

deposits to be used locally. Therefore I am in favor of this Association going against Branch Banking. Branch Banking is wrong in principle, and any limitations that might be made would not safeguard the independent banks from the danger of gradual expansion of the system. It is not proper for us in the United States, except to foster a monopoly.

MR. U. H. MCCARTER (New Jersey): Mr. President, it does seem there to me that this is not the proper place to bring the quarrels of the bankers of one state before the National Association. I think it is a matter that each State can figure out for itself. If we get into an argument on a question of this character this afternoon, we will not get to Mr. Long's lunch to-morrow; and I therefore move that this motion be laid on the table. (Cries of "No!")

THE PRESIDENT: Mr. McCarter, while this is in fact a declaration of principle on behalf of the Association, and runs some danger of being entangled in the apparently local difference of opinion, it nevertheless came as a request for instruction from the Federal Legislative Committee. This question is coming up in the next Congress, and our Legislative Committee is asking us for advice as to whether they shall support a measure for Branch Banking. However, it may be limited, and whether they shall oppose any and all measures for Branch Banking.

I wish very much that this could be considered apart from any local disturbances, or any individual interests. It is an important question and I do not feel that the whole story was told by the last speaker.

I should, however, prefer to have this voted on, and an expression of opinion obtained from the meeting. Mr. McCarter, will you therefore withdraw your motion to oblige me?

MR. MCCARTER: Certainly, Sir. I would ask the Legislative Committee to be kind enough to define just what they mean by Branch Banking.

MR. C. A. HINSCH: Mr. Chairman, I am very glad indeed to have an opportunity of saying another word upon that subject; in presenting this subject we really should have divided it. We have Branch Banking contemplated by the recent Act, 13,391, and it pertains to cities and counties, and another that extends to the country districts.

Now, it seems to me that it might be well, therefore, in considering this subject of branch banking to divide the proposition (1) A question of whether or not we favor the establishment of Branch Banks in cities of a certain size; and (2) whether we favor the Branch Banking as extended to the country banks. I would suggest, Mr. Chairman, that you call for a vote for a division on the subject; first, on the city banks.

MR. WM. J. COUSE (New Jersey): Mr. Chairman, if I might be permitted to add a word, I do not think the country bankers have any objection to Branch Banking being conducted within the city lines. That is a matter for the bankers who are conducting business in the larger cities to determine. I believe the rank and file of the bankers, of country bankers, are opposed to branch banking conducted either within county lines or statewide branch banking.

GOVERNOR BAILEY: I am opposed to any system of Branch Banking. I wish to go on record so hard that it will catch the ears of Congress on that proposition. It appears that in the States that have the system of Branch Banking that the National Banks are working to disadvantage in those things; more than that, I grant that be true, I would rather have corrected the mistakes in those States than to make a greater mistake by establishing a national reputation of branch banking! You all know about the various banking systems in Canada. You must realize that another entering wedge into our branch system, will ring our death knell eventually of the individual banking systems of our country. I have in mind an experience of my own, up in my county in Kansas, where I lived for years. A couple of families of repute, hard working, industrious people, moved up into one of the provinces of Canada. They were thrifty, well-to-do people, but after they started in this new country they needed some accommodation. A branch bank of one of the great Canadian system banks was in this community, where I lived. They borrowed some money of them. That was all right, in the inception, but stringent times came on, and instructions went out from the Bank of Toronto to "Curtail your discounts."

These men were notified that their notes would be due on a certain time, and they were asked to pay them. They had removed from that personal equation that exists between every country banker and his clients, that bond of sympathy that enters into the banker, with the man who does business, was eliminated. The man who was running a branch bank up there in the district in Canada felt somewhat sorry for this other man, but he said, "My instructions are from Toronto, and you must pay your notes," and the borrower had to write down to his old friends in Kansas, and if we had not had a little extra money to send to him, he would have suffered an irreparable loss, as the result of the branch banking system.

I am sorry for the fellows running national banks in states that have the branch banking system, but I suggest we correct the wrong in our states first. This would then put an enter-

ing wedge into the branch bank system from the national point of view. I hope this Association will keep this in mind. I hope your voice will ring out today, so strong as to be heard in the halls of the American Congress. I quite realize that great influence and power is behind this thing. And let us therefore do the thing that is always potential with Congress. I know how Congressmen behave, when they get into that influence at Washington. The man loses track of the fellows at home, and that mysterious influence sways him; but the silent letter that comes from the fellow that elects him, is the man that moves his sentiment. It is up to you to see to that legislation, and I want to emphasize my opposition to any system of branch banking in this country.

MR. GEORGE REYNOLDS: I think I agree in the main with all that Brother Bailey has said on this subject. In the first place, the enactment of the law as it was proposed, would give the national banks in a few States privileges which the national banks in the majority of the States could not enjoy, because they had no laws in those States providing for branch banking. I know of no institution in America that would profit more by the passage of this law than the institution with which I am connected, and yet I am opposed to it.

I believe in public life and private life and in business and all civic endeavors of every kind that the question of ownership, the question of proprietorship, is the biggest and the broadest thing that will make for a betterment in our citizenship in every direction.

I am frank to say if we were organizing a new currency system, I believe that the safest system from the standpoint of the stability of your deposits, would be in the adoption of a system of branch banking. I am frank to say, however, on the other hand that while with the currency commission in Europe in 1908, in a study on this question, there was one question that could not be satisfactorily answered by any of the joint stock banks of any of those countries, where they allowed branch banking, and particularly in England, and that is the question that Mr. Bailey has just raised as to personality. The statements are all sent to the head office. They are all measured by the dollars and cents standard; the question of personality, the ability or the initiative of the individual in the community, is not given any greater advantage in one case than another. You all know that in every community there are two or three or four people who have initiative, who have progressed, and are successful in the consummation of the ideas that they undertake. Now, gentlemen, one gentleman from New Jersey, who has spoken of the condition there has said that he did not think the bankers would object, if it is only city-wide in its effect. We have in Chicago perhaps one hundred banks that would feel differently to that, probably seventy-five of those banks have their accounts with my institution. They have carried good balances with us, and have carried them for years, and I do not want now to prostitute the information which I have gotten through the benefits which they have endeavored to bring to me in giving me their accounts, by taking that information and starting branch banks across the street, in order that I may take away from them the business which many of them have been 25 years in building up. I hope that this Convention will go on record as opposing branch banks in every form, and I suggest, as Mr. Bailey suggested, to right the few instances where the competition is hurtful to the national banking system, and not make the sore so big so that it will extend to the banks in all the States.

THE PRESIDENT: Is there anyone here to take the opposite side?

MR. WILLIAM LIVINGSTONE (President, Dime Savings Bank, Detroit, Mich.): Mr. Chairman, I am sorry to disagree with my particular friend, Mr. George Reynolds, but I fully grant before this Convention that his experience is worth a great deal more than perhaps mine is; but it does seem to me that on the question of branch banks, we might have some limitation. Take Governor Bailey's illustration of the Canadian banks. You have the Canadian Bank of Commerce, and the Bank of Montreal, that run into hundreds of branch banks, extending all over the provinces of Canada. I fully agree with him about the man who is away from the main bank, that he loses the personal equation, which you would have in a bank confined entirely to a city.

Without desiring in any way to take up the time of this Convention, may I be pardoned if I just say a word relative to my own particular city, the City of Detroit? It seems to me that applied to the experience we have there, that under proper limitations and under proper laws—all State laws are not alike, but the way in which the branch banking system is controlled in our State indicates to me that it was understood there could be but little objection to our city banks, particularly, having branch business. We have one hundred branches in the City of Detroit, a fraction over that in fact. These branches are owned by all the respective State banks, some have more, and some less. The reason for establishing those branch banks is what?—for the convenience of our depositors. They are

scattered all over the city, and the result is that it is much more convenient for them in many ways to make their deposits at places which are near their own residences, which are on the outskirts of the city, scattered all over the entire districts of the city; it is so much more convenient and advantageous, that the customers are very much pleased with it, indeed; and the bank that did not have branch banks, I am speaking particularly of savings banks, throughout the city would be at a very grave disadvantage, indeed.

It is a public convenience in every way. The depositors want it, and they have asked for it. And they will tell you that there are many in that locality who say that we have a large plant here, and we cannot afford to come downtown to make our deposits, and the result is if you do not establish a branch bank we will go elsewhere. I am talking now particularly, and confining it to the limits of any one particular city, not going outside of it, not spreading all over thousands of miles throughout the entire province of Canada, and I am very familiar with their way of banking; but so far as our experience in Detroit is concerned, at least, I am satisfied that every banker in Detroit who has had any experience in the banking business whatever, would be utterly opposed to, and would vote no on this particular proposition.

Now, so far as we are concerned, you take the State business, and I happen to represent a State bank. If I were looking at it as an entirely selfish proposition, I would be opposed to national banks having branches, but the very reverse is the case. I think that we should all stand on equal footing, with equal rights and equal privileges, and I am heartily opposed to any resolution so far as my own personal opinion goes, and I know that I voice the opinion of all our State banks, at least in Detroit, and I am entirely opposed to the passage of this resolution, in the policy of all branch banks, without regard to the locality, or their particular limitations. If there is any question of branch banks having too much latitude, if there are some States where the laws are not sufficient, and the limitations are not such as provide for safety, then, it should be altered. Governor Bailey has raised the point here about the personal equation, which is true in the way he has stated it, but not so for instance in the city. There is no depositor in any of our banks that cannot come down to the man at the bank at any time, and be listened to with all consideration, and receive all the attention and help consistent with good banking, that he can have, provided he was keeping his account in the main bank. The fact that he is in the branch does not make any difference. If his credit is good, his integrity is good. He will get all the accommodation, all the help that he can possibly get under any circumstances in the main bank.

MR. FULTON (New Orleans): I would like to defend the system of branch banking. I have been brought up in that system of banking myself, and I know the good it is to the general communities, and in the city in which I live the State has authorized the establishment of branch banks within the county in which your bank is located, and it has not worked any hardship. It has worked to the benefit of the different communities.

In the City of New Orleans there are about 20 different branch banks. These branch banks have been established at the request of the people in these different sections. They find that they want a bank in that section. They are not strong enough to own a bank, but they want a bank that they can deposit their money in. We have established five, eight or ten banks, all through the city of New Orleans, and I want to defend it, as I think the branch bank system is something that is worthy of a great deal of consideration. I would like to see this Association go on record as favoring branch banks within the city limits.

(Cries of, "Question.")

THE PRESIDENT: The question is on the resolution.

MR. WALDO NEWCOMER (National Exchange Bank, Baltimore, Maryland): Mr. President, for me to get up and say a word that is not entirely in accord with Mr. Reynolds, is enough to make this assembly laugh, but I take the liberty, for just a moment. The question of competition between the banks that have tried to establish branches, and those who have not, has been referred to, and the gentleman over there has said such a situation should be corrected, be corrected locally; but the trouble is a local man has it in his charter, and you cannot change that. You have to meet it, and as you stand today, the man outside of the national bank system, or outside of the Federal Reserve system, can come up and establish a branch near you, cop your business, and you cannot retaliate. In the peculiar position where Reynolds is, where he is getting deposits from other banks, and they are on good terms, naturally he does not want to alter it, but in the city where it is not so easy, it may be an important question, and may I add one word more. An effort is being made to get non-member banks into the Federal system; I am not sure I am right, but I submit, is it not the fact that a State bank having branches, if it came into the Federal system would have to give them up, or else could not come in? (Cries of "No.") If I am

right in that assumption, this may be a step to let more of them in.

MR. GEORGE REYNOLDS: That is a mistaken assumption. The Corn Exchange Bank, of New York, which probably is the most highly developed system of banking in this country, has recently—

MR. NEWCOMER: I withdraw the last part of that argument, sir, and submit we should have it within the city limits.

MR. C. A. HINSCH: Is this going to come up under two sections?

THE PRESIDENT: No, it is coming up under Mr. Newcomer's motion, placing this convention on record as opposed to branch banks in any form. All in favor will signify aye.

(The motion was carried with applause.)

#### CONVENTION ALSO VOTES AGAINST PERMITTING NATIONAL BANKS TO ABSORB STATE BANKS WITH BRANCHES.

MR. HINSCH: In the report of the Federal Legislative Committee, you doubtless recall it was stated that we would like to have an expression on this subject, and if the vote of this Association was in opposition to branch banks, then that we go on record advocating the introduction of the amendment to the National Bank Act, which would prohibit national banks absorbing state banks with branches, thereby accomplishing in an indirect method something that cannot be accomplished by a direct method. I offer that as a motion.

THE PRESIDENT: The resolution which has been offered by Mr. Hinsch, is a logical successor to the one which has just been adopted by the Convention, but I wish to place myself on record as saying that I expect to attend a meeting of the American Bankers' Association when they reverse the action taken today. That is only an expression of individual opinion, and is not expected to go any further. (Applause.)

The resolution offered by Mr. Hinsch has not yet been seconded.

MR. J. M. DISWIDDIE (Cedar Rapids, Iowa): Mr. Chairman, I want to ask if you would repeat that statement. We did not quite catch what you said about the Association reversing itself.

THE PRESIDENT: I have a reasonable expectation of life, and I expect to live to attend a meeting of the convention at which the action taken today on this subject will be reversed, for I believe that you are going directly contrary to sound, tried, proved banking experience.

MR. BAILEY: Too many of the rest of us have a reasonable expectation, and we will hammer on it when it comes.

THE PRESIDENT: The motion is made by Mr. Hinsch that the Legislative Committee introduce a bill forbidding the national banks to absorb the state banks with branches, by that means forming national banks with branches. Any discussion desired on that motion? (Cries of, "Question.") (The motion was carried with two dissentents.)

#### COMMITTEE ON CREDIT FORMS CONTINUED.

THE GENERAL SECRETARY: The Executive Council, about a year ago, appointed a committee to prepare new credit forms which might be used by the members of the Association who desired to do so. That committee has given a very great deal of time and consideration to the subject, and has made some headway, and has communicated with the Federal Reserve banks of the outlying districts, with a view of compiling forms which would be adopted for both purposes. The Council Committee expires—it is a special committee of the Council, and the members of the Committee retire from the Council, so that it would not be practicable that the same Committee can be appointed by the Council. This action was taken by the Executive Committee at this meeting, as a recommendation to the Association. I will read the minutes. (Reading.)

MR. BONNER: Mr. Chairman, in view of the fact that this Committee has expended a great deal of time on the work and got a great deal of information, I move you that this financial report be received, and this Council recommend to the Convention that the same Committee be continued one more year in order that they may complete their work and recommend a definite form.

It was moved by Mr. Hinsch—Mr. Chairman, I second the motion, knowing the great work that the Committee has done the last year.

Now, that is put in the form of a recommendation to the general Convention that the General Convention appoint a special committee on credit forms, which will last for one year, and that the Committee which has been acting on that matter be appointed for that purpose. The present Committee is Mr. Sharer of Ohio, Chairman, and Mr. Law, of Philadelphia, and Mr. Lampert, of Chicago, that is the Committee on Credit Forms.

MR. PETER GOEBEL: On behalf of the Executive Council I move that these recommendations be adopted by the Convention, and the same committee be continued for one more year.

THE PRESIDENT: It has been moved by Mr. Goebel and seconded that the committee be continued for another year, the Committee on Credit Forms. Are you ready for the question? All those in favor will say aye. (Motion was carried.)

#### THANKS TO KANSAS CITY.

THE PRESIDENT: Now, resolutions are in order.

MR. SMYTHE: Mr. Chairman, and Gentlemen of the Convention, I would like to present the following report:

It is the unanimous opinion of your Committee on Resolutions that the American Bankers' Association, assembled in convention, should express by a rising vote its appreciation of the entertainment and the efforts made by those who have contributed so much to make this Convention one of the most successful in the history of the organization.

To greater Kansas City the American Bankers' Association is generally indebted for the hospitality extended.

To the committees representing the Clearing House Association and the banks, particular thanks are extended for the very adequate preparations for their hearty co-operation with the officers of this Association and for the facilities afforded and the entertainment provided.

To His Honor, George H. Edwards, Mayor of Kansas City, thanks are given for his generous words of welcome, and to the clergy who asked divine blessings on these assemblies and to all the speakers whose addresses have been most cordially and profitably received by the members, we express our appreciation.

To the Ladies' Entertainment Committee and their coworkers, who contributed in a high degree to the pleasure of the visitors, the Convention desires to express its warmest appreciation.

It is the pleasure of the Convention also to extend to Mr. and Mrs. R. A. Long and their charming daughter, Miss Louie Long, our particular gratitude for the most delightful "Day in the Country," that will never be forgotten.

The hotels of Kansas City have afforded us not only adequate facilities, but have been most successful in meeting demands for additional accommodations and the extension of courtesies. The management of the Convention Hall has been of the greatest assistance in making the machinery run smoothly and has contributed notably to the general success.

To the press of Kansas City, to the newspaper correspondents and to the Associated Press, we extend our thanks for courteous treatment, for liberal space and intelligent operation.

To all who have in any way contributed to the pleasure of the members or guests of this Convention, we express most hearty thanks.

Respectfully submitted,

JAMES DINKINS,  
P. C. HALE,  
B. A. SMYTHE,

Chairman.

I would like to present this for the consideration of the Convention, Mr. Chairman.

MR. WALTER HALE: I second that and move it be carried by a rising vote. (The motion was carried by a rising vote.)

THE PRESIDENT: Are there any other resolutions?

MR. GEORGE E. WEBB: I introduced a resolution here yesterday afternoon, which was referred to this session for action. I ask your unanimous consent to withdraw the resolution.

THE PRESIDENT: Mr. Webb asks for our unanimous consent to withdraw a resolution which he offered yesterday.

A VOICE: What was the resolution?

THE PRESIDENT: A resolution having something to do with the cattle question. Its purport was not clear to me at the time it was read, and I am still in some doubt. However, Mr. Webb desires to withdraw it. It seems to me that if there is no objection, that the purposes that he wishes to achieve are gained. Is there any objection made to the withdrawal of the resolution? None being offered, it will be considered as having your unanimous consent to the withdrawal. Mr. Von Ingleken, the Director of the Mint of the United States, has honored this Convention by attending its sessions.

We have a few minutes at our disposal, and I am sure that we shall all be glad to hear anything that he may have to say to us. I will now introduce Mr. Von Ingleken.

#### Remarks of Director of Mint

MR. F. J. H. VON ENGLEKEN (Director of the Mint, Washington): Mr. President, Ladies and Gentlemen of the American Bankers' Association: It is a little bit difficult to interfere with the election of officers, and the routine of business at the last meeting of this Convention; but, as the manufacturer who supplies you with the tools of your trade, there are perhaps a few things of interest which I might be able to tell you about very briefly, particularly as to the outgo of our factories, and of the product that comes in.

We are at the present time confronted with the situation which is unparalleled in the history of this country, and which is caused by the demands which you gentlemen are making upon us. I want to give you just a few figures. These figures are indicated by the economic condition of the country, and as the country's bankers, you gentlemen should be interested in the trend of supply and demand, as indicated by the spending capacity of the people.

When I came into office on the 1st of September the demand for money coined was slightly on an increase. Since the 10th of September your demands upon us have forced us to run our mints 24 hours a day, and so far we have not been able to keep the supply up to the demand. For half dollars and quarter dollars there has been no demand. Dimes, we coined up to September 10 last year, \$441,000; up to September 10 this year, \$1,031,000. Five-cent pieces, last year, up to September 10, \$1,158,000; this year, \$2,041,000. One-cent

pieces, last year, to September 10, \$222,000; this year, \$700,193, and since September 10 this ratio has been on the increase, the ratio of difference in demands which you are making upon us this year, as compared to last year.

What that means, and what that implies, I have not been able to discover. I hope it is due to the Thrift Campaign that you gentlemen are now encouraging in your banks and the things which are going on in connection with the savings banks. So much for the ontgo.

The incoming money, in the shape of gold that we get from the Allies, from England, may be of some interest to you as far as concerns the manner in which we handle it.

We have received in the Assay Office in New York and in the Mint in Philadelphia, beginning on the first of January, 1915, which precludes, or does not include, the first five months of the war, \$474,843,000 in gold.

At the beginning of this gold shipment it came to us in bars. Within the last eight months it has come to us in coin. The quantity of English sovereigns which we have melted up is absolutely incredible. The supply of English sovereigns having given out, we are now working on the French 20-franc piece. This money came to us from J. P. Morgan & Company, both in bars and in coins. Our capacity to handle it is twenty-five million a week, and the supply we receive from Morgan & Company is absolutely limited to our capacity to turn it out. We have it stacked in the Assay Office in New York and what we cannot handle in the day is sometimes left in boxes. We cannot handle all we get there in a day, for we have to open them and take them out and count and weigh and melt them. Everything we receive in gold is reweighed and valued. Morgan & Company keep their own guards in our office to guard what we have not used up. What we use is paid for the following day on the weight basis; that is, we pay J. P. Morgan & Company by an order on the Treasurer of the United States, 99 per cent of the gold we have weighed the previous day. The remaining one per cent we keep until we have weighed and melted and assayed this gold as to fineness, and then the difference is paid to Mr. Morgan, which sometimes takes the remaining one per cent, and sometimes a lesser portion of it. This period during which we hold back this one per cent runs as high sometimes as two weeks, and the amount is around \$600,000, so you see we keep all the time something which belongs to Morgan.

This gold immediately comes into this country, is transferred into American money, which is placed in the hands of Morgan & Company, and is used to pay for supplies which are furnished to the nations on the other side.

These are two important economical factors which have presented themselves to me in the Mint service, and I pass them on to you gentlemen, who hold in your hands the destiny of our financial service; and I want you to think of what these conditions will bring about in the next six months or a year.

I want to thank you for your kindness in permitting me to attend your meetings. I have enjoyed this Convention very much and it has been immensely educational to me.

I am compiling the demands on the Mint for coins at different periods in the last ten years. If you care to have these figures in order to anticipate the demand on you for a coinage, if you will write me I will gladly give you any information which the Mint Bureau has which is available.

#### NOMINATIONS AND ELECTIONS.

**THE PRESIDENT:** The next in order of business is the Report of the Committee on Nominations.

**THE GENERAL SECRETARY:** Before the Report of that Committee is presented I would like to read this letter. It is addressed to F. E. Farnsworth, Secretary, American Bankers' Association, Kansas City, Missouri.

"MY DEAR SIR:

As the Country Bankers have practically accomplished the objects for which they convened, I respectfully withdraw from any contest upon the floor of the Convention for the Vice-Presidency, and take this occasion to warmly thank my friends for their support.

Very respectfully yours,

ANDREW J. FRAME."

**THE PRESIDENT:** The next is the Report of the Committee on Nominations.

"Your Nominating Committee beg leave to report the following nominees unanimously chosen by the Committee to be submitted to the Association as officers for the coming year, 1916-1917:

For President, Mr. P. W. Goebel, President of the Commercial National Bank of Kansas City, Kansas.

For Vice-President, Mr. C. A. Hirsch, President of the Fifth and Third National Banks of Cincinnati, Ohio.

By order of the whole Nominating Committee.

(Signed) C. H. HOLLISTER,  
FRED. CALKINS.

**MR. BECKWITH:** I move you, sir, that the report be received and approved and that the Secretary be instructed to cast one ballot for the members here and those associated, for Mr. Goebel for President and Mr. Hirsch for Vice-President for the ensuing year. (Motion seconded.)

**THE PRESIDENT:** A motion has been made by Mr. Beckwith and seconded by many members, that the report of the Committee be received, and that the Secretary be instructed to cast the ballot of the Association for the gentlemen named. Are you ready for the question?

(Question stated and unanimously carried.)

**THE GENERAL SECRETARY:** In accordance with the instructions of the Convention, embodied in the motion of Mr. Beckwith, the General Secretary casts the vote for Mr. P. W. Goebel for President for the ensuing year, and Mr. Charles A. Hirsch, for Vice-President for the ensuing year.

**THE PRESIDENT:** The next business before the Convention is the duty which devolves upon me, and I wish to say it is a very pleasant one. It is, to introduce to you an almost unknown man, Mr. P. W. Goebel of Kansas City, Kansas.

The retiring President has, with some difficulty, invested the incoming President with the badge of office. He is now fully installed, and I turn him over to the tender mercies of this Association.

**PRESIDENT-ELECT GOEBEL:** Mr. President, Ladies and Gentlemen: It was my good fortune at the noon hour today to take luncheon with seven of the ex-Presidents of the American Bankers' Association. As I sat there and listened to their words of wisdom I was appalled at my insignificant qualifications to assume this, the greatest office that any American banker can aspire to.

I only want to say to you, gentlemen, that it shall be my best endeavor and my continuous purpose to follow in their footsteps as far as my limited ability will permit me to do so.

The American Bankers' Association is, in my opinion, the greatest Association in the world, and its potentiality for good is the greatest in the world, and especially is that so at this particular time. It is not the custom of the American Bankers' Association, for the incoming President to make any extended remarks, but I want to say to you, gentlemen of the Convention, I am delighted with your steadfast purpose of participating in this Convention from the beginning to the end. I have been something of a convention-goer, and never in my experience in the American Bankers' Association has there been such uniformly good attendance at all meetings from the beginning to the end of the Convention as we have had this time in Kansas City. It is an augury for good, gentlemen.

If we would achieve that which we can achieve for the people through the American Bankers' Association, we must give our earnest attention to the problems before us. The American Bankers' Association consists of various sections—the State Bankers' Associations and the National Bank Section, the Trust Company Section and the Clearing House Section, and so forth. Now, this, I think, is one of the wisest provisions that was written into the Constitution of the Association, that each may look to the strengthening of the system to which he belongs. And I want to say to you that that idea of sections must not be misconstrued into sectionalism; it must be construed in the light that these Sections are formed so that all sections may be co-ordinated to build up one great, solid banking business in the United States.

As Mr. Vanderlip said in his address yesterday, paraphrasing the immortal statement of Lincoln, that the country could not be half slave and half free, so that unless the several different classes of banks are co-ordinated they cannot exist; for if the state banks give better privileges and opportunities for their constituents to serve, the national banks naturally after a while will do the same thing, and vice versa; but I believe both have their proper functions, and it is the province of this Association to work for the harmonization of the whole system.

I again thank you for this splendid honor which you have conferred upon me, and admitting my inability to serve as I should, I wish to assure you that I will do the very best I can.

**MR. E. F. SWINNEY:** I am glad to be able to meet you as the first individual in the American Banking Association. Whenever you wish to learn what kind of a man any one is, it is an old saying, "Go to his home town and see what his neighbors think of him." Last year a few of us conveyed to you the information how Mr. Goebel was considered in Kansas City. I am today delegated by the banks of Kansas City, Missouri—and by the banks of Kansas City, Kansas—to show how the banks regard you, Mr. Goebel, and I take this opportunity to present to you a token of how you are regarded by the various banks of Kansas City.

(Here Mr. Swinney handed Mr. Goebel a very large flower-pot, composed of American Beauty roses and white chrysanthemums.)

(Mr. E. F. Swinney, continuing): We country bankers feel that at the next meeting we will sit at the feet of our next President and listen to the words of wisdom.

**THE GENERAL SECRETARY:** I have been asked by the Kansas City Banking Association to read this letter addressed to the retiring President and members of the Association:

"Greetings from 1,000 Kansas bankers and wives assembled at this Convention and our sincerest appreciation in the election of our ex-President, the Hon. P. W. Goebel, as your President.

We, who know him best and his sterling worth, bespeak for him a splendid, progressive and successful administration; at the same time, we extend to each and all a cordial invitation to visit Kansas, with its fertile lands, rich in agriculture and live stock, its gas, oil, coal and mineral fields in the southeast part of the State, salt beds at Hutchinson and Ellsworth, our Capitol at Topeka, splendid University at Lawrence, the world's greatest Agricultural College at Manhattan, largest Maneuver Grounds in the United States at Fort Riley, Soldiers' Home at Leavenworth, with its Fort Leavenworth and its War College, Disciplinary Barracks, and United States Penitentiary.

We want to show you that, besides having a big President, we have a big State—big in everything.

KANSAS BANKERS' ASSOCIATION,  
By L. H. WULFENBUCHER, President."

PRESIDENT P. W. GOEBEL: Gentlemen, it gives me great pleasure to introduce to you Mr. Charles A. Hinsch, of Cincinnati, whom you have selected as your Vice-President for the ensuing year. Mr. Hinsch, gentlemen:

My dear friend Hinsch, it gives me peculiar pleasure to pin upon you the badge of the First Vice-President of the American Bankers' Association; and I know, if any one has ever deserved the honor of this preferment by hard work in the service of the Association, by unselfish use of talent and time and money, to look after the various legislative interests of the Association, you are certainly the one; and it gives me pleasure, gentlemen, to introduce to you my friend as the First Vice-President of the Association!

MR. CHARLES A. HINSCH: Mr. Chairman and Gentlemen, I am deeply sensible of the great honor you have conferred upon me this afternoon and I will, with your co-operation and assistance—which you have always so generously given to me throughout the past year as Chairman of the Federal Legislative Committee—I will do the best within me to promote the interests of the American Bankers' Association during the coming year. I have been associated on the Executive Council, as you know, for the past three years, and I have enjoyed the work, and I am glad, indeed, to be able to, in this way, keep in touch with the activities of the Association.

I thank you kindly.

MR. LAW: President Lynch, I have a very delightful duty to perform at this time. You are just closing a term of office during one of the most remarkable periods in the history of this Association, a period unprecedented in the stirring events which have occurred in perfecting the business and the fortunes of the members of this Association.

During the year which has just passed, I feel that the Association has become important, through large opportunity, beyond anything it has ever done before. Its forces are now mobilized for work, all the banks and trust companies of this country have a better organization than they have ever had before. It also occurs to me that this Convention has reached the highest mark reached, in the quality of members which we have here and of the addresses which we have heard, and particularly in the frankness and cordiality of the discussion in which our members have participated. We feel a great deal of this is due to your personality. You are a man having convictions, and being a gentleman unafraid, you have never hesitated to express them. You will look back all your life upon this interesting period of your career, and we want to give you in trust a little token of our affection. We are giving it to your devoted and brilliant wife, but we are nominally giving it to you. And I trust, as the years go by, and this silver tea set is in your dining room, and your children and grandchildren use it, with you around the fireside, it will recall to your memory those friends who have learned to love you and whom I think constitute the greatest by-product of the American Bankers' life. (Applause.)

RETIRING PRESIDENT LYNCH: Mr. Law, and Gentlemen of the Convention: It is with great pleasure that I accept this gift in trust for my wife, with all that Mr. Law said of her—and more. I cannot profess the surprise that Presidents of the past have stated; I have seen it done so often, but nevertheless it is a great pleasure and a novelty. It has all the charm of the first sunrise, this presentation. But I assure you I appreciate this fine gift, and I congratulate the gentlemen who selected it for the taste which they have shown.

The year which has passed has been a very happy and a short one. The honor conferred upon me at Seattle was overwhelming. I realized my shortcomings and I further realized my distance from the banking centers of the country, that they would in some way mar my usefulness; but I have done my best to work for the Association; and if you feel I have achieved any measure of success such as Mr. Law is kind enough to say I did, I can assure you I am very happy, and I wish to assure you that this year of my Presidency will be one of the best recollections of my life. (Applause.)

MR. COX: Mr. President, I have been impressed for several days and particularly pleased at the attendance on this Convention of many ex-Presidents. In my attendance at conventions of the American Bankers' Association, I think I have never seen so many ex-Presidents on hand as we have had on this occasion. While they have been honored in the past with

the highest position within the gift of this Association, we have with us at this time Mr. George M. Reynolds, Mr. Arthur Reynolds, Mr. Watts, Mr. Livingston, Mr. Law, Mr. Walter Hill, and Mr. Swinney,—

RETIRING PRESIDENT LYNCH: And Mr. Lynch.

MR. COX: Yes, and Mr. Lynch. I move you, sir, as a manifestation of our appreciation of the presence of these gentlemen, and for their wise counsel, that we manifest our appreciation by a rising vote of thanks. (All rise.)

PRESIDENT GOEBEL: I thank you, gentlemen, for this manifestation.

MR. WALTER HILL: Ladies, Mr. President, and Brother Pawn Brokers.—I always put the women first, because without woman we would have no country, no banks, no nothing! (Laughter.)

It has been ten years since I have had the chance to look you gentlemen in the face and say one word to you. Many, many thoughts have come up in my mind that I am not going to take your time to give you this afternoon. It would take me ten years to do so.

I miss names that were not mentioned, but names that will be revered as long as this Association lasts. I will only mention two, because there are a great many of them: One of them is that giant among financial intellects, George H. Russell, and the other is that other intellectual giant, Joe Hendricks, of New York, who was born and raised in this great State, and although maimed in body he went to New York and became one of the greatest reformers, political reformers, in New York, and afterward became one of the greatest bankers in New York.

But I have got to talk upon a sentimental subject and I have before me a man who cannot and will not excite any sentiment in me. It is Mr. Fitzwilson. We were born in that great State which has made States and statesmen, when states and statesmen were made the foundation of this Government. We both have fed on peanuts and past recollections. He is forty-four years old, he says, but I have known him longer than that. (Laughter.) He is not married; I am sure it is not his error \* \* \*

Mr. Fitzwilson, I want to present to you—they call it a loving cup—I would rather present to you some charming woman and have her for your loving mate. You will never be a man unless you get it. I have peculiar feelings as to why you should make a combination here in this great Banking Association, with men that are fitted to rule the world. We never think about it. The Army and Navy, through Perry and Grant and Lee, are praised all over the world; but many a Grant and a Lee and a Perry have been in only financial wars, and I will mention two of them, one was George S. Coe, of the Exchange National Bank of New York, who died in 1891, and the other is Charles Fry, who died in 1894; they were both financial heroes.

(Addressing Mr. Fitzwilson): Mr. Fitzwilson, they told me to speak two minutes in presenting this gift to you. I want to present this loving cup, on which is this inscription: "Twenty years of Loyal Service and His Twenty-first Convention." Mr. Wilson asked me to say this, hence I say it.

MR. WILLIAM FITZWILSON: Gentlemen, I sincerely appreciate this token and I shall prize it always. I have enjoyed my twenty years, or my twenty-one years, with the American Bankers' Association, more than I can tell you, and I desire simply to thank you for this lovely token.

I thank you very much.

PRESIDENT GOEBEL: Next on the program is "Communications." The General Secretary informs me there are none.

Next is "Announcements."

THE GENERAL SECRETARY: I desire to make an announcement that the new Executive Council will meet in the Francis I Room in the Baltimore Hotel one-half an hour after the adjournment of this Convention, for the temporary organization of the Council. I trust every member of the Council will be there.

PRESIDENT GOEBEL: Is there anything further? If not, a motion to adjourn will be in order.

(Motion made, seconded and carried to adjourn.)

Convention adjourned.



# CLEARING HOUSE SECTION

## AMERICAN BANKERS' ASSOCIATION

Tenth Annual Meeting, Held in Kansas City, Mo., September 26, 1916

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### *Exchange Charges, Country Clearing Houses, and Settlement of Balances*

By JOSEPH WAYNE, JR., President, Girard National Bank, Philadelphia.

Your Committee on Arrangements has allotted to me the pleasant task of discoursing on the subject of "Exchange Charges, Country Clearing Houses and Settlement of Balances."

I feel that instead of making a business address on these subjects, I am more called upon to make a funeral oration over the remains of one of our departed friends, as the matters referred to are more or less dead issues, and relate to the business of banking as it was conducted during the dark ages existing prior to the time the Federal Reserve Act was thrust upon us by a benevolent Congress.

The question of exchange charges, however, may well be of interest at this time, as the Federal Reserve Clearing Plan has forced upon us a considerable readjustment of exchange relations.

The much heralded par clearing plan does not offer par collection facilities as our customers and the public understand the word par. To them the word implies no costs, but unfortunately that portion of exchange charges formerly based on service and allowance to cover items in course of collection still remains to be provided for. The Federal Reserve Banks are accepting checks from member banks at par as to exchange, but they are not actually accepting checks at par when making a service charge, and not giving immediate credit for deposit of out-of-town items for reserve purposes. The bank realizing what the par feature of the Federal Reserve Clearing Plan actually means is the paying bank whose income from collection or exchange business has been legislated out of commission.

The Federal Reserve Act has much to commend it, but one of the most objectionable features in connection with the passage of that Act was the evident intent of its framers to break up the inter-relations existing between the banks of this country, on the ground that such relationships were prejudicial to the smaller banks and to the public, but are they?

The banking structure of this country is entirely unlike that of any other country, in that we have over twenty thousand separate financial institutions, all endeavoring in their humble way to serve the community in which they may be located. To give satisfactory

service to customers it was necessary for each and every banking institution to have close relations with one or many other banks or bankers, in order to have an outlet through which the miscellaneous checks and other items deposited by customers might be collected. The records of all our older banks show that since the beginning of banking in this country, banks have found it necessary to maintain relations with banks in other centers to clear the business of their depositors, and as the country has grown so has necessity for more and more connections grown, until we reached the highly developed inter-bank relationships existing at the time the Federal Reserve Act was put into effect. To say that this relationship was a menace to the public and to the smaller banks, as was claimed by the sponsors of the Act, was a gross injustice to the bank officials of this country and to the intelligence of the customers they serve.

The checks, drafts, notes and other papers received on deposit by our banks must of necessity be presented for payment at the bank or point on which they may be drawn, and through the channels of our inter-bank relationship these banking papers were presented for payment. The bank making the collection and remitting the funds to the bank requiring this service naturally made a charge for services rendered, and while this may have been termed a service charge, it has been known in our profession as an exchange charge. The fairness of these charges was in the majority of cases never questioned, but where so many banks were concerned and such a multitude of transactions involved, some cases of extortionate charges were bound to appear, but this is no reason why our mutual relations should be ruthlessly discarded. You will never get the same personal service through the Federal Reserve Banks that you have enjoyed in your dealings with banks of your own choice. Competition has given us in many ways an ideal system, as your wants have been catered to by banks that were eager to secure your business, facilities have been offered you without charge that you should have been glad to pay for, and as a consequence your customers indirectly received the advantage of the competition existing.

The Federal Reserve Banks have very little interest in your affairs outside of seeing that you maintain with them the reserve required by law and that you pay for any service required. This is all right in its way, as the Federal Reserve Banks have no favorites, and we should each one of us pay for what service we require from them; but are we in America going to eliminate by government mandate all the expenses in business that are the results of competition? Most decidedly not, and if not, why should we be compelled to eliminate from our business a charge for services that produced a revenue for facilities extended?

City banks charging customers on out-of-town items generally computed exchange rates on a basis of service expenses, plus loss of interest in transit, plus charge made by the bank remitting. The charge made by the bank remitting being figured on the cost of shipping cash to its reserve agents, plus service, and a small allowance for profit. On this basis the only bank making a profit was the bank actually making the charge for remittance, as the bank charging its customers on the deposit of out-of-town items merely exacted the cost it incurred converting out-of-town items into bankable funds. The only change effected by the Federal Reserve Clearing Plan is to deprive the remitting bank of any opportunity of profiting by the transfer of funds from point to point, as this may now be accomplished through the clearing plan at par as to exchange, by the elimination of the charge formerly made by the remitting bank. That portion of exchange charges based on service and loss of interest in transit have, however, not been eliminated, but have been augmented by the addition of the service charge made by the Federal Reserve Banks. The result being that banks formerly charging exchange to customers on their deposits of out-of-town checks have been able to reduce charges somewhat, but only at the expense of their out-of-town banking friends.

It is also well to remember that the collection facilities available through the Federal Reserve Banks cover checks only, and that our banks must continue to maintain expensive collection departments and facilities for clearing checks that will not be accepted by the reserve banks, and for the handling of notes, drafts, coupons, etc., all of which are a vitally important part of the service demanded and required by your customers, and a service for which a bank must in some way receive compensation.

The purpose of incorporating in the Federal Reserve Act a Clearing Plan was to benefit the smaller banks and the business community at the expense of the larger city institutions. The act has, however, evidently missed fire, as the only organized opposition to the enactment of the No Exchange Clearing Plan has come from the country bankers, who are being deprived of income from collection business formerly handled for the Reserve and other City banks.

The plan for clearing checks on member banks, and other financial institutions that have charitably agreed to abide by its requirements, has been effective since July 15th last. As a consequence exchange charges bring up a very sore subject to many bankers, as the charging of exchange was, up to a few months ago, considered a just recompense for services rendered, and the income derived from those charges was part of the legitimate income of a considerable number of our banks, and one that was fairly earned.

The exchange relations existing between financial institutions were the outcome of years of competition and competitive service, and very few of the large army of depositors in our banks, outside of those in some of our larger cities, were aware that any expense entered into the collection of checks and other items passed to their credit at par.

The collection business of this country cannot be handled without expense, the only question is—who is to foot the bill? Theoretically, the customer depositing the checks or collections should pay for the service required, but in a great majority of cases competition has ruled otherwise. The business of a customer maintaining a valuable account has been desirable, consequently in consideration of his paying business banks have been willing to accept his deposit of out-of-town items at par, notwithstanding the fact that the bank may have been put to considerable expense in collecting his business. Banks maintaining desirable accounts with other banks in reserve cities have received similar treatment, not that there was no expense attached to collecting deposits of out-of-town items, but this expense could be absorbed by the city bank if adequate balances were maintained. Again, in order to secure and properly serve out-of-town bank accounts, Reserve City Banks were of necessity obliged to open collection accounts with banks at other points, where they had items to be cleared, and were willing to allow a commission or exchange for the facilities they required, as they could hardly expect to obtain them in any other way. All this accrued to the benefit of the out-of-town or country banker and at the expense of the City banks.

The practical working of the Federal Reserve Clearing Plan results in the customer of the City bank or the City bank itself being relieved of a great part of this expense and eliminates the profit formerly made by the country banker out of the City banker, in consideration of the services the country banker was able to extend.

This beautiful Clearing Plan may be theoretically perfect and the last word in banking, but I do not approve of it for the reason that it tends toward taking the initiative out of our business. Add to the Clearing Plan a Guarantee of Deposits, regulate the interest we may allow on deposits and fix the rate we must charge on loans, and your picture is complete, but you have taken the pep entirely out of our business and we become mere automatons.

The Federal Reserve scheme at present reminds me very much of a graveyard. Many of those within would prefer to be without, and there is nothing very alluring within its scope to encourage State Banks and Trust Companies to enter, but there is hope even the most unattractive graveyard presents possibilities. My opinion is that the clearing plan never should have been incorporated in the Federal Reserve Act, and further that the Act should have permitted banks to maintain a portion of their reserve with other banks, so that our inter-bank relationship might not have been disturbed and the collection proposition left to the individual banks to handle.

The Country Clearing Houses that were being organized throughout the country, were taking care of the check collection proposition long before the Federal Reserve Act hitted in, and the bankers of the country could have settled their own exchange matters and at their own expense, or at least at an expense to their customers commensurate with services extended.

I don't think it necessary to dwell on the subject of country clearing houses for the collection of country checks, as conditions in different parts of the country vary widely, and what would meet the situation in Boston, New York or Philadelphia might not be adaptable to Kansas City, St. Louis or San Francisco. The bankers in any centre have the brains and the knowledge of conditions to meet their local needs, and we were progressing rapidly toward consummation of a comprehensive collection system among ourselves, before the Federal Reserve Act appeared in the field.

There is very little to be said concerning Settlement of Balances, usually the only thing to do is to pay what you owe in currency or in exchange that will be accept-

able to the creditor bank, when this has been done the settlement of balances has been accomplished, at least to the satisfaction of the creditor bank.

I would like to say a word concerning our inter-bank relationships and their value. The banks of this country are so closely woven together for their own protection and their mutual welfare, that in my opinion it is going to take more than one federal reserve act to make them dependent upon the Federal Reserve Banks, for all the facilities they now enjoy through reserve and other similar connections. When the Act is in full effect, and deposits with other banks become more due from banks, the real test will come, but as none of us can afford to keep larger balances with the Federal Reserve Banks than the law requires, we will still retain accounts to some extent with banks for the double purpose of securing interest on idle funds, and of securing the judgment of our banking connections on the question of credits and investments.

The banks in our larger cities have found it necessary to have highly specialized departments for the securing and tabulating of credit and investment information, which is theoretically at the service of their depositors and correspondents but practically at the command of the entire banking fraternity. The Federal Reserve Banks can't replace this service, and it cannot be maintained by us at its present efficiency if all deposits by banks should be transferred to the Reserve Banks. The profit of inter-bank relationships has been responsible for this valuable adjunct to bank equipment.

Then again I think it would be a very serious matter to the business community, if all reserves of all banks and trust companies were transferred to the Reserve Banks. These reserves constitute a large portion of the loanable funds available for investment by banks in commercial paper, take these reserve funds out of our banks, and you will seriously curtail their loaning ability to the detriment of the borrowing public.

If all bank reserves were transferred to the Federal Reserve Banks, the only way the funds could get back into circulation would be by the direct purchase of paper or loans by the Reserve Banks themselves, or by our buying the money back by re-discounting. The business community generally would prefer to have the purchasing power remain with the individual banks, and the banks would be very reluctant to re-discounting heavily in order to have funds for investment in commercial paper.

From the standpoint of the bankers, what is wrong with the Federal Reserve Clearing Plan? It only appeals to a few banks in the larger cities that never had any real collection facilities of their own, and to banks outside of the reserve cities that receive from their customers more items to be cleared than any of their reserve connections are able to accept at par, on balances maintained with reserve city banks.

In the first place the army of small banks suddenly find their revenue from collections practically cut off, when considering this, it is well to remember that these institutions have a place in the banking world. The

establishment of these small banks has been encouraged by national and state authorities, they serve communities where the possible income from loans is not sufficient to meet running expenses, so what incentive will there be to invest money in these small institutions?

To the numerous larger and well established banks it simply means cutting off revenue any banker is justly entitled to receive from a department of his bank that takes expensive equipment, time and money to properly run.

To the banks handling reserve deposits, it is also quite a serious matter, these banks after years of hard work secured at large expense, collection facilities to handle the business of the country. The Federal Reserve Act will practically transfer reserve deposits from these banks to the Federal Reserve Banks, forcing on us all, whether we like it or not, a collection system that no individual bank can hope to compete with in efficiency or as to cost, exchange being arbitrarily eliminated.

Reserve City Banks are now finding their well established collection arrangements a burden, instead of an aid to their business, and the result is bound to be a curtailment of these banks' activity in the collection field, at a direct loss to all banks concerned.

There is one thing that we must bear in mind, if we don't like the Clearing Plan we don't want to pour our displeasure on the heads of the Federal Reserve Board or on the officers of the Reserve Banks. The plan is incorporated in the Federal Reserve Act and there it will remain until it is removed or amended, and the Board and Reserve Bank officials can't be blamed for complying with its requirements.

Do we intend doing anything relative to this exchange matter? There has been a lot of idle talk about making checks circulate on the same basis as bank notes or other real money, it can't be done. A check is a check and it always will be, and is not money until it has been presented at the bank on which it is drawn and real money given in exchange. In arranging for this conversion and carrying it through, the banks of this country are most certainly entitled to compensation. The principle of private capital being compelled by law to furnish for nothing, to other privately owned business, facilities entailing a cost to the first named, is all wrong. Carried to the extreme as it may well be, it can only result in the withdrawal of capital from the business affected and its investment in more lucrative ventures.

In other words, I feel that the almost unlimited competition in the banking business precludes the idea of the business community being unfairly dealt with. Appreciating the good features of our esteemed but much abused Federal Reserve Act, I am very fearful that it is only the first step toward endeavoring to place the banks of this country under control of those who have very little interest in the development of our institutions, but who are more interested in throttling individual activities on the part of those capable of serving the community, not only to its entire satisfaction but to its greater advantage.

## *Necessity for Credit Statements and Uniformity Thereof from Standpoint of the City Banker*

BY W. W. SMITH, Vice-President Third National Bank, St. Louis

I have been requested to discuss, from the standpoint of the city banker, the "Necessity for Credit Statements and Desirability of Uniformity Thereof." The subject is most vital to the banker and, with the increasing scope of our commercial operations, of growing importance to the borrower in every character of business.

Mr. Warburg has recently urged national standardization of credit as a condition precedent to national uniformity of discount rates. Contemporaneously, this eminent authority on banking is quoted as being fearful, should the state banks continue in their refusal to join the Reserve System, that their applications cannot be accommodated in a time of stress.

It is an agreed fact that there cannot be either standardization or uniformity in American banking without the co-operation of state banks with the Reserve System and, in order to prepare for the financial strain which will follow the cessation of hostilities in Europe, it is absolutely necessary that the two arms of American banking should co-ordinate.

In considering the desirability of uniform statements, it is well to realize that it is only within the past twenty years that the bankers of this country have requested written statements, and not until the year 1899 did the American Bankers' Association lend its approval to a standard financial statement blank; but with the opening of the Federal Reserve Banks, and the requirement of the Federal Reserve Board that practically all borrowers whose paper is submitted for rediscount furnish written statements showing a proper ratio of quick assets to liabilities, we have entered an era where the borrower that refuses to make a statement has very little, if any, credit standing, and I am sure that, with the rapidly increasing volume of commercial paper and trade acceptances, we are approaching a time when the banker will discriminate against the paper of the borrower, which is unaccompanied by a form of statement that will be standard from the Atlantic to the Pacific.

I am advised that the New York Stock Exchange Listing Committee is now requesting companies seeking to list their shares on the exchange to make semi-annual or quarterly reports of earnings.

The banking experience of many of those present includes the period when first the customer whispered to the President or Cashier of his bank a brief outline of the assets and liabilities; later furnished a slip of paper with a partial statement of the condition of the business, which gave way to the detailed financial statement,—these having been superseded in many instances by the figures submitted over the certificate of public accountants. These changes were not, as far as they should have been, the result of concerted demand upon the part of our financiers, but the beneficial result of the many serious losses sustained through out ever recurring financial panics. We are all too prone to let well enough alone, and I can state without fear of contradiction that we bankers, owing to our fear of competition, would not have been as rigid in our present requirements of financial statements if the losses resulting from violent financial reverses had not, from the standpoint of self-preservation, necessitated positive action.

Each progressive step in obtaining and checking credit information and the compiling and analyzing of same has been slow but certain, but there has been practically no

concerted demand for information in a standardized form. In my estimation one of the most progressive steps taken by the bankers within the past twelve years has been the appointment of Clearing House bank examiners, and to-day we have the associated banks in seventeen cities employing experts to make periodical examination. With the co-operation of these practical men, we should have no difficulty in selecting a uniform financial statement which would meet the requirements of the commerce of this country. True, a great deal of missionary work has been done by the various Clearing House bank examiners and, with the co-operation of the bankers and the Federal Reserve Board, we hope to look forward at no distant date to the adoption of a uniform financial statement.

Inquiries from seventeen cities maintaining Clearing House bank examiners reveal the fact that in only two has the Clearing House required the member banks to obtain financial statements of all unsecured borrowers, but in only one has a standardized form of statement been adopted.

Simultaneously with the opening of the Federal Reserve Banks, the bankers of this country were confronted with materially reduced interest rates, due to the increase in loanable funds owing to the reduction in reserve requirements, which has been steadily augmented by the enormous gold shipments received from European countries,—we to-day holding approximately one-third of the world's gold supply. This condition has resulted in lower rates for credit accommodation than were probably ever experienced for the same length of time. Competition always results in the "survival of the fittest," and the current of desirable business follows the direction of cheaper interest rates. It will, therefore, be necessary for the banker, in order to maintain his former earning power, to increase the volume of his business, reduce the overhead expense and, as far as possible, eliminate his losses.

Our subject permits of a discussion of only the plans to be offered to reduce to a minimum those all too frequent items, which must be charged to "Profit and Loss."

The trend of the times is unmistakable. We are slowly but surely reaching that enviable condition when all lines of credit will be granted upon the basis of detailed financial statements, standardized as to form, certified by a public accountant as to its correctness, accompanied by an appraisal of assets by a competent appraiser, with the validity of the notes of the borrower authenticated by a responsible registrar.

I realize fully that I have struck neither a new nor a "lost chord" (and am sure not a false one), but in order to make our suggestions bear fruit we must have co-operation. Without it we can have no measure of success, and when a canvass of seventeen Clearing House bank examiners brings a unanimous approval of the necessity for uniform financial statements, I feel that the Clearing House Section of the American Bankers' Association must request the adoption of a standardized form by the Federal Reserve Board.

The time for action in this connection was never more opportune, as a committee of Federal Reserve Agents will meet in October to consider the adoption of standardized statements, and I believe would welcome any suggestions bearing on the subject which this body would care to submit.

It will no doubt be suggested by some that a given form cannot be made available for every type of business. By the suggestion of uniform statements, it is not intended that only one form shall be used; but the complete statement blanks that have been adopted by the banks associated with the Cleveland Clearing House have proven so successful that the division of financial statements into forms for individuals, partnerships and corporations can, in my judgment, be safely adopted, including appropriate blanks for additional data which, owing to local conditions, would make them capable of covering credit data considered necessary by bankers in any section of our country.

Not many years ago, through the exactions of the Interstate Commerce Commission, the great railroads of this country were required, not only to standardize their statements, but were compelled to a certain extent to introduce uniform methods of accounting. Many railroad officials complained that for some particular reason or other, the affairs of their companies could not be intelligently reported on the forms adopted; but after a thorough trial we have to-day a standardized form of railroad financial statements, which are not only comprehensible to the layman but owing to the uniform manner in which the data is arranged prove of the utmost value to the railroad managers in making comparative estimates of the workings of the various departments between competitive properties,—thus resulting in a higher standard of operation than existed prior to the adoption of uniform statements.

There is no doubt that the Federal Reserve Board would welcome the adoption of a standardized statement of borrowers, and I feel sure that no greater protection could be afforded the American bankers than the adoption by the Reserve Board of a requirement to that effect, making the filing of such a form of statement a condition precedent to discounting paper with the Reserve Banks.

As our time is limited, we will not endeavor to itemize every requirement of information this statement should contain; but we cannot leave the discussion of the details without offering the following suggestions to be embodied in all standardized forms.

Inquiry should be made to determine if the "cash" is subject to any liens.

The accounts and bills receivable should be accompanied by details as to whether they are hypothecated; the amount due from officers, directors, employees and subsidiaries should be clearly stated.

Under inventory we should require information as to raw and unfinished merchandise, and basis of value.

We will deal later with the appraisal of assets.

Likewise, detailed information with reference to investments should be required, as often the ownership of stock in an allied corporation may prove indirectly a liability instead of an asset, due to the fact that obligations of that corporation may have been guaranteed or endorsed by the borrower under consideration.

So, also, should full information be given with regard to lands, buildings and machinery, and in no case should the net amount or equity be shown, but full details and descriptions of the property, together with data covering the indebtedness against same.

The details of the liabilities have not in the past received the same degree of scrutiny as the assets, but in my opinion their investigation is of equal importance. Our form of statement should by all means show if notes are given for merchandise, and the banker should know if it is customary to pay by notes in the particular line of business.

Details of notes payable, the amount due to officers, employees and the members of their families should be itemized; the amount due banks and brokers should be

clearly stated, with information as to the maturities of these obligations.

The amount of accounts payable, past due.

The details of any mortgages or liens on fixed or current assets.

Amount of receivables discounted or pledged.

Amount of endorsements or guarantees.

Terms of lease, if any property occupied is not owned.

While the asset and liability statement is the one usually submitted as a basis for credit, in my judgment the statement of income and expense is almost indispensable to the banker in considering a line of credit. The one reflects a condition on a given date; the other how that condition was made possible, and to a great extent suggests a healthy or unhealthy trend of the business.

Every banker would prefer the credit risk offered by a growing business, with steady and substantial profits, although somewhat lacking in the usually desired ratio of quick assets to current liabilities, to one showing the required margin where the Profit and Loss Account indicates operations at a steady loss; the one insuring a desirable future connection; the other fraught with worry and possible ultimate loss.

Complete information should be obtained relative to insurance of all kinds on buildings, machinery and merchandise, (fire losses in our country reaching the alarming sum of approximately \$200,000,000 per annum). The necessity of insurance on the lives of corporation managers and partners has survived the experimental stage, and is to-day recognized by all far-sighted bankers, for we are confronted with the fact that, while a fire may never occur, death is inevitable. Too frequently the affairs of our great corporations are directed chiefly, if not wholly, by a single manager, whose death means heavy financial loss which should be covered by business insurance.

The death of a member of a firm, in addition to the loss of his active co-operation in the management, may involve the withdrawal of his capital from the business. How often in our checking of the corporations and firms selling paper on the open market, do we find the suggestion that this or that banker (owing to the death of the founder or manager of the business under investigation) has discontinued purchasing the note until such time as the new organization has shown its ability to safely handle its affairs. This situation would be materially improved if, in response to our inquiry, we were advised that the company, while losing a capable official, had collected a large sum of life insurance.

Appraisal of Assets: In my judgment far too little attention has been given to this vital element in our consideration of a credit risk. Approximately fifty per cent. of the liquid assets of our large corporations are made up of merchandise and raw material, and the valuation of same is left to the judgment of an accountant, who too frequently is incompetent to in any degree approximate their true value. In other instances, the accountant often states that the inventory has been certified to him by a responsible representative of the borrower whose affairs are under investigation, and what avails it to have complete data with reference to the cash, bills and accounts receivable, if we are ignorant of the value of the investment.

In the famous English case of the Kingston Cotton Mills, Lord Justice Lindley stated: "It is no part of an auditor's duty to take stock; no one contends that it is. He must rely on other people for the details of the stock in trade on hand." . . . In this case the Associate Justice, L. J. Lopez, so well defined the position and responsibility of auditors that it would be advisable for every banker to read the decision, carefully noting the limitation of responsibility of auditors before the English Courts.

This opinion was followed by the Irish Courts and reaffirmed lately in the case of Mead vs. Ball, Baker & Co.,

by Lord Chief Justice Alverston; and while this point has not, as far as I have been able to ascertain, been raised in an American Court, I am of the opinion that if the issue were to be passed upon it would be decided in accordance with the English precedents.

Therefore, it is necessary that we co-operate in requiring the services of trained appraisers, who are specialists in all important lines of business, who shall shoulder the responsibility for which the auditor is at present not legally bound.

This weakness in our investigation of credit risks has already been recognized by some of our more progressive bankers and they have, as an adjunct to their "Credit Department," employed experts in various lines, whose duty it is to make a detailed appraisal of the assets of the proposed borrower in conjunction with the work of the Certified Public Accountant.

I am strongly in favor of the results accomplished by many of our Certified Public Accountants and hope that I will not be misunderstood when making the suggestion that in many instances the banker relies too much upon an audited statement, indicating a desire to accept the audited statement as a "cure all" and not a safe-guard; but experience has taught that it is merely an additional line of information, and not, in any sense, a guarantee of value. A few years ago a number of the bankers of this country suffered severe losses through the failure of a large corporation, the audited statement of which indicated quick assets of three and one-half times its liabilities, but up to this time there is no indication that the creditors will receive over thirty cents on the dollar.

I would like to digress for a moment in order to make a suggestion, which I believe is of the utmost importance to every American banker and business man.

Shortly after the commencement of the European War we experienced a wonderful revival of trade and commerce in practically every line of business out of all proportion to fundamental conditions; this has resulted in the highest wage scale ever known in this or any other country, greatly increased railroad earnings,—an increase in commodity prices in many instances of over one hundred per cent. There is no line of business that has

not felt this enormous impetus, and at this writing the advance orders are as great as at any time in history. We know this condition cannot continue indefinitely; you have all witnessed in the past the periods of remarkable expansion and inflation, followed as certain as night follows day by the resultant period of depression.

There is a burden imposed on every American banker, not only to safeguard the interest of his particular bank but a higher responsibility,—a patriotic duty to protect the financial structure of our nation, and I feel that in no way can we be of such invaluable service to our country than to inculcate in the minds of the merchant and manufacturer a spirit of conservatism. There is a tendency to pay enormous dividends, to increase plant expenditures, to buy raw material at extremely high prices for months in advance, a disposition to raise wages to a point that normal business cannot maintain.

While I do not wish to be considered a pessimist, I am of the opinion that it is a duty we owe our customers to suggest and counsel policies which will result in such protective measures as will enable them to contract their business as successfully as they have been expanding it during the past eighteen months.\*

The word "preparedness" has been applied to activities in so many different directions of late; on the one hand, we find co-operation of our great engineers and scientists with the military authorities, a thorough canvass of our railroad situation in reference to the ability to mobilize and handle our armies, should the necessity arise, but the banker should also adopt a measure of preparedness, not for a war of defense or military aggression, but to furnish the sinews of war to our merchants and manufacturers in waging that contest for commercial supremacy which will naturally arise when the armies of Europe return to peaceful pursuits and bend all of their untiring energies in an attempt to acquire the commerce which we are so hopeful of securing.

I believe that we bankers can in no way lend greater service to the commerce of our country than to require a standardized form of financial statement which will result in the immediate extension of credit, even in times of stress, to all deserving borrowers.

## *Necessity for Credit Statements, and Uniformity Thereof from Standpoint of Merchant*

By R. A. Long, President of the Long Bell Lumber Co. of Kansas City.

As I understand it, faith is the primary basis of all credit. Faith, not in honesty alone, but honesty coupled with business ability (and this implies not only soundness of judgment, but industry, persistency, and a tactful disposition) supported by methodical or systematic system of accounting that one may know at a glance the condition of his business.

One may be honest and yet, if not possessed of good judgment, he fails.

One may be honest, possessed of good judgment, but fail because of lack of industry.

One may be honest, possessed of good judgment, industrious, but lacking in persistency, and failure eventually follows.

One may be honest, possessed of good judgment, industrious, persistent, but in disposition very faulty, unreasonable in his demands, thus making enemies both in and out of his organization, hence success is not his in very large degree.

One may be possessed of all these attributes, but lacking in the use of a methodical or systematic plan of ac-

counting, thereby fails to know many things about his business that should be known, and hence does not attain the large degree of success that would otherwise apply, and so it seems to me that all of the attributes mentioned are necessary in order that one may establish an outstanding, enviable credit; and yet one might possess all of such attributes and not be entitled to a comparatively large credit, unless supported by a carefully prepared statement of his resources and liabilities, for without such a statement his banker, or person of whom he might solicit loans, could not correctly measure the security offered, hence to be safe, would limit the amount to be loaned to the side of extreme conservatism, possibly, as compared with the credit that might have been extended had a statement of the exact financial condition of the would-be borrower been furnished. With such a statement before the person of whom credit is sought, especially if the attributes heretofore mentioned are possessed in a reasonable degree, in the large majority of cases, the borrower will be treated as liberally as he might have a right to expect.

It is needless to say such a statement should be prepared methodically and in a manner most easily understood, and the value assigned to each item, under, rather than in excess of its real worth, for a shrewd credit man will soon be able to discern the inclination of the borrower in this direction, and if he finds a disposition to stuff the statement, so to speak, his suspicions will be aroused, and the natural tendency would be to discredit the whole statement.

It is to the advantage of the borrower to prepare such a statement at least as often as once annually, for the reason that:—

1st. In order to make a statement that is true and correct, and do it readily, his accounts must be conducted so as to accurately, plainly and minutely set forth the business done from day to day, and the possession of such a record is of great assistance to the owner or manager in discovering leaks, or troubles leading to losses, for often large losses are sustained, especially in an active business, because of the lack of knowledge on the part of the responsible head of the details of his business. I once heard a representative of a large manufacturing concern say that his "company experienced no difficulty in competing with well-managed companies, those who fully understood their business; the most vexatious problem being competition with those manufacturers who kept on making money until they reached bankruptcy." This statement couples with the thought expressed by Edward N. Hurley, Chairman of the Federal Trade Commission, before the Boston Commercial Club on March 28th of this year. Mr. Hurley said:—"Out of sixty thousand successful corporations doing a business of \$100,000.00 a year, thirty thousand charged off no depreciation whatever; that only 10 per cent of our manufacturers and merchants know the actual cost to manufacture and sell their product, 40 per cent estimate what their costs are, and 50 per cent have no method, but price their goods arbitrarily. Most of the manufacturers and merchants who do not know what their goods cost are basing their selling price on what their competitors sell for, and with only this knowledge for a basis, they are frequently cutting prices and demoralizing the industry in which they are engaged."

2nd. The very fact that such statements are to be made annually and submitted to one's banker doubtless has a tendency in many cases (and I should not be surprised, in the majority) to cause the more ambitious business men to go a little slower (such men need to be checked up occasionally) in extending their business, and hence their credit, than would otherwise apply, and possibly thereby save them from at least serious financial distress, if not failure.

3rd. In the furnishing of credit statements it gives your banker a good understanding of what you are doing, and makes it possible for him to give advice at times that might be helpful, for, in fact, the interests of the banker and his customer are, or should be, very closely allied. In truth, even though one may not be for the moment a borrower, we believe it well that he voluntarily supply his banker with a carefully prepared financial statement of his condition, for, added to the benefit which would probably come as the result of a careful study of the details of his business in the preparation of the statement, is the decided advantage

of the close contact and relationship thus established between the two parties. Business men are being inquired about constantly as to their financial responsibility by other men in business, and the banker is the usual source of such inquiries, and so it is much better for the banker to be able to say something positive in answering such inquiries, than to be unable to say anything; and again, in most any large, well-conducted business, the time is most likely to come when money may be borrowed to advantage, and when the standing of one's business warrants a banker in extending credit. If such an applicant, although not a borrower commonly, has in fair and open way gained the banker's interest and attention by his foresight in supplying such statements, kept him in touch with his affairs, and acquainted with his progress, he is almost assured of receiving credit to the fullest extent he is entitled to, for the mere asking.

Naturally, the banker should be cautious in extending loans, even to customers that have before carried satisfactory balances, especially the one who has not taken his banker into his confidence, but held aloof with his credit statements until such time as he might be seeking accommodation. Particularly in times of emergency does the man in close touch with his banker have the advantage of the one who is not. It should be well understood that it is a source of great satisfaction to have a credit established when requiring its use, rather than waiting to do so until needed.

Pertaining to "the desirability for uniformity in statements," I take it that uniform statements are needed more for the use of the banker than for the borrower, and yet, applying this thought directly to the borrower, it would seem advisable that his statements should be uniform from year to year, so that inturning from the current statement back to the statements of previous years, the directing head of an institution could the more readily see the changes that were material and well for him to understand, or know about, than would be true if the statements were not uniform, or were changing from time to time.

Again, the more uniform the statements, the easier they are to check and the more intelligently understood, and a proper understanding of such statements is certainly very essential to both interests, viz: the lender and the borrower. In short, a standardization or uniformity of balance sheets arising from systematic accounting I believe is one of the forward steps of the age, and will save a vast amount of time in examination, hence conserve mental energy, and make more readily possible the rendering of more intelligent decisions as to the exact condition of a given business.

Finally, every man should be sensibly ambitious to accomplish with the talents that are his the greatest possibilities in his line of honest activities, and hence should pursue that course that will produce such results, and since in the commercial world the most of us need to use our credit, and many of us in large way, we should not hesitate to set forth in the plainest, frankest manner a complete statement of what we have and what we owe, and in uniform way, from time to time, for by so doing it is my unqualified opinion that we thereby establish a basis to accomplish our greatest possibilities.

## *The Necessity of Credit Statements from the Standpoint of the Country Banker.*

By W. C. GORDON, Cashier Farmers Savings Bank, Marshall, Mo.

It has frequently been declared that two of the most important governing principles in modern business are efficiency and accuracy. The prevalent settled tendency in all commercial activity is unmistakably toward the elimination of waste and uncertainty in methods, thereby making reasonably sure from the outset that the object in view shall be accomplished quickly, definitely and inevitably. Approximation in plans and loose, haphazard methods of execution are no longer tolerated. The complexity of modern business, with its ramifications ever increasing as our civilization advances and develops, demands that certainty and directness be characteristic of every important undertaking.

In no other field of commercial activity may this be seen and understood more clearly than in that of banking. A review of the past twenty-five or thirty years will reveal a marvelous development in the details, if not the theory, of banking practice. Changing conditions and the obstruction of perplexing problems have necessitated the contribution of much serious thought on the part of financiers, not only for their own protection but that the best interests of their patrons may be conserved. The mere mental contemplation of the vast resources, in money and securities, controlled by any one of the large banks of this country, is calculated to produce in the minds of the uninitiated a feeling of awe and amazement. Even a casual investigation of the daily routine operations in the various departments of such an institution will but serve to magnify that impression or wonderment. Here, if anywhere, efficiency, accuracy, tact and sound judgment are prime requisites. And if this be true of the large banks in the cities, it is equally the case, though in less degree perhaps, that the same qualities of thoroughness be manifested in the smaller institutions in the country.

Confidence and credit are the two chief stones in the foundation upon which any bank successfully rears its financial edifice. Confidence is a possession of the public which the bank serves, much courted by the latter, for in its wake follow deposits of money and loyal patronage. It is a sensitive and timid thing, bestowing its favor only upon those institutions which have ample resources and are officered by men of integrity, courtesy and good judgment who pursue a policy that is liberal though always safely conservative. Credit, on the other hand, in a financial sense, is but confidence of a different kind, bestowed by banks and other business concerns upon customers who seek temporary accommodation in the way of financial assistance. It also is, or should be, characterized by caution and reserve, yielding itself only to those whose moral and material worth justify its possession and use. There is need that it be jealously guarded by every bank. Its proper employment gauges the success and prosperity of the institution, constituting, as it does, the source of certain and gratifying revenue, while the reckless extension of it, where undeserved, brings inevitable worry and often serious loss.

In this present discussion we are chiefly interested in the extension of credit by country banks to their customers and the means for its proper safeguarding. It is almost a truism to state that there is no bank which has not always kept some sort of a repository for information regarding the financial worth of prospective borrowers, to be drawn upon when accommodation is

asked. Until quite recently, in very many country banks, this storehouse has been a nook in the brain of the cashier or some other active officer. The precariousness of such a practice is too self-evident to need much comment. Except he be a genius at details, no bank officer can carry constantly within his mind full and accurate information as to the financial responsibility of the many applicants for credit with whom he has to deal. At best his conception of their credit worth is but a general impression which often proves decidedly insufficient. Moreover, by reason of the changeableness of things, the time must eventually come when this sole custodian of the bank's credit data will be removed by death or otherwise. The bank is thus deprived of valuable and vital information, to the permanent possession of which it is clearly entitled. The possibility of a contingency like this arising, together with the increasing complexity of business procedure, has brought a realization that credit information, to be of definite value to a bank, must be recorded in writing and preserved for analysis and reference. In matters of this kind it is too uncertain to have "memory as the only reference and intuition as the only guide."

Again, the obtaining of credit statements from borrowers is a valuable protection to the directors of a bank. In city banks, a committee of the directors meets regularly to pass on applications for loans, considering at those times the credit data which has been compiled. In country banks the common practice is for directors to meet once a month, perhaps, listen to the reading of a list of the loans made since the last session and give a perfunctory approval to them, often without close investigation. A realization of their legal liability in case the solvency of the bank is threatened by bad loans would doubtless induce all directors of banks to insist on the compilation and recording of credit data.

The reasonableness of a bank's request for a written statement from a borrower as to his financial condition should be apparent to any just and right thinking individual. A bank's resources are not essentially its own. Its capital and surplus belong to shareholders. Its deposits are the property of its patrons. It therefore exercises a sort of trusteeship for the public and is custodian of the funds of others. In the lending of this money for any purpose it is imperative that the bank use all due precaution to guarantee its repayment in full at a specified time. This can only be accomplished by having full information as to the worth and ability to repay of the individual seeking the loan. Such assurance can be definitely given only through the medium of detailed credit statements in writing, obtained from the borrower and analyzed and verified by the bank. The bank, in extending credit, becomes in a sense a partner in the business of the borrower for the time being, and as such certainly has a right to know the solvency and prospects of the enterprise in which he is engaging together with the moral and financial worth of the person or persons with whom it is associated.

The furnishing of credit statements is often of decided advantage to the borrower as well as a protection to the bank. Every worthy banker is, or may be, the confidant of his customers. Why, therefore, should it be unreasonable for a borrower to acquaint his banker fully with his true financial condition and the specific purpose for



which accommodation is sought if he is honest and financially responsible, the disclosure cannot injure him. If he is unscrupulous and insolvent, most assuredly the banker needs to have knowledge of all the facts in making his decision to withhold or extend the credit asked for. Frequently it occurs that the making of a credit statement to a bank which is subjected to a thorough analysis, gives to a borrower the first intimation of his real financial condition. It may be, also, that this analysis of the statement may enable the banker, through his experience in such matters and his unbiased judgment, to point out defects and wrong practices, which, if persisted in, might eventually lead to disaster to the borrower.

The difficulties confronting the country banker in securing credit statements from customers differ in degree only from those which the city banker must encounter. Both deal with individuals, firms and corporations. The purposes for which money is desired and the proportionate amount of credit which may be extended are similar. As a rule country merchants and manufacturing concerns which keep books regularly, take inventories and make commercial reports do not object seriously to making credit statements to banks, for they can see the wisdom and reasonableness of such a thing. The country banker may meet a real problem, however, when he endeavors to persuade his farmer customers that credit statements in writing from them would go far toward materially lightening the burdens of banking. Frequently, such a request is met with an instant and indignant declination. Accompanying this is an air of injured pride and an unconcealed conviction that an attempt is being made to reflect on his integrity and standing in the community. The less tact used by the banker approaching the subject, the greater the indignation registered by the customer.

There are three reasons for this attitude on the part of farmer customers. In the first place, few farmers keep books on themselves or even make a record of their operations, consequently they are unable to furnish a correct detailed statement of their financial condition. Agriculture and stock raising are as much a serious business as any other enterprise. Much stress is now being placed on farm accounting and when the practice of this principle becomes general, farmers will see the wisdom of it and be able to compute the gain or loss in their operations for the year. They will not then decline to make statements because of an unwillingness to admit their neglect of a necessary business habit.

In the second place, there are two things about which any sane human being is naturally reticent, viz., his family and financial affairs. An attempt to pry into either is met with an immediate rebuff. As soon as the farmer is convinced, by reasonable arguments, of the business necessity for showing his financial condition when credit is applied for, and that the request is not made in an effort to meddle in his affairs, this antipathy will likely disappear.

The last, and in some ways, the most serious difficulty encountered in securing credit statements from borrowers by country banks is due to the fact that competition for business between banks has had a tendency to spoil borrowers and give them a somewhat exaggerated idea of their desirability as customers. The multiplication of banks in some communities and the ruinous rivalry between them has produced over-expansion of credit and a lowering of interest rates. In many cases this practice has produced a situation wherein the borrower, though a seeker of needed accommodation, has attempted to dominate the banker by threatening to transfer his business to another institution where he claims to have received the assurance that his wishes will be acceded to. In too many instances the imminent catastrophe has been averted by a complete surrender of position and

principle by the banker and a withdrawal of the request for a detailed credit statement. There is certainly need of co-operation by banks located in the same community to prevent abuses of this kind. An agreement made and rigidly adhered to not to accept a customer of another bank unless he shall have severed his connection with that institution for the most legitimate reasons, would do much to preserve the rights of banks in a community as related to their borrowing customers.

Generally speaking, all the difficulties mentioned may be successfully obviated by the use of reasonable arguments, tact and diplomacy in broaching the subject of credit statements. After all, success in this direction is a matter of education and involves the use of a method suited to the particular case in hand. Little trouble should be met in getting statements from those making a first application for credit. Borrowers of long standing, who have been accustomed to receive accommodation on a mere statement of their needs, may marvel at the innovation of written statements for a while and even combat the idea, but tactful handling of the situation will doubtless result in attaining the desired result.

The sources from which may be obtained all the information needed by a country bank in determining the credit responsibility of borrowers may here be enumerated.

First of all, the past record of the borrower in meeting the payment of interest and principal of his note at maturity, and his habit of asking extensions of time, are items of collateral information which are very important in analyzing the credit statement. Doubtless there are but few banks which do not keep a record of this kind. The alertness and punctuality of a borrower in meeting his obligations when due go far toward prejudicing the banker in his favor. In country banks loans are sought for a specified purpose and the borrower is allowed to designate the length of time he desires to use the money. The bank has a right to expect that this contract will be faithfully kept and the funds returned at maturity. Banks should loan money as temporary capital only. That bank is prejudicing its own best interests which furnishes permanent capital to either a merchant manufacturer or individual. The so-called credit worth of an individual or firm is not so much the ability to borrow as the ability to pay when due. Nor is it sufficient that interest only be promptly paid, though some borrowers seem to think that this is all a bank should reasonably insist on. When an extension of time is asked on a note, that action alone is evident proof that the money is being diverted to other uses or that the purpose for which it was loaned has failed of accomplishment. The latter contingency may be due to misfortune of one kind or another or a bad business season,—therefore, not altogether the fault of the borrower. The need for an extension of time, however, should serve as an incentive to redoubled efforts in order that the obligation may surely be met at its next maturity. Repeated requests for renewal generally mean that the borrower is growing careless or is falling behind financially. In such a case the prudent banker will take steps to protect himself immediately in whatever way seems best to him. A banker likes to see his customer "clean up" or liquidate his obligations regularly and promptly and a conscientious borrower can add to his credit worth in no more effective way than by so doing.

Extension of credit is sometimes partly based on the average monthly balance maintained. In country banks this can hardly be considered an important governing factor, for the reason that often the most solvent borrowers keep the smallest balances. Money is needed for a specific and immediate purpose and is checked out to meet the emergency. The size of the balance maintained, at other than borrowing seasons, by merchants and

farmers, may be deemed of some value in determining the amount of credit to be extended.

The signed statement of the borrower himself, giving essential details of his financial condition, is, of course, the most conclusive source of information possible in determining credit worth. Yet the unqualified acceptance of such a statement without proper analysis and comparison, is apt to prove a dangerous proceeding. Few men are prone to over-conservation in estimating their financial ability. Pride of possession, self-assurance, and ignorance of the principles of business accounting may often lead a borrower, innocently, to overestimate the real status of his affairs. Care must be exercised in seeing that real estate holdings are not inflated beyond a conservative figure. Collateral liabilities, such as notes to individuals, notes endorsed or guaranteed for others and current accounts must be fully listed. It is frequently desirable to know how much life insurance is carried, the company issuing the policy and who is named as beneficiary. All these and other details which might be mentioned are essential to the statement which should be kept in writing, even though the borrower be unwilling to sign and acknowledge it.

Finally, all data thus secured should be verified by reference to official county records relative to real estate and mortgages, investigation of commercial reports and by correspondence and consultation with persons acquainted with the borrower's condition.

Some one has said that it is essential for a bank to know three things about a prospective borrower, viz., his character, capacity and capital. The first two are largely intangible in terms of figures, but all three are absolutely necessary and interdependent. The country banker must often give more consideration to character and capacity than would his brother financier in the city. Many a bank has profited greatly in after years

in the possession of loyal and prosperous customers, to whom as young men reasonable credit was extended because of their known ambition, energy and scrupulous honesty, but whose capital holdings were a decided negative quantity. The country banker cannot observe rigidly the proportion of  $1\frac{1}{2}$  or 3 to 1 of quick assets to liabilities. It is often safer to loan up to 75% of his net worth to a man of good character and capacity who you are certain will devote his last dollar to liquidating his debts, than to loan 20% to a man whose methods are questionable and unscrupulous.

The second part of the question under discussion, viz., the desirability for uniformity of statements, may be treated very briefly from the standpoint of the country banker. It will be admitted without argument that uniform statements are greatly to be desired. Every bank deals with individuals, firms and corporations and will have need of an appropriate form for each. It would seem, however, that more latitude and individuality might be allowed the country banker in the preparation of his credit forms than is possible in the case of the city banker. The reasons for this are readily apparent, due to the changed conditions and requirements under which the two operate. Those country banks which are members of the Federal Reserve System and avail themselves of its re-discount privileges should certainly use uniform blanks. It is probable that such blanks will be prepared and issued by the Federal Reserve Board at no distant date, and that their use will be insisted on in all of the twelve districts. As a general rule, the essential details in all credit statements required of a particular class of borrowers should be identical, however much difference in arrangement of the data is permitted to the individual bank. The one necessary requirement in every statement is that it be simple to the last degree, readily understandable and easily lending itself to analysis and comparison.

## *Effect Increased Operations of Note Brokers upon the Earnings of Commercial Banks*

BY THOMAS P. BEAL, JR., Vice-President of the Second National Bank of Boston, Massachusetts

Mr. President, members of the Clearing House Association and ladies present: When your President asked me to speak to-day I had a little hesitation because I was going to be traveling for quite awhile but I told him I would put down a few personal thoughts upon the subject and I am very glad to express them.

Nineteen years ago a party of bankers and grain men started from Minneapolis for a tour of inspection of the wheat fields of North Dakota, South Dakota, Minnesota and the section of Canada in the neighborhood of Winnipeg. In that party I was included as a young boy because even when I hoped to enter the banking business and my father, who was the president of the Second National Bank of Boston, believed that if a man were to become a banker in Boston, it was the utmost importance for him to meet and know the men who handled the grain crops in the Northwest.

Acting in accordance with this belief, the bank had for many years loaned its surplus money every autumn in a manner which seemed to approach as near absolute safety as possible, for the loans were made to men whom it had been possible to meet and form a judgment of their character and ability and at the same time were secured by warehouse receipts for grain stored in public elevators which had a ready market at any time. At that time note brokers were almost unknown in that section of the country. The country itself had less wealth than it has to-day, and offerings of money were eagerly accepted at rates of from five to six per cent.

To-day such loans at such attractive rates are a thing of the past, except in abnormal times. The borrower instead of appreciating an offer of money and making his paper attractive by adding collateral, now in most cases insists on issuing his single name paper and threatens to withdraw his business if

you do not lend him the amount he desires at the rate he wishes. Is this not typical of banking and the relation of banks and their depositors all over the country to-day? Of course this is largely due to their added wealth and therefore increased independence but is it not due to another force, namely, the competition of those who are seeking to make them borrow in order to obtain the commission for selling their paper?

Now the broker sends out—when money is plentiful—scores of telegrams to both those accounts which he handles, offering money to the borrowers at the market rate in the lowest money market in the country plus his commission, and to those accounts which he is soliciting at a still lower rate, a rate at which even with the commission he probably would not be able to sell the paper at a profit because he knows that in all probability his bid will not be accepted. What is the result? The borrower not only forces the broker with whom he deals to take and therefore offer his paper at a lower rate than otherwise, but goes to his bank, says he has had an offer of money at that rate—which might be far lower than was fair owing to conditions in that locality—and forces the banker to meet his wishes from the fear of losing his deposit. For are we not all to-day too anxious to be large rather than to obtain a profit for our stockholders?

Only a short time ago one of our valuable depositors in asking our rates for money used these words: "Brokers are offering us lots of cheap money, but if your rate is right, we should prefer to borrow direct." We wrote back naming what we believed to be a fair rate for the Boston market and asking him to remember the fact that the rate named by brokers plus their commission was equal to or greater than our quotation. But we could not help feeling that these brokers' offers were placing

this man in a state of mind antagonistic toward us if we did not quote a rate equal to the lowest offered anywhere in the country.

I remember very well one time when the money market in the autumn in Boston was  $4\frac{1}{2}\%$  receiving a telegram from one of our valuable depositors in the Northwest, in fact one of those who had formerly been eager to receive our money each season, asking us at what rate we would loan them \$300,000. We wired back  $4\frac{1}{2}\%$ . They replied that even locally they could obtain money at less from the brokers. Later I found that the facts were that a broker from Boston who was in their city had taken \$500,000 of their paper at  $4\frac{3}{8}\%$  and had only been able to sell \$50,000 and was carrying the rest. And yet this had made the quotation and offer which we had made seem undesirable to our friends. Again, only a few weeks ago, a friend in Boston asked the rate for money, was told  $4\%$  for six months and replied that that was absurd as he had lots of money offered him at  $3\frac{3}{4}\%$ . After some questioning he acknowledged that it was by a broker to place with a bank in another part of the state and yet he considered that it represented the market in Boston.

I will acknowledge that the brokers are not alone in forcing down rates, for this force is now exerted in Washington by the sectional deposit of government funds. It is also caused by the banks in larger cities who offer money at abnormally low rates in their competition to invest their surplus funds and also from their desire to increase their deposits by obtaining accounts through such offers. This competition, however, is not nearly so severe and I believe may grow less when two forces operate to reduce the volume of deposits in the largest cities in proportion to the deposits of the entire country; namely, the reduced bank deposits with correspondents which would be the result of the complete operation of the Federal Reserve System, and secondly the withdrawal of large deposits of foreign money which will come with the end of the war and which will tend to keep rates exceptionally easy in our largest cities. It is the institutions in these cities which would be the only ones competing with other localities in this manner.

I do believe that the brokers with their desire to increase their sales, and therefore their commissions and profits, are the greatest force in this direction when there is an abundance of money, for they will frequently acknowledge that they have to take paper below the market in their district in order not to lose the business and compete with another broker handling another district. What happens when money comes scarce? The broker largely disappears and because his resources are insufficient to fulfill all the obligations which he has incurred when banks have been eager to take paper off his hands, he either forces the borrower to seek accommodation from his own banks, which he has deserted at a time when they would have been eager to loan him, and therefore increases the pressure under which they are to meet the withdrawals of their deposit, or else forces the banks under threat of loss in case of receivership to hold and renew paper which they have taken with the distinct understanding that it should be paid at maturity and therefore possibly at a lower rate than otherwise.

A few figures which I have obtained from my friends who are large buyers of commercial paper are interesting in making a comparison between the last four months of 1914 when, as you will remember, it was difficult to supply all the demands for money, and the same period in 1915 when rates were comparatively easy. In the earlier period one bank bought three millions of paper and another ten millions, 85% of which was bought in the last six weeks, which institutions last year purchased 15 millions and 28 millions, respectively, in the same period. Still another stated to me that in the former period they were really not purchasing any paper as they had difficulty in meeting the legitimate demands of their regular depositors and only had four millions of purchased paper on hand January 1, 1915, whereas in the latter period they were heavy purchasers.

Thus in easy times rates are forced lower by brokers and yet in hard times they are forced higher by the same parties, making borrowers whom they have sought return to the bank which they have deserted and forced to become a purchaser of the paper of some other bank's depositors at a lower level of rates because no other means of investing their funds was offered.

I have been asked by a broker if the bank which was loaning its money entirely on commercial paper which was bought without any conditions of renewal was not in a much safer position than one loaning entirely to its own depositors, which loans would have to be renewed. The question of safety does not depend on the character of its loan as much as on the character of its deposits. If these have been obtained by granting lines of credit, then a bank which has these lines open when money becomes scarce and these lines unexpectedly used, is just so much worse off if they have a certain amount of paper which they have been forced to renew as previously suggested. I do not advocate going to the other extreme but I do believe that in times of easy money when firmer rates may be in sight that a bank would be better off to encourage the use of these obligations which they are under and thus get them out of the way

rather than to purchase outside paper which will not mature for six months.

This would be an unfair picture of the brokers' position in the banking world if this were all that was said. There is another side to the question even from the point of view of a bank officer who is looking only for the profit of his stockholders, and here the broker is invaluable. How often has each one of us sat in his office with a large surplus of funds which were either drawing no interest or were on deposit with our correspondents at 2%. Then we have welcomed the broker with his offerings of commercial paper and even sought him, taking his offerings at even a lower rate of discount than we would be willing to name to our own depositors, thus being guilty of the very act which we have criticized in others and which has tended to bring about the result which we have all objected to. Looked at from this point of view, the broker is a very economical method of placing our idle funds at the disposal of those who can use them. If he were not in our midst, the banks, at least in the larger cities, would have to send highly paid men of good judgment over the country in search of parties to whom they could lend money whenever a surplus of funds occurred. Would not this in a certain measure bring the same condition which has resulted to-day from the offerings of brokers; namely, the lowering of rates to our own borrowers below the point which we believe is warranted from the many services which we render to them.

So far as I can see, this is the chief way in which the increasing activity of brokers is having an unfavorable effect on the earnings of commercial banks, for as previously stated the lower rates on commercial investments are the result of competition which would come from other sources if it were not for the brokers, although possibly to a considerably less extent. I have been asked what steps may properly be taken to correct this situation. If I am correct in my belief that the situation is the result of competition and the present condition of human nature, no direct relief is in sight until either human nature or competition changes.

Just as long as some of us are willing to loan money at less than others, just so long will the return on our surplus funds be less than we believe is warranted and less than in the past when money was less abundant and transfer of funds less easy. But with our own depositors there might be some hope if we could all work together along the line of educating them to appreciate the personal character of their relations with us and our willingness to be of the greatest service to them in case of need. If we could instill in them the realization that, because we are their best friends, they should be our best friends, and if we are worthy of sufficient confidence to do business with them at all, we should be worthy of even such great confidence as would be necessary to make a rate of discount charged by us which was higher than that quoted by an unknown competitor, seem entirely reasonable—we should have taken a long step toward eliminating the harm done to our earnings by the increased operation of brokers. But even more than this is it necessary to drive into the mind of the borrower the difference between paper which he gives to his broker and paper which he discounts at his bank. One must be paid at maturity, the other can be renewed at his own discretion if his deposits have been satisfactory and his credit continues good, no matter how undesirable it may seem to the banker if he is short in his reserve. Is not this a service which should be paid for? Should not the depositor ascertain the wishes of his best friend, the banker, and give him the first opportunity of lending the money which he may need and at any rate which is reasonable even if it is slightly higher than that quoted by brokers?

If this were done, it might mean a slightly higher interest rate when rates were low, but it would also mean a lower interest rate when rates were high. But of even greater importance to the borrower should be the knowledge of having some one who can and is glad to help him in time of trouble. It should and would bring back the personal relationship in business which seems to me to have largely disappeared in the larger cities, in this present day, in spite of its having been that feature of business which gives the greatest amount of pleasure and satisfaction to those who have it.

Thus I can only say that the one hope which I have of indirectly correcting the harm done to the earnings of commercial banks by the increased operations of note brokers, which has resulted in the general lowering of rates of interest to those depositors who really are obtaining an insurance in time of trouble from the bank, which they do not pay for, by forcing the bank to loan them at rates quoted on strictly commercial paper, is for all of us to co-operate in bringing back the spirit of personal relationship and co-operation with our depositors, making them glad to help us if we are to be willing and glad to help them.

One of my friends has suggested that the correction might be made by offering money to our own depositors at a lower rate. I do not agree with this if other conditions continue the same, for it would be difficult for us in Boston to make such offers when brokers offer paper as they have done during the last twelve months as low as 3% and even in some cases as low as  $2\frac{1}{4}\%$ . A large volume of our deposits are now drawing

2 and 2½% and some even 3% where a time notice of withdrawal is given. Would it not be difficult to maintain our profits, to say nothing of increasing them if this suggestion were adopted, especially at a time when the tendency is to increase the other services which we offer without charge, such as the free collection of checks?

It may seem to the borrower at this time when money is abundant and rates are easy, when banks have still the almost as yet untried relief in time of need to resort to—of rediscounting their paper at the Federal Reserve Bank—that this insurance and this personal relationship is no longer necessary. But the time will come—as it always has in the past—when money will become desirable to the borrower and he will be very glad of his banker friend. Are we not now in an abnormal position, doing a greater volume of business on a lower percentage of reserve than ever before? And is not the volume of our gold supply maintained by unusual causes which at the end of the European war will disappear? When normal conditions return and all danger in Europe has passed, then gold will go where it is most needed and will bring the highest return. Then where will our reserve be if our business continues and our depositors still need money to carry their accounts and their stock of merchandise and raw material?

If this occurs, then this personal relationship will be rated at its true value. But it can only be attained if a greater spirit of co-operation can be produced among ourselves just as we desire to bring it between each of us and his individual customers.

Then we shall all receive a fairer return for the service which we render and those who receive this service will be glad to pay for it. Their rates for money may be four per cent instead of three and a half, but to offset this they will be six instead of eight or possibly a flat refusal to be of help in time of need.

Then we could watch brokers increase their activity without fear and know that its only result upon our earnings would be the rate at which we could invest our surplus funds. Here we come into competition with the rest of the world and our profit must be governed by the condition which exists at that time.

There is much to be said on both sides, for I have been greatly interested in the widely different comments made to me by one of my friends, a broker, to whom I have shown this paper, and a bank officer from another city, with whom I have talked. The former stated that he did not think that I was entirely fair in my criticism of his line of business as his firm sold more paper when rates were 5 and 6%, especially in the country, than when rates were 3½%, and that even in 1914 there were only thirty days when their volume of business was not large and that they always tried to cultivate close relations with their accounts and watch and help them. Nevertheless I have often heard brokers state that they had either none or very little paper of concerns in trouble on their own books, and take satisfaction in it. Undoubtedly this is not the position always taken, as there are various kinds of brokers just as there are various kinds of bankers, but I feel sure it has often occurred. My bank friend on the other hand had written to me to "give it to them" and said that although he felt strongly on the subject, he supposed that I could not speak more forcibly before the present meeting. I have tried to be fair to each party, realizing that there are many arguments on both sides and that, therefore, the only improvement could be greater co-operation, first between ourselves and secondly between each of us and our own depositors and borrowers.

Could we not accomplish this result to a certain extent if we were more careful in the credit information we gave and is it fair that we injure our own earnings by reporting our favorable relations to those who will work against our own interests?

## Committee and Officers' Reports—Clearing House Section

### Annual Address of President J. D. Ayres

**PRESIDENT AYRES:** It has been customary for the President's address to contain a review of business conditions and a great many statistics regarding Clearing House Associations. I shall touch very lightly upon the first, omit the second altogether, and confine my remarks very largely to matters pertaining to the Clearing House Section. Therefore my address shall be very brief, and I think this is quite fitting because we have an interesting program before us which will require all the time which has been allotted the Section.

At a time when the business of the country is of a volume almost, if not entirely, unprecedented and profits are generally large, and in some lines of business undreamed of, perhaps the question most active in the minds of most business men and bankers is "How long will these conditions last?" Soon after the great war was precipitated many prophecies were made by economists, bankers and business men as to the effect it would have upon the business and finances of the United States. Most of these prophecies were of the most pessimistic character and most of them have proved to be erroneous. I hesitate, therefore, to enter the hazardous ground occupied by the prophet, but venture to do so to this extent: "It is my firm conviction that the present period of prosperity in this country will not be terminated by the end of the war." My observation is that, while the present period of prosperity received its initial impetus from the war, in most lines of business the present volume is not dependent upon the continuation of the war. It is, however, almost certain that a readjustment of prices of both material and labor will follow the termination of the war, and the tariff on imports will have to be skillfully adjusted, if we are to successfully cope with the competition from abroad, which we are certain to meet. These views, I believe, are very general and the business men of the country and the Administration at Washington are giving their best thought to the solution of these important questions. Our bankers and business men agree that "Preparedness" must be beyond naval and military questions, and must extend to the business interests of the country. To construct that wall of protection both military and economical which I think it is generally believed we should have, requires the co-operation of all the business interests of the country, and in this the Clearing House Association can and should play a large part. Along the line of constructive work a great forward step has already been taken in the adoption of the Federal Reserve Act. Under the provisions of this new law the Federal Government has given us a unified banking and currency system, and, while we all admit that it has imperfections, yet we must agree that it is built upon sound fundamental principles, and has immeasurably strengthened the hands of bankers and business men to meet the conditions which will follow the termination of the war. Therefore I believe the Clearing House Associations of this country and the Clearing House Section of the American Bankers' Association will do a great patriotic service by cordially co-operating with the new banking system so that its possibilities can be understood and used to the best advantage.

The country check collection system of the Federal Reserve Board has met with a great deal of opposition from many bankers, but in my opinion this system should be given fair trial and no amend-

ment of that section of the Act under which the system was established should receive the support of this Section until actual operation of the plan for a reasonable time shows where the Act should be amended.

The Clearing House Section of the A. B. A. has now been in existence for eleven years. In that time it has made an enviable record for initiating and causing to be adopted many new practices of great practical value to banks and Clearing House Associations, and has come to be recognized in the Council of the American Bankers' Association as a most virile and valuable arm of the parent body. Among its accomplishments are: The Clearing House Examination System, the Organization of New Clearing House Associations (both city and country), the Universal Numerical System, the No Protest Symbol, and the encouragement and help it has given freely in all matters looking toward safer and more conservative banking practices. Its work has been done with such careful and economical expenditure of money that its standing with the Finance Committee of the A. B. A. is of the highest, and its requests for appropriations to carry on its work have always been readily met. This standing of the Section with the controlling committees of the American Bankers' Association should be jealously guarded and maintained.

While the Section has accomplished great things in the past, its possibilities for the future are, to my mind, still greater, and I shall suggest for your consideration the lines along which these possibilities can best be realized: I believe that our annual meetings can be made more valuable by having an open discussion of topics instead of the usual set addresses. It would be well, of course, to have each topic presented by some chosen speaker, but let his address simply be the means of opening up a general discussion. I should like to have every man here to-day take a part in discussing the subjects on the program. Let each one of us contribute something to the discussion of each question, and if that is done we shall all get the benefit of each other's ideas and experiences. I believe we should all work toward ultimate uniformity of constitutions and by-laws among the various Clearing House Associations, uniformity in methods of settling clearing balances and, in so far as it is possible, uniformity in the extent of the powers to which Clearing House Associations may govern the activities of their members. Such uniformity should be worked out through our Section, and at the conference of Clearing House Managers to-day I hope the initial step will be taken along these lines. We should have the greatest possible amount of co-operation by the members of this Section with our Executive Officers. Instead of attending the annual meeting and then forgetting all about the Section and its important work until next year, I should like to see the members keep in close touch with the Executive Officers, and when you have a local Clearing House problem, take it up immediately with the officers of the Section; they will be glad to hear from you, and if they cannot solve your problem, they may be able to offer some helpful suggestions. Questions of legislation inimical to banks and Clearing House Associations will frequently arise, and co-operation of the members of this Section should be of great value to all. Only recently such a question was involved in the new Federal Revenue Bill, and, by prompt action of the Secretary of this Section, a proposed increase in the

taxation of banks was considerably reduced. Officers of the Section will greatly appreciate suggestions from members as to the means of increasing the effectiveness of the Section. We want every member to feel a personal and direct interest in the Section. In this direction an important step was taken in our last annual meeting when provision was made for a representative to be appointed from each state to assist the Executive Officers of the Section in extending its propaganda. This is a splendid idea and should be continued.

I regret that more Clearing House Associations are not reporting total bank transactions. Total bank transactions are the only true index of the volume of business, and yet some of our principal Clearing House Associations continue to use the faulty method of judging the volume of business by the clearings.

The beginning of the present fiscal year found the Section without a Secretary, owing to the resignation of Mr. Wolfe. During the year this vacancy was filled by the selection of Mr. Jerome Thralls, former Manager of the Kansas City Clearing House Association. I regard the Section as very fortunate in having secured the services of Mr. Thralls, and under his experienced guidance and energetic application the work of the Section has been kept up to the highest standard. A full report of the work done during the year will be made by the Secretary.

The Executive Committee held its usual meeting in May and accomplished an unusual amount of work, which will be covered in the report of that Committee by its Chairman, Mr. McHugh.

I take this opportunity to say that the Section is particularly fortunate in the personnel of its Executive Committee, the members of which work for the Section's best interest with a conscientiousness and earnestness that deserve your keenest appreciation.

It has been my privilege and pleasure to be associated with this Section as a member of its Executive Committee or as an officer for five years, and it is a source of regret to me that during the past year (when I held the highest office within your power) my duties to my own Bank have prevented me from giving to the affairs of the Section more time and attention than was my privilege, but the splendid capacity, thorough knowledge of Clearing House work and untiring energy which your new Secretary has brought the Section, has, I believe, amply covered any delinquencies upon the part of your President.

The Clearing House Section can be made a great power, operating for the good of all of its members, but this can only be done if we all co-operate to that end, and each one take a personal interest in advancing the work of the Section. This is the thought which I want to leave uppermost in your minds to-day.

#### Report of the Executive Committee, Mr. John McHugh, Vice-President of the Mechanics & Metals National Bank, New York City, Chairman

Mr. President and Gentlemen:

Your Executive Committee has held seven sessions during the year now closing. The first was the organization meeting, which was held at the Elks Club, in Seattle, following the regular annual meeting. At this session the regular routine business was transacted, plans outlining the future activities of the Section were discussed, and your President, Vice-President and Chairman were appointed a Committee authorized to employ a Secretary of the Section with the advice and consent of the Administrative Committee.

Six sessions were held during the time of the Spring Meeting at Briarcliff, N. Y., May last. Two of these sessions were held jointly with the Executive Committee of the National Bank Section for the purpose of considering the Nation-wide Clearing Plan and evolving ways and means of bringing about a postponement of the inauguration of the plan, so that the bankers might have an opportunity to study it and to familiarize themselves with the details which were yet to be worked out by the sub-committee appointed by the Federal Reserve Board, and would be given an opportunity to suggest whatever changes, modifications and improvements that might be necessary in order to make the plan workable. The other four sessions were devoted to the routine business of the Section, consideration of the program for our Tenth Annual Meeting; the future activities of the Section and a general round-up of all the plans, methods and systems that have been evolved, fathered and developed by the Section.

The action of your Committee relating to the then proposed Nation-wide Clearing Plan resulted in the Executive Council of the American Bankers' Association passing a resolution approving a form of communication prepared by the Joint Committee of the Clearing House and National Bank Sections, directed by the Federal Reserve Board, and urging postponement and modification of the plan. This resolution provided for the appointment of a Committee of Five and directed that Committee to convey the communication to the Federal Reserve Board to confer with the Board, and if the conference did not result favorably to the American Bankers' Association the Committee of Five, acting jointly with the Executive Committees of the Clearing Houses and National Bank Sections, were then authorized to take such further action as in the judgment of the three committees it be deemed necessary.

Later the Administrative Committee of the American Bankers' Association recommended the drafting and introduction of an amendment to Section 16 of the Federal Reserve Act contemplated to eliminate therefrom the provisions for par collections and to give the Federal Reserve Board the power to fix reasonable charges for the collection of checks. The three committees expressed themselves as favoring the introduction of an amendment along the lines referred to in the recommendations of the Administrative Committee of the American Bankers' Association.

The general counsel of the American Bankers' Association, acting under the direction of the Committee on Federal Legislation, and at the request of the Committee of Five and the Executive Committee of the Clearing House and National Bank Sections, submitted to Secretary Thralls a tentative draft of amendment to Section 16. Secretary Thralls referred this tentative draft of amendment to the members of the Committee of Five and the Executive Committees of the Clearing House and National Bank Sections with requests for criti-

cisms thereon. The responses indicated that it was the view of the three committees that action towards introducing any amendment to Section 16 should be withheld until after the annual convention, when opportunity would be afforded for full and free discussion of the whole question, and where valuable information might be developed. Further, that the system would have had a fair trial by this time and claims for relief in the form of amendments and modifications might then be based upon actual experience and proven defects rather than upon theory.

Uncertainty as to what functions of the Clearing House the Federal Reserve Banks would undertake to perform has to a great degree retarded the activities of your Committee, yet much constructive work has been done during the year. Widespread interest has been taken in the Universal Numerical System, the no-protest symbol plan, and the other ideas that have been advanced by the Section.

Your Committee on employment of Secretary, believing their action would prove advantageous to both Sections and to the American Bankers' Association, joined with the National Bank Section in the employment of Mr. Thralls as your Secretary.

We highly appreciate and thank the various committees, the Clearing Houses and our State Representatives for the splendid support and co-operation accorded during the year. You have each received a copy of the Secretary's report giving details of the work of the Section for the year. In order to expedite business and to be in a position to get the official action of the Executive Committee between meetings, arrangements have been made whereby questions may be submitted, motions may be made, seconded, discussed and voted upon by mail.

This Section can wield a great influence for betterment in banking methods, systems and practices, and your Executive Committee believes that by pulling together we can make the next twelve months the banner year of accomplishments in the history of the Section.

Respectfully submitted on behalf of the

EXECUTIVE COMMITTEE.

#### Report of Special Committee on Country Clearing Houses, by A. S. Hawes, Chairman

Mr. President, my report will be very brief because it is in printed form. You who were at Seattle will recall that there was a committee appointed of five to investigate the establishment of country clearing houses, their obligations and whether they were practicable. This committee was requested to report its findings to the Executive Committee of your Section at the May meeting in Briarcliff.

The committee unfortunately was not able to hold a meeting, but we did work through active correspondence and gathered together considerable data which I present to you in printed form. Suffice to say that your committee found that there were \$1,136,000,000 of country items now handled through the operating departments designated as country clearing houses. There are 30,000,000 handled yearly through these departments. We find on investigation that the establishment of such departments in clearing houses instituted in a year a saving of 30 to 40 per cent in the exchange charges, a saving of one cent, which you can readily see is quite an important item, and it will be a saving on 30,000,000 items of \$300,000 a year. When I speak of items I mean a bunch of items, for it is customary for individual banks using the country clearing house department to bunch their items, and the average number of items in a bunch are between three and a half and four. The St. Louis country clearing house, with which I am more familiar when it comes to details than any other, operates on an expense of 1.89 per item, which, as I have explained, is a bunch item. Therefore the actual operating expenses of the country clearing house of St. Louis is in reality less than the postage paid by the banks who would otherwise send those items to the paying banks. Now I bear down upon that subject because I believe it of great moment. Mr. President, I think that the clearing houses of this country can serve their members in no better way than to establish in their midst the country clearing house department to make a common avenue of collections.

One thought has stepped into the minds of bankers which may perhaps work against the establishment of country clearing houses, and that is the establishment of the country clearing houses interferes with the relations of the depositing banks in your city. That is not true. In nearly every country clearing house I know of the items put in there for collection are not on your correspondent, but are on the other man's correspondent to whom you have been paying.

Now take the country banker's point of view of the country clearing house. The country bankers in our section have said this to us: "We prefer to get our items in one bunch, items from one source." We add a reasonable exchange for remitting it to that concern, and it costs us one draft and one postage item and one clerical. It minimizes work for the country bank and certainly minimizes it for the city bankers, and I think they should think the sooner this Section of the American Bankers' Association puts forth its active efforts on the establishment of the country clearing house section in every clearing house, the greater will be the benefit to be derived.

I want to say that we have a secretary of this Section, Mr. Thralls, who is an expert on country clearing houses and established in Kansas City a country clearing house, which is operating here, and I do not hesitate to say that it is the best in America. And it is the most efficiently operated, and his experience in that matter, I am sure, is at your disposal. He said so, in fact. There is in progress an organization in America now of eight new country clearing houses. Now the fact that arises in my mind in that connection is that perhaps it may be said that we have a common avenue of collections in the Federal Reserve System. But I want to say that these country clearing houses will furnish an avenue of collections which will be available to the non-member banks of the Federal Reserve and will be able to reach and serve these non-members on items that cannot be handled through the Reserve Bank.

You will find here to-day a copy of this report and I hope that you will read it and take it back to your clearing houses and study it. I am sure if you do you will see the advantages of this system and will be desirous of handling your items through that source.

# NATIONAL BANK SECTION AMERICAN BANKERS' ASSOCIATION

First Annual Meeting, Held at Kansas City, September 26 and 27, 1916

## *The Soul in the Dollar*

BY JOHN SKELTON WILLIAMS, Comptroller of the Currency

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

This is a political year, but so far as possible, politics will be kept out of this address which you have done me the honor to ask me to make before you. Unfortunately, it will be necessary for me to use now and then that most dangerous of all of the letters of the alphabet, for the speaker, the capital I. It is a matter of common observation that in colloquial or oratorical talk in which the dear I's are most frequent, the ideas are scarcest. I don't know whether that is a bad pun or a good epigram; but it is a fact.

The last time that I had the privilege and the pleasure of addressing this distinguished and tremendously important body was just fourteen years ago, when I appeared before it as Chairman of the Trust Company section of the Association. I wasn't a trust buster then and I am not one now. I knew then, as I know now, that with money and resources, as with an army, for efficiency there must be the power and facility for concentration for defense or attack, that there must be guidance and direction, and the gathering of units for a common purpose.

Your units are dollars, as the units of the military commanders are men. Your real business is to do your respective parts to see that those units are marshalled and applied, as occasions may suggest, for the good of your communities and the country, taking care that your depositors and stockholders shall have their fair shares of the resulting benefits in return for their faith and enterprise, and that you shall have your own just return for your labor and care and thought.

My understanding of democracy—not in its political meaning, as we make it now, not in its derivative meaning, but in the significance of it that all of us, of all parties here, accept—is that brains honestly use, thrift and industry, and even, if you please, good luck, allowed to us by the unseen powers, are entitled to their rewards. The diligent should, and must, prevail. The courageous will win and should win. The strong must hold and direct power. That is the law of nature and of the God who created and ordered nature. Thus far the law of the jungle and the law of human life hold together. The difference is that God has given to us soul and understanding.

Some of us have learned much since the last time I had the honor of addressing you; some of us by hard and painful experiences; some by careful observation and earnest study. In that time we have seen many changes in conditions and standards, and in habits of thought. We are getting further, and each year further, from the law of the jungle.

Look back, gentlemen! Not so many hundred years ago we bankers were classed as mere money changers and usurers. Our predecessors won their gains by preying on the necessities of kings and nobles and common people alike. That was the jungle law put into polite and elaborately entangling and ruinous phrases, supported by the laws of all the old countries. Now and then it was found necessary, in England, and other lands, to change the laws on usury and decree violent penalties to save the throne, the haughty nobility and the yeomanry from the rapacity of the money lenders. The forces of law and arms were set up against the forces of garnered riches; sword and rope and lash were applied in attempts to check the ceaseless encroachments of usurious interest; but in these modern days we have learned that the dollar has a soul, and that even great accumulations and gatherings of dollars may have souls.

In this connection I may define the word soul as the inspiration of a real and high purpose. John Randolph, of Roanoke, described a corporation as a thing without a body to be kicked or a soul to be damned. As we know now, many of us by painful experience, our legislating powers, administrative officers, courts and labor unions have found innumerable ways to kick corporations and the accumulations of capital they represent. Perhaps partly because of this kicking and certainly because of what I may call the improved civilization of our standards and an understanding of our relations with each other, our corporations and our dollars have developed and are developing souls.

We are learning that justice and mercy are sound business principles and make the one sure foundation for enduring and real business success. If the history of the human race, of countries, communities and individuals proves any one fact, that fact is that no community can thrive permanently or continue to exist where the few gather great riches and the many are deprived. In the jungle the ruthless use of strength or craft, the sudden spring of overmastering power on weakness, the stealthy destruction by cunning of the unwary, are appropriate. These are the beasts that perish. They do not build or think for the future.

We of the human kind are made to build, to establish, to plan for those who are to come after us, to contribute something, each as he can, to the permanency and usefulness and growth and greatness of our nation. We know the only real prosperity is the widespread prosperity in which all share; that the one assurance for stability of government is the justified contentment of the masses of the people. That is not politics. It is, maybe, a trite statement of the conclusions of all the social and

economic philosophies and of the opinions of all the thinkers of all parties and countries.

But it is like some of the principles of our religion. They are drilled into us from childhood and live in our memories. We recognize their theoretical truth and beauty and value, try to impress them on others—and then in the moment of opportunity or temptation, go in for the immediate grab, snatch at the fruit of profit dangling before our eyes; apply the law of the jungle, forget that we are men, and in effect become tigers, cormorants, crocodiles, panthers—even carrion eaters feasting on some commercial carcass. We people of this great banking world of ours can do for each other no better service than to continue to reiterate to each other the old axioms until they are graven on our hearts and expressed in our daily transactions and in our attitude toward our customers and the public.

Gentlemen, it is difficult to comprehend the enormous growth in strength we have achieved in the fourteen years since, as a banker, I addressed your Association. It may be even more difficult to comprehend the corresponding increase of our responsibilities. We have outgrown responsibility to our own country and generation. We have become responsible to the whole world because we have become the supreme world power, especially in that vital department reaching to the root and core of all things which we here directly represent—the financial.

We have become responsible for the future of the human race. This republic is the hope, the refuge, the one unshaken and unshakable edifice among all that mankind has built. You have a homely—and I hope a familiar—illustration in your pockets. Each of you has some paper money. I venture to say that not a man here has looked to see whether the notes in his pockets are issued by a National Bank on the Pacific or the Atlantic Coast or in the most remote country town, or by the Treasury for gold or silver or by a Reserve Bank. All any of us look at is the denomination and the "U. S. A."—the United States of America—the signature of our "Uncle Sam." We know that stamp and signature make that piece of paper as good as solid gold, not only here, but everywhere in the world. And it is virtually the only paper money that is receivable everywhere in the world to-day as representing its full face value in gold. Our dollars are the good dollars and the dominant dollars. It is for you gentlemen, controlling the powerful banking interests of this supreme country to determine whether these dollars of ours shall prey upon our own country and the world with teeth and claws, or shall have souls put into them to unbuild, to help to heal the horrible scars of war; to lift the stricken to strength and hope. In this connection some one has prettily said that "By doing good with his money, a man as it were, stamped the image of God upon it, and makes it pass current for the merchandise of heaven."

Let us look a moment to see what we have done, and where we are just now. I have said some of this before elsewhere, but the facts and figures are tremendously impressive.

No nation on this planet; no nation at any time in the world's history, has ever made such gigantic strides forward in material wealth, in commerce, in industrial growth, or shown such wonderful advance in banking resources, deposits and in savings as has this country of ours in the fourteen years which have elapsed since I last had the pleasure of addressing you.

I will try to avoid details, but I do want to bring before you figures expressive of our country's growth from 1902 to 1916, which must arouse the attention of every citizen.

Let me begin with our national banks, whose total resources in 1902, amounted to just six billion dollars, for the 4,535 national banks then in operation. To-day there are 7,600 national banks with fourteen billion dollars of

resources. In this brief period the resources of national banks have doubled, with two billion dollars of additional resources thrown in for good measure. In the Summer of 1902 the deposits of the national banks were 4,468 million dollars. At the time of the June, 1916, call, these deposits amounted to 10,877 million dollars, an increase of 6,409 million dollars, or 143 per cent.

Deposits in our national banks alone new exceed by 250 million dollars the aggregate deposits held by all banks, national and state, including trust companies, in 1902—just fourteen years ago.

In 1902 the total deposits of State banks, savings banks, trust companies and other banking concerns under State supervision aggregated six billion, one hundred and fifty-seven million dollars. On June 30, 1916, the deposits of these State banks and trust companies were reported at 15 billion, 350 million dollars, an increase of 149 per cent.

I trust I will not be accused of talking politics if I should call attention to the pleasing fact that the greatest increase in deposits of both national and State banks (including trust companies) which was ever made in any three-year period in our country's history has taken place in the past three years. It may also be a gratifying circumstance to you gentlemen of the national bank section to learn that while the deposits of State banks and trust companies have, during this period, increased 3,358 million dollars, or 28 per cent., the deposits of your national banks increased more than 33½ per cent., or 2,733 million dollars, showing that since the passage of our Federal Reserve Act, which was approved by President Wilson December 23, 1913, the deposits of the national banks have been growing decidedly faster than the deposits of the State banks and trust companies throughout the country.

The tremendous growth in wealth and banking power which these figures indicate may be more fully realized when I tell you that the increase alone in deposits in all banks since June, 1913, exceeds by 500 million dollars the total amount of all loans and discounts made by all the banks in the United States—national banks, State banks, trust companies and savings banks, for all purposes of trade, commerce, industry, agriculture and business of every kind, as late as the year 1900.

The records show that business in every direction has expanded so enormously that the total clearings of our clearing house cities which, for the year ending June 30, 1902, aggregated slightly less than 112 billion dollars, amounted for the year ending June 30, 1916, to more than 224 billion dollars, an increase of more than 100 per cent. in fourteen years. These colossal figures become the more impressive when we consider that the bank clearings represent only about 40 per cent. of the total bank transactions in these clearing house cities.

Is it not hard to grasp the thought that this country of ours, which in 1902 had already reached a pinnacle among the nations, has since that year doubled the volume of its business in virtually all the great cities of the land?

The latest census records as to manufactures are those for the year 1914, taken in the midst of the depression which followed the outbreak of the European War. Since 1914 manufacturing interests of all kinds, as we all know, have been prodigiously stimulated. If, however, we compare the census reports giving the figures for 1899, as to manufactures, with the census reports for 1914, we get the following results:

The number of manufactories increased in these 15 years from 207,000 to 275,000, or 32 per cent. The average number of workers employed in factories on salaries or wages increased from 5,076,000 in 1899 to eight millions in 1914, an increase of nearly 3,000,000—almost 60 per cent.; while the value of the products of our manufactories was increased from 11,406 million dollars to 24,246

million dollars, an increase in the value of the products in this period of nearly 13 billion dollars, or 112 per cent.

By 1902 the United States had become the greatest manufacturing nation on earth, and her output of coal, which is largely the basis of all manufacturing, had reached the enormous total of 301 million tons, already far exceeding the total output of Great Britain, formerly the greatest coal producing country on earth. For the year ending June 30, 1916, the official estimates place the coal production of this country at 601,900,000 tons, which is just twice our production in 1902, our production of coal for the past year being far greater than the combined production, even in normal years, of the British Empire, the German Empire, and the Republic of France, which, next to this country, rank as the three greatest manufacturing nations on earth.

That you may form some idea of the enormous expansion which has taken place in the iron and steel business since the 1914 census as well as since 1902, I ask your attention to the following figures:

The production of pig iron for the year ending June 30, 1914, was reported at 27 million tons; for the year ending June 30, 1916, the output is given at 37 million tons, against production for 1902 of only 17 million tons.

The output of iron ore for the year ending June 30, 1914, was 57 million tons; for the year ending June 30, 1916, the production was 66 million tons, against only 35 million tons in 1902.

The production of steel, which for the year ending June 30, 1914, was given at 27 million tons, had increased for the year ending June 30, 1916, to 39 million tons, against only 15 million tons in the year 1902.

The story of our railroads for the period from 1902 to 1916 fully corroborates the other figures expressive of our commercial and industrial growth. Although our railroad mileage increased from but 200,000 miles in 1902 to 260,000 miles now, the latest figures available indicate that 300 billion ton miles of revenue freight were the record for the year ending June 30, 1916, against 157 billion ton miles in 1902.

The gross earnings from operations of these roads for 1902 were 1,726 million dollars. According to the latest figures obtainable, these earnings for the twelve months ending June 30, 1916, amounted to 3½ billion dollars, an increase of approximately 100 per cent., while net earnings from operations, which in 1902 were reported at 610 million dollars, for the year ending June 30, 1916, reached approximately 1,200 million dollars—showing that our great transportation lines are enjoying as a whole a full share of the country's prosperity and are very far from being run at a loss.

The capitalization of the railroads, including bonds and stocks, increased during this period, approximately from 12 billion dollars to 20 billion dollars.

Progress and efficiency are shown in the fact that, while we have now about a million more freight cars than we had in 1902, the average capacity of all freight cars has also increased from 28 to 40 tons per car.

This country's exports in merchandise for 1902 were 1,351 million dollars. For the past fiscal year, our exports aggregated 4,333 million dollars. In other words, our exports for the past year exceeded our total exports in 1902 by the colossal sum of nearly three billion dollars. Our imports for 1902 were 903 million dollars. In the fiscal year 1916 they were 2,197 million dollars. Our credit balance of trade in 1902 was 478 million dollars. For the past fiscal year it was 2,135 million dollars, and is still growing.

Patriotic Americans have the right to gloat over such a showing with swelling pride. Ambitious Americans—and ambition is one of the chief elements of patriotism—may read in them brilliant promises of a future of almost inconceivable greatness. Thoughtful Americans will find in them cause for fear that wealth may betray us into

rapacity and inequality of distribution that will mean destruction; or cause for noble dreams and hopes that our riches may be applied with magnificent and intelligent benevolence, to bless the world and augment our own prestige, power and accumulation.

Rome mistress of the world, rotted to death from wealth, luxury and sloth. The internal relations of her people with each other, and her conduct towards other peoples, were directed by the law of the jungle. We can share Rome's fate only by imitating Rome. We are in a world infinitely vaster than Rome knew. We can hold in it power and place far beyond the wildest vision of the proudest Romans if we will absorb the teachings from the fates of the peoples who have gone before us and failed miserably; learn to regard the highest ideals as real and powerful things; accept as a firm conviction the belief that as a nation Providence and circumstance have entrusted us with an actual mission.

The ancient historians tell us that a census of Roman citizens was taken in the reign of the Emperor Augustus, about the time of the birth of Christ, and that the number was estimated at 25 millions, including the districts and provinces of Italy, Gaul, Spain, the Balkan Peninsula, Greece, Asia Minor, Syria, Egypt, Northern Africa, and the islands in the Mediterranean.

Gibbon, the historian, estimates that the revenues from the provinces of the Roman Empire was the equivalent of about 100 million dollars of our gold.

The annual revenues of the United States Government at this time are 1,000 million dollars per annum, or ten times the revenue of the ancient Empire of Rome in the Golden Age; while the total incomes of the people of the United States in the past twelve months are estimated to have amounted to not far from 35 billion dollars, and the people's savings, over and above their cost of living, to between six and seven billion dollars.

It is worth our while to turn our minds back over nineteen crowded centuries, to reflect that Rome was where we are—the greatest, strongest, richest power of the known world. There is solemnity and seed for wisdom in the reflection that Rome was; and perished. At the very zenith of her power and pride and wealth, the same Augustus who took the census foresaw for her the same perils thoughtful men now foresee for our own Republic. He attempted measures of reformation, of preparation, of prevention against disaster, which it will be well for us to consider thoughtfully. "In all times of our adversity in all times of our prosperity, in the hour of death and in the day of judgment, Good Lord, deliver us" runs the Litany. Men wise as Caesar Augustus wrote that for us to use in our prayers. They understood, as he did, that the dangers of prosperity are as deadly as those of adversity, death and judgment; and that pride, vain glory and hypocrisy may destroy congregations and nations as they do individuals. Countless sages and thinkers have given us the same thought and warning. Kipling expresses it musically:

If, drunk with sight of power, we lose  
Wild tongues that have not Thee in awe—  
Such boasting as the Gentiles use,  
Or lesser breeds without the law—  
Lord God of Hosts, be with us yet,  
Lest we forget—Lest we forget!

Froude tells us of the Emperor Augustus, that under his reign—

"Society had grown ashamed of its orgies, and returned to simpler habits of life, and the Emperor led the way in the reform. Like Charles V., Augustus banished plate from his household, and was served with the plainest food on the plainest earthenware.  
\* \* \* His furniture was scarcely fine enough for a private gentleman. His dress was homespun, not distinguishable from the dresses of his attendants,



and to emphasize the example, was manufactured by the Empress and his daughter. \* \* \* He was punctilious in each and all of his religious observances. \* \* \* ; and during his long reign the harassed peasant, who at last could till his farm and eat his bread in safety, poured libations with unhesitating faith to the divinity of the Emperor."

Here and now, each of us sovereign by right of birth, each of us entrusted by Providence with power among his fellow sovereigns, may realize profitably how well we might use that power by promotion of the habits of simplicity and austerity. It is easy to imagine that if the principles taught by the great emperor had become part of the permanent life of the Roman people, the power of Rome would have remained unshaken. It is easy to know that if this nation of ours is given over to luxury and riot, to huge wealth unequally divided, to effeminacy on one side and misery and rage on the other, our destruction will come surely, swiftly and shamefully, without even the alleviation of pity or sympathy, with all the added ignominy of the world's contempt, and the knowledge that we will live in history, not as an example of grandeur but as an instance of disgraceful failure.

The wealth of this country at this time has become so vast as to be beyond the comprehension of the average mathematician, and we are learning now to think, financially and industrially, in astronomical units.

We have to-day a population of more than 100 million people, with more than 40 million men, women and children engaged in gainful occupation—employed in the creation of more wealth—piling Pelion on Ossa.

If we should divide the new wealth created annually among all the men, women and children engaged at work, they would have not far from \$1,000 per year each.

It would not be difficult for this nation, by economy, thrift and efficient work, to increase its annual savings, which two or three years ago were estimated by expert English economists at five billion dollars per annum, to ten billion dollars per annum; and this huge sum could then be used to help forward the development of our own country; for the promotion of civilization and for the advancement and upbuilding of the near and remote countries of the earth. But, while we are planning gigantic schemes for world development, let us not forget that the most immediate and vital business duties which lie before us relate to the upbuilding of our home enterprises, especially the smaller factories and mills and development undertakings in the lesser cities and towns and in our country districts. Those provide the surest and safest foundation on which to erect national wealth.

They keep money at home in local banks and in active circulation in the territory in which the laborer lives and where the capital is invested. They provide work for home people, employment for home capital and energy, trade for home merchants. They make also opportunity for talent and give means of study resistance to encroachments on the pockets of the people by great monopolies. They tend directly toward promotion of the intimate and cordial relations between employers and employees of all grades, which make for ideal conditions.

In a letter which I had the honor to receive some years ago from England's great statesman, Mr. Gladstone, he spoke of the vast power of production of this country, and predicted that the time would come when our wealth would overflow into other lands. This predicted hour has struck. The time has come, and our wealth is already overflowing into other lands with a rush and abundance never before witnessed in the history of commerce or of finance.

Students of the situation estimate that this country is now creating wealth over and above the living expenses of the people at a rate four or five times greater than the savings of the British people at the time when their in-

come was greatest and their investments in foreign countries were at the maximum.

Just two years ago, after the outbreak of the European War, we were considering how we could find means to meet our floating debt, estimated at 350 million dollars, in gold, which was to mature in Europe between September first and December thirty-first, 1914, and what we should do to avert financial calamity if the European nations should begin to unload upon us their American securities, of which they held an amount then estimated at four to four and a half billion dollars. In the two years which have intervened we have paid this floating debt in full, have bought back of the American securities held abroad an amount estimated at between two and three billion dollars, and have loaned to foreign nations in both hemispheres one and a half billion dollars of new money.

If a balance should be struck to-day, taking into account the amount of our securities still held in foreign countries and the amount due our people on account of their foreign investments, the probabilities are that we would find ourselves for the first time in our history, a distinctly creditor nation. We hold a mortgage on the world's physical assets. The world holds a mortgage on our soul, on our good will and broad nobility of purpose.

Gentlemen, all of us know the self-multiplying power of money, the capacity of wealth to propagate and increase itself. The law of gravitation, as we know, applies in finance as in the physical world. Huge accumulations of values naturally draw to themselves the lesser masses. Seeing how we have grown in fourteen years from the basis we had in 1902, imagination is baffled by the possibilities for the coming fourteen years from the basis we have now. But it is for us here to keep steadily in our minds that the only real wealth, after all, is the common wealth, that wealth to endure and go on accumulating must be used for the common weal. A superstructure of great fortunes based on a foundation of general poverty and discontent must topple and crumble as surely as a house builded on the sands. We see what we have. We can but vaguely imagine what we will have if we will look carefully to our foundations and be guided by the practical business sense represented in the best ideals. The altruistic conception of our duties to each other is not a vapor or a rainbow vision. It will come out right and show satisfactory results under the keenest analysis and the coldest dissection.

By spontaneous, inward growth, by natural strength, by the inborn restless, tireless enterprise and industry and productive power of our people, we have expanded enormously. Certainly no men in the country have done more to bring these wonderful results than the bankers of the United States. It will interest you to know that our National Banks are now manned by an army of about seventy-five thousand men, including officers, clerks and other employees, generally able, faithful and efficient, with a payroll of nearly a hundred millions a year, operating on a capital of more than a thousand million dollars contributed by 441,000 stockholders, and having as clients over fourteen million depositors.

Charged, as I happen to be, with the sometimes ungracious and unwelcome task of supervising their conduct of their own affairs and scrutinizing the most intimate details of their business, it is a real pleasure to me to bear witness to the high character, the incalculable usefulness, the conscientious devotion to duty and the breadth of view and purpose of the average American banker. He combines the functions of a driving power and a balance wheel, an accelerator and a brake. Maybe I know about as much about him (although I do not wish you to understand from that that I am a Methuselah) as any man alive; as an American citizen I am pleased to say that I am proud of him. Nine times in ten I take even his most vigorous kicks against my administration

as evidence of his self-respect and American spirit of assertion of what he may believe to be his rights.

Please do not construe that statement, gentlemen, as an invitation for additional kicks. I have a plenty, thank you. I am one of those individuals who must find consolation in consciousness of *good intentions*, and in faith that, instead of being a part of the pavements of Hades, they will be found presently smoothing the thoroughfares of commerce here; and I have the hope that presently it may be said of me, "After all, he performed his duty as he saw it and really did do some good." That is about the best most of us can hope for. As I think I have said before, gold-headed walking sticks or loving cups with inscriptions or engrossed votes of thanks come to comparatively few of us when our duties forbid us to be invariably affable and universally urbane and complaisant. I have found some satisfaction in the statement of General Goethals, who, in reviewing his own experiences, said that he had learned the important lesson that "a man's usefulness in the public service is determined by the abuse and criticism he can take without complaining."

With your permission I will here answer a question which critics of the Federal Reserve System have sometimes asked as to whether our national banks continue to be profitable to their shareholders.

I am gratified to be able to tell you that notwithstanding the lower interest rates which have prevailed since the inauguration of the Federal Reserve System, and despite the fact that Federal Reserve Banks pay no interest on reserve balances, the latest official returns of the national banks indicate that in the aggregate their earnings, both gross and net, are now far greater than at any previous period in the history of the national banking system.

In 1899 the gross earnings of all national banks were less than 150 million dollars and their net earnings slightly under 50 million dollars. For the calendar year, 1916, the indications are that the gross earnings, based upon the actual returns for the first six months, will approximate 600 million dollars, and net earnings over and above all expenses and losses 170 million dollars.

Since 1899 the capital of national banks has increased 75 per cent., while the net earnings on the above basis have increased about 240 per cent. In 1899 national banks earned on their 604 millions aggregate capital stock a fraction over 8 per cent. The current year the figures thus far received indicate that they will earn approximately 16 per cent. on their total capital stock of 1,070 million dollars. In 1899 the national bank surplus was 248 million dollars. Now, the surplus fund of the national banks is 730 million dollars. Undivided profits in 1899, 94 million dollars; now, they amount to 305 million dollars.

My attention was directed recently to newspaper statements to the effect that national banks are week by week surrendering their Federal charters and taking out State charters instead, and that the number of national banks "is decreasing instead of increasing." That statement is squarely contradicted by the facts. From the opening of the Federal Reserve Banks November 16, 1914, to September 16, 1916, one year and ten months, the Comptroller's office has issued charters to 248 new national banks, with an aggregate capital of \$15,249,500. During the same period 180 national banks increased their capital to the extent of \$20,762,700. The aggregate number of new charters and banks increasing their capital was therefore 428 and the aggregate new capital authorized \$36,012,200. During the same period 133 banks other than those consolidating with other national banks went into liquidation, their aggregate capital being \$11,183,000; 33 banks reduced their capital in the same time to the extent of \$2,710,000, so that the total number of banks liquidating or reducing their capital other than those consolidating with other national banks was 166 with capital re-

duction of \$13,893,000. In addition to the above, during this same period there were 27 national banks placed in charge of receivers; representing an aggregate capital of \$2,635,000. Of this number, eight with an aggregate capital of \$530,000 have been restored to solvency.

The records thus show that since the opening of the Federal Reserve System, (excluding the banks consolidated with other national banks), the number of new banks chartered plus the number of existing national banks which have increased their capital exceed by 243 the number of national banks which have gone into liquidation or which have reduced their capital, and the capital of the newly chartered banks plus the increased capital of existing banks exceeds by \$20,014,200 the capital of all national banks which have gone into liquidation or which have reduced their capital. The Comptroller's office has also refused about thirty applications for charters for new national banks during the same period.

When the Federal Reserve Act became a law the friends of that measure confidently predicted that three principal results would follow:

First, that the rates for money would be reduced throughout the country, and that there would be a general equalization of interest rates. That this result has been accomplished is universally admitted. Arguments on this point, would therefore, be useless.

Second, the prediction was made that with the inauguration of a sound, elastic and scientific currency system, business of all kinds would be placed upon a stronger and firmer foundation and that increased business activity would follow. This promise has also been splendidly fulfilled.

A third prediction was that with the institution of this new financial system bank failures would be greatly reduced, if not entirely eliminated, and I now ask your attention to figures which will enable you to determine for yourselves how far this expectation is being realized.

The Federal Reserve Board was organized on August 12, 1914, and the Federal Reserve System began business November the same year. For the twelve months immediately preceding, namely, for the period ending June 30, 1914, nineteen national banks failed with liabilities aggregating \$39,952,000. For the twelve months ending June 30, 1915, including seven and a half months of the operations of the Federal Reserve System, there were sixteen national bank failures with liabilities aggregating \$15,972,000. For the twelve months ending June 30, 1916, the first complete fiscal year under the new system, there were fifteen national bank failures with aggregate liabilities of only \$3,838,000.

This shows that for the first full fiscal year under the operations of the Federal Reserve System the liabilities of the failed national banks amounted to less than one-tenth of the liabilities of the national banks which failed in the year immediately preceding the inauguration of the system, and those banks which failed during the past twelve months were generally small concerns whose failures were traceable directly to criminal acts of management—defalcations, embezzlements, etc., which it is practically impossible entirely to eliminate under any banking system, although under our improved methods of bank examination, these are now being reduced to a minimum.

You may also be interested in receiving further facts as to the fifteen banks which failed during the last fiscal year, and whose liabilities, as I have stated, aggregated only \$3,838,000. Two of these banks already have resumed operations; five more already have paid or are expected to pay depositors 100 cents on the dollar, and the remainder are expected to pay from 65 per cent. to 95 per cent. of their liabilities.

It is estimated that the total ultimate losses to depositors from these failure of the fifteen banks which closed during the year ending June 30, 1916, will be less than \$250,000. As the total liabilities of all national

banks, exclusive of capital, surplus and undivided profits, during this period amounted to about 12 billion dollars, is it not tremendously reassuring to learn that the proportion of losses to depositors and other creditors of our national banks for the past year has been only two dollars per each one hundred thousand dollars of liabilities? On this basis an insurance company could afford to guarantee the deposits of a bank with a million dollars of deposits for a yearly premium of \$20 and a bank with \$10,000,000 of deposits could secure for its depositors immunity from loss at a cost of about \$200 per annum.

So much for what the Federal Reserve System is already doing for us. As is said of matrimony, it divides our cares and multiplies our joys. Our new banking and currency system has been given to us fortunately precisely at the time in the world's history when it was most vitally needed and when its power for good not only to us, but to all the nations of the world, could be most widely and most advantageously exercised.

But looking back and looking ahead, I am profoundly and tremendously impressed by the unprecedented and almost inconceivable opportunity now before this United States, this Republic of ours, and especially before the men of your profession—for banking has long since grown from the position of an ignoble trade to that of a noble and honorable profession. We have been forced by our own growth out of the trammels and confines of timidity and isolation our forefathers wove about us while we were a feeble folk and wisely afraid. We have been born into the world almost in a moment, full grown—I hope and believe with teeth. We are not only a world power. We are the world power. While nearly every other country has been depleted, we have been augmented. Our credit and resources are inexhaustible. Our population is intact and increasing, our cities are unmarred, our many millions of acres of soil are tilled in peace, our natural resources find profitable and constant outlet.

Our deposits in all the banks throughout the United States at this time are so huge that if there should be withdrawn from these banks an amount of deposits equal to the total resources at this time of the Bank of England, the Bank of France, the Bank of Spain, the Bank of the Netherlands, the Bank of Norway, the Bank of Sweden, the national Bank of Switzerland, and the Imperial Bank of Japan all combined, the deposits of our banks would still be as great as they were three years ago, at the beginning of the present administration.

To follow several distinguished examples and come to the vernacular, gentlemen, it is up to you. No nation in the world's history has had the opportunity this nation of ours will have, at the ending of the European War, for self-building and for raising to their feet a sad procession of exhausted nations.

And in this connection, let me suggest, deferentially, not to say timidly, another thought. In my recent intimacies with the machinery of our Government, in its legislative and executive departments especially, I have been impressed by the advantage and importance of having practical business men in our politics. My study of history and of latter-day conditions, has impressed on me that a curious reversal of process sometimes has occurred. While banking, the handling and lending of money, which used to be regarded as one of the most ignoble of trades, sometimes prescribed by law, has risen to the dignity of an honored and tremendously important profession, politics, which in olden times used to be the most important of all professions, enlisting the labor and thought of the greatest men, has in recent years shown now and then a tendency to descend to the level of ignoble and selfish trade. We need in our offices, and in all our political affairs, more men who will regard office-holding and political work, not as the last hopes of earning precarious livings or winning temporary distinction, but

honestly as opportunity for doing real good for the country and their communities. I realize as clearly as any of you how distasteful practical politics is to most business men. I recall the story of a voter—maybe an average American voter—down South, who, when asked to vote for a prominent and useful citizen, replied with scorn and indignation, "Vote for him? Why, he's a rich man! I'd as leave vote for old banker Simpson." Mr. Simpson was the leading banker of the county, probably the ablest and most useful man in it, and had never committed any offense but to be a successful business man and banker, in whose life and methods not a flaw could be found.

My own conscience, I confess to you frankly, is very bad on that point. To my discredit, be it said, I suppose I never in my life attended more than a half dozen ward or precinct meetings. Most of the time I would have found it hard to name offhand the aldermen or councilmen from my own ward, and often went to the polls with hazy ideas of who was running and of what and who the candidates were. This is all wrong. You know it and I know it. We business men, especially we bankers, are much given to growling about political conditions, the leadership and management of our respective parties. Frequently our growling is justified by the facts, but usually we have had no right to utter it, because we have shrunk from lifting hand or voice to bring improvement.

Regardless of the political parties to which we may severally belong, we would be ungenerous were we not to acknowledge that our country has been singularly fortunate in having had at the head of its Treasury Department when the world crisis arose two years ago, and when our country was called on to solve, and did solve most successfully, problems of unprecedented perplexity and moment, a man who has proved himself equal to every exigency which has arisen and whose experience, skill and splendid ability have been such tremendous factors in guiding us through menacing perils to stability and prosperity. Problems which loomed so large in years that have passed and which were dealt with by such masterful men as Hamilton, Gallatin, Chase, McCulloch and Sherman seem small compared with those which our country has faced and triumphantly solved under the administration of our courageous, untiring and resourceful Secretary of the Treasury, William Gibbs McAdoo.

I have endless faith in the capacity of the American people, and especially the American business men, to discover and rectify their own errors before the resulting damage is irreparable. Therefore I cherish the hope that the time will come when more of our Americans who have achieved distinction in other vocations will realize that they owe personal service to the country in which they have prospered and succeeded and will acquire the habit of adopting politics as a career and opportunity, and will give their ripper years and the influence they have won to leadership of their fellow citizens, defying the annoyances, the disappointments, the stings, that inevitably accompany such work. It is as well worth while to endure such things for the welfare of people and country, as to endure them, as all of us must, for the piling up of money. As I have said before, on another occasion, political activity within the limits of good citizenship applied to productive endeavor is a solemn duty. Politics as a diversion of earned and safe leisure is a useful amusement. Politics, when a man has achieved success in his personal affairs and contributed his personal part toward the upbuilding of his community and the establishment of his family, offers noble occupation. Politics as a business, a trade, a dependence, a means to mere selfish ambition, for young men, is crowded with dangers, thronged with foes to character and manhood, ambushed at every step. Eminence is a fruit we can afford to pluck only when we ourselves are ripe. For the weak and untried, it is poison, the most ruinous of intoxi-

cants. It is for strong men, proved strong and toughened by toil and by doing.

It is a strong contradiction that many of us who encourage the younger men to accept the dangers and privations of military service for the sake of flag and country and people, ourselves cower away from the suspicions of the rabble or the worse criticisms of blackguards or opponents.

That is a matter intimately associated with my general theme, but a little aside from it. We should keep in mind our personal duty to our own country. We cannot forget that before we can be of permanent value to the world and hold permanent power in it, we must make ourselves and our own internal affairs clean and strong and inspired by high, clean and plain purposes. Maybe the two tasks will react to each other—that as we appreciate our responsibilities as the world power, we will realize the need for new and better forces applied to our internal political machinery; and that as we purify ourselves, our conceptions will be higher and vision broader and clearer. However that may be, it is certain that just before us, a few months or two or three years, a mighty task is to be done to reorganize and re-establish the nations of the earth. Let us do whatever the genius, the power, the talent for reorganization and administration of our country can do. We have the right to do it to our

own profit. But it is our duty and our opportunity to let the word "fair" go hand in hand with the word "profit."

Let us have the great American soul go in company with the great American dollar. You bankers can see to that. You can see that the spirit of civilization and man thought, and purpose, shall banish the law of the jungle and the mere animals. We should take no advantage of necessity to extort hard terms, at home or abroad, as did the usurers and money changers before banking advanced from proscribed and furtive trade to honored profession.

Without loss or risk to ourselves, we may win for our Republic a place never before held by any country. It is not only possible, but comparatively easy for us to stand with none jealous of us or afraid of us or suspicious of us, with the gratitude, the affection and the confidence of all the nations concentrated on this nation of free and self-governed people. That would be a transcendently glorious culmination of the fondest and highest dreams of our great founders.

We have the people with the souls in them. We have the dollars beyond our most exaggerated hopes. If we put the soul of the people in the use and application of the dollars, the loftiest and noblest conception of the centuries will be fulfilled by us. And, gentlemen, you govern the use of the dollars.

## Report of Proceedings

First Annual Convention of NATIONAL BANK SECTION, at Kansas City, Sept. 26-27, 1916

### Annual Address of President Fred. W. Hyde

To the Members of the National Bank Section:

GENTLEMEN.—We are met in the First Annual Convention of the National Bank Section of the American Bankers' Association. It is a momentous and significant occasion. Your officers and Executive Committees are to render an account of their stewardship for the twelve-month past; addresses are to be made by men of distinction in the fields of finance and economics; questions of importance to the bankers and to all the people are to be discussed, and business germane to the organization will be transacted. The history of the section is yet to be written. Only one year has transpired since the section was brought into being. Of the future who shall say, "Beyond the Alps lies Italy?" We have accomplished much; much more will be expected of the section in years to come.

This unit of the American Bankers' Association is national in its origin, membership, scope and purpose. Under the National Bank Act the members of the Association were practically independent of each other. The Aldrich-Vreeland law not only tided the banks and the country over a period of grave danger, but also demonstrated that in co-operation and united effort lay the secret of a national fabric of sound finance. The Federal Reserve law gives to the United States a financial system which, despite manifest defects and insufficiencies, appears destined to become an all-embracing combination and conservation of the money resources of the nation for the nation's weal and to enable the United States to maintain its eminence in the sisterhood of nations. All national banks are by law members of the new system. The plans and hopes of those who conceived and framed the law embrace every form of banking institution in the country. We are actors in a period of unexampled financial readjustment. Years may elapse before all branches of banking will be coordinated. But we, the national banks here assembled, form the nucleus and no special powers of seer or prophet are required to predict that within a decade the more than seven thousand members of the system at present will be increased four-fold. To paraphrase: "The steam roller of government moves slowly but moves exceeding sure."

The actuating motive of those who formed the National Bank Section was a desire for a union of all national banks for mutual benefit and for consideration and action on questions distinctively pertaining to the new system. A broad and catholic spirit animated the founders at Seattle in 1915. With the conclusion of the business of organization a year ago the affairs of the section were in the custody of the officers and the executive committee of six, representative of the different parts of the country, and this committee has fulfilled every expectation in respect to fidelity, ability and service. The various meetings in New York and Washington have been fully attended and the sessions have been devoted to hard and conscientious work, the details of which will be furnished in the reports of the Chairman of the Executive Committee and of the Secretary of the Section. In addition to definite results attained, it is certain that preliminary action in constructive fundamental finance has been taken which will materialize later in ways beneficial and satisfactory to banker and nation.

The President would be lacking in appreciation were he to fail here to acknowledge the ability and zeal of the Executive Committee

throughout the year, the personal and business sacrifices which the members have made in behalf of the section, their loyal support. Each and every one deserves the thanks and plaudits of the National Bank Section.

It is merely rendering honor where honor is due to voice the sentiments of the committee in an appreciation of Secretary Jerome Thralls, who came to us from Kansas City and brought to his exacting position a degree of intelligence, training and devotion which have won the respect and admiration and the high regard of his co-workers. To say that he has more than met every requirement is simple truth and the section has reason for thankfulness in possession of the services of one in every way so capable and praiseworthy. Nor should we forget to express our thanks publicly to General Secretary Fred E. Farnsworth and his staff who gave so unstintingly of their knowledge and labor in order that the section should make a right beginning and accomplish its legitimate purposes.

An encouraging and gratifying experience has been the generous recognition of the section by the Federal Reserve Board and the Governors of the Federal Reserve Banks who have welcomed the co-operation of the Executive Committee, have listened interestedly to such representations as the committee has made on behalf of the section and have discussed and advised with the committee, disclosing a desire to reach conclusions without prejudice or preconceived opinions. This friendly and hearty attitude of the Federal Reserve authorities bodes well for future activities and results.

In its relations with the Federal Legislative Committee of the general association, our committee all along has been on the basis of unity and amity with the result that much has been done for the welfare of banking where alone either unit might have failed. Mutual confidence and associated action have made for general efficiency.

The homogeneity and interdependence of the present system of national banks are new features among financial institutions in the United States. Hitherto each bank has stood by itself; now all members of the Federal System are co-related; each shares in the strength of the aggregation. With the date of its organization nearly coincident with that of the placing in operation of the Federal Reserve Law, let us hope that the section will develop in membership, usefulness and power; that it will prove a bulwark of strength to the people and the government, and in all particulars justify the hopes and expectations of its founders.

To that sentiment to which we all subscribe—"One nation, one flag"—may we not soon add—"One monetary system!"

### First Annual Report of Secretary Jerome Thralls

To the Members of the National Bank Section of the American Bankers' Association:

This Section is a department of the American Bankers' Association, organized for the purpose of affording a channel through which questions of importance and of common interest to National Banks may be discussed and solved.

It devotes its energies to evolving, developing and encouraging better banking methods, systems, and practices. Five thousand seven hundred and twenty-three National Banks are members of the Section.

The Section was organized at Seattle, Washington, September 9, 1915. Its affairs are administered by an Executive Committee of six regular members and three ex-officio members, namely the President, Vice-President, and ex-President for a period of one year, all of whom are elected by the representatives of the members in annual convention. The terms of office of the six regular members are so arranged that two expire each year.

Much of the business of the Section is transacted through a Committee at Large. The members of this Committee are known as "Vice-Presidents" of the Section for the States and are elected annually by the members in their respective states.

The President of the Section is ex-officio member of the Executive Council of the American Bankers' Association. The Secretary is elected by the Executive Committee with the approval of the Administrative Committee of the American Bankers' Association.

Your Secretary, upon assuming his duties six months ago, ordered the necessary equipment for the office of the Section and installed a system under which a permanent record is made of all work done.

This record shows that 1,544 dictated letters have been dispatched since March 1, 1916; 1,625 letters have been received; 3,109 circular letters manually signed and 4,000 copies of leaflets have been mailed in the interests of the Section and the Association; 156 telegrams have been sent and 27 have been received. Your Secretary prepared the articles that appeared in the National Bank Section of the Journal Bulletin during the past six months, and also wrote a number of articles for other financial journals in the interest of National Banks.

The Section has co-operated closely with the Committee on Federal Legislation, and it was largely through the agency of the Section that the reduction of fifty cents per thousand dollars and the exemption of ninety-nine thousand dollars for each institution, in relation to the special bankers tax, was secured and that this tax was made to apply to all corporations, thereby eliminating its discriminatory features.

The following excerpt from a letter received from the Chairman of the Committee on Federal Legislation relating to this matter and to the passage of financial legislation during the year, will be gratifying to the members and to the State Vice-Presidents of this Section:

"What has been accomplished would not have been possible had it not been for the co-operation of the National Bank Section."

The Federal Reserve System, though conceded to be a strong and beneficial piece of financial machinery, is yet in the experimental stages. Its operations have been limited, its strength and efficiency have not been tested. Limited experience, however, has demonstrated the necessity for certain amendments to the law in order that the system may work smoothly and render satisfactorily the service it was intended to perform.

The principal functions of the Federal Reserve System constitute a safety valve that will serve all member banks alike. Bankers' views as to the amendments and new laws that are necessary to govern these functions should be in accord. Scattered opinions are of little value, but crystallized sentiment and unified opinion are two of the most potential factors in the financial and political life of this country. How are the necessary amendments and new laws to be secured?

They can be secured by determined effort and close co-operation through the agency of the National Bank Section and the Committee on Federal Legislation. This Section is a means through which the National Banks may register their solid strength in support of amendments and laws that are of a constructive and corrective character and in opposition to the enactment of legislation that may be harmful not only to the banks but to the general business interests. Some of the most important financial measures passed by the recent Congress were evolved and recommended by this Section.

Much time and consideration have been given to the Nation-wide Clearing Plan and the proposed amendments to Section 16 of the Federal Reserve Act.

The Executive Council of the American Bankers' Association, in session at Briarcliff, N. Y., May last, appointed a committee of five, directed that committee to confer with the Federal Reserve Board, and in event their conference failed of its purpose to then confer with the Executive Committees of the National Bank and Clearing House Sections. The three committees were given full authority to take such further action as in their judgment may be deemed necessary.

A tentative draft of an amendment to Section 16, contemplated to eliminate therefrom the provisions for par collections and giving the Federal Reserve Board power to fix reasonable charges for collection of checks, was prepared by General Counsel Paton at the request of these three committees and was submitted to them for consideration and criticism. The referendum vote of the three committees indicated that the majority of the members thereof preferred that action toward introducing and supporting this or any similar amendment should be deferred until after the annual convention at Kansas City, in order that the Nation-wide Clearing Plan might be given a fair trial and that the claims for amendment of the law and modifications in the plan might be based on actual experience and proven defects rather than on theory and assumption. The Chairman of your Executive Committee has made report on the other legislative matters in which the Section has been interested.

Your Secretary represented the American Bankers' Association and this Section at the annual conventions of the following bankers' asso-

ciations: Missouri, North Carolina, Ohio, Oklahoma, South Carolina, and The Reserve City Bankers; also attended the conference of Country Bankers at St. Louis, June 10, 1916, and the meeting of the Administration Committee of Country Banks held at Washington, D. C., July 11, 1916; later visited the Federal Reserve Banks of Chicago, Kansas City, New York, and St. Louis, and conferred with the Comptroller of the Currency, the Governor and other members of the Federal Reserve Board, and with the heads of various departments of the Treasury in the interests of the Section.

The expenses of these trips, except one, were borne by the American Bankers' Association. The expenses of the one exception were divided with the Clearing House Section. Upon his return from each trip your Secretary filed a complete detailed report with the General Secretary of the American Bankers' Association, and made a brief report to the President and Chairman of the Section.

Your Secretary delivered an address before the North Carolina Convention on the subject "The Nation-wide Clearing Plan," and addressed the convention of the Ohio Bankers' Association on the subject "Co-operation and Diversified Banking," and made formal talks on banking topics before many of the other meetings which it was his privilege to attend. He secured 24 new members for the American Bankers' Association at the Oklahoma meeting and quite a number at each of the other meetings. Through the efforts of the Section, 150 new members have been added to the American Bankers' Association since March 1, 1916; of these 42 were State Banks and Trust Companies.

One thousand eight hundred and eleven National Banks are not members of the American Bankers' Association. A total of 1,916 new members were added to the American Bankers' Association roster during the fiscal year; of these 358 were National Banks.

Ninety National Banks, members of the American Bankers' Association, are not enrolled as members of the Section. Twenty-three states show a solid membership, and the slate will be cleaned of the ninety "hold-outs" within the next two months.

The appropriations for the Section last year were \$6,050. The expenses for the year were \$5,416.24. The estimated expenses for the ensuing year are \$6,770.

Difficulties often arise between banks and the several departments of the government, which can be adjusted only through personal visit, and which have heretofore gone by default because the individual bank could not afford to bear the expenses of a representative on a special trip to the capital. These matters may now be filed with the National Bank Section and the representative of the Section can look after several such cases on one trip to Washington.

The banks of the country have shown more improvement from the standpoint of strength and service during the past eight or nine years than during any like period. This improvement has not been due so much to legislation as it has to friendly co-operation through organizations such as the National Bank Section.

Your Secretary earnestly believes that there are great possibilities for the development and extension of the Section in the direction of rendering valuable service to the members.

He acknowledges and appreciates the splendid co-operation on the part of the Committees and State Vice-Presidents of the Section, also the assistance that has been rendered by the employees at the general offices, and further appreciates the privilege of serving the American Bankers' Association under your direction and guidance. Respectfully submitted in printed form in order to conserve your time.

JEROME THRALLS.

KANSAS CITY, MISSOURI, September 27, 1916.

### Resolutions Adopted or Disposed of

The following resolutions were adopted:

*Resolved*, That this National Bank Section of the American Bankers' Association ask through this resolution that all banks will please not encourage the public in printing on personal checks the words "Collectible at par through the Federal Reserve banks" until such time as the member banks may be able to obtain credit at par and for immediate use at the Federal Reserve banks of such items.

*Resolved*, That inasmuch as the public and not the banks mutilate the currency of our country, by this resolution we ask that Congress will arrange that express charges on mutilated currency sent for redemption, and cost of returning new bills in place of those redeemed, be paid by the Government.

*Resolved*, That Congress is hereby asked to pass a law making it an offense against the United States Government, to burglarize either with or without explosives, any national bank.

*Resolved*, That a request be made of Congress for the passage immediately of a law providing for the retirement of greenbacks, and gradual retirement of the national bank notes.

The resolution below was referred to the Executive Committee:

*Resolved*, By this resolution, we ask Congress to so amend existing laws that national banks in towns of not over 3,000 people may class as reserve, any kind of actual money as the banks may have on hand.

# TRUST COMPANY SECTION

## AMERICAN BANKERS' ASSOCIATION

Twenty-first Annual Meeting, Held at Kansas City, Mo., September 26, 1916

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### *Standardization of Charges for Trust Company's Services*

REMARKS OF A. A. JACKSON, VICE-PRESIDENT  
GIRARD TRUST COMPANY, PHILADELPHIA, PA.

When our Chairman in his report said I had been asked to lead the discussion he said truly when he said I consented. Of course I was then flattered, but my leading, however, I fear will only be, and I hope will be, only to lead my fellow members into a discussion, because as far as I am concerned, I shall not trouble you with a very long dissertation on this subject.

I personally think it would be very hard to standardize charges of trust companies all over the country. There are so many different items entering into the discharge of their duties in different localities. I dare say we might standardize them in one state, and in other states, so far as that particular state is concerned, just as we know that in certain states there are now laws governing the charges to be made by trust companies; but those laws really are not altogether efficient, because I know in Pennsylvania we have no statutory provision for charges, and each man goes on his own bent, so far as he is allowed to by his ideas, and those of his client.

In other states, I have found where the statutory provisions govern, that whereas the trust company in acting as executor and trustee, let us say, charges so much percentage, which is not in very many cases at all adequate for the service performed, that the trustee turns over to some agent, work to do, which is charged for in addition to the work, and in addition to the fee that is allowed by law; whereas, in some other state, where there is no statutory provision, the fee covers all the duties performed by the trustee.

It is very hard, I should think, to standardize these charges. It seems to me the difficulty would be just as much in relation to the standardizing of fees in trust companies, as it would be for the standardizing of fees of lawyers.

We know in certain states, there are fee bills, or as I understand it those bills may give the lawyer an opportunity to charge a very exorbitant fee in a small case, and perhaps would limit him to a small fee in one of great monetary value. The court, therefore, I understand, in those cases perhaps exceeds the provision in the fee bill; and therefore this matter of standardizing is one, I think, that will be very difficult of accomplishment.

If we can, let us make some recommendation, just as we tried here in this Section, to evolve a model trust

company law, from which there should be derived benefit to all the companies throughout the country, including those who needed that benefit more greatly than others—those existing in states, where they had had no requisite laws, and no provisions for examination.

I really think that if we could establish such a standard for general consideration, that it would be well to establish one that would give a minimum wage to ourselves. Now, we have so many things to do, and we do not want to rob the people—we don't want to do so—I don't know whether you have heard of this incident or not, and maybe the story has been repeated to you, and any number of people, and told in any number of places, but it came to me as authentic, of the man who somewhere in this country was asked to lend five dollars, the cashier of some bank or trust company. He said he would, and he took a note and he charged \$15, and he was asked what the interest would be, and he said, "Oh, there is no interest. The \$10 is just for drawing the papers." So we do not want to do that, but we really should have some adequate provision.

Now, suppose in the matter of a trust under a will, that we are limited to the statutory provision, and some maximum, as we are in Pennsylvania, of five per cent., and we have a small estate, and an estate of a man who died worth \$100,000, and say it produces \$5,000 a year. Five per cent. on an estate of \$5,000 a year income, is \$250 a year, that is \$20 a month. Now, that is the pay of your office boy, and you may say that the company by reason of its size and its machinery, is able to do this for the pay of the office boy, and the more estate you have the more machinery you will have to have. They are so complicated and so complex, and you have to do so many things.

I know of a case where we, for instance, were telegraphed one day by one of our friends, a trust company in the middle west, saying that a certain man who was recently a resident of that city had died leaving a will, or had made a will in favor of this trust company. "As he is dead, will you please give him a look-up, and call and have him shipped West, if he is the right man?" This is a rather peculiar function for a trust company to perform, but that is one of the functions we have to do. If we take a man's estate, we settle his business of all kinds. It requires great knowledge, and it requires a staff of a great many people, and it requires constant ex-

pense, and we ought to be paid to do it, but how to standardize the charge and say what we are going to charge under a statute, for doing all these multifarious occupations, I confess I cannot see.

Then, you have your large field of trust funds, and corporate issues, and bonds, where you will say that you will make 50 cents a bond for certifying, or less, or one dollar a bond in a small issue, and so much for making a transfer, and so much for leases, and so much for substituting a mortgage—there are a great many things to attend to in these cases. There are so many forms of mortgage, for instance, that place upon the trust company the duty of discharging different duties in different trusts.

It used to be the case that the trustee would, we will say, dictate the form of the mortgage. Now, the banker who underwrites, wants a certain form, and the employer of the corporation wants the form, and the trustee has to examine those. He is not simply taking what is coming to him. His lawyers examine them. Therefore it is very hard to say what shall be made a statutory fee.

I was sent a little while ago a reprint from the Trust Companies magazine of August of last year, by the publisher, of a scale of charges made by Trust Companies, as compiled by Mr. Sheppard of the Title & Trust Company of Portland, Oregon, and a most valuable compilation it is. It runs the gamut from holding the title to real estate, to acting as receiver and assignee and registrar and transfer agent and a great many other activities, and when I looked at this table, and saw these replies that these gentlemen had received from only, I think, 25 companies who answered his 52 letters, and saw how they varied in all these different respects, you would see what they think of this general scheme of standardization and how difficult it would be of accomplishment.

Now, I am not going to say anything more, because, as I said, I am going to endeavor to take away some of the discussion, and I fear that in the language of the immortal bard—"I have come to bury Caesar, not to praise him."

#### REMARKS OF HERBERT A. RHOADES OF THE DORCHESTER TRUST COMPANY OF BOSTON

I have had previous consultations with Mr. Jackson. I had no idea of his remarks which he was going to make, but I think he has covered the field outlined in my mind so thoroughly that anything I can say would only be a repetition.

I have felt that the question of the standardization of charges for services rendered by trust companies, was more or less of a local affair. There are so many things that enter into the question of charges, especially as our trust companies are arranged in Massachusetts. Of course many of the trust companies of Massachusetts are more or less commercial institutions. We all do a bank business. Many of us do not do a trust business at all. Many of the trust companies do not—the older and larger trust companies of Boston—and it seems to me that there are so many things that enter into the question of charges. You have a good customer who wants a mortgage, and the question is, how much you shall charge him for your legal services, and as Mr. Jackson says, you have so many lawyers who want to look into this thing. Mortgages are drawn by the corporation and looked into by your own attorneys, and the charges are governed very largely by the amount of work that is to be done in those particulars.

Then there is the question of registrations of bonds, registration of stock certificates.

You have a customer who has a large balance with you and you don't feel like charging him so much for those services as you would a man or corporation that came in from the outside. It seems to me that if we could fix some kind of a charge, or a minimum or maximum charge as a suggestion, it would be a good thing.

I don't believe the trust companies ought to enter into competition in this business to the extent of quoting prices that would not enable anybody to make any money.

I do not know, Gentlemen, that I can cover the commercial field, as Mr. Jackson has covered it so very thoroughly.

#### REMARKS OF LUCIUS TETER, PRESIDENT CHICAGO SAVINGS BANK TRUST CO.

Mr. Chairman and Gentlemen, I was in a business meeting the other day as to the fees of an engineer who had investigated some properties. The question was being discussed, and he was approached eventually and asked by a rather exacting trust company man,—“How many days did you expend in preparing this report?” He said, “As a matter of fact I don't just know.” He further said, “As nearly as I can remember it took me about fifteen years to fit myself to make that report.”

Now, I am sure I cannot bring you anything new today, but I think I can bring to you from that reply a thought which I think is a thing that we can pass along to many of our friends, and to particularly some of our newer friends in the trust company business.

It is not so much that we need to have the size and the question of standardization of price settled, as it is for our trust company friends to realize the responsibility which they have. There is altogether too much of a forgetting of how much past training it has taken to enable us to do what we do; altogether too much forgetting of the future responsibility which we take on in fixing our present charge.

Our clients have helped us in going astray in that way.

While, as former speakers have said, the question of a definite standardization as to prices may not be exactly possible, I believe that it is possible for this Section to attempt to bring a realization of a proper charge for these two things—past training and future responsibility, to bear on our price, rather than that it should be determined by five minutes, or five days, by the drawing of documents.

If that is realized, the price can be easily settled. I am very glad to say that in Chicago that evolution has been going on. As our younger institutions have been eliminated for one reason or another, either by consolidation or retirement or getting old, the competition in charges has also rather drifted out, so that I think I can say with some assurance that our charges there are fairly uniform; and I hope that the quality of our work is fairly uniform. I think those things go hand in hand. I think the quality goes ahead of the price. If the quality is produced, the price must follow. I believe that in some form we should get this thought before our members, and in all kindness before our younger friends, and I have been one of these—I am not as young as I used to be—but I know the temptation to do business, and as we go along we realize there is only one kind of business to take, and that is good business, and we can not afford to lend our names to things that are not sound, and it does not pay to take trustees, and securities and things of that sort, that we ourselves do not approve of. As we standardize the quality of our work, we should then be able to standardize the prices.

#### REMARKS OF W. R. HERVEY OF THE LOS ANGELES TRUST & SAVINGS BANK

Mr. President and Gentlemen of the Section, I was not aware that the honor was to be paid me of addressing you on this topic. I came up from my home to this convention. It is a subject in which I have been very much interested for some years, the question of a standard charge for trust companies' services, because we have on more than one occasion been stung by not knowing what some other trust company would charge our customer or client, who was recommended to go to a certain town and call on a trust company, and they would treat him right, then he would come back and tell his tale of

woe and we were aggrieved and had some correspondence, but that did not heal the wounded feelings of the customer.

It has been within two months that a trust company of standing in one of the Eastern states has charged a customer of ours a commission for collecting its own dividend. This trust company has in a trust fund 150 shares of his bank. They have charged him one per cent on his dividend as a collection fee.

We recommended a customer a trust company where he could put his funds. And that is one of the things that made him think and believe that we should have some idea of a standard charge, that is, a maximum charge that would be made by a corresponding trust company or a company bearing the name of a trust company, and if that company was inclined to charge a larger fee, that it would take the matter up by telegraph or correspondence, so that we and our customer might know what we should pay.

I quite agree with Mr. Jackson that the question of standardizing trust companies' fees at this time is wholly impossible, due to the lack of uniformity in the state legislation dealing with trust companies.

You take it in California, for instance, where we have departmental banking. The trust companies' operations are in a department of the bank quite segregated, wholly and entirely, from the other departments, as much so as though it was a separate institution. There must be a segregation of capital through that department. That capital must be increased as the trust business of the company increases. There is a tax, a state tax, as well as a federal tax on that capital.

The increasing volume of the trust companies' business requires increasing deposits with the state treasurer, which means the crystallizing or solidifying of funds in some form of investments, and sending the investments to Sacramento to hold as security for the faithful performance of trust obligations.

Now, there are \$350,000 in surplus, apportioned to the trust deposit, every cent of which is in Sacramento, as guarantee for the performance of their trust obligations, and we have to increase that from time to time. We have a peculiarity in our statute, of segregation of private trusts and court trusts. We deposit \$100,000 to cover private trusts, and we have deposits in other directions, but we must increase our deposits to cover court trusts, and our court trust business is all under the direction of the court, and we have a separate account, and we have one account for one, and one for the other. The law also provides that the beneficiary of the trust can convert his trust from a private trust to a court trust if he desires to do so; and I am informed that in the entire state of California, not a single soul is able to make conversion of one form to the other form. By means of this restriction of the legislation, it is more expensive to do the trust business, and particularly the trust that results in administration than it would be for a company in a state where the trust companies are not so regulated, and where the burdens are not placed upon them, and therefore a trust company in another state that is acting under a general banking law would not be justified in making charges that we are required to make in order to direct this business.

My theory of trust company charges is that all trust work should be carefully and honestly done. When we receive in our banking department deposits of money, we have a check or checks which is drawn out on a deposit slip, making a record of the entry, and the entry in the book. That can be filed away, and is a very small record; but every transaction in the trust department requires more or less documents, correspondence files and records. They are difficult records to keep because of the perversity of the business, and they must be kept perpetually. Within six months two of our officers have spent more

than two days as witnesses in a court of law away from their business to testify to transactions that happened years ago, transactions that were closed, transactions for which we have received no more compensation; and yet we have to spend valuable time on those old transactions today. Those records must be perpetually kept, and the trust is never dead, and is never closed. None of us know when it will come to the front to require attention.

I believe, therefore, that we should give the legal and best attention to those affairs that they are entitled to, and that every trust should be handled conscientiously and that a legitimate and proper charge should be made for the service.

I realize that some trust companies do work for a song, because a man has a large balance or other business, or is a friend of another company, and for many reasons. I know a few trust companies who reduced prices to meet the prices of their competitors. I should not like to see any of my competitors go out of business, but the easiest way in the world for them to go out of business would be to cut the fees down under a legitimate charge for the service. They could not last long. One of the speakers said here: "A sound price for a sound product. Good pay for good quality." I think that we in our trust work should all look upon the thing that we should give our customer, the service to which he is entitled, whether he recognizes its burdens or character or not. That is the only way we can serve our stockholders and our officers, and we should charge a legitimate price for that service.

It can be standardized in each state, but I see no manner or method by which it can be standardized throughout the United States, as much as that result might be desired.

It is difficult to say what a trust company and particularly a new company will charge a customer, or you, if you send business to them, in a hurry. The trust business being experimental, I presume that everyone of us took several years before we found out what the cost of doing trust business was. Some of us have not found it out yet; but of course it is very hard on our costs to determine what the product really entails in dollars and cents, and then to add a legitimate profit to that cost; and the trust company experimenting on this is apt to make many figures ridiculously low, and oftentimes make charges that are wholly unintentional.

I believe a committee of our section, or the Bankers Association could devise a tentative schedule of fees that would be charged generally by their members unless other arrangements were made with regard to them. I thank you.

#### REMARKS OF B. C. HOWARD OF KANSAS CITY

Mr. Chairman and Gentlemen: The previous addresses that have been made here this afternoon bear along on the same lines. As far as standardizing the trust charges, I for one am convinced that it cannot be done, for the reason that there are so many different things, as has been said before, entering into each one of these transactions. In some cases, you have the fees regulated by law. In others there are no laws at all, and it is left entirely to the trustee or to the beneficiary, or to the agreements that have been made by them as to what the fees shall be.

The fees have, in a great many instances, seemed large to the beneficiaries, when they are exceedingly small to the trustee or the trust company performing the services, because the beneficiary does not realize the amount of time that has been taken up by the officers of the institution that serves them.

A woman with an estate of \$5,000 will take up as much of your time or more of it than another estate of



\$500,000. It is just according to the character and the make-up of the people you are dealing with, as to what kind of fees you are to get, and what you are to get in order to be paid for the services rendered.

Now, as far as the payment of coupons on these bonds, where the customer is a trustee, in my opinion the services should be paid for, but the fees which should be paid do not always pay you for the services which you render. Take an issue of bonds of \$100,000. Divide them up into \$100 combinations, and \$500 combinations, and look at the vast number of coupons that you have to handle every time you pay a dividend.

In addition to that, with this new federal income tax law, you have got to examine every single certificate that comes in. Now, the work in connection with that thing amounts to a great deal more than the fees ordinarily charged by the trust companies for disbursing that interest.

Now then, in paying this interest the size of the issue and denominations of the bonds have a great deal to do with the charges for those services. With a \$2,000 bond, you can handle it easier than a \$100 bond.

So far as the administration of the companies are concerned in Missouri, that is governed by statutes. We do not enter into that question at all. The law fixes the rates and the fees that we receive, and we receive them.

Now, when it comes to acting as trustee under the will, that is left entirely to the trust company and the trustee and beneficiaries as to what those fees shall be. That is where we have to use our ingenuity in arriving at the right and proper fees to be charged. The fees in those connections are hard to determine. If it is a customer that has a great amount of business for the other departments outside the trust department, you have to regulate your fee according to the services, or to the value that you want to give that man. If that man is a very large man, naturally you will take better care of his business than for some one else who has nothing at all except his trust work.

Now, it is almost impossible to fix a standard price. I was talking to men today, as to what the charges were for registering stocks, and for fees for transferring stocks, and I was very much surprised to see or hear it stated that some persons were registering stocks for ten cents, and in other places they were registering transfers of shares of stocks for very little more. Now, I do not believe that will pay for the expenses in attending to that kind of business, when you stop to think of the transfer agents, you have got to be responsible for every one of those endorsements. You have got to make the transfer, and if anything is wrong, the company is liable. It is transferring from the corporation itself, the responsibility of transferring stock as a transfer agent, and I think whenever any trust company assumes that kind of an obligation, it should have a reasonable fee, not only for the work that they do, but for the responsibility that they assume, and I do not see how any trust company, acting as transfer agent, can make anything for less than 50 cents a certificate for each transfer.

Now, we go again to this same question, this matter of competition. I was in Chicago a short time ago, and they told me that they cut the prices all to pieces, because there was a new trust company starting out in business, and it cut it down, and they had to meet those cuts. It is impossible there again to establish any uniform price, because some of them were bound by the uniformity, and others were not, and on that account you cannot establish any uniform system for any of this work, as local conditions have always governed every case.

Thank you, Mr. Chairman and gentlemen for listening to what I have had to say although it is no more than anybody else has already said, but I would like you to

know what other people are saying and doing on these subjects.

#### REMARKS OF UZAL H. McCARTER OF THE FIDELITY TRUST COMPANY OF NEWARK

Mr. Chairman and gentlemen, there is one thought which occurred to me, which has not been brought out, and for which nobody is to blame but the trust companies themselves. I speak now of an experience in New Jersey, where we have a statute that prescribes our fees. We have nothing to say about it. The Probate Court settles the entire matter of fees, but day by day, due to the organization of new and small trust companies, the business of handling trusts is being commercialized, and that is a thing that I am against.

A man who is going to draw his will writes around to 15 or 20 trust companies throughout the state: "I am drawing a will of so many dollars, and think of appointing your company; what will your company charge to administer such an estate?" You are suspicious of the bumper, and you call up one or two of your friends to find if they have all got the same letter. The old iron trust companies, so to speak, of course, fall back entirely on the statute and will not make any cut rate whatever; but the new companies that come into the business do not realize as the gentleman from Los Angeles said, the responsibilities—they don't understand the responsibilities involved.

I do not believe any one of the companies in this country are getting commensurate pay for the transfer of stock. I do not believe the new trust companies in the business realize the responsibilities assumed by them in the transferring. My thought in the matter is this: That all that this general body could do would be to refer through its law committee, the endeavor to have passed through in the states, where there is not a statute referring to the fees, such a statute. Now, each state can fix its own rate, but then let the weight and the influence of this Section be, that the trust companies within the state shall stand to that standard that has been established within that statute.

We cannot prescribe one rule for all over this broad country but the conditions which meet the various trust companies in New Jersey, in Pennsylvania, and in any other state that you choose, are practically identical, and this idea of competitive situations affects the trust companies themselves. One trust company having, as mine has, for over 25 years, built up an organization for the proper handling of this business, cannot compete, will not compete, and could not if it would, with the new trust companies that do not understand the necessities of the legal department, and of the various functions that go with the proper maintenance and care of the trust.

I think we should turn our faces against commercializing fiduciary business. I speak now of the probate business. I think the other matters of bonds, are largely competitive situations; but I do believe that the court business, the so-called probate business should be taken out of commercialism, and that the company, if it knows it, should not depart from the rate established, by which it exists.

MR. A. A. JACKSON: Mr. Chairman, I would ask Mr. McCarter, would it not be a better result if statutory provisions were enacted in every state, making it clear that the companies could not be corralled in charging the statutory rate by other companies who wanted to cut under?

MR. McCARTER: Of course that would be advisable, but I entertain hopes to overcome that by the influence and effort of this section, which should be used in advising the trust companies of the different states against just such action. I think that a propaganda could be put forth by this Section, calling to the attention of the trust

companies the dangers and risks involved in this business. Now, if a new trust company gets a will away from any of you gentlemen, and it does not have the proper equipment to handle that trust which it gets, it does every trust company in the country injury owing to the fact that it has had the management of that trust and has made a failure of it.

The building up of corporation trusts has been an exceedingly hard job even amongst the best trust companies of this country, an exceedingly difficult and hard job, and fortunately there have been few failures in it; but let there be one failure in a trust company handling the estate of a prominent citizen, and the work of a century will be undone by that one failure. That is what I want to guard against. I want the trust companies of the country to realize the dangers of the situation, and as a means of doing that to rid the business of commercialism.

MR. KING: What are the charges?

MR. McCARTER: It is a maximum on the income of say five per cent. and on the principal of an estate over \$50,000, the Court may permit, say, five per cent.; then, as the estate goes up, the rate goes down, and so it averages just under three per cent., I think that is about our average rate in New Jersey.

If I may say just one word more, Mr. Chairman, so far as our company has gone forward in this, they were appointed under the will of a prominent citizen of New Jersey, an estate between one and two million dollars—I don't remember the exact amount. It seemed to us to be rather an attractive proposition, but I did not read the will far enough. The last clause limited us to some ridiculous fee, and we simply declined to qualify for it or have anything to do with it.

MR. JACKSON: I am sorry to take up so much of the time of this meeting, but my own fear about this matter of going to the legislature was that a state might have legislation enacted that would confine the trust company in its charges to so small an amount as to handicap it, I think. New York, for instance, in answer to your question, as some of you probably know, has a statute which provides that one can take on the first thousand dollars, five per cent., and on the next ten thousand two and one-half per cent., and on the amounts beyond that, only one per cent., applying to income, as well as to principal.

That does not seem to me to be at all adequate, cer-

tainly not in any moderate-sized estates. Would it not be better really—Mr. McCarter suggests you do otherwise—but I was wondering whether the proselytizing of trust companies to charge some adequate fee could be carried out, and then we stop there, and not go to the legislature for specific enactments?

MR. McCARTER: I think that would be much better.

MR. HERVEY: Mr. President, another feature in that connection is that the legislators have many lawyers among their ranks, and if they tamper with fees, in my state, they might cut the fees down so low that people won't take it.

MR. KING: It seems that everybody in trying to standardize this overlooks the fact that you can have several estates amounting to the same sum, and yet the work in one is so much more difficult in regard to the investments in connection with it, and the time that will be required to carefully look after that, will be so much greater that a certain amount charged would be utterly inadequate to take care of every estate; while another one is twice that amount and would require very little work.

MR. McCARTER (President, Fidelity Trust Company, Newark, Chairman): Mr. Chairman, it is a difficult subject to know just what to do. Most of the states in the Union—I think most of them—have state banking associations. I would suggest as the resolution to be offered here:

That this section disapproves of the commercialization of the personal trust business, and that it recommends to the various state associations throughout the country, that through their influence in their different localities, they endeavor to reduce this competitive commercialization to a minimum.

That is a pretty long talk, but enough to go on with. I suppose you know what I mean?

MR. JACKSON: I second that.

THE PRESIDENT: I understand you exactly. You have heard Mr. McCarter's motion, which has been seconded by Mr. Jackson. I might say that this Section has always followed the rule that it has never taken an active part in any state legislation, but has used its influence through the state associations, and the matter has always gone into their bailiwick, you might say. All in favor of Mr. McCarter's motion will please say aye.

(The motion was carried, with one dissentient.)

## Committee and Officers' Reports—Trust Company Section.

### Report of Executive Committee, by Frank W. Blair, Chairman

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

Your Executive Committee in submitting its annual message is pleased to report the maintenance by the Trust Company Section of that steady growth in membership as outlined in the annual report of the Secretary, which has marked the history of the Section since it was organized twenty years ago; also an equally pleasing increase of interest in the Section's affairs on the part of the members.

Three meetings of the Executive Committee have been held since a report was made to you in Seattle. The first, immediately after the adjournment of the annual meeting, the second, at Briarcliff on the eighth day of last May, and the third, here in Kansas City yesterday. The most important of these was the one held at Briarcliff, at which 14 of the members of the Committee were present. At this meeting a communication was read from Secretary Farnsworth suggesting an amendment of the by-laws of the Section as regards the election of State Vice-Presidents. The Secretary of the Section was therefore directed to prepare an amendment providing that each state should

be entitled to a Vice-President of this Section, and that such Vice-Presidents should be elected by members of this Section in attendance at the annual convention of their state associations, or in the event of the failure of the delegates of any state to so elect, the President of this Section shall be empowered to fill the existing vacancies. It was at this meeting that the decision was reached to depart from former practice in making up our programme for the annual meeting and do away with the set speech. It was arranged to substitute for it a discussion to be led by one of our own number and participated in by others. Several subjects were proposed, and after due consideration the one you find named in your programme was selected. Mr. A. A. Jackson was asked and consented to lead, and a number of others have agreed to take part. It is believed that those attending this meeting will not only be well entertained, but out of the discussion will learn something which will be of value to them in the future conduct of their business.

At the same meeting the arrangement was made for the change recently put into effect in the New York office, which change is responsible for the presence here today of Mr. LeRoy A. Mershon as Secretary of the Trust Company Section.

At each of the meetings much routine business was transacted and

many reports received, details of which are too minute and voluminous to submit here today, and the ground has been prepared for much constructive work to be accomplished hereafter.

Steady progress has been made in the prosecution of suits brought to test the right of national banks to perform a line of business heretofore confined to individuals or to corporations organized especially for the purpose. In one state a decision has been handed down by the highest court and in another by a lower court sustaining our contention that the Federal Reserve Board had no authority to grant fiduciary powers. Details regarding these decisions and the status of other cases brought by the trust companies of the United States will be furnished you later by the committee having the litigation in charge. We do not deem it improper to record here our surprise that notwithstanding the probably grave consequences, the Federal Reserve Board continues to grant in large numbers their so-called permits to national banks to transact trust business.

After consultation with many of those who have attended the functions regularly, the date of the Trust Company banquet was advanced from May to February. The change seems to have been justified, as there were present at this year's banquet a considerably greater number than ever before.

In July Mr. R. L. Rutter, because of press of other business, tendered his resignation as a member of this committee. The resignation was accepted, and Mr. John W. Platten of New York was selected to fill the vacancy thus created. Another resignation was occasioned by the retirement of Mr. Thornton Cooke from the trust company field to accept the presidency of the Mid-West National Bank of this city. Since Mr. Cooke's term of office would have expired with this meeting, the place has not been filled.

In common with other financiers throughout the world trust company men are being called upon almost daily to face new conditions and new problems brought about largely by the European war. So far, these changed conditions have been faced boldly and complicated situations handled with skill. Therefore, while the outlook for the future seems complex and uncertain, we believe the achievements of the past should give us confidence and courage to look forward with optimism.

Perhaps one of the greatest dangers with which the immediate future is confronted is the speculative hysteria resulting from the presence of too much money. More than ever before, wildcat schemes are being developed and sold to the public, and it is a common sight to see in the daily, weekly and monthly periodicals, advertisements of stocks and bonds of companies for the existence of which there is no business justification. In addition to the foregoing, investments are being offered in certain existing industrial organizations the stocks of which have been increased on the basis of present inflated earnings without due regard to property values.

As the investment by innocent persons in such speculative ventures may result disastrously, it seems to us that unless all bankers turn in and use the power which they undoubtedly possess to discourage such promotions, there will eventually result an agitation for the correction by law of the abuses arising therefrom, and in the endeavor to legislate, the matter may be carried so far that deserving and honest undertakings may suffer.

#### Report of Committee on Legislation, by Uzal H. McCarte

There has been little of active work for your Committee to engage in since its last report, the matters in interest being mostly, if not entirely, in the control and under the care of the counsel employed by certain of the trust companies in the country who are testing the constitutionality of paragraph eleven, section K of the Federal Reserve Act, which paragraph attempts to grant trust company powers and functions to national banks. The practical result of the action of the Committee in so testing this section has been to at least defer any general attempt on the part of national banks to engage in this business. It may be that some national banks are endeavoring to do this business in smaller localities, but in the larger cities throughout the country there is no noteworthy instance of a national bank undertaking this class of business, though many have been granted power so to do by the Federal Reserve Board.

The present legal situation is that in Illinois and New Hampshire the courts have held that national banks cannot exercise fiduciary powers in those states. In Massachusetts a suit by the Attorney General is pending and at issue and will be brought on for hearing in the fall.

In Pennsylvania proceedings against the act have not been instituted for the reason that no national bank in that state is exercising fiduciary powers.

In New Jersey the Attorney General is unwilling to commence proceedings except upon the ground that to exercise the privileges would be in violation of the state law. Arrangements have been made by your committee to test in New Jersey the constitutionality of the act through a friendly suit between a trust company and a national bank. Both parties to the issue joined in a petition to the Attorney General of the State, requesting, as is necessary in such cases, the use of his name to begin such action, but either for political or other reasons he refused to grant the request, his action being most unusual and unheard of, when, as in our case, both parties joined in the proceeding.

The question has been argued in Michigan before the Supreme Court, and a determination thereof is expected at the opening of the fall term of that court, it having adjourned for the summer without handing down a decision.

The expense of this litigation has thus far been borne by a few of the trust companies which undertook the obligation in behalf of the trust companies of the country, and while the contest for obvious reasons has not been raised by the Trust Company Section but rather by individual institutions that are members of the Section, nevertheless the benefits that may be gained will be to the advantage of all the trust companies of the country. Your Committee is accordingly informed that a notice will shortly be sent to the trust companies of the United States, requesting them to reimburse the committee for the expense of the litigation in proportion to the capital of these

different institutions, and your Committee earnestly recommends to the trust companies of the country that they promptly respond to the special committee's financial request to the end that the expense may be met by those most interested in the results, so that through a broad and general contribution the burden will be distributed in such a way as to work a hardship on none.

The cases thus far instituted in the several states will, of course, have to be carried to the Supreme Court of the United States for final adjudication before your Committee's work is finished and considerable time must therefore elapse before this final result can be reached. Your Committee, therefore, would suggest that it be continued in office and that the recommendations referred to in this report be given your favorable consideration.

#### Report of Protective Laws Committee

During the past twelve months only eleven states have held regular Legislative Sessions, so that opportunity for activity on the part of the Committee has been limited.

Five of these States—*Rhode Island, New York, Maryland, Kentucky and South Carolina*, took no direct action either for or against Trust Company interests, and a member of the Committee considers this result to be something in the nature of a victory.

*Georgia* authorized its State Banks and Trust Companies to transact business in acceptances and passed a Usury Act, restricting the penalty for violation to loss of the entire interest.

*Mississippi* finally passed the Uniform Negotiable Instruments Law and provided additional penalties for violation of its Banking Laws by officers and directors of Banks. Regulations were adopted providing for the investment of the State Bank Guaranty Funds in multiples of \$10,000 and the guaranty was extended to include Cashier's checks, certified checks and sight exchange.

In *Louisiana* a number of improvements were made in banking laws relating to reserves, authority and duties of State Bank Examiners, etc. None of the legislation provided any new protection in Trust Company affairs.

*Massachusetts* empowered Trust Companies to accept drafts and issue letters of Credit, and also passed an Act permitting deposit of Trust Funds in Trust Companies and providing for a limit and increase in Capital Stock of Trust Companies. The Legislature of this State was willing to permit the appointment of National Banks as Trustees, Administrators and Executors, but the act was vetoed by the Governor.

In *New Jersey* any corporation organized under the Act entitled "An Act concerning Trust Companies" approved March 24, 1899, is now permitted to take over and continue the business of any Bank heretofore organized and may use the word "Bank" or "Banking" as part of its Corporate title.

In *Virginia* an Act was passed which enables a Bank doing a Trust Company business to omit the word "Trust" from its Corporate name. Acceptances were authorized and regulations governing them were provided.

The Committee has had correspondence during the year with the membership of other Committees of this Association, and other organizations asking its assistance in the passage of legislation in the several States and at Washington. In a majority of these cases your Committee has been pleased to give aid in the extent of its abilities. The Chairman attended a joint meeting in Washington of the Bill of Lading Committee of this organization and of the American Bar Association, which meeting has resulted in the passage of legislation advocated.

In view of the increase in our foreign trade—present and prospective—it is suggested that Trust Company officials might, with profit to themselves and their clients, give consideration to the establishment of Branches in foreign Countries.

Respectfully submitted,

E. D. HULBERT,  
J. C. DRAKE,  
ISAAC H. ORR,  
RALPH STONE,  
LYNN H. DINKINS,  
Chairman.

#### Report of Secretary of Trust Company Section

The Financial Statement from August 15, 1915, to August 31, 1916, is as follows:

CREDITS	
Sept. 9, 1915, By Appropriation of Executive Council	\$8,075.00
Received from Sale of Trust Company Proceedings	60.60
Received from Postage and Stationery	40.00
Received from Sale of Trust Company Laws	1.00
	\$8,176.60
DISBURSEMENTS	
Salaries	\$3,936.40
Book of Proceedings, 1915	1,043.47
Executive Committee Meetings	723.08
Convention Expenses	616.07
Rent	603.04
Postage, Stationery and Printing	271.20
Loving Cup for Retiring President	125.00
Gold Badges	72.00
Travelling Expenses	52.00
Express	17.69
Telegrams	10.31
	7,472.26
Credit Balance	\$704.34

# Detailed Report of Proceedings.

Twenty-first Annual Meeting TRUST COMPANY SECTION, Held at Kansas City, September 26, 1916.

KANSAS CITY, Tuesday, September 26, 1916.

John H. Mason, Esq., acting President, in the Chair.  
Leroy A. Marshon, Secretary.

The President called the meeting to order at 2:30 P. M.

THE PRESIDENT: We will open our meeting with prayer. (Invocation was said by the Reverend Charles R. Nisbett, the pastor of the Central Presbyterian Church of Kansas City.)

THE PRESIDENT: The next order of business is the Annual Report, which as your President, I will submit to you.

## Annual Address of the President, John H. Mason

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

I look upon each meeting of the Trust Company Section of the American Bankers Association as marking another milestone in our banking progress, and today I extend a most hearty welcome to you all upon the occasion of our Twenty-first Convention, and I know of no more fitting place for our meeting than this progressive and beautiful City. Since our last meeting held just about a year ago in Seattle, complex and varied conditions have confronted the bankers throughout this Country, however, the year has been one of marked progress for the Trust Company Section, the details of which will be set forth in the reports to be submitted to you by the Chairmen of the various standing Committees, and I will, therefore, not detain you by reciting them.

You will no doubt recall that at the Convention held in Seattle last Autumn there was adopted an amendment to the By-laws of the Association whereby Federal Legislation was placed in the hands of the Federal Legislative Committee of the American Bankers Association and the Sections were required to present their views to that Committee. In a way there was practically no legislation enacted in Washington that had a very vital bearing upon the Trust Companies. However, as we are part of the Banking Fraternity, and a very important part, there was considerable legislation enacted which at least, in an indirect way, affected our interest and our clients, and I take this occasion to most heartily commend the splendid work of Mr. Charles A. Hirsch, the Chairman of the Federal Legislative Committee, and I think that the Committee deserves our thanks for its activities. To it belongs, certainly, considerable credit for the passage of the Kern Bill amending the Clayton Act in its provisions in regard to the Interlocking Directors. In addition it assisted in the defeat of the Clark amendment to the Philippine Bill which, in my opinion, would have jeopardized the investments of many of our Institutions, as well as our citizens in approximately \$16,000,000 of the Philippine Bonds. Only recently, I think it was mainly through the Committee's efforts, that the Special Tax of One Dollar per \$1,000 on the capital and surplus of all Banking Institutions of the United States, which was provided in the Kitchen Revenue Bill, was amended and reduced to Fifty Cents per \$1,000.

I am one of those who believe that the future holds out great promises for the Trust Companies of the United States. I think they must broaden their field of endeavor and adapt themselves to the changing conditions that are occurring constantly, so that they may render the best possible service in their community, and in addition they must take their part in International finance.

Insofar as the Federal Reserve Act is concerned, I have yet to find in it any provisions sufficiently attractive to induce the Trust Companies to enter. I do believe, however, that there is a field for both the National and the State Banking Institutions, and there is absolutely no reason why they should not work in unison and thereby render the best of service throughout this Country.

I rather fancy that two of the most perplexing questions confronting the Banker of today are: "The Conflict Between Labor and Capital" and the "Financial Position of This Country After the War." Just prior to the European conflict, in my opinion, Great Britain was losing its preeminent position in the trade world, and I think, to a great extent, it was due to the Labor Organizations. No organization can possibly make the inefficient efficient, but they may legislate to bring the productive power of the efficient down to that of the inefficient and thereby bring upon themselves calamity. There is absolutely no argument on the point that Capital can get along without Labor, neither is there any argument that Labor can get along without Capital, and yet it seems to me that both at times forget this truth. Then again, neither can get along without brains, nor without due regard for the public interest and welfare. Capital is organized and mobilized in this Country, and I believe that Labor should do the same, but in addition, its organizations should be incorporated and held responsible for their acts, as well as the Industrial and Railway corporations, and no legislation, either State or Federal, should be enacted that favors either one or the other, and I regret to say that such legislation has been enacted, and I trust the near future will see such laws repealed. The laborer does not need favoritism, all he needs is justice, and it behooves you and me to use whatever influence we may have with both our State and National Legislators that laws granting him justice shall be enacted and no others.

What factor will the United States be in International finance when the European conflict ends? It is only necessary to consider the phenomenal figures that our export trade has amassed, and in addition the foreign credits and loans which we have made since the beginning

of the War, to fully realize that this stupendous balance will constitute a gold reserve that for a long period will prevent an outflow of the yellow metal. Since the war the United States has imported \$730,000,000 in gold and has paid back a considerable amount of its previous borrowings, increased its foreign trade by \$2,250,000,000 yearly, and loaned to foreign countries \$1,500,000,000, so that the Dollar now has replaced to a considerable extent the old sovereignty of the English pound.

Insofar as a default upon the part of England, France, Russia or Germany on any of their external obligations is concerned, I do not believe there is the slightest reason for any apprehension. With hardly an exception, the Bankers who have made a special study, or are in any way familiar with the vast resources of the warring nations, unhesitatingly state that not one will become bankrupt, and I think they are right.

Great as has been our export trade, it will yet be greater, and for a year at least we must vastly increase our output of farm and factory products. Every man today has new and larger opportunities. The farmer and the manufacturer has a better market for his product and the American Banker has an opportunity to become a factor in the rehabilitation of the finances of the world.

However, upon the Banker rests great responsibilities and I hope he will meet them, and judging by the events of the past two years, I think we have every warrant to believe that he will. It will require continued labor, more efficiency and greater progressiveness than ever before, then the reward will surely be the reaching of a zenith of prosperity in the United States that should carry us forward and establish us as one of the dominant factors in International finance for many years to come.

THE PRESIDENT: The next order of business is the report of the Executive Committee, by Mr. Frank W. Blair, your Chairman.

## Report of Executive Committee

[This report is printed on page 175.]

THE PRESIDENT: Of course, the report of the Executive Committee will take the usual course, and be spread on the minutes. It is not necessary to have a motion.

The next subject on our program is the Report of your Legislative Committee, which will be submitted by Mr. McCarter, Chairman of that Committee.

## Report of Committee on Legislation

[See page 175 for this report.]

MR. MCCARTER: Mr. President, if I might say a word with regard to that report, the question naturally arises—how much is this litigation going to cost? We do not know. We have expended thus far between six and seven thousand dollars. We have not received our full bills yet for the Supreme Court statement and arguments that have been held, and as it will have to go before the Supreme Court of the United States, it is probable that we will spend before we get through somewhere between \$20,000 and \$25,000.

It is thought by the Committee having this in charge, which you understand is entirely separate from this Section, though we are all members of the Section, that a notice should be sent to each and every trust company, that is, trust companies of a capitalization of \$100,000, so much, and above \$100,000 so much, and by so doing, a fund can easily be raised to meet this entire expense that a few of us who have underwritten the expense should not be subjected to the burden for the benefit of all.

THE PRESIDENT: Fellow members, we have just had Mr. Lynch, the President of the American Bankers' Association, pay us an afternoon call, and I am sure you will all be very glad to permit a break in the order of the program, in asking him to say a few words.

JAMES K. LYNCH (President, American Bankers Association): Mr. Chairman and Gentlemen: It seems to me it would be a little more politic to allow me to sit here a little while and find out something about the trust companies; that is what I will have to do, to receive some instruction.

THE PRESIDENT: Gentlemen, he knows all about it. That is the way he always talks.

MR. LYNCH: My statement was correct. As you have allowed me to break into the program I won't consume much of your time; but I wish to say that I am very much pleased to learn now from the statement made by Mr. McCarter, that the trust company authorities are going to take on new activities this year. This is a most important Section, probably the most. It is the oldest and has done already a great deal of valuable work. There is no question but that there is much more that it can and will do.

I certainly have no instructions to give you and no information and no advice, because my experience has been all along the lines of commercial banking.

I am aware that the trust companies are doing a great deal of commercial banking, nevertheless, I feel that the great trust companies throughout the country will remain as they are, as trust institutions, with the banking more or less supported. It appears to me that in doing that they are more nearly carrying out the purposes for which they are intended. When the trust company becomes an active competitor in the business in commercial lines, it takes on a degree of hazard, which it may be fully competent to care for; but nevertheless, I think would have an effect on the minds of those people who are contemplating the bestowal of trusts. It seems to me it must inevitably follow that it should be so; so that I believe in the end the trust company will find its greatest success by staying pretty closely to the lines of conservative investors, I think, and the handling of the trust company's business.

I certainly wish your Section a very great measure of success. It has already made for itself a name that is valuable, and I have no doubt you will continue the same.

MR. MCCARTER: I move that the Section report its appreciation of the compliment made to it by the President of the general Association by a vote of thanks expressed by rising.

THE PRESIDENT: The motion is unanimously carried as I do not see anybody sitting down.

MR. MCCARTER: Mr. President, due to the slight interruption we had from the routine business, I do hope that the recommendations contained in the report of the Legislative Committee will not be overlooked. I think that if the Section records itself as approving of the plan which the Committee made up of individual members, has in mind, it will assist largely that Committee in the collection of the expenses which are necessary for this situation.

I hope that the recommendations therein will at least receive some attention and not be passed by without any.

MR. WILLIAM C. HEPPENHEIMER: I move the report of the Committee be approved, and the notice sent out accordingly to all the trust companies.

MR. A. A. JACKSON: I second that.  
(The motion was carried.)

A VOICE: Mr. President, I also have a motion that the Committee on Legislation be continued.

THE PRESIDENT: That will come up in the regular order of business. The next matter on the program is the report of the Committee on Protective Laws, to be submitted to you by your Chairman, Mr. Lynn H. Dinkins, who I might say has been the Chairman of that Committee ever since it has been formed.

#### Report of Protective Laws Committee by Lynn H. Dinkins

[This report will be found on page 175.]

THE PRESIDENT: Gentlemen, I had intended after Mr. Blah submitted his report, as Chairman of the Executive Council, in which he refers to the fact that Mr. Rutter retired from our Executive Committee, and that Mr. Platten was appointed in his place by the Executive Committee, that it is necessary under the By-Laws, if it is the wish of this meeting, and I sincerely trust it is, to continue Mr. Platten, for the unexpired term of Mr. Rutter, and that a motion to that effect be made as that action must be confirmed at the meeting; as he only continues for one year, and he was elected to take Mr. Rutter's place, which does not expire until a year from now.

MR. RHODES: I move that accordingly.

MR. HEPPENHEIMER: I second that. (The motion was carried.)

THE PRESIDENT: The motion is carried, and Mr. Platten will serve for the unexpired term of Mr. Rutter. We have now the Report of our Secretary, Mr. LeRoy A. Mershon.

THE SECRETARY: The financial statement from August 15, 1915, to August 31, 1916, inclusive, is as follows:

#### Report of the Secretary

THE PRESIDENT: Gentlemen, you have heard the report of the Secretary. What is your pleasure?

MR. DINKINS: I move it be received and filed.

A VOICE: I move that the Auditing Committee take up the account.

THE PRESIDENT: It goes through the audit of the General Secretary's Office of the parent Association, and we are so well audited that I might say that all we have left after the year is over—and I see Mr. Lynch laughing at me, we turn back to the parent Association, so I think it is pretty well audited. All those in favor of the report of the Secretary, that it be adopted and filed, will please say aye. (The resolution was carried.)

I suppose we are all interested in expediting the business of this Section as much as possible, and to accomplish that it would be well for us to appoint a Nominating Committee whose duty it shall be to lay before you gentlemen five names to be acted upon to fill the terms expiring at this meeting.

MR. A. A. JACKSON: I move such committee be appointed.  
(The motion was seconded and carried.)

THE PRESIDENT: The Chair will appoint on that Committee, Mr. Jackson, Mr. Mardwald, Mr. Cooke, Mr. Rutter, and Mr. Rhodes.

The next business on our program is the discussion of the Standardization of Charges for Trust Companies' Services. Mr. Jackson, we shall be very glad to hear from you.

#### "Standardization of Charges for Trust Company Services"

[The remarks under this head by Mr. Jackson and others, as well as the action of the meeting on the question, will be found on pages 170 to 174.]

#### ELECTION OF MEMBERS OF EXECUTIVE COMMITTEE

THE PRESIDENT: I see that our Chairman of our Nominating Committee has returned from his consideration of the nominees for the offices that have been made vacant here, and I will ask him if he is ready to submit his report?

MR. A. A. JACKSON: Yes, sir. Mr. President: Your Committee in considering the names for presentation to this convention gave thought to the fact that it was the desire of all of us to have men of prominence and men of ability and men who would come and attend our meetings, and they have come to the following conclusions—I now present to you the following names, five in all:

Edward D. Hulbert, President of the Merchants' Loan and Trust Company, Chicago.

William C. Heppenheimer, President of the Trust Company of New Jersey, Hoboken.

John W. B. Bausman, President Farmers' Trust Company of Lancaster, Pennsylvania, and President also of the Pennsylvania State Bankers' Association.

Seward Prosser, President Bankers' Trust Company of New York. W. T. Kemper, President of the Commerce Trust Company—of this most beautiful and hospitable city of Kansas City.

That is the unanimous decision of your committee.

MR. —: Might I ask for what offices those gentlemen are named?

THE PRESIDENT: They are nominated for the five vacancies occurring in the Executive Committee of the Trust Company Section to serve for three years from their election. Gentlemen, you have heard the report of your committee, what is your pleasure?

MR. —: I move you that the report of the Committee be adopted, and those members named on the Committee be elected. (The motion was carried.)

#### REPORTS OF VICE PRESIDENTS

The next matter on the program is the report of the various vice presidents from the different states.

[We omit these reports since after a few responses it was arranged to have such of the vice presidents as cared to make reports submit them in manuscript to the Secretary.]

THE PRESIDENT: In arranging the program for our Section meetings this year it was necessary to confine ourselves to one session. As a rule we have met in the morning, and again in the afternoon, and I do not know whether I will make myself very unpopular or not, but I wish to say that time is passing rapidly and we have a long program to carry out. If no one of the Vice-Presidents desires to make a verbal report, we would be glad to have the reports submitted in manuscript to the Secretary, but if anyone wants to make his report verbally we would be glad to hear them, but we have a long list here and if it meets with the approval of the meeting I think we had better dispense with the reading of them and file them with the Secretary.

#### METHOD OF ELECTING VICE PRESIDENTS

I have a few things here which I wish to bring to the attention of the Section. At the Spring Meeting of the Trust Company Section held in May, this bill was approved for action by the Kansas convention. The gist of it is that every State in the Union shall be entitled to a Vice-President in this Trust Company Section of the American Bankers' Association whether they have one or one thousand branches. That Vice-President shall be elected by the State Association. If the State Association fails to elect a Vice-President then the members of the State Association elect them, then the Vice-President must be elected by the Trust Company men and not the Bank men. If they fail to elect, then the Vice-President is appointed by the Vice-President of this Association. This is a long amendment. I move we adopt it as written. (Motion to that effect made, seconded and carried.)

The text is as follows:

September 15, 1916.

Colonel Fred. E. Farnsworth, General Secretary,  
American Bankers' Association, New York City.

Dear Colonel Farnsworth:

At the Spring meeting of the Executive Committee of the Trust Company Section, held on May 8, 1916, the following amendment to the By-Laws of the Trust Company Section was approved for action at Kansas City:

August Journal, 1916.

#### AMENDMENT TO BY-LAWS

In accordance with the resolution of the Executive Committee an amendment to the By-Laws of the Section will be presented at the coming meeting in Kansas City. This amendment refers merely to the election of state vice-presidents, and it is made to conform more closely with the By-Laws of the other Sections. If amended, the By-Laws will then read as follows: (The part amended is in the part in brackets, and the new part immediately follows.)

#### BY-LAWS OF THE TRUST COMPANY SECTION

Section 1. The administration of the affairs of the Section shall be vested in a President and a First Vice-President of the Section and an Executive Committee. [From each state from which there shall be at the time of an annual meeting five trust companies which are members of the American Bankers' Association there shall be elected a Vice-President of the Section. Any state having less than five trust companies, all of which are members of this Section, shall be entitled to a Vice-President. In states having trust company associations, a Vice-President of the Trust Company Section of the American Bankers' Association shall be nominated and elected at the annual convention of such state association. Such election shall be certified by the Secretary of the state association to the Secretary of the Trust Company Section.]

In states not having a separate trust company organization, but having a State Bankers' Association, a Vice-President shall be elected by a majority vote of trust company representatives, whose companies are themselves members of the Trust Company Section of the American Bankers' Association, in attendance at the annual convention of the state bankers association. Such election shall be reported to the state convention. Certification of such election shall be forwarded

to the Secretary of the Trust Company Section by the secretary of the state bankers association within a reasonable time after said convention.

Where a Vice-President for any state has not been named in either of the above ways the election of such Vice-President shall be left to the executive officers of the Trust Company Section.

Each state shall be entitled to a Vice-President of the Section. Such Vice-President shall be elected by the trust company delegates, whose banks are themselves members of the Trust Company Section of the American Bankers' Association, in attendance at the annual convention of the state bankers 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.

The Executive Committee shall consist of fifteen members in addition to the President and First Vice-President, who shall be ex-officio members of such Executive Committee, and ex-Presidents if still members of the Association, shall also be members ex-officio for three years after the expiration of their term of office.

The President, First Vice-President and members of the Executive Committee shall serve until their successors shall be chosen or appointed, but shall not be eligible for re-election for the period of one year after the expiration of their respective terms of office.

The Executive Committee shall elect its own Chairman from among its members, and shall also select a Secretary of the Section, who may or may not be a member of the Section.

The Executive Committee shall, as soon as may be after its organization, divide itself by ballot into three classes of equal number, designated as the first, second and third class, of which the first class shall remain in office one year, the second class two years and the third class three years, and at each annual election members of the Executive Committee shall be elected for a term of three years to fill the vacancies created by the retiring class.

The Executive Committee shall have power to fill vacancies until the next annual meeting, and may adopt all necessary rules for the business of the Section.

The President and First Vice-President shall represent the Section on the Executive Council of the American Bankers' Association (adopted October 13, 1914.)

In order that this amendment become effective it is, of course, necessary that it be approved by the Executive Council, after which it will be adopted at the regular annual meeting of the Trust Company Section.

Very truly yours,

SECRETARY.

#### ELECTION OF VICE PRESIDENTS

I have here a list of the vice-presidents.  
I would suggest that they all be approved as written down here.  
(Motion to such effect made, seconded and carried.)

#### TRUST COMPANY SECTION

##### Vice-Presidents elected by State Bankers Associations

Alabama:

Arizona:

Arkansas: Charles G. Henry, President, Arkansas Bank & Trust Company, Newport.

California: W. D. Longyear, Cashier, Security Trust & Savings Bank, Los Angeles. Associate Member, Trust Company Section.

Colorado: J. V. Cockins, Vice-President, Central Savings Bank & Trust Company, Denver.

Connecticut: W. P. Bryan, Secretary, Colonial Trust Company, Waterbury.

Delaware:

District of Columbia:

Florida: H. G. Aird, Vice-President Guaranty Trust & Savings Bank, Jacksonville.

Georgia: F. S. Etheridge, President, Atlanta Trust Company, Atlanta.

Idaho:

Illinois:

Indiana:

Iowa: F. O. Fisher, Vice-President, Security Savings Bank, Cedar Rapids. Non-member, Trust Company Section.

Kansas: Sheffield Ingalls, President, Commerce Trust Company, Atchison.

Kentucky:

Louisiana:

Maine: E. A. Butler, President, Rockland Trust Company, Rockland, Maryland: F. G. Boyce, Vice-President, Mercantile Trust & Deposit Company, Baltimore.

Massachusetts:

Michigan: Robert D. Graham, President, Grand Rapids Trust Company, Grand Rapids.

Minnesota:

Mississippi: J. M. Hartfield, President, Merchants Bank & Trust Company, Jackson.

Missouri: E. W. Moore, Treasurer, Pioneer Trust Company, Kansas City.

Montana: O. W. Allen, Cashier, American Bank & Trust Company, Billings.

Nebraska:

New Jersey: Bird W. Spencer, President, Peoples Bank & Trust Company of Passaic, Passaic.

New York: A. W. Loasby, President, Trust & Deposit Company of Onondaga, Syracuse.

North Carolina:

Ohio: F. J. Woodworth, Vice-President, First Trust & Savings Bank, Cleveland, Ohio.

Oregon: William Pollman, President, Baker Loan & Trust Company, Baker.

Pennsylvania: Montgomery Evans, President, Norristown Trust Company, Norristown.

Rhode Island: Aram J. Pothier, President, Union Trust Company, Providence.

South Carolina:

South Dakota:

Tennessee: J. M. Fink, Cashier, Banking & Trust Company, Jonesboro.

Texas:

Virginia:

Washington:

West Virginia: B. T. Neal, Jr.,

Assistant Treasurer, Union

Trust & Deposit Company, Parkersburg.

Wisconsin:

#### GROWTH OF TRUST COMPANY RESOURCES

MR. PLATTEN: Mr. President, may I suggest that I have some information in regard to trust companies? We have statistics of all the trust companies for 13 or 14 years. Mr. McCarter gave us the figures last year and they were notable. This year they are more notable. The total resources amounted to six billion, three hundred million. This year it was \$7,600,000,000, an increase of \$1,300,000,000, in the total resources of the trust companies of the United States.

MR. —: How does that compare with the national banks?

MR. PLATTEN: I did not get it last year. We have 150 more trust companies reporting; at the same time the increase in the various states, and particularly in the West is noticeable. New York leads off with \$500,000,000 increase as compared with last year, and compared with 1914 it is \$1,750,000,000.

THE PRESIDENT: I am sure we are all glad to learn of these very pleasing statements which Mr. Platten has just favored us with.

#### NOMINATIONS AND ELECTIONS

The next order of business is the Election of Officers for the Coming Year, and the Chair is prepared to recognize anyone desiring to make a nomination.

MR. ZENN: I nominate for the office of President for the ensuing year Mr. Uzal H. McCarter.

MR. JACKSON: It gives me much pleasure and great privilege to second that nomination, as I have been associated so long with Mr. McCarter, and I know so well his executive ability and his prominence in every way, that I take pleasure in seconding the nomination.

THE PRESIDENT: The Secretary advises me that he has cast one ballot for the Association in favor of Mr. McCarter, and I have the honor to announce that Mr. McCarter has been elected President of the Association. (Mr. McCarter is called to the rostrum.)

PRESIDENT-ELECT McCARTER: I have been looking forward to this for many years. It is an honor to be President of the Trust Company Section of the American Bankers' Association, to which any man, regardless of his business association or relations in life, may honestly aspire to; and if he receives it, he should be justly proud that he has acquired it.

I particularly appreciate the nomination coming from my own state, for they knew me best there; and the responsibility will lie with them if they have made a mistake.

I have been engaged in the work of the Trust Company Section for many years. It has been a great delight to me. I bespeak the full co-operation of all with the Chairman of the Executive Committee and with the other officers during the coming year.

MR. MASON (addressing the retiring President), I believe you receive a decoration here too. [The retiring President received a smoke box and expressed his appreciation in a mirth provoking manner.]

THE PRESIDENT: The next order of business is the election of a Vice-President of the Section.

MR. DIXON: As first Vice-President of this Association I wish to place in nomination a man who has been my friend for many years a man whom I am sure everyone will be pleased to see in the office—Mr. Frank W. Blair. (Moved, seconded and carried that the Secretary cast one ballot electing Mr. Blair.)

THE PRESIDENT: It has been my privilege to work alongside Mr. Blair during the past year and for several years in the work of the Association, and I am sure no wiser act could be done by the convention than to nominate and elect him as our First Vice-President.

MR. FRANK W. BLAIR: I thank you, gentlemen, from the bottom of my heart. I do not think there is anything more I can say. All I can add is, I am going to do my best.

THE PRESIDENT: That concludes the election and installation of officers, gentlemen.

Is there any Unfinished Business to bring before the Section before we adjourn?

I should like to notify the old and the new members of the Executive Committee that there will be a meeting in this room immediately on the adjournment of this meeting.

Meeting adjourned.

# SAVINGS BANK SECTION

## AMERICAN BANKERS' ASSOCIATION

Fifteenth Annual Meeting, Held in Kansas City, Mo., September 26, 1916

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## One Hundred Years of Savings Banking

By EDWARD L. ROBINSON, Vice-President Eutaw Savings Bank of Baltimore.

The correct interpretation of a great movement is dependent upon a knowledge of the antecedent conditions which give it birth; one hundred years of savings banking in the United States will be better apprehended if we sketch briefly some of the processes of human endeavor by which in the fulness of time man was brought to realize that he is his brother's keeper. Pauperism is a picture in which the somber tones prevail but the Master Artist with a kindly hand has mingled lights amid the shadows—evil is being overcome of good.

To us the march of progress seems painfully slow; the pages of history appal us with the record of social ills; the poor we have always with us; likewise the vicious, the depraved and the unjust, all are in some degree products of a perverted social order. What has civilization wrought to overcome these inequalities of fate? Much in many ways and our task of recital takes us through Elysian fields of conquest.

The first recorded savings banks were government affairs; Pharaoh and Joseph were the executive officers; we read of them in Genesis, forty-first chapter; the seven years of plenty were utilized for gathering together at strategic centers Egypt's wealth of grain; when the specter of famine stalked to and fro the reserves of these banks were released to the markets of the world; the providence of Joseph brought blessings to the people and legitimate gain to the nation's treasury. In this event we have an accurate illustration of the savings bank principle; with one hand it reaches down to help the humble and the deserving and with the other it reaches up and bestows its largess upon the state.

History tells us little of the progress towards mitigating the many pangs of poverty, disease and distress until the latter part of the seventeenth century, when the dawn of a new day was just beginning to break; it is true that much private and public benevolence have from the earliest ages softened the sorrows of the unfortunate, but these efforts were not directed to the sources of the trouble—anaesthetics were administered to the effects—the causes remained without treatment; the axe had not yet been laid to the root of the tree. The thrift instinct is heaven born; unhappy to relate, the creatures which

we call inferior cultivate that instinct with greater foresight than we who have been made lords over created things; the animal kingdom by means of example—with a united voice—pleads with mankind to lay by in store; man alone is improvident and heeds not the warning that a day of reckoning and maybe a day of wrath is rapidly moving towards him; he alone is willing to trust to the kindness of destiny and refuses to offer hostages to fortune.

Man must be *persuaded* to save; his complacency must be disturbed; his social obligations must be made known to him; his thrift instinct must be stimulated and a proper channel must be provided through which it may find expression.

### EARLY EFFORTS TO EXTEND SELF-HELP.

It is difficult to do exact historical justice to those who by common consent are associated with the origin and development of the savings bank idea; efforts by the state and by the individual to relieve the constantly increasing menace of pauperism in France, Germany and England gradually brought forth many experimental remedies; Daniel Defoe's brilliant imagination did more for the world than produce Robinson Crusoe; his biographers believe that he has many other claims to stand in the gallery of the immortals; he was born in 1660—256 years ago—but his views upon political and economic questions would give him a respectable standing among students of modern problems; he was apparently a pioneer in advocating for women equal educational opportunities with men—consummated in this country just 200 years after he was born; he was far in advance of his day in advocating the abolishment of the cruel legal procedure of imprisonment for debt; he wrote on this subject feelingly, having himself failed disastrously in an extensive business venture; it must be said to his credit, however, that after effecting a compromise with his creditors, he later on honorably discharged his old debts in full; he urged the necessity of improved highways—the longest delayed of all his visionary schemes; he drafted plans for a Mutual Marine Insurance Society, a friendly benevolent society, and what is of greatest

interest to us—he proposed a pension plan for the working classes so that a tranquil old age might be assured to the industrious through systematic contributions to a fund to be administered by the Government and drawn upon by contributors in their time of need and in proportion to their previous savings. All of these theories were advanced in a book produced by him in 1697 entitled "Essays on Projects"; another treatise on similar lines was entitled, "Giving Alms no Charity and Employing the Poor a Grievance to the Nation." He was a prolific writer on many themes, a keen satirist, an enthusiastic controversialist and naturally in constant trouble; for one of his literary indiscretions he suffered fine and imprisonment and was publicly pilloried for three successive days.

It is, of course, true that the awkward pension plan and for nearly six months there was no central government from the modern savings bank but the desideratum of each is the same—the banishment of poverty through a provident care for the future. Here at least is the savings bank in embryo.

#### FIRST ACTUAL EFFORTS

The idea seems to have taken root first on the Continent in Brunswick, Germany, where a bank for savings was established in 1765; another was established thirteen years later, in 1778, in Hamburg which is still in existence; following these came one at Oldenburg in 1786, at Loire, France, in 1790, at Basel, Switzerland, in 1792, at Geneva in 1794, and at Kiel in Holstein in 1796.

#### FIRST EFFORTS IN ENGLAND

No serious attempt seems to have been made in England towards forming a savings institution until 1797, one hundred years after Defoe had published his "Essays on Projects"; in that year Jeremy Bentham agitated the inauguration of a system of so-called "Frugality Banks"; two years later, in 1799, the Rev. Joseph Smith put the plan in action at Wendover, Buckinghamshire; the Christmas Fund conception seems to have originated in this parish; the minister circulated proposals to receive sums on deposit from the working classes during the summer months when times were prosperous and to return the amounts at Christmas with the addition of one-third, or thirty-three and one-third per cent., as a bounty from the depositor's economy. To the Anglo-Saxon then belongs the credit for first suggesting the savings bank idea and to the Teutonic race for first giving a practical demonstration of its effectiveness.

We shall now follow briefly the fortunes of the new institution in England until it waxed strong enough to be sent across the seas to America. In 1798 Miss Priscilla Wakefield established at Tottenham High Cross a Friendly Society for Women and Children, designed to afford annuities upon the attainment of a certain age, sick benefits and a burial fund; three years later its functions were enlarged to include a savings bank and a fund for loans. Rather an ambitious undertaking even for the modern "uplifter!" Rapidly following the example set by Miss Wakefield, savings banks were established in London, Bath, Ruthwell in Dumfriesshire, Edinburgh, Kelso, Hawick, Southampton and other places. It should, of course, be borne in mind that the plans of all these banks were crude and unscientific, depending too largely upon the bounty of the benevolent people who organized them; most of them failed to attain their high purposes, but earnest and devoted minds were addressing themselves to a heroic, humanitarian problem; they were working in the dark; but they had faith to believe that there was light ahead.

Through the tedious processes of elimination and evolution there was visualized in 1810 a dream which long had been the heart's desire of many who, like Abou ben Adhem of old, dearly loved their fellow men. At Ruthwell in Dumfriesshire, Scotland, the Rev. Henry Duncan

put into active operation in that year a "Parish Bank" upon which the modern self-sustaining savings bank is patterned; its organization was simple and effective; he publicly and privately exploited his plan with the happy result of quickly and widely extending its beneficent principles; the "Edinburgh Society for the Suppression of Mendicancy" learned of Dr. Duncan's work and in 1814 the Edinburgh Savings Bank was organized; this splendid institution is still performing a highly useful ministry to its community and ranks fourth in amount of deposits among all savings banks in the United Kingdom. From this time on the banks began to multiply until in 1817 Parliament took the system under its control and regulation; meantime the banks have been voluntary philanthropic organization and abuses of trusteeship had naturally crept in. Suitable legislation for their protection having been enacted, these trustee savings banks were gradually established throughout England, Scotland, Wales and Ireland; in 1818 there were two hundred banks of this type in existence; all with private management but under state control. The system has always been kept under close governmental scrutiny and continues to prosper in the larger communities, but in the smaller districts is giving way to the post-office banks, inaugurated in 1861, which offer greater conveniences to their patrons; notwithstanding the diminishing number of the trustee banks, their resources continue to grow satisfactorily.

The development of thrift goes on unabated, and through the several classes of banks ready facilities exist almost everywhere for its encouragement. These numerous agencies for gathering the small savings of the industrious poor have done much to develop the character of the sturdy and independent Briton and to make London the financial center of the world.

#### CONDITIONS IN THE UNITED STATES AT CLOSE OF REVOLUTIONARY WAR

We shall now pass to a consideration of the conditions in our own country just prior to the importation of the savings bank to America. The War of the Revolution, begun in 1776 and lasting through seven weary years, left the colonies weak and impoverished. They had cheerfully yielded up their all and counted not the cost too great for the freedom to work out their independent destiny; they then undertook to *deserve* the liberty their arms had won—but "tasks in hours of insight willed through hours of gloom must be fulfilled."

At the close of the war in 1783 the public debt was \$42,000,000; continental currency was worth only two per cent of its face value; Congress was actually impotent; no power to levy taxes had as yet been conferred by the states; the states themselves were unable to take care of their own paper money which had been lavishly issued to finance their local burdens; extreme poverty and the rigid enforcement of the drastic processes for debt drove the farmers of western Massachusetts into an insurrection which the state quelled with difficulty; in 1784 the situation was desperate almost to the point of anarchy; in fact there were symptoms of dissolution of the Union and for nearly six months there was no central government; in 1786 interest on the national debt was in arrears and Robert Morris, who financed the war, resigned his office in disgust and despair. It is difficult to understand how any people could survive such poverty and weakness as our forefathers endured at this period. Added to these troubles there sprang up a looseness of manners and morals, due to the long-continued army life where home restraints and social conventions too often lose their power over conduct. But God was on His throne and was leading His people through discipline to a realization of His purposes concerning them.

The ship of state began to right herself in 1790, at which time the census revealed a population of 4,000,000 people. Trade, industry and finance were in disorder;



the country's resources were largely agricultural, but manufacturing began to receive encouragement by state bounty. Connecticut commenced to manufacture clocks and tinware; Rhode Island and Massachusetts established cotton mills, secretly importing the necessary machinery from England in violation of strict parliamentary prohibition; exports consisted almost entirely of foodstuffs and imported manufactured articles wrought serious hardships to home industries; other social and economic problems were pressing for solution; new commercial alignments were made necessary by the fortunes of war; readjustments were difficult and painful, but the spirit of the people was "sufficient for all these things," and with patient assurance they began to put their house in order. In their zeal to cure social ills they applied many unwise and unscientific remedies; these experiments, while often futile, indicated the benevolent temper of the people. As an evidence of this it may be mentioned that as far back as 1778, in the early stages of the war, the New York Legislature passed "An Act to regulate the wages of mechanics"; in 1779 a bill was introduced for "the relief and settlement of the poor," and in 1780 an act was passed for the general limitation of the prices of commodities. Of course, such legislative efforts to relieve the distresses of the people were abortive because they were wrong in principle, but the light was beginning to break.

In 1792 "The Society of Mechanics and Tradesmen in the City of New York" was incorporated for the purpose of protecting and supporting such of their brethren as by sickness or accident may stand in need of assistance, etc.; in 1802 a "Society for the Relief of Poor Widows" was formed; in 1803 a lottery was incorporated for "public improvements and charitable purposes." Many other societies with similar aims were formed in the ten years following, probably the most interesting of these being the "Society of Tammany or Columbian Order in the City of New York," incorporated in 1805. The purposes of this society, as indicated in its charter, were originally charitable—its creed is differently regarded to-day. Upwards of forty of these benevolent societies were given corporate life by the legislature of New York alone between 1786 and 1817. Other states were active in similar channels and their combined usefulness was a mighty factor in alleviating human distress. Pauperism was then a more engrossing subject of discussion than to-day, indicating that in the past one hundred years civilization has made progress in healing this social disease, although we are still conscious of its blighting influence.

Such then was the atmosphere existing in our country during the latter part of the eighteenth and at the beginning of the nineteenth century. We have seen that our forefathers had many battles to fight, but they did not neglect their duty to those of their brethren to whom fate seemed unkind; the time was ripening for the advent of the greatest uplifting social agency which civilization has produced.

#### SYSTEM TRANSPLANTED IN AMERICA

Earnest minds were in touch with the experiments in England and on the continent in the matter of frugality banks and old-age pensions; the "Bank for Savings in the City of New York" owes its origin to the influence exerted by a London magistrate, Patrick Colquhoun, upon the mind and heart of Thomas Eddy, a merchant of New York City. Mr. Colquhoun had been advocating savings banks upon a self-sustaining basis for the preceding ten years and Mr. Eddy was no doubt familiar with their general plans and purposes through correspondence and contact with Mr. Colquhoun; at any rate, on November 20, 1816, a meeting of prominent citizens was held, at which Mr. Eddy presided, the stated purpose of which was to form a savings bank. The principles of the proposed institution were explained, a con-

stitution adopted and directors chosen; committees were appointed to procure a location for the bank, to secure an act of incorporation from the legislature and to draft an address to the public. It was deemed unwise to begin operations without legislative authority, and this was not granted until March 26, 1819. Business did not actually begin until July 3, 1819. On the opening day \$2,807 was received from eighty depositors; by December 27 the deposits had grown to \$148,372.27 and the number of depositors had increased to 1481. It is amusing to note that in its first six months' business it suffered losses aggregating \$50.92—\$27 in counterfeit money and \$23.92 "losses in change," so called—or what is more familiarly known in this day as "short cash." The president's first report to the legislature is an able and interesting paper; he expected the bank to "excite the enmity of those whose emolument was the fruit of prodigal expenditure"; in other words, he expected organized opposition from the tavern keepers, proprietors of places of amusement, etc.; he was agreeably disappointed, however, and reported that even several public tavern keepers had "brought their money to the bank for safety and increase."

The trustees of the bank attended personally to its affairs, a committee of three serving monthly in rotation, coming in contact with the patrons of the bank, securing their confidence and giving such advice to many of the depositors as "they believed would tend to promote careful habits and moral feeling." Some of their depositors confided to the trustees that they had suffered severe losses through lending their savings to some plausible friend with the promise of an extravagant return; such losses were due to the lack of a "secure place of deposit" and "ignorance of how to improve what had been laid up."

This impressive extract goes to the heart of the savings bank principle: "The effect on the moral habits is not more certain than striking; he who has learned to be economical has first gotten rid of pernicious modes of spending money. Every time he adds to his amount he has an additional motive for perseverance. In the provision he is making for futurity is associated all which can gratify him as a father, a husband, a guardian or a friend. The talent which heaven has committed to his care he improves for the objects of his affections; this, again, endears them to him, and thus the sum of human happiness is increased and extended. It is impossible for men continuing to act on such principles to be immoral."

Several classes of depositors are alluded to as particularly needing the friendly offices of the savings bank—among these are seamen, "Who are proverbially improvident, not so much, perhaps, from a love of waste as from a total ignorance of how to dispose of their money"; the clergy also comes in for generous recognition as "a body of gentlemen perhaps more entitled to our gratitude and care than any other in the community"; allusion is made to the "large families" and to the "small means" of these foes of Mammon, but it is naively stated that most of them *can* save a little; some of them at least accepted the invitation to lay up for themselves treasures upon earth notwithstanding the corrupting influence of rust and moths.

This paragraph is especially fine: "As parents, as citizens and as men the trustees exult in the prospects which the bank for savings holds out to this growing city and state. The habits which a resort to it induce hold out the best pledge for a reduction in the public burdens, as they are connected with indigence and want. They tend to inspire a spirit of independence, and in their moral operation lessen crime, poverty and disease. They teach man to depend upon his own exertions; encourage industry, frugality, cleanliness and self-respect and effectually prevent those who are so fortunate as to

be influenced by them from applying either to public provisions or to private bounty for support."

In concluding this admirable report it is said that: "The trustees are fully aware that they have undertaken an arduous task; but in the approbation of the public authorities, the countenance of their fellow-citizens and the increasing comfort of the community they will have a full reward."

The address to the public issued a few weeks before actual business began is also an admirable document and indicates that the new philanthropic institution had enlisted the active support of the kindest hearts and the most sagacious minds of the community; the following short extract from the address shows that the organizers knew how to put "punch" into advertising matter: "The immense profit which arises from a rigid system of economy, and from depositing even small savings at interest probably exceeds the most sanguine expectations; the sum of one dollar deposited weekly for a period of sixty years would amount at the end of that time, with its accumulation of interest, to upwards of twenty thousand dollars." This appeal to the higher instincts is also very good. "There are few spectacles more truly gratifying, or more honorable to human nature, than a poor man surmounting, by his own exertions, the difficulties of his situation, and training up his family in the ways of honor and virtue, of industry and independence."

All will agree that the new bank began its career under auspicious influences and it is gratifying to relate that it still energetically continues its high mission of propagating the gospel of self-help and from the modest beginnings of 1819 has grown to enormous proportions, having to-day approximately 150,000 depositors and assets of more than \$100,000,000. The history of this bank has been referred to somewhat at length because its experiences were typical of what was going on elsewhere.

#### SYSTEM INAUGURATED IN PHILADELPHIA

It has been shown that on November 29, 1816, the first public meeting in the interest of establishing a savings bank was held in New York City, but that the bank itself did not begin to do business until July 3, 1819; three days after this first public meeting in New York, or on December 2, 1816, the Philadelphia Saving Fund Society actually began to receive deposits, but as a purely voluntary association; it did not receive a state charter until February 25, 1819; to Philadelphia, therefore, belongs the honor of having established the first mutual savings bank in America; in the beginning its growth was slow. After operating two years and four months its deposits amounted only to \$45,114—when it was taken over by the incorporated institution; to-day it is a monumental institution outdistancing all other banks in the country in number of depositors (290,000), and is only slightly behind the leaders in amount due depositors (\$125,000,000).

#### SYSTEM INAUGURATED IN BOSTON

Boston enjoys the distinction of having the oldest incorporated savings institution; "The Provident Institution for Savings in the Town of Boston," having received its charter on December 13, 1816, eleven days after the Philadelphia Saving Fund Society opened its doors. A public meeting called by Hon. James Savage was held in Boston in December, 1816, and the following sentiment endorsed: "It is not by the alms of the wealthy that the good of the lower classe can be generally promoted. By such donations encouragement is far oftener given to idleness and hypocrisy than aid to suffering worth. He is the most effective benefactor to the poor who encourages them in habits of industry, sobriety and frugality."

It appears that this is the first public act of legislation recognizing and protecting savings banks; England did not put them under the protection of Parliament until

the following year, 1817. The bank began to do business in the spring of 1817 and declared its first quarterly dividend of one per cent. in July of the same year; five years later, in 1822, its deposits were \$600,000 and its surplus \$6,200; this institution continues to enjoy the confidence of its depositors and now has about 105,000 depositors and resources of \$57,000,000.

#### SYSTEM INAUGURATED IN BALTIMORE

One other bank must be mentioned in connection with the pioneer work of encouraging thrift in the United States: "The Savings Bank of Baltimore" was organized as the result of a public meeting held January 1, 1818, "for the purpose of receiving deposits of such small sums of money as are the profits of industry and economy"; it began to do business March 16, 1818, and received its charter from the Maryland Legislature in December of the same year; this bank also stands in high favor with its constituency, has 53,000 accounts and resources of \$37,000,000.

#### THE MOVEMENT GROWS SLOWLY

These four banks were the vanguard of a mighty social movement which has kept an even pace with the material progress of our country; it is significant that they were ushered into existence during the "era of good feeling" with which the administration of James Monroe is associated and shortly after the War of 1812, during which American manufacturing had received a strong impetus because of the blockade which England had maintained, preventing the importation of foreign manufactures; there was a feeling of optimism—people began to believe in themselves and in the greatness of their country. The funds of the new savings banks were at first exclusively invested in government and municipal securities but very soon the law sanctioned first mortgage loans on fee simple properties. Other communities soon began to follow the example set in the large centers of population and the movement slowly spread throughout the States. In 1820 ten banks were in existence with 8,635 depositors and \$1,138,576 in deposits; twenty years later, in 1840, there were 61 banks, 78,781 depositors and \$14,051,520 in deposits; in 1860, twenty years farther on, there were 278 banks, 693,970 depositors and \$149,277,504 in deposits; from 1860 the movement gathered momentum and to-day there are 2159 savings banks, 10,686,000 depositors, \$4,700,000,000 on deposit.

#### TWO TYPES OF SAVINGS BANKS

No uniform laws exist in the several states governing the incorporation of savings banks nor in prescribing standards of investment; the character and practices of the banks therefore vary widely. The mutual savings bank without capital stock is perhaps the ideal savings agency where neighborhood conditions justify its establishment, but local needs are fully met in most of the large communities of the West and South by the capital stock bank. Of the total number of pure savings banks existing today, 630 are of the mutual type and 1,629 have capital stock; the average deposits in each class being roughly \$6,000,000 in the mutual banks and \$500,000 in the capital stock class. The mutual banks are not growing in number; in fact, there has been a net loss of seven banks in the last twenty-five years, but they are growing enormously in resources, having trebled their deposits in the same period; in this respect their experience is similar to the trustee savings banks in England, to which reference has already been made.

#### CRITICISM OF STOCK SAVINGS BANKS

The capital stock Savings Bank has been discredited in some quarters because of the admittedly commercial motive behind it. In 1873 Congress directed the Comptroller of the Currency to investigate and to report upon the general subject of State and Savings Banks.

It developed that many of the so-called Savings Banks were not legitimate, according to the interpretation of Justice Davis of the Supreme Court of the United States, who held that a Savings Bank was one without capital and whose earnings inured exclusively to the benefit of its depositors. The country has outgrown this narrow conception of a Savings Bank and is to-day prepared to support a bank of any sort which offers facilities for conveniently receiving small sums on deposit and which affords absolute safety and a reasonable rate of interest; it is not concerned whether the motive of the management is philanthropic or selfish; it demands efficient service. Some states now forbid the establishment of any Savings Bank except those of the mutual type and permit no other institution to use the word "savings" in its title.

It has been observed that the mutual Savings Bank is not increasing in numbers. It is easy to discern the reason. It is not because the spirit of philanthropy is waning, but because the newly organized mutual Savings Bank is an institution of such slow growth as to be unable to comply with the public demand of to-day as readily as the capital stock bank, whose principal profits are usually derived from its commercial business.

There is, however, one criticism which justly lodges against certain capital stock Savings Banks and other institutions with savings departments, which is that their savings deposits are mingled with their commercial deposits and subjected to the same investment risks. Many states by law require a strict segregation of savings funds and prescribe rigid standards of investment for them. Public sentiment is leaning strongly toward making this requirement general and it seems to be a reasonable provision of safety. As an evidence of the public good will toward Savings Banks with capital stock it may be stated that in 1875 there were twenty-seven banks of this class and to-day 1,529. This shows that they are filling a need and that their business is prosperous.

#### THE MUTUAL SAVINGS BANK CRITICIZED

The mutual Savings Bank is also not without its critics, and, strange to say, its crowning virtue is its distinguishing weakness—conservatism. Whether from tradition or from the very nature of its business, the fact remains that as a class these banks are not aggressive in the sense of seeking new avenues of usefulness to their patrons or of affording them modern financial facilities which trust companies and capital stock banks, with an enlightened self-interest, are eager to furnish. It is not within the province of this paper to suggest any remedies, but to point out that a heavy responsibility presses upon the shoulders of those to whom this great trust has been committed not only to maintain the magnificent prestige of their institutions, but to pass them on to their successors, equipped for the demands of to-morrow. To the experience of age should be linked the vigor of youth.

#### METHODS OF ORGANIZATION OF MUTUAL BANKS

Brief mention should perhaps be made of the usual methods employed in organizing a mutual Savings Bank; the simple legal requirements remain almost unchanged from the beginning of the system; the state legislature or the general law recognizes a given group of men who apply for a charter as a corporate body and clothes these men usually with power to name their own successors; the depositor has no voice in the management and membership in the corporation or an active trusteeship is regarded as a community honor; in some instances the local court passes upon the qualifications of those nominated to fill vacancies. It is, of course, not to be assumed that a charter is granted to *any* body of men who seek one; in times past abuses have occurred in granting such privileges and to-day most of the states clothe their banking departments with power to give or withhold permis-

sion to start a new bank. The departments are guided by the character of the men making application and by a canvass of neighborhood conditions to determine if a public need for such an institution exists. Organization expenses and the early costs of administration are usually taken care of by a guarantee fund subscribed by the incorporators; in some instances a bond is required in order that the depositors may not suffer from the collapse of the institution in the early stages of its existence.

#### ACCUMULATION OF A SURPLUS FUND

In order to take care of inevitable losses, the mutual bank immediately begins to accumulate a surplus or guarantee fund to serve the bank in lieu of capital. Some state laws now provide that a certain percentage of annual net earnings be set aside until a minimum surplus of three or five per cent. of the total amount of deposits is attained, the rate of interest allowed to depositors being fixed at a low figure until the minimum surplus is reached. The maximum amount of surplus permitted is fixed at ten per cent. in Massachusetts, at twenty-five in New York, while other states prescribe no maximum but allow a wide latitude of judgment to the trustees. Considering the high average class of investments held by these banks it would seem that a surplus maintained at ten per cent. of total deposits would be ample for all emergencies, but in the system as a whole the average protection is much less than this amount, and many banks are even struggling along without having reached the minimum prescribed by law. This weakness will no doubt work out in time.

#### STABILITY OF MUTUAL SAVINGS BANKS

Errors of judgment have often occurred in establishing banks where they were not needed, and most of these have died a natural death without inflicting losses upon their depositors, the organizers having kept faith with the people whom they were anxious to help; there are, however, instances on record where banks were organized purely because their promoters were seeking some selfish end, and such banks always constitute a grave element of danger. Following the Civil War there occurred the greatest activity ever experienced in the organization of new Savings Banks; in New York State alone in the ten years following the war their number doubled. All the New England States had a similar experience. Those banks which came into being during this period in response to a real need and which were sponsored by high-minded and conservative trusteeship survived the severe depression brought about by the panic of 1873. Many others were crippled and some went to the wall. A survey of the wrecks reveals that the losses suffered by depositors were surprisingly small; many institutions with careful liquidation paid their depositors in full, nearly all eventually paid a generous percentage of the funds entrusted to them. It is gratifying also to relate that actual delinquency in handling these funds has been exceedingly rare; embezzlements by officers and employees have occurred, of course, but failures have been nearly always due to ignorant and stupid management, to excessive interest rates paid depositors and to the natural sequence of assuming unwarranted investment risks in order to swell the income of the bank. It should be said to the credit of most of those who have assumed the high office of trustee that they have been loyal, diligent and efficient. It is doubtful whether in any sphere of activity more zeal and intelligence have been displayed than in the conduct of these banks.

#### LIMITATION OF DEPOSITS

It has been pointed out that the original purpose of the Savings Bank was to encourage those who by their daily toil and by dint of self-denial could lay by small sums for the proverbial "rainy day." It has always been assumed that normally in times of employment a margin

exists between necessary expenditure and the actual income of the working classes; of course, no one can save money who is unable to earn it. The appeal of the Savings Bank is therefore not to the desperately poor—they must receive alms—but to the modest earner of his daily bread, who is thus encouraged to manage his affairs with prudence so that the narrow margin between income and outgo may constantly widen, the difference to be put aside as capital. Such a policy is preventive and serves to control the increase of indigence, for it must be recognized that pauperism largely draws its recruits from those who could have saved if the thrift appeal had taken root; many cannot be reached by thrift teaching. The instinct to squander and to vicious self-indulgence has a strangle hold upon them, but it is often possible to reveal his folly to the foolish and to save the profligate to habits of industry, sobriety and self-control; the appeal of the Savings Bank is to a man's manliness, his scorn of dependence and his ambition to lift himself beyond his surroundings. It is evident then that the call to the higher impulses of men comes with the same accent to all who gain their livelihood through their own exertions, for that man is poor who is dependent upon the fruit of his labors and who is accumulating nothing against a possible future want; the clerk with a salary of \$500 needs the protection of the Savings Bank and so does the professional man with an income of \$10,000. Happily all classes have claimed the privilege of using the facilities which the Savings Bank affords; and the larger deposits of the more prosperous have multiplied so rapidly that our law makers have been led to fix a limit to the amount which any one Savings Bank might receive from a depositor. The effect of such laws was immediately negated by the opening of new accounts in fictitious names or accounts in trust for others and by opening accounts in several banks; in the minds of many such a regulation is injudicious as well as ineffective, and discretion may safely be lodged in the hands of the trustees as to the maximum balance which a depositor may carry. Granting, however, that regular deposits should be limited to a given amount during the month or during the year, it is surely unnecessary to limit the total accumulations of the individual depositor; the ability to invest money wisely is possessed by few; a hardship is imposed upon the self-denying depositor who reaches the goal set for him by the law—\$1,000 or \$3,000—and is then compelled to invest the further fruits of his industry; his nature is not changed by magic as soon as he attains the coveted end; he is still a mechanic or clerk or business man with the same investment limitations as before and still needs the help of his bank. Most professional men are so engrossed in their daily task as to be unable to give attention to the principles of investment and their earnings are an easy mark for the plausible vendor of unsound securities; many good business men confess to a similar ignorance; and the Savings Bank should offer a safe refuge to all who desire its protection. Likewise, the widow who receives a lump sum of life insurance should not be compelled to divide her all into several units if she prefers to entrust the whole to one bank in which she has confidence, nor should she be compelled to assume the risks of investing it. An incidental advantage of the large account is that it serves to reduce the ratio of expense to deposits, and this inures to the benefit of the small depositor; the element of danger is that in times of panic withdrawals of large sums might necessitate the sacrifice of securities in order to meet the unusual drain; the general experience of the strong Savings Bank is that in seasons of stress their large deposits usually remain undisturbed; this objection, however, if real, may be overcome by a by-law provision grading the length of notice required according to the amounts applied for. It has in this way come about that the Savings Bank is meeting other social needs than simply caring for the modest savings of the humble daily toiler; it has become

a reservoir of such ample dimensions as to invite the accumulations of those who enjoy a moderate degree of affluence.

#### THE SCHOOL SAVINGS BANK

The school Savings Bank was first inaugurated in France in 1834; it was believed that early training in the principles and habits of thrift would yield handsome dividends, not only in character but in subsequent material benefits; the venture met with great success and today France leads the world in the vigor with which this work is propagated and in the results achieved. In the United States it was introduced through the zeal and energy of Mr. John H. Thiry of Long Island City in 1885 and is now firmly entrenched in the public school system of several states. This work is purely philanthropic and perhaps can never be made to pay its own way, but it renders a service to the community of inestimable worth and the indirect advertising benefits to the participating banks offer at least a partial compensation. Several practical plans have been devised for introducing the system in almost any school and some of them provide that the necessary clerical service be furnished by the scholars; a lively interest is being manifested by boards of education throughout the entire country and its general use would have a telling influence upon the next generation. Statistics have been gathered from which it appears that there are in existence 1,925 school Savings Banks with approximately 400,000 depositors who have \$1,800,000 to their credit—an average of about four dollars and fifty cents for each depositor.

#### THE UNITED STATES GOVERNMENT ENTERS THE SAVINGS BANK FIELD

Toward the close of the Civil War—with the intention of helping those who were about to receive their freedom—Congress named forty men as incorporators of a new bank to be known as the "Freedmen's Savings & Trust Company"; among these men were Peter Cooper and William Cullen Bryant. Thirty branches were established in various parts of the country and the savings of the nation's new wards were gathered into the maw of this experimental institution, fostered under national auspices. The charter contained strict investment limitations and was carefully guarded in nearly all other provisions for the safety of the fund and for the careful execution of the trust; little care, however, was given to a strict observance of the charter requirements and amendments were secured in 1870 which permitted the investment of half of the bank's deposits in real-estate loans. Through loose methods in the central office and crafty agents in the various branches, the funds were soon dissipated and the institution went to the wall with a crash, owing its depositors three or four millions of dollars. The post mortem revealed that the trustees had been too confiding in their agents, who had loaned on worthless securities and real estate which either had no value or was not marketable. The honor of the nation was stained in respect to a purely sacred obligation.

#### POSTAL SAVINGS BANKS

The marked success in Europe of the Postal Savings Bank—which was apparently first inaugurated in England in 1861—naturally led our law makers to investigate the possible benefits of introducing the system in the United States; the party platforms in several successive presidential campaigns were committed to the plan, but Congress seemed loath to adopt it in the face of an almost unbroken front of opposition from the banking interests and of the uncertainty of the public need of such an institution. It was claimed by those who opposed the measure that under our system of government a postal Savings Bank would quench private initiative, that the plan was paternalistic and un-American, and that our government should not enter the banking business in competition with the existing savings agencies. It was pointed

out, on the other hand, that many communities had no savings facilities whatever; that a large element of the population hid their money, which was thus lost to circulation, and that the government owed this service particularly to its large foreign population who had been accustomed to the use of the post-office banks in their mother country and would not trust our private Savings Banks. After much delay a measure was framed and finally passed on June 25, 1910, providing a postal savings system which was designed to meet many reasonable objections which had been urged to its adoption. In the rate of interest to be paid (two per cent.), in the rigid and narrow limitations of the total accumulation permitted, \$500 at first, since increased to \$1,000, and in the use made of the gathered funds—ninety-five per cent. to be deposited in the local banks—much of the "sting" of the measure was withdrawn; its growth was at first disappointing and it was at once evident that the system was not invading the territory occupied by other banks, but was actually drawing money out of hiding places and was making a strong and successful appeal, as was predicted, to the distrustful foreign element. Postmasters reported that the limitation of deposits to \$500 was a serious hindrance to the usefulness of the system, and after much difficulty Congress was persuaded to raise the limit to \$1,000 and gave the trustees discretion to receive an additional \$1,000 but without interest. The European War brought to a sudden stop the heavy volume of small remittances made by our foreign laboring classes to their dependent relatives abroad and these sums at once began to pour into the local postal Savings Banks; the chaotic condition of financial affairs then existing and the enforcement by many Savings Banks of the rule requiring notice for the withdrawal of deposits, influenced many to avail themselves of the ready and secure shelter offered by the Government Savings Bank; the result, of course, was a tremendous influx of new accounts and largely increased deposits in all the savings centers and particularly where the foreign laboring element existed in large numbers; when the war began in August, 1914, the system had deposits of about \$44,000,000, the accumulations of about three and a half years; during August, 1914, the increase amounted to upwards of \$4,000,000, and this abnormal expansion continued throughout those weary months of apprehension in the summer and autumn of 1914. The latest figures, July 31, 1916, show that there were 7,687 post-offices accepting deposits in the United States, Alaska, Porto Rico and Hawaii, and that 612,000 depositors have to their credit \$89,700,000.

#### OTHER AGENCIES FOR SAVINGS

It is evident that the prime function of the pure Savings Bank is educational and philanthropic rather than gainful; the accent is upon an unselfish ministry and not upon the accumulation of profits; this theory, however, does not mean that a helpful and a welcome service cannot be rendered from a motive that is commercial and largely selfish; many things of the greatest value are oftentimes purchased at a heavy cost; barter and exchange involve reciprocal profits and benefits, and those agencies which bid a price for the use of the people's

savings are not to be discouraged but warmly welcomed if the welfare of the depositors is not put in jeopardy. Allusion has already been made to Savings Banks with capital stock; it now remains briefly to refer to several other channels which are open to the use of the people in providing against the frown of fortune although the service rendered is primarily selfish.

By recent legislation national banks are permitted to operate special savings departments; many banks in the rural districts have been receiving this class of deposits for years but without specific authority. The latest figures furnished by the Comptroller of the Currency show that 4,793,670 savings depositors have \$919,731,000 to their credit in the national banks; state banks have 3,400,000 savings depositors with \$600,000,000 to their credit; loan and trust companies 2,500,000 depositors with \$1,053,000,000 in deposits; private banks have 100,000 depositors and \$1,800,000 in deposits. In this enumeration it should also be noted that there are 6,806 building and loan associations with assets approximating \$1,500,000,000 belonging to 3,000,000 shareholders; this class of institution is more closely allied in type to the mutual Savings Bank than to the commercial institution.

#### WHAT OF THE FUTURE?

The figures which have been used to measure the extent of our harvest of savings when combined reach stupendous proportions; in all classes of institutions there appear to be 25,000,000 savers who have at their command resources of \$8,500,000,000, an average of about \$340 for each depositor. It is obvious, however, that a large number of people have several savings accounts, and it is perhaps safe to say that only one person in five in our country is using the resources at his command for safeguarding his future against want; this situation creates the opportunity and the privilege of the future. The price of progress is effort; what a happy augury then that the banking conscience is now aflame with the new responsibility which fate seems to have thrown across its pathway. The devastation of Europe places the burden of financial leadership upon America; our captains of finance must have access to the many streams of wealth flowing from the remotest recesses of our land, and all must help to keep the channels open in order that there may be no lack in the central reservoirs. The banking world recognizes as never before its duty to those as yet unreached by the call of thrift and the future is rosy with promise.

In a largely augmented army of savers we shall see a wider distribution of the stores of wealth, a cheerful and hopeful people and a country prepared to respond to the world call for help. With increasing material possessions we shall see the quickened pulse of power; in the release of a new-born energy of mind and body we shall see the nostrils of men dilated with the breath of a new life; a mutual share in the world's work will create a real brotherhood of man and bring to pass the reign of good will on earth.

It is a high privilege to take part in lifting the veil which hides the beautiful and in ushering in the golden days when "man is man and master of his fate."

## *The Social Aspect of Thrift*

BY GRAHAM TAYLOR, Head Resident Chicago Commons Social Settlement, President Chicago School of Civics and Philanthropy.

The prominence given thrift on this program is of more than commercial interest. It has a profound public significance, and should have far-reaching effect, not only among the people individually, but upon the progress of their public affairs. Through most of these hundred years, one of whose great achievements we are commemorating, thrift has been proclaimed the American's private god and Benjamin Franklin his prophet! But during the last half of the century the human situation has so rapidly and radically shifted, that thrift can no longer be regarded only as an individual habit or a personal virtue, but must also be dealt with as a far more complex and public problem. The individual independence of the pioneering and colonial Americans has become more and more impossible, as craft has become dependent upon craft, class upon class, country upon city, nation upon nation, each one of us upon the many, in the inextricable interdependence of modern life.

While, therefore, thrift is still rightly to be considered and encouraged as an individual habit and a personal virtue, yet this hour demands the interpretation of those human situations which complicate and enlarge the single and simple meaning of the term and impose thrift as a public duty upon every group, community and nation.

Thriftless is the thrift that sacrifices the life to the livelihood, the person to possessions, the family to its heritage, the community to personal greed, and the national loss of the many to the gain of the few. In encouraging economy and "savings," the individual's own interests should be safeguarded from a foresight which becomes oversight, overlooking the further future in providing for the immediately impending needs and opportunities. For, have we not all seen far too much of the waste of life and the stagnation of wealth when thrift degenerates into the consuming habit of hoarding? The failure of hoarding wealth luridly lighted its own warning beacon in the empty lives and the despairing cries of two rich, old hoarders. One of them despairingly deprecated the approaching end of life by the lament over his burdensome wealth, "It is so hard to let go." The other, lying on his death-bed, which was littered with the certificates of his invested "savings," desolately complained of the loss of his children's love and companionship, while admitting that he had never taken time to pick them up in infancy or play with them in childhood.

An individual's thrift is thriftless when it is at the expense of the group. The family has human rights which the thrift of its individual members is morally and economically bound to respect. A father's savings often costs the loss of the mother's health, the children's physical and educational equipment, and the success, even the very function of the home, are made impossible by the unfitness of the house. Family thrift is a common feature of home life among the laboring poor. Many a mother receives the unopened pay envelope, not only from the children of working age, but from the husband as well, all trusting her to be the spender and the saver for the family. The promotion of thrift by the encouragement of a family savings fund is worthy of our best thought and effort. The vacation and Christmas savings encouraged by savings banks, and still more by "penny savings" agencies, are beginning to help the family to capitalize itself. And yet the discouragement of a boy from withdrawing his penny savings died away from one's lips, when the little fellow explained, "Mother needs a new set of false

teeth." And the little hero's spendings proved thriftier than his savings.

The community is put in many situations in which it is found necessary to regulate and even restrict individual thrift, in order to protect and promote the thrift of the group from that of one of its members, the thrift of the many from the greed of the few, the safety and progress of town, county, state and nation from the exploitation of thriftless thrifths. Thus laws restricting the hours and conditions of women's work are enacted and declared constitutional on the ground of public welfare, notwithstanding the objection of opponents against interfering with the thrift of the woman who wants to overwork, and that of the employer who profits by overworking her. The very birthrate and birthright of the nation are thus defended.

Compulsory schooling is now a prevalent public policy, with penalties for parents who seek the earnings of their children at the cost of their growth and education. Child labor laws are firmly based upon the proven thriftlessness of robbing the child of its schooling, play, strength and efficiency, for the sake of small temporary gains. But it required the recruiting sergeant's rejection of so large a proportion of men as unfit for military service, in order to bear home the wanton waste of child labor as the shame of modern industry and the folly of the nation. But now many of our states are even pensioning dependent mothers, rather than to deprive their children of the mother's care and of their right to free childhood, either by being put away to be cared for by institutions, or by the necessity of earning the livelihood of the home.

The sanitary inspection and condemnation of tenement houses and shops have been found necessary, in order to curtail the thriftiness of their owners at the expense of their tenants and employes, as well as at the peril of the public health and safety. The "new law" tenements of New York City let sunlight and fresh air into the living and sleeping rooms of a million people, who otherwise would have lived and died in dark rooms whose only opening toward the light and air was through other apartments. The abuse of property rights in real estate by renting houses for disorderly resorts has become such a menace to the morals of the community and such a danger to its youth, that the extraordinary interference of the law in the "injunction and abatement act" has been found necessary and declared constitutional on the grounds of public safety and welfare.

The abuse of thrift by the few at the expense of the many and at public cost has led to many legal measures and governmental policies protecting and promoting national thrift. Thus parasitic trades are prevented by minimum wage laws from making their profits at the expense of other trades or of the body politic. Other people like other trades and the taxpayers as well, are thus refusing to bear the cost of eking out the living of those at work for less than a living wage and in seasonal occupations. Sweated industries are also being purged of their blood sweat, both by the revolt of their organized workers and by legal measures for their relief. The sweating of tenant farmers by absentee "retired" landlords as desperately needs to be dealt with. None knows better than the rural banker how the retirement of farmers thwarts the thrift and progress of many retired farmers' towns.

"Safety first" is not only the nation's indignant pro-

test against the wanton waste of life, of which America has been more guilty than any other nation, but it is the rallying cry of a new national economy, conservation and preparedness. The steadily decreasing railway dangers, the ever lessening casualties in factories and shops, the protection of life and property at sea by Pillsoll's water line on freighters and by our own seamen's act, all show what is being done and can be attempted through private and public measures alike to prove that dangerous economies are wasteful and death-dealing greed is thriftless. Uniform safety legislation is still required to standardize thrifty conditions, to protect progressive states and industries, especially the mining interests, from the unfair competition of those disregarding life and limb, and to conserve the nation's greatest assets in the lives, the health and the efficiency of its people. Even this fails to protect life from the most dangerous of all occupations. For, the death every year of at least 300,000 children under two years of age from preventable causes still rates being a baby as the most dangerous of all occupations. No national thrift is more fundamental than the conservation of child life by the Federal Children's Bureau, the American Association for the Prevention of Infant Mortality, and the National Child Labor Committee.

The public ownership of some public utilities, and the public control of all others, is now recognized to be the legitimate thrift of every community. The protection of immigrant labor from exploitation is a national safeguard, as well as justice to the immigrant. The tardy recognition of unemployment as a problem far beyond the capacity of the unemployed, or of private charity to solve, is at last proving it to be public economy for the city, the state and the nation to assume as the problem of each and all of them, not only the relief, but the prevention of unemployment.

The progress of mankind is measured by the multiplication of wants and by increasing the ways and means of satisfying them. As surely as the charity of today is the justice of tomorrow, so surely are the luxuries of today the necessities of tomorrow. This creation of human wants, not their curtailment, is civilization. The thrift that spends as well as saves, is what makes the community a going concern.

Difficult and delicate, therefore, is the task to define thrift so as to make it apply equally to the personal and public values of the one human life each of us lives and the common life all of us live together. It is a good sign of better times that industrial and commercial, professional and civic, educational and religious groups realize this to be their problem. Associations of Commerce are becoming schools of citizenship, training commercial men to trust their best service of the city in the long run to serve their trade the most. Lumbermen's associations discuss in their papers and in their conventions their opportunity to be "community builders," especially in country counties, where the lumber yards are the points of contact and distribution for the surrounding countryside. The Retail Merchants' Association is linking up the country store with the country town for the protection and advancement of both. Country ministers recognize and utilize the country store as an exchange, not only for commodities, but for the interchange of intelligence and discussion and the creation of public opinion, so that some of them are using the store to meet the men for religious instruction and appeal. Manufacturers are finding it to be good business to care for the human elements at least as much as for the raw materials and the finished products of their plants. Commercial establishments are becoming like great households, holding employers and employes together best by promoting their community of interests.

But the question arising out of these human situations which we have been considering and that is put up to the banks and the bankers to solve, is how to make private thrift and public welfare supplement and serve each

other. No one in the community is so well situated to do this service. The bank itself is a clearing house of more common interests than those which we call commercial. It is the exchange where other than money values change hands and through which other values than commercial paper are cleared. As a community center for the exchange of such values, the bank shares and exceeds the informational and inspirational function and influence of the country store, the village blacksmith shop, the lumber and building material yards in rural communities; and in town, it supplements the newspaper, the stock and other exchanges, the executor or guardian, and it is often the substitute for one or all of them.

Few have a function to fulfill so vital alike to individuals and to the local community as the banker. He is the trustee of so much confidence. His confidants range all the way from the widow and the orphan to the treasurers of vast trust funds and of great public deposits. The bankers' responsibilities are as serious as his opportunities are inspiring to promote personal and public thrift and make each advance the progress of the other. None so well as he knows, or can know, how necessary the progress of the community is to the prosperity of every one of the people living in it, and how impossible it is for the community to prosper if its citizens are not progressive. Therefore bankers individually and collectively are more and more meeting and supporting the promotion of community interests through surveys, by agricultural, mercantile and manufacturing developments, in providing better schools, more time and equipment for recreation, good roads and transportation facilities, more participation in public affairs and greater efficiency in the administration of public institutions, business and local government.

Thrift is the point of contact between the multitude who know you not and you who should know them better. To interpret thrift from your point of view not only, but to broaden your view of it by sensing the human situations of the greater multitude that are still strangers to banks and bankers, is the appeal and hope of this hour.

By virtue of your double function as the friendly, confidential counsellors of so many individuals, and as officials of an institution that is or ought to be under public control, you bankers have a greater obligation and opportunity than any other citizens to protect both the individual and the community from thriftless thrift and to promote the thriftiness of both, by proving that neither can succeed if the other fails.

Yours also is the patriotic trust to conserve the confidence of the people in the government and to safeguard the financial honor of the state and the nation. For you are so much regarded as representing the state's guardian care of its people's interests that you have the right and duty to consider yourselves to be in the semi-official service of your country. Either the state should have such oversight and control of banking as will safeguard the people's confidence in the banks, or they should at least be prohibited from using the name of the state in the title of the bank, or from posing as a public institution. When the Milwaukee Avenue State Bank in Chicago was looted, my poor foreign-born neighbors, who had entrusted to it the scant savings of their hard toil, could not believe that the state which loaned its name to the bank would not protect them from loss and justify their confidence in the state. Then I realized as never before what treason it is for a banker to play false to the people and what a bulwark of the state and an inspirer of patriotism a bank could and should be.

Out of the appalling thriftlessness of this most destructive of all wars, the banking interests of the nations will be called upon to restore the financial bonds of a new internationalism, and something of its spirit as well. No such world-wide exchanges of international credits have ever been negotiated as in America during the war. Perhaps this necessity to which we have thus ministered may be the mother of invention adequate to establish the thrift of international peace.

## *“Thrift and Human Nature.”*

By GEORGE E. ALLEN, Educational Director, American Institute of Banking.

*Mr. President and Gentlemen:*

Thrift means something more than conservation of dollars and cents; it means the conservation of manhood and womanhood; it means furthermore the conservation of human nature with all the perversities that human nature possesses.

It is the fashion to say that all bankers are Shylocks, that captains of industry are crooks, that trade unionists are anarchists, that politicians are corruptionists and that society in general is breaking the speed limit on the highway to hell. The truth is bankers individually are among the most popular of men; that captains of industry are philanthropists in accordance with their limited light; that the average trade unionists can be trusted with your money, your life or your wife, and ninety-nine per cent. of the politicians represent the moral and intellectual standard of their constituents with mathematical accuracy. The criticism in all these cases is against the class and not the individual that constitutes the class.

If class hatred could be used not in destruction but in construction it would revolutionize society. Here is an opportunity for some agency of research. Rattlesnake venom has been found valuable in medicine, is it not possible that class hatred can be used in some such way?

It is the fashion to point to Babylon and Rome as precedents among nations in rising from poverty and savagery and in falling from wealth and luxury to decadency and deterioration. It is possible that the history of Babylon and Rome is repeating itself in the United States of America, but other history teaches that evil tendencies can be forestalled. In the garden of Eden, Adam and Eve were safe in overwhelming luxury. If the garden of Eden could have been modernized, Adam would doubtless have been a purchaser of paintings, painted hundreds of years after the painter had died, and a credit nabob traveling the world over in search of mineral waters advertised to cure rheumatism and gout. He would have doubtless been rather more or less skilled in playing bridge whist and a liberal patron of every uplift fad. He would have been a standpat politician until he had learned the political game well enough to be a professional reformer. When Adam and Eve became decadent the Lord commanded them to get out of the garden of Eden and dig or die. They dug. And in digging recovered their physical, mental and moral vigor. And it is the history of the garden of Eden and not the history of Babylon and Rome that gives the precedence in economic destiny.

There are hoboes at the top and bottom of society, as society is usually classified, and it is the hobo problem that civilization must solve or suffer the penalty of decadence and dissolution.

The idle rich are being busied by the income tax, but the idle poor are yet a problem. In the early stages of civilization where a wolf comes and goes in haphazard fashion it is easier to keep the idle rich and the idle poor in palaces and almshouses than it is to provide them with work, but as civilization crystallizes the economic shoe begins to pinch.

What to do with the idle poor is a question that the world has not yet solved. Various schemes have been devised but none of them have yet worked, but it does not follow that they never will. In these days of airships and submarines, difficulties are no longer difficult.

Charitable schemes have thus far done very little except to make poverty a vocation and the relief of poverty another vocation, both parasites, and I am told the sixth great financial industry of our country.

There is something that must be done. Now, the ideal condition would be one where every adult man and woman must be in one of three places: At work, in some hospital or in some jail. There would then be no charity as the word is loosely applied, no panhandling, and a great condition would be overcome.

And I wish somebody would figure what it would cost to do that. As Mr. Robinson quoted from Daniel Defoe, to furnish work for the unemployed is not a solution of the problem. That is on the presumption that the work is competitive. If it is not competitive there is no objection to it except the objection of cost, and what it would cost to bring that condition is something worthy of investigation. It is not a problem for the sentimentalist, it is not a problem for the agitator, but it is a problem for the accountant, who judges all things and all men on the basis of the balance sheet. But this idea of furnishing public employment is not new, we have been doing it for years and are doing it now. We will put in the public service men, from ambassadors to tax collectors, for the purpose of giving somebody a job, and not for the purpose of getting the most work for the price paid, and the amazing thing about that is the comparative efficiency of this class of men; it gives us hope in hobo humanity and courage to try to work out some problem.

Mr. Robinson referred to Tammany Hall starting as a benevolent society and now the largest employment agency on the face of the earth. They get jobs for at least a hundred thousand people in New York that would otherwise be a menace to that city; and I am not so sure that instead of being the devil-devised organization, it is better than thousands of others that claim some uplift purpose. These things are worth thinking about. Now, I don't know enough to solve this question. If I did, I would be running for President of the United States and Wilson and Hughes and all of you would be supporting me. But the point I am making is these are things to think about, they have got to be done. This question between capital and labor has to be solved and can't be solved by the annihilation of one of them. They have got to get together, and I don't see how they ever got so far apart.

The original idea of the corporation, for example, was where the king gave certain rights to his subjects to do something he could not do, for the benefit of the sovereign rather than the subjects. Our corporations have gotten away from that and they ought to get back, and there is no reason why they should not. Our greatest railroad today is practically socialistic in the division of its thousands of stockholders. The great Steel Corporation is getting more and more so every day, and it is perhaps through the hated corporations we are going to get a degree of individual representation that the socialist dreams of.

These are only ideas, but what can you gentlemen do with them? The great movements in the history of the world have come from the conflagration of some idea. There is the idea which inspired the Exodus from Egypt. There is the idea—it is the conflagration of ideas which has brought about every great religious and political reform in the history of the world, and perhaps you can sur-



round the idea of thrift with a fascination that will bring to that common point all classes of people, as people in the warring nations, the aristocrat, the noble and the poor, rally around the flag of their country. What you want is some rallying point, some slogan, and if you can

get all classes of society in this country to rally around the idea of thrift, if you can get the American people to think thrift, to talk thrift, and to act thrift, perhaps you have got the avenue that will start more than anything else our country on the way to the millenium.

## “Centennial Campaign for Thrift”

BY VICTOR A. LERSNER, Comptroller of the Williamsburgh Savings Bank, Brooklyn, N. Y.

MR. PRESIDENT AND GENTLEMEN:

The origin of this Savings Bank Centennial dates back to the Convention held at New Orleans in 1911, when general approval was given to the plan for such a celebration in 1916.

At each successive convention thereafter the subject was considered with increasing interest, and last year at Seattle the plan was ready for definite treatment, a Committee being appointed to care for the interesting and appropriate celebration of the Centennial Anniversary of American Savings Banks.

The gladly accepted task for this Committee was how to fittingly mark the occasion.

Rather than confine it to a Centennial Celebration of whatever proportion it was deemed wise to give it a background of substantial activity.

A nation-wide Thrift Movement to reach every section of the country was considered the most becoming in form and prospect.

The object of those who planned the first institution for savings in this country was the amelioration of the condition of the poor and the inculcation of the principles of thrift in the mind of the public, making for better citizens and promoting greater efficiency.

The result of this first century of campaigning reveals the savings in all of the banks of the country to total some \$8,500,000.00 and it became the ambition of this Committee to conduct a movement for thrift which would be in measure with the vastness of this sum and the importance of the institutions holding it.

Our first efforts were directed to securing the co-operation of several organizations through which we could effectively conduct propaganda.

The American Institute of Banking, with its seventy chapters, was early enlisted, the International Committee of the Young Men's Christian Association, the National Board of the Young Women's Christian Association, the National Americanization Committee of Immigrants in America, and the Chamber of Commerce of the United States responded to appeal.

It required vast correspondence to perfect such an organization. The task, while huge, was necessary for the foundation work of the great movement which has grown into such real importance.

In December, 1915, the Committee compiled a text book entitled “Thrift—How to Teach It, How to Encourage It,” and of the 6,000 printed copies, all but a few have been distributed to those bodies requesting them.

The value of the publication was instantly perceived in the hundreds of inquiries from communities asking for further information concerning a local campaign.

An idea of the interest developed is shown in the fact that more than 104,000 pieces of mail were sent out from the Section's office for the fiscal year of 1916.

The results accomplished by Chapters of the Institute are especially pleasing, particularly has this been true of Chattanooga, New York, Atlanta, Dallas, Macon, Ga., Baltimore, Jacksonville, New Orleans, Los Angeles, Spokane, San Francisco, Albany, Minneapolis and Denver.

The example at Chattanooga is worth particular notice. Here a very complete and efficiently conducted campaign was instituted resulting in an immediate gain of 23 per cent. in new savings accounts and of 70 per cent. over the record of the previous year.

The Chattanooga Chapter organized the “Chattanooga Association for the Promotion of Thrift and the Spirit of Conservation” among their people, and is distinguished for a number of suggestions which were gladly incorporated in the nation-wide campaign of the Association.

To all these helpful factors this Committee offers its acknowledgment for their considerable co-operation, and particularly to the National Committee of the Young Men's Christian Association, for this body has been a host in disseminating the value of our principles through the medium of Thrift Exhibits and lectures as well as addresses in every nook where audiences could be secured.

No limit of praise is due the Young Women's Christian Association for their wide circulation of valuable direction to their 400,000 members, for the cultivation of thrift in the home is conceivable of large importance.

The Immigrant, so generally ignorant of American ideals and customs is being taught the real value of our savings institutions through the National Americanization Committee.

Possibly the best of all, the youth of our country are being brought into the influence of thrift habits. The broad growth of school savings banks and their undoubted extension is certain to make for lasting good for the coming generation.

The commendable efforts of the Curtis Publishing Company to encourage the boy to acquire a savings bank account is well worthy of mention.

These combined factors could work a wealth of influence in their different spheres, but to carry through a real nation-wide campaign, one which would be truly in proportion to such a title, it was all essential that we secure some organized body, equipped for carrying on such work for concerted action from the greatest number of points must be had. Desire had to be supplemented with well developed organizations. A movement both new and nation-wide required a vast and powerful machinery.

Lacking funds, facilities, and familiarity to cope with these needs the Committee sought the co-operation of a thoroughly reliable and expert bank publicity company, and in co-operation with them constructed a plan for a thrift campaign.

The product of our joint efforts seems capable of doing that for which it was designed, i. e., to reach the individual and impressively impel him to save and conserve.

It is proposed to serve 2,000 communities throughout the United States in conducting a Thrift Campaign either under this particular form or some other.

Our duty seemed to be one of suggestion and constructive advice. Our earnestness was to create a great unified thrift action which would direct the public mind away from waste and extravagance and to thrift and conservation.

The country needed such a movement and very much continues to need it. The success that has even now attended the plan gratifyingly attests to the sense of our conclusions.

The fact was all too obvious that upon the humblest as well as the highest rested the future progress of this country.

The stability of our economic and social life rests in the main on the spirit of independence in the individual member through the practice of thrift.

To definitely change public thought from extravagance to frugality is possible in two ways.

Adversity is an unfailing medium, but all too summary to accept, if avoidable.

Education resulting from a nation-wide thrift campaign could be quite as efficacious, but it must have for its sole aim something more than the mere harvesting into banks of dimes and dollars, however much this result is to be desired.

Rather should it seek to acquaint the people with the real potential purchasing power of money. To spend it wisely by getting the most for it; to make it earn more for them—but everlastingly avoid the lure of the swindler; preaching the principle of sound investment, or what to do with their precious funds after saving them.

Summarized, it is to have our people gain a mastery of their wills and give direction to their purposes; to kindle new ambitions in our hundred million citizens; to cultivate a closer intimacy between public and banker, supply our youth through our education systems with improved means of approaching their life work; to instill new ideals of thrift in the home, a money sense in the future burden bearers of business; to forestall the dire

circumstances of old age from lives unguardedly spent; to furnish constant impulse and inspiration to all classes; to have all thrift in time, energy and material, and not the least of these develop a broader vision in the banker of his duty to the public and need of his more generous spirit and action in gratuitous public service.

In a word, to help people find themselves. To make thrift a popular individual habit and a national trait. In spite of the natural difficulties and arduous work of blazing new trails, our Committees sees bright prospects of thrift in this Nation.

Optimism must flow from the zeal and enthusiasm which has been so far realized, and surely augers well for the new century of savings banks in the United States, which in turn spells prosperity for all banks.

The Centennial celebration at this Convention which is intended as a climax to the campaign was proposed at Seattle last year and planned for New York City.

Due to a very successful celebration and savings bank centenary in that City during May of this year under the direction of the New York State Savings Banks Association it was thought well to bring this celebration to this City during the American Bankers' Association Convention.

Such plans as have been conceived to make the celebration appropriate to the occasion have been the result of most splendid co-operation, under the direction of Mr. W. S. Webb, from the bankers of this beautiful city, whose hospitality we meet so constantly and abundantly, and to them we very much desire to express our deep appreciation.

In closing, the Committee feels called upon to confess its sense of honor in having the supervision of the campaign and arranging for this celebration of American Savings Banks.

## Postal Savings

BY CARTER B. KEENE, Director of Postal Savings, Washington, D. C.

Gentlemen of the Savings Bank Section of the American Bankers Association:

Let me say at the outset that I count it a signal honor to participate in the exercises of today, and my appreciation of the honor has increased as the importance and meaning of this centennial of savings has grown upon me. I have watched with interest the campaign of thrift that the Savings Bank Section has conducted during the past year. No period of our national life could be more opportune for such a campaign than these days of peace and plenty. No propaganda could have been more ingeniously contrived, more effectively conducted or more fittingly climaxed. Postal savings has felt the force and inspiration of your efforts, and I trust we have done something in our appointed field in advancing the great crusade you have carried on. We were glad when your secretary, Mr. Harrison, invited us to join with you. Government and private savings agencies must necessarily run in the same general direction, and they need not cross or collide. It is infinitely better for both that they continue on terms of cordial co-operation. The plan of salvation is broad enough for the brightest and darkest places in all the world; for every race, every creed; the banks are the churches of savings, postal savings is the "Salvation Army" of thrift. As Admiral Schley said at Santiago when others were vainly contending over honors, "There's glory enough for us all."

When I discussed postal savings before the American Bankers Association at Boston three years ago, I was

a mere novice in my work, and therefore compelled to rely largely upon the experiences and conclusions of those who had been identified with the service from its inception. How well I remember calling my chiefs about me to get stuffed with facts and figures for the grueling ordeal I foresaw if the minutes of earlier conventions portended my probable fate. But the warmth of your welcome and the candor of your discussions soon dispelled my apprehension, and I went away with the cheerful assurance that there would never be any controversy or conflict between Government and private savings institutions. Three years have passed, memorable years, trying years, and in all this time we, in postal savings, have tried to look above and below the balance sheet out into the wider field. I am particularly glad of this opportunity to tell you gentlemen what postal savings has done, and what I, speaking for myself alone, believe should be its future course.

The Postal Savings System has been in full operation a little over five years. The glamour of novelty has worn off, and it has had time to settle into a well-defined field of activity. We can now look backward and forward with a large degree of assurance. Of course, it would be easy to contract or expand that field, but contraction would abridge the reasonable expectations of the public, and expansion—I do not mean growth—might lead to unwarranted invasion of the domain of private enterprise. The range of postal savings activity will never suit everybody. We are constantly receiving complaints that we have not gone far enough, others

charge that we have gone too far. Some want the Government to do almost everything, others want the Government to do almost nothing. But it seems to me there is a golden mean. I do not believe the Government has a right to compete with private activities, if those activities be adequate, nor do I believe that the Government should shrink from any urgent nation-wide undertaking when it alone has the power and agencies to make the enterprise a success.

Many prominent men in banking circles conscientiously opposed the establishment of a Postal Savings System in the United States. They regarded it a dangerous and unjustified departure from our national policy. But I believe, in the light of five years' experience, that their objections and apprehensions have been largely overcome and dissipated. I feel sure the verdict today is almost unanimous that postal savings has filled a neglected niche in our social and economic systems which this country could no longer afford to ignore. America was one of the last of the great nations to adopt postal savings. Spain, Portugal and the Argentine Republic have since fallen in line, so today practically every large nation in the world has a Postal Savings System. Germany, which still adheres to a wonderfully successful system of Government supervised municipal savings banks, is the one conspicuous exception.

While the deposits in this country are still small when contrasted with the enormous savings in private institutions, or when compared with deposits in some of the foreign postal savings banks, still we get a glimpse of the important part our service is destined to play in fiscal affairs when we consider that the postal bank of England has a billion in deposits, the accumulation of sixty-five years. Yet the growth of the American postal savings bank in the first five years of its history was more than double that of the British bank in the like period.

Another encouraging feature develops in the constantly increasing average postal savings account. On July 1, 1913, it was \$102; three years later it was \$143, far exceeding that of any other nation of the old world. Japan, with the largest number of individual depositors—more than 13,000,000—has an average account of only \$7.81.

On July 1, 1913, when Postmaster General Burleson effected a reorganization in the practice and personnel of our System, the deposits amounted to \$34,000,000, standing to the credit of 331,000 depositors. Today we have approximately \$100,000,000 on deposit, owned by 625,000 depositors. What has brought this gratifying result? War, publicity, prosperity and liberalizing legislation. Growth was steady and healthy until August, 1914, when the European war utterly demoralized business and made the highways of the sea uncertain and hazardous. Our net receipts quadrupled in that month. Gradual decline in abnormal gains followed as the nation caught its breath and business and international communication improved. January, 1915, found deposits again normal, and we began to feel the rising tide of prosperity. Demand for labor increased; wages soared. Postal savings deposits kept step with the industrial march.

We in charge of the Postal Savings System saw early the importance of bringing the service to the attention of hundreds of thousands who never heard of it and stood in urgent need of its facilities. Our publicity has been widespread and persistent, but it has been our constant purpose to so direct it as not to discredit or weaken private savings institutions. We do not want a dollar any solvent bank can get. We have reached out after the hidden savings of those who will patronize our institution and no other. But in all our search for tarnished coin and fusty currency we have been scrupulously careful not to press our publicity at a time and place where it might aggravate disturbed local conditions.

We are proud of the record our service has made in deposits and in the number of depositors, but we take infinitely more satisfaction in the sources of the money we are getting than in the amount of it; in the type of our depositors than in the number of them. While we have endeavored to increase our business through proper channels, we have kept in full view the important fact that the Postal Savings System is a Government institution for the promotion of the general welfare and that it would be an unpardonable abuse of power were we to swell our figures at the expense of legitimate private savings institutions. The United States is concerned alike in the welfare of the depositor in a private institution and in the timid foreigner who hides his savings in mother earth. We have not rejected deposits brought to the post office in time of local financial stress and in isolated instances our receipts have temporarily been increased. But the point I desire to emphasize is, that we have not taken advantage of these unfortunate instances to exploit postal savings. We are entitled to and claim no credit for this attitude, for it would be almost criminal to knowingly contribute to public alarm at a time when the savings of thousands in local institutions might be jeopardized.

Our publicity has been along two lines—the insertion in newspapers and periodicals of news items dealing with the growth of the system, and the distribution through the post offices of general information on the service in English and twenty-three foreign languages. You bankers know full well that the desire to economize and save will never be spontaneous. Saving is an acquired and cultivated habit. Upon you and upon us rests a large duty in the promotion of that habit; and the crowning triumph of your thrift campaign lies in the forceful assault it has made on improvidence and waste, an awakening that will be felt of its own velocity in years to come. But it would be unfortunate indeed if this great public service were to end to-day. Let it be the beginning and not the end of concerted action. Postal savings would continue to increase if not another word were spoken or printed about it, but there are still thousands in our country who ought to be reached and brought within its advantages, and they can be reached only by persistent publicity. For us to falter in this direction would be palpable neglect of duty.

When I came to the Postal Savings System in 1913, legislation was pending looking to the acceptance of \$1,000 from a depositor which would be interest-bearing and the acceptance of any amount in excess of \$1,000 on which no interest would be paid. Strong opposition against the proposed statutory change developed at Boston and was further pressed before the committees of Congress by your representatives, Mr. Knox of New York, Mr. Robinson of Baltimore, and Mr. Saul of Washington. The fate of the bill is well known to you. I am particularly pleased, however, to commend the fairness and frankness with which these gentlemen conducted their work, and I attribute to them large credit for the era of good feeling now existing between Government and private savings institutions.

On May 18th last, a bill was approved by President Wilson which has greatly enlarged the usefulness and possibilities of postal savings. It is a safe and satisfactory Act, and I am pleased to add that the report of your committee on postal savings legislation, at Seattle last year, was friendly to the law under which we are now operating. It is a serious matter to change established postal savings legislation, and no step should be taken in that direction without the most careful and unselfish thought. I believe that the new law meets the reasonable requirements of the Post Office Department and the public, and will continue to do so for years to come, if not indefinitely. As you know, a depositor may now have \$1,000 to his credit upon which interest will be paid, and the Board of Trustees has discretionary power to

accept an additional \$1,000, which shall be non-interest-bearing. The \$100 monthly limitation is abolished. The interest-bearing increase was put into effect at the signing of the bill, but the Board of Trustees has not thus far accepted the non-interest-bearing accounts.

That the old stifling restriction on deposits kept millions in hiding is shown by comparison of the gains in deposits in the first three months under the new law with the gains in the corresponding months of last year. The net gain in June, 1915, in round numbers, was \$1,000,000; this June it was \$3,800,000. July, 1915, showed a gain of \$350,000 (not taking into account \$365,500 withdrawn by depositors for purchase of postal savings bonds); this July it was \$3,700,000, despite withdrawals of \$900,000 for bond purchases. August, 1915, netted \$1,600,000, August just passed, \$5,000,000—by far the largest increase in the history of postal savings and surpassing the phenomenal increase of August, 1914 (the first month of the war), by nearly a million. Another interesting feature of the enormous inflow of savings during the past three months is the fact that a very large per cent of the increase has come from old depositors, who eagerly seized upon the long deferred opportunity of increasing their accounts.

You will recall that prior to the installation of the Federal Reserve System in 1914, any bank under national or state supervision was eligible to receive postal savings deposits if it qualified to accept them. The Federal Reserve Act limited depositories to member banks only. This resulted in the elimination of hundreds of state banks. In many instances it was necessary to send funds long distances to places where eligible banks were located. This worked embarrassment in the expeditious and safe administration of the service, and at the same time defeated the dominant thought that controlled the framers of the organic Postals Savings Act, that the deposits brought out of hiding should be released for commercial purposes in the identical localities where they originated. The new law meets and solves these difficulties by giving preference to member banks, but in the event there be no local bank or it fails to become a depository, then a state institution may qualify for the funds. Thus a preference rightfully belonging to member banks is accorded without disturbing the sound principle that the funds should be distributed in channels of trade where they are brought to light. Hundreds of state banks formerly dormant are now active depositories for postal savings.

I am not going to burden you with detailed statistics on postal savings. This is a day for felicitation rather than a day for figures. It is enough to say in passing that every state in the Union showed remarkable gains during the last fiscal year except four, and the decreases there were trivial and due to easily discerned local causes. Seventeen states, New York, Pennsylvania, Illinois, Ohio, Massachusetts, California, Michigan, New Jersey, Missouri, Washington, Minnesota, Connecticut, Wisconsin, Colorado, Oregon, Indiana and Montana, hold 90 per cent of all the deposits. Ten cities, New York, Brooklyn, Chicago, Boston, Detroit, Pittsburgh, San

Francisco, Philadelphia, Portland and Milwaukee, have each more than a million dollars on deposit. Pittsburgh, Philadelphia and Milwaukee were the last to join the million dollar class.

Post offices in Greater New York today hold over one-quarter of the total deposits. More than \$90,000,000, brought from insecure and unprofitable hiding places, are now on deposit with the 5,600 depository banks, and these funds are secured by bonds of a face value of \$125,000,000.

The most striking and gratifying story of postal savings is disclosed in the fact that 375,000, or 60 per cent of the total number of depositors, were born outside of the United States, and that this provident army owns \$75,000,000, or three-quarters of all the deposits. How much these mute figures mean! What a tribute of confidence the foreign-born have paid to the nation of their choice and adoption.

In discussing postal savings here I would fail in fair dealing if I did not remind you that back of all our efforts to develop the service along sound lines; back of all our endeavors to better the conditions of our depositors, especially those born under another flag; and back of all our efforts to deal equitably with National and States banks, has been the guiding genius of a great Missourian, born within 75 miles of this place—Governor A. M. Dockery, Third Assistant Postmaster General, and in direct supervision of the Postal Savings System, as well as the other great fiscal affairs of the Post Office Department. Happy is a service that can enlist a man so ripe in executive and congressional experience and so responsive to the sane requirements of the high and the lowly. I speak of him here in no thought of adding to the affectionate regard in which he is held by his native state, but I speak of him that his unstinted generosity towards his co-workers may not obscure his own achievements in the service that I am now representing.

The story of postal savings when told in figures is a simple one. But if you want to see the real service that it is, go into the post offices in industrial and mining centers and witness the patient line of barefoot children, tolling women and begrimed laborers as they entrust their humble savings to Uncle Sam. Then come with me to the Post Office Department and delve into the confiding letters that report better and happier lives.

Time and again I have used the pronoun "we" in the economy of time rather than attempt to enumerate the Departmental officials who are concerned in postal savings. Wonderfully potent, too, has been the activity of postmasters throughout the country. They have caught up the true spirit, and new burdens are new pleasures. But the pronoun "we" in a still wider sense includes you gentlemen and every other American citizen. The success of our service is your success. We are all stockholders, and our dividends are no less certain, no less valuable because they come in a higher standard of citizenship among the thousands and thousands who can trace their first real forward step to a savings deposit.

## *Institutions for Savings.*

By Wm. E. Knox, Comptroller, Bowery Savings Bank, New York.

The Savings Banks have reached a point in their history where they may pause for a moment to cast a backward look over the past with its record of splendid achievement, and to contemplate with honest pride their present condition. But there are problems to be faced in the future upon the solution of which the continued welfare of the Savings Banks depends. It is time that we gave some thought to the future stability of our railroad investments. As trustees for ten million depositors for whom we hold eight hundred millions of railroad bonds, it is not only our right but our duty to see that the railroads receive just and fair treatment at the hands of those whom we have delegated to make and enforce the laws for us.

And it might be just as well to impress it upon the law makers and executives that, before passing any law or taking any action that shall affect the interests of the people (of whom the Savings Bank depositors are a very considerable part) it is their duty to consult all the parties interested.

I would suggest to the convention that the Savings Banks, being interested parties, should ask, through the Federal Legislative Committee of the American Bankers' Association, for a hearing before the passage of any laws which may in any way have a bearing on the value of railroad securities. This is our plain duty and a duty we should not shirk.

Recent developments involving action by the President and Congress of the United States force us to the conclusion that the most serious problem confronting the railroad to-day is that of regulation. In common with every other business they have to deal with many economic

issues. They alone, however, have to contend with a most bewildering and confusing (I had almost said system), only it is a lack of system of control, exercised by forty-eight States and one Federal authority. From Congress and from the legislation of all these states comes each year an ever increasing number of laws affecting railroads. Dealing not only with matters of general regulation, but in particular relating to matters of railroad operation, the effect of this legislation is to make difficult the task of experienced railroad executives upon whose discretion and judgment reliance must be placed, and to add tremendously to the cost of railroad operation and maintenance. To comply with the various state decrees in 1914, railroads operating more than 204,000 miles were compelled to spend the equivalent of a 5% dividend on \$574,000,000. This sum would have paid one year's interest at 3½% on the \$800,000,000 bonds held by the Savings Banks.

It would seem that the rational way and the only way to end the evils of the existing system of regulation is to substitute a Federal system of supervision, for the varying, conflicting and inconsistent rule of forty-eight uncoordinated states. To serve the needs of the country, to strengthen railroad credit, and to attract to the railroads much needed capital, we must substitute a rational businesslike and comprehensive system of Federal regulation to replace the present sectional and burdensome rule.

In the task of securing this consummation devoutly to be wished, the Savings Banks of the country, through the Savings Bank Section of the American Bankers' Association, should have a part.

## *The Business of Getting New Savings Accounts*

By E. G. McWILLIAM, Manager, Department of Publicity and New Business, Security Trust & Savings Bank, Los Angeles, Cal.

*Mr. President, Members and Guests of the Savings Bank Section:*

It is impossible for me to express in words my very deep appreciation of the honor you have conferred by inviting me to appear before you today. I look back upon the three years during which it was my privilege to serve you as the most pleasant years of my business experience, and I shall always be proud of the fact that I had some little part in beginning that great work which, under the splendid direction of Mr. Harrison during the past year, has found its culmination in the Centennial Celebration which you have held here. I can only say that if anything which has come within my experience, or any service which I can render will be of value to you, individually or collectively, it is yours for the asking.

### TWO PROPOSITIONS.

In order that neither of us will be disappointed, I desire to lay down two propositions before beginning this discussion. First, that I do not expect any one here to agree with all that I say,—and second, that I am not here to tell you the most efficient method of getting new savings accounts in your respective communities.

The first will become self-evident as I proceed. The second is prompted by my firm belief, after close observation, that the same methods are not equally efficient everywhere, and that after all is said and done, while it is imperative that we keep ourselves informed as to methods employed elsewhere, no one is in a better position to judge of their efficiency in your particular towns than you yourselves, with your intimate knowledge of the local conditions under which you operate and of your own organizations.

### SYNDICATED ADVERTISING.

In this connection I am continually amazed at the amount of so-called syndicated advertising matter which is purchased by bankers. This matter is generally prepared in some large center without reference to the local conditions of any particular community, and is offered as being equally effective for the large city bank or the small country bank. And bankers continue to "fall for it"—to use a slang expression.

I contend that a man in New York, Boston or Chicago, without an intimate knowledge of local conditions, cannot write effective advertising for San Francisco, Denver, Kansas City, or rural communities, any more

than a man located in the latter places can do so for the former. Of course, syndicated matter has proven a boon to small banks in many localities where it happened to fit, and it will prove a boon in many others if the authors will but divide the country into zones, study the general conditions under which banks operate in each zone and prepare advertising especially for such banks, instead of taking advantage of bankers' lack of time to devote to such matters by selling them something wholly inappropriate.

Bankers who continue to purchase such matter without careful analysis seem to me to present as fine an illustration of "the triumph of hope over experience" as did the man who married his seventh wife.

#### MUST MAKE IT A BUSINESS.

I am very glad that our Secretary stated the subject of my talk as he did. To be successful in getting new savings accounts we *must* make a business of it. And I believe both the mutual and the stock savings banks should enter heartily into the business. The mutual banks because they were organized solely for the purpose of promoting thrift, and the stock banks because of a duty to their stockholders in addition to the moral obligation they have assumed as savings banks to promote thrift.

#### MUTUAL BANKS AND ADVERTISING.

Right here my first proposition becomes evident, for I know that many of my mutual banker friends feel that they have no right to spend any of their depositors' money for anything which savors of advertising, further than the law requires.

However, in my own mind I have always felt, as some one has expressed it, that mutual savings banks perform a function second only to that of the church, and as churches do not hesitate to advertise in order to aid them in saving souls, it seems to me that mutual banks quite as consistently might advertise to aid them in saving people from the evils of improvidence, so long as such advertising is confined to a reasonable amount.

Naturally, this matter must be approached from different angles by mutual and stock banks. Competition, as the word is generally understood, should have no place among mutual banks. Their publicity efforts should be purely educational, while, as I have suggested, it is the duty of stock banks to attract depositors to those banks in addition to educating the public in thrift.

#### THE PROBLEM.

There is always a temptation to drift into platitudes when speaking of inducing people to become savers. However, we are today considering the matter as a business, and as such it presents a problem which has occupied all of my days and part of many nights since leaving your office in New York. During that period I have had every conceivable advertising plan presented to me, varying from a needle-book to the offer of an enterprising theatrical man to perform certain stunts on the corner of our roof for the purpose of attracting a crowd; and it may be that some of our deductions in the light of practical experience will prove interesting, if not especially profitable to you.

Almost in every locality the problem must be approached differently. The large city bank has its special problem, the small country bank has its problem, and the bank in between still another,—each complicated by conditions peculiar to each individual bank.

However, while each bank has its individual problem, there are some general principles upon which all may proceed and some mediums which sooner or later are tried by many, if not all, with varying success, according to the degree of intelligence with which they are used.

#### A COMMON STARTING POINT.

Whether banks be large or small, city or country, there is one point where all must begin if they are to be successful in getting new savings accounts, or any other kind, and that point lies within the bank.

A teller or a cashier with a grouch will waste a whole year's advertising appropriation. What does it avail if you advertise that the man with a dollar is as welcome as the man with a thousand, if the man with the dollar finds that it is not so? Every teller or other person who comes in contact with the public should be made to feel that he is an important member of the new business department. He is in a position through his daily contact with your customers to offer valuable suggestions and should be encouraged to do so. Above all, he and every other member of your force should be impressed with the fact that the success of the bank depends fundamentally upon its *service*, and if you have a man who is not enthusiastic in that service, he should be encouraged to hunt another job speedily.

Being satisfied that your service is in condition to back up all you may say about it, your next problem is how to tell the public about it and to awake in them a desire to save money and to save it in your particular bank.

#### VALUE OF A SPECIAL DEPARTMENT.

Thus it will be observed that the problem divides itself naturally into two parts—the first being what may be termed "internal publicity" and the second, "external publicity," and banks throughout the country of sufficient size to warrant it, are more and more coming to realize the advantages in maintaining a special department for the handling of their publicity problems.

Again my first proposition becomes evident, for I know that many bank officers, even in large banks, feel that a publicity department is a luxury without practical value. However, in the development of internal co-operation alone such a department may be worth many times what it costs, and some time I hope to have an opportunity to discuss that feature at length. Again, in the intelligent direction of publicity expenditures such a department may effect large economies, as well as in the preparation of copy for newspapers, booklets, etc., which at the same time may be given a distinctiveness and a local atmosphere impossible to get in any other way. Also, such a department may save what it costs in the time it saves officers of the bank by relieving them of numerous interviews with solicitors and salesmen, and last, but not least, such a department may be a decided asset as a developer of good will. If the vast army of advertising salesmen which besiege a large bank, particularly, are received courteously, given all the time necessary to a proper explanation of their propositions, and if not accepted given good reasons why, I have yet to see one of them who did not appreciate such treatment and would boost for your bank whether he did business with it or not.

So that, unquestionably, the first step in entering upon the general business of getting new savings accounts should be to place the matter in the hands of a department or, if the bank is not large enough for that, in the hands of an officer who should be relieved of other duties sufficiently to permit him to give the problem careful study. Whether such a man should be a bank-man or an advertising-man is a much discussed question, bankmen and advertising-men naturally taking opposite sides, but in my opinion the bank publicity man should be a student of both banking *and* people, in order to be able to get a point of contact with the public and tell it the things it wants to know about banking.

#### WANTED BY FEW.

We must always bear in mind, however, that what we have to offer is really wanted by very few of those who

have not already got it, and that in the last analysis it is only by appealing to the selfish instincts of people either by holding out the hope of a comfortable old age, the ownership of a home, the possession of future luxuries, etc., coupled with the higher ambition to provide for those who may be left after death or for the education of children, that we may hope to offset the tremendous inducements to spend which are offered on every side.

We must also bear in mind that the value of our advertising in any medium depends upon three things; namely, the number of people it reaches; whether it is read; and whether it makes an impression. We must also remember that the best advertising medium in the world will be rendered valueless to us if our story is not presented therein in an attractive manner.

#### THE MEDIUMS TO USE.

As a medium for reaching the public with our story we naturally turn to the newspapers, and so great an advertiser as John Wanamaker is recently quoted as saying that "the only advertising of direct and instant benefit to both merchant and customer is in the daily newspaper of known circulation. All other is vanity and vexation of spirit." However, while unquestionably the newspaper will always maintain its prestige as an advertising medium, there are many other products of printers' ink in which millions of dollars are spent for advertising each year, and through the courtesy of the Pacific Railways Advertising Company I am enabled to give you, not my opinion or other people's opinions, but the actual facts as to where people see the most advertising, stated by the people themselves in nine important cities of the United States. This has been obtained through straw votes which were conducted by firms of the highest standing and, in some instances, by advertisers themselves.

For instance, in Chicago the vote was conducted by the Audit Company of New York; in Cincinnati by an advertiser, the Schulze Baking Company; in Pittsburgh by another advertiser, the S. Hamilton Company, Pianos; in Minneapolis by Touche Niven & Company, Public Accountants; in Washington by an advertiser, G. G. Cornwell & Son, Grocers; in Milwaukee by Marwick-Mitchell-Peat & Company, Public Accountants; in Kansas City again by the Schulze Baking Company; in Los Angeles by Price, Waterhouse & Company, Public Accountants; and in San Francisco by Klink-Bean & Company, Public Accountants.

In every city but one a communication was sent to a list of men and women selected at random from the telephone book, requesting them to indicate upon a return postcard in which of the following mediums they noticed advertising most frequently, namely,—billboards, electric light signs, magazines, newspapers, painted signboards, signs painted on buildings, street cars and theatre programs. In Pittsburgh the results were obtained by personal solicitation of a representative of the S. Hamilton Company. The number of letters sent out by the others varied,—as many as ten thousand being sent out in Chicago.

The results of these votes are as follows:

<b>TEST VOTE IN CHICAGO</b>		Magazines .....	13.8
Made by the Audit Company of New York, N. Y.		Bill Boards .....	11.1
per cent.		Electric Light Signs.....	10.2
For Street Cars.....	33.27	Painted Sign Boards.....	6.5
Newspapers .....	23.19	Signs Painted on Buildings	4.6
Magazines .....	17.24	Theatre Programs.....	2.2
Electric Light Signs.....	13.79	<b>TEST VOTE IN PITTSBURGH</b>	
Bill Boards .....	6.73	Made by the S. Hamilton Company, Pianos	
Painted Sign Boards.....	3.36	per cent.	
Signs Painted on Buildings	1.64	For Street Cars.....	34.
Theatre Programs.....	.78	Magazines .....	23.4
<b>TEST VOTE IN CINCINNATI</b>		Newspapers .....	21.6
Made by Schulze Baking Co.		Bill Boards .....	7.1
per cent.		Electric Light Signs.....	5.9
For Street Cars.....	28.9	Theatre Programs.....	4.2
Newspapers .....	22.7	Painted Sign Boards.....	2.9
		Signs Painted on Buildings	.5

#### TEST VOTE IN MINNEAPOLIS

Made by Touche, Niven & Co., Public Accountants		per cent.
For Newspapers .....	35.27	
Street Cars .....	25.73	
Magazines .....	19.56	
Bill Boards .....	8.14	
Electric Light Signs.....	6.89	
Painted Sign Boards.....	3.17	
Signs Painted on Buildings	.68	
Theatre Programs .....	.56	

#### TEST VOTE IN WASHINGTON

Made by G. G. Cornwell & Son, Grocers		per cent.
For Newspapers.....	30.37	
Street Cars.....	29.50	
Magazines .....	25.16	
Electric Light Signs.....	10.19	
Bill Boards.....	2.39	
Theatre Programs.....	.87	
Signs Painted on Buildings	.87	
Painted Sign Boards.....	.65	

#### TEST VOTE IN MILWAUKEE

Made by Marwick-Mitchell-Peat & Co., Public Accountants		per cent.
For Street Cars.....	30.49	
Newspapers .....	29.11	
Magazines .....	16.83	
Electric Light Signs.....	11.59	
Bill Boards.....	6.76	
Painted Sign Boards.....	2.89	
Signs Painted on Buildings	1.65	
Theatre Programs.....	.68	

#### TEST VOTE IN KANSAS CITY

Made by Schulze Baking Company		per cent.
For Street Cars.....	22.2	
Newspapers .....	20.4	
Electric Signs.....	16.8	
Bill Boards.....	13.9	
Painted Sign Boards.....	8.2	
Signs on Buildings.....	6.4	
Theatre Programs.....	6.1	
Magazines .....	6.	

#### TEST VOTE IN LOS ANGELES

Made by Price-Waterhouse & Co., Chartered Accountants		per cent.
For Newspapers.....	37.86	
Street Cars.....	23.88	
Magazines .....	13.87	
Electric Light Signs.....	11.56	
Bill Boards.....	8.12	
Painted Sign Boards.....	3.27	
Signs Painted on Buildings	.90	
Theatre Programs.....	.80	

#### TEST VOTE IN SAN FRANCISCO

Made by Klink, Bean & Company, Certified Accountants		per cent.
For Street Cars.....	30.54	
Newspapers .....	26.90	
Magazines .....	12.77	
Bill Boards.....	14.43	
Electric Light Signs.....	8.93	
Painted Sign Boards.....	3.43	
Theatre Programs.....	1.45	
Signs Painted on Buildings	1.45	

It will be noticed that in almost every instance, while their order varies, the first three mediums selected are the same and that with one exception nine cities are unanimous in their choice of the first two, five actually agreeing as to first and second choice. Hence, with the results of these votes before them, advertisers by a simple process of elimination in the light of local conditions should be able to make a pretty close decision as to the most effective mediums to use in their particular cities.

Time will not permit of it, and with these results before us an analysis of each of the mediums hardly seems necessary. The votes speak for themselves and prove conclusively that the two most effective mediums for reaching the public are newspapers and street cars. However, even in view of the fact that six of the nine cities place street cars first, I believe that neither street cars nor newspapers should be used by banks to the exclusion of either, but that banks should both at some time, the one supplementing the other. Again I would remind you, though, that our judgment must be governed by local conditions, although the banker located in a town where there are both street cars and newspapers and who desires to place his bank before the public most effectively, may be sure that in using both of those mediums he is doing so; and the banker located in a town where there are no street cars may spend his money for display advertising in the newspapers with the assurance that he is spending it where it will do the most good.

#### SOLICITORS.

In addition to display advertising there are many direct efforts in the getting of new savings accounts which bankers are induced to make, either by clever salesmen or through their own study of the public they serve, and some of these efforts have proven very effective, although again we must consider our individual problem carefully before attempting any of them. There is one of these efforts, however, which in my own mind I have never been able to reconcile with the ethics of banking, and that is the employment of solicitors for savings accounts.

It is human nature for a solicitor, no matter how high a type he may be, in order to get the accounts upon which his living depends, to sooner or later, even though unintentionally, say something derogatory to some other bank, and I believe that no reputable banker cares to be placed in that position. On the other hand, I believe thinking people will look askance at any bank which

sends men after their small savings and offers a premium for them.

#### LETTERS AND LISTS.

Letters to selected lists are used by banks in some localities with great success, especially by banks in small communities, where a close personal touch is possible and the element of duplication may more readily be eliminated. No list should be used by any bank until it has been checked back with the depositors' list, for sending a letter soliciting business from one with whom you are already doing business is an unpardonable error. In banks having many thousands of depositors this involves a labor which makes such an effort almost prohibitive.

I believe that for large banks, located in large cities and having a number of departments, the most economical and effective list which can be used is that of its own customers who are not patronizing the savings department. Such a list, which I understand is used by a number of banks besides ours, is what I call an inter-department list and may be kept on cards having tabs indicating in which departments the customer is now doing business. Through daily reports of closed and new business from each department the new business department is enabled to keep such a list up to date and by the use of metal tabs is enabled to measure results. Of course a certain amount of business in every department will come from your customers automatically; but it has been demonstrated that this effort is prolific of results, and in any bank, a person who is already interested in one department is the most natural prospect for business in some other department.

#### HOUSE ORGANS.

Another direct effort of especial value to banks located in comparatively small or rural communities is an attractive monthly house organ which is distinctly local in its composition. However when a bank acquires more than a certain number of depositors the use of a house organ as a developer of co-operation among depositors becomes prohibitive because of the cost, and its use is restricted to developing new business among a certain class or for certain departments.

#### BANKING BY MAIL.

Banking by mail is a development of recent years and where confined to a bank's logical territory may be profitably engaged in. However, after some investigation I am convinced that in view of the long and expensive educational campaign necessary and the possibility of antagonizing banks in other cities, to enter into banking by mail nationally for the purpose of getting new savings accounts is unwise for most banks.

#### NOVELTIES.

Much money is wasted by banks in novelties. Most novelties remind me of the remark of the Irish janitor of a bank I was with for many years. The old fellow was pouring ink from a bottle with a patent stopper. The ink came very slowly and after fruitless attempts to improve the flow he said: "Faith and there's more ingenuity than utility to that dom thing. It's like the curl in a pig's tail." And so it is with many novelties.

The value of any novelty lies in its ability to create good will for your bank. This in turn depends upon the choice of the novelty and its distribution. In small banks novelties may be used to advantage but in large banks, where many thousands of an article would go to the banks' savings depositors before reaching outsiders, such efforts are apt to prove extravagances and should be used solely for the development of commercial business in connection with selected lists.

#### HOME AND POCKET BANKS

There are, however, two very effective novelties for the development of new savings accounts, although they are

generally considered more as part of a bank's equipment than novelties. I refer to the various forms of home savings banks and the small pocket banks for dimes and other coins. Many a child has been started on a successful career through the home savings bank given it at Christmas, and these banks furnish an excellent follow-up medium.

The pocket banks appeal to all classes and ages and whether brought into the bank or not, are an effective advertisement wherever shown. They also furnish one of the very few mediums to which a bank may trace direct results.

#### WINDOWS.

Many banks are overlooking the tremendous value their windows possess as an advertising medium. Through the display of home or pocket banks with appropriate reading matter, or the display of bonds (mortgages, money or pictures, it is possible to, in a measure, give to a bank that value from its windows which the merchant gets from his, without in any degree lessening the dignity of the bank, and banks are rapidly coming to a realization of this fact.

#### GOOD WILL.

There is one thing which apparently is overlooked by many banks in the business of getting new savings accounts and that is the value of good will, especially in cities where competition is most keen.

Frequently we are all solicited for advertising in various publications of church societies, fraternal societies, labor organizations, etc., and our first impulse may be to turn them all down as possessing little or no advertising value. However, if for instance by giving a woman three dollars for an advertisement in the cook book of the Ladies Aid Society of the Squeedunk Methodist Church you can develop the good will of a hundred women, it is money well spent and organizations such as I have mentioned appreciate that kind of co-operation and talk about it. I believe every advertising appropriation should contain an item for good will advertising and the keener the competition, the larger should be the item.

#### APPROPRIATION.

I have frequently been asked by banks in various localities what percentage of their earnings should be appropriated for advertising, and to all I have given the same answer—that no definite percentage can be established. Each bank must first determine what it desires to accomplish. It must then decide upon the best means for accomplishing that end in the light of competition and other local conditions. It must then decide whether or not the accomplishment of the desired end would justify the expenditure the means selected requires. If in his judgment the expenditure would be justified by such a result the banker may then "go to it" and trust in the Lord for the result. Advertising appropriations of banks cannot be made by rule.

#### FIGURING THE RESULT.

However, in figuring your result at the end of the year it may be found that you have accomplished what you set out to do and yet the net result is disappointing. For instance if you set out to bring ten thousand new people into your bank during the year and you open that number of brand new accounts, yet your net gain for the year is but one thousand, don't blame your advertising. It has accomplished what you wanted it to do. The fault lies elsewhere. All advertising can do for merchant or bank is to bring the customers in. It is then up to "Service" to hold them.

It must also be borne in mind that a large bank with a great number of depositors cannot be expected to grow in the same rapid proportion that a small bank does. The natural law of growth applies to banks as to other things in this world.



## CARELESSNESS OF BANKERS.

I have read that upwards of fifty millions of dollars a year are spent in financial advertising, and I'll venture to say that if the majority of bankers made their loans as carelessly as they spend money for advertising, their banks would speedily be in the hands of receivers. However, I am inclined to believe that it is better for them to advertise even as they do rather than not at all, for certainly nothing is accomplishing more toward a closer co-operation between the public and the banks than advertising.

## THE FALLACY OF DIRECT RETURNS.

How often though we meet the banker who still does not believe that advertising is worth while because he cannot trace direct returns and believes that his own customers would send him just as much business if he did not advertise.

In "Printer's Ink" of July 13th appeared an editorial upon the "Fallacy of Direct Returns," which I wish all such bankers could read. This editorial concluded as follows: "Direct, traceable returns are still looked upon in many quarters as the one conclusive test of the value of advertising"—"We are advertised by our loving friends" was a grand good slogan because its friends were never allowed to forget it. A satisfied customer is the best advertisement only so long as he stays satisfied and bears the product in mind. Oftentimes there is no greater service advertising can do than to keep the friendly spirit alive in those who already know the merits of the goods."

## ADVERTISING PSYCHOLOGICAL.

So it is in banking. The effect of advertising is psychological. Probably not one depositor in a hundred will admit that he has come to you because of your advertising. As a matter of fact he may not know it, but it may be so just the same. For instance, what prompts us to ask for a certain brand of collar or garter when we go into a store to purchase such articles? And so it

is with depositors' efforts in our behalf. As a rule depositors are not going out of their way to solicit business for us. If friends ask them what bank is a good bank to do business with and our service has been satisfactory, naturally we are recommended. On the other hand depositors like to be identified with a bank which by its advertising indicates that it is a progressive and going institution and undoubtedly through the reminder of continued advertising, in many instances a recommendation will be volunteered before it is asked for.

## CONCLUSION.

I have tried in this little talk to deal with some of the practical phases of the business of getting new savings accounts as they have come within my experience—not with the idea of presenting anything new upon the subject, but rather in an endeavor to give some information and to offer some suggestions which might be of assistance to those who have not had time to give this subject the study it deserves; and I would like to close with a little story: Two ball teams composed of colored boys from rival towns in the South, were to play a game upon a certain afternoon, and the colored boy who worked in the Sheriff's office in one of the towns asked to get off to play. The request was granted, and the boy left at noon of the eventful day as the game began at two o'clock. Along about five o'clock the Sheriff drove out to see how the game stood, and seeing his boy out in the center field, called to him and said, "Mose, who's winnin'?"

"I dunno, Massa John, I dunno!" replied Mose.

"What do you mean you don't know," said the Sheriff, "how many runs have the other side got?"

"Thirty-six, Massa John," replied Mose.

"Well, how many have you got?" asked the Sheriff.

"Well, Massa John," said Mose, "you see we all haven't been to the bat yet."

And so my closing word is just one of advice to the banks who do not advertise, and that is to "go to the bat."

## Vitalizing Dormant Savings Accounts

BY HARVEY A. BLODGETT, President, Harvey Blodgett Company, St. Paul.

The question of re-vitalizing dormant savings accounts is one of profound significance to our nation. It touches more than the matter of clerical labor or of bank ledgers. It concerns more than bank profits. It reaches down through the destinies of millions of human beings who are shut out of their Eden because their aspirations, once alive, have been smothered.

It is of great moment to our nation because we are heading fast toward conditions for which we will be woefully unprepared unless the dormant energies of our people are vitalized, and individual efficiency becomes a national watchword.

Every inactive savings account is latent energy going to waste. One need only witness the wonders that savings accounts have worked in countless lives in order to imagine the potent possibilities which lie abeyant, in countless others.

It is a matter which calls for constructive thought and vigorous action. There will never be a readjustment of conditions while the owner of the dormant savings account is left to work out this own salvation, unaided, uninspired.

In assuming its proper place at the head of a nationwide movement to encourage thrift the American Bankers Association has begun a constructive work which

will have a fathomless influence on the nation, little realized I believe, as yet, even by its own membership.

Not only will this movement, auspiciously begun in commemoration of the centennial of savings banks mark the beginning of a million or more new savings accounts, but, what is of greater importance, it will put the breath of new life into more millions now lying dormant.

I said a moment ago that this is a question which calls for constructive thinking. If it were proper for me to remark upon the methods which many banks employed in acquiring new savings accounts I would be tempted to hint at a lack of constructive thought, of proper consideration of cause and effect, in their effort to put new savings business on their ledgers.

Before we can determine on the best means of revitalizing dormant accounts we must attempt to discover what causes them. We will come to a better understanding of the matter if we study the mental processes of the individual which induce him to open a savings account and then leave it stranded for lack of incentives to keep it growing.

Some human beings are creatures of impulse. Others are creatures of habit. There you have the dividing line between your active and inactive savings accounts.

A new savings account is witness of the birth of a

new aspiration. New aspirations are very ephemeral things. They must be nurtured carefully lest they die in infancy. A healthy savings account is a grown-up aspiration and it's a long, hard struggle from birth to sturdy maturity.

Now, in developing your savings business you bankers have employed various and multifarious methods of kindling human aspirations, but in too many instances the fire has flickered out, like the flame that splutters on the end of a match and burns out before the wood ignites.

Here is a young person whose heart responds to a suggestion, received from any one of numberless sources, that the future will hold much more for him if he becomes a regular money saver. He sees visions and dreams dreams. He hies him to the receiving window and comes into the possession of a bank book, perhaps his first one. He expects that bank account to do much for him but he isn't, as yet, aroused to the need of doing much for the bank account. His ideas are altogether vague as to *what* he must overcome or how to overcome in order to make that new bank account a success. His plan of saving is unorganized. Perhaps his whole plan of life is unorganized.

The bank's advertisement in the newspaper had promised him that when he "opens an account, if only with a dollar," he will be on the high road to fortune. But as he deposits his second dollar, and perhaps his third, he begins to realize that he has not arrived, and that the way to his cherished hope looms long and dreary before him. And so he succumbs. The bank which invited his account offered him no encouragement and he isn't as yet strong enough to fight the battle alone.

Here is another who is approached by a solicitor with a nice, shiny auxiliary bank in his hand. The solicitor must see many people today and is in a hurry. A cut and dried talk on saving issues forth. The little bank and a dollar change hands, and the solicitor hurries back to headquarters to collect his \$2 commission. The new savings depositor comes back to earth, and thinks that he is an incipient capitalist. But instead of having had his footsteps firmly set toward high goals, he has been merely taken off his feet. Of such is the kingdom of quiescent money savers.

And still this person is an excellent prospect, fit to go on the bank's mailing list. He has, at least, identified himself with a bank. The work of making him a depositor worth while has begun, but alack, in most banks it ends right there.

Let us examine some savings ledgers and throw light on a few other incentives which prompted the opening of large numbers of now dormant savings accounts.

In doing so perhaps we can discover what chloroformed the laudable impulses under the spell of which they were opened.

We notice that a large number of these somnolent savers appear to have made their debut about a certain date. We go farther and discover that, under the spell of the oratory of a skillful salesman, the bank bought a quantity of premiums—never mind whether they were flags, cameras, safety razors or jack knives—and these were offered as inducements to open savings accounts.

The bank became, for a time, a purveyor of merchandise.

The appeal to the public in this exploit was a certain tangible reward NOW for opening a savings account. It made a hit because, ordinarily, it takes time for a savings account to yield its reward, and if there is anything that appeals to mortals a little more than anything else it is getting paid in advance for being good.

But it is hard to conceive how a serious-minded banker can reason that a savings account induced under such circumstances can have back of it sufficient stamina to make it valuable. Perhaps he reasons that, after mak-

ing one deposit the subject will like the bank so well that he will keep coming. Or perhaps he trusts vaguely that the bauble which is offered will suggest other worldly prizes that a seriously maintained savings account will bestow.

Whatever the solution, herein lies the source of many, too many, dormant savings accounts.

It might be well to go farther and examine the public utterances of banks calculated to secure new savings accounts. Will we not find that they lack real inspiration, and that they dwell too much on the opening of accounts and too little on building on them after the start has been made?

Do not too many bankers take it for granted that the Alpha and Omega of developing a savings business is the securing of first dollar deposit?

And have not banks been prone to invoke which will introduce accounts in wholesale numbers by methods which are not intensive, and occasionally border on the sensational?

Bankers have an inherent dread of stampedes when they portend the withdrawal of many accounts, simultaneously, but some lend themselves willingly to methods which are designed to bring new accounts in with such alacrity as to savor of a stampede, and in consequence, secure many with skin-deep purposes.

I trust that it has not seemed as if I had trespassed too much upon the matter and the manner of *getting* new savings depositors, assigned to another. But if we are to attack the problem of re-vitalizing dormant savings accounts, the logical place at which to begin is at their inception.

And so we conclude that the reason bank ledgers contain such a large proportion of dormant savings accounts is that large numbers of accounts are started upon a fleeting fancy. Those which succeed are the survival of the fittest.

An officer of a large city bank told me not long ago that his institution has over thirty-five thousand savings accounts. I asked him what was being done to develop them. "Not a blessed thing," he replied.

And yet that bank has a commercial department, a trust department, an investment department and a safe deposit department, each seeking the business of people who have become possessed of more or less means and who were graduated from the savings department of some bank.

Nor is this an isolated case. It is the rule, rather than the exception for banks to overlook the possibilities which lie in their savings accounts, after they are opened, and to permit many of them, through inattention, to die a natural death.

One of the foibles of present banking methods is a disinclination to make sufficiently serious effort to develop business already on the books. This applies to the commercial department as well. Every bank is entertaining many angels unawares. The great opportunity for cultivating the potential possibilities of depositors begins when accounts are opened, but in too many banks manifestations of interest end at that crucial point.

I have known many bankers to manifest a willingness, nay, an eagerness to pay a fee of \$2 or even \$3 for bringing in a new savings account, and then gasp at the idea of spending a few cents a head for cultivating that account so dearly bought.

A savings account is an out-and-out expense to the bank until its owner becomes thoroughly imbued with the thrift *habit*.

A bank's greatest opportunity for development lies in the accounts it has already opened, rather than in those it is going to get.

To develop a savings depositor into a good one costs but a fraction of what it does to get him on the books in the first place.

Why a banker will beat around like all possessed to

secure new accounts from a lot of people who have never taken the trouble to look him up, and utterly neglect those who have picked him out as their banker, who have come in and hung up their things, so to speak, is a matter that remains unexplained.

And the banker knows from his own experiments, that large numbers of his new depositors will turn around and walk right out again unless he does something to make their saving effort interesting and to help turn their impulses into life ambition.

The education and the inspiration of the savings depositor should begin, not end with the opening of his account. That is the moment when he stands at the threshold of his new world. He should be encouraged onward.

Consider those active, growing savings accounts of yours. There are many that have doubled, trebled, multiplied in a short space of time. Now ask yourself what would be the result if a large proportion of your dormant accounts were stimulated into similar activity.

This brings us directly to the question of *how to do it*, without answering which there would be little excuse for taking your time.

Obviously the name of a depositor who has indicated his choice of your bank, even though his account is dormant, is a better prospect than the name of one who has no account at all, who doesn't even know where your bank is, or may be already a depositor with some other bank.

The attitude of the banker toward the accounts on his books should be the same as that of the enterprising merchant who assiduously cultivates the business of customers he has already won.

Inasmuch as the owner of the dormant account has ceased to come to the bank, the bank must go to him. On the method of the approach hangs the fate of its success.

It is a golden maxim to cultivate the *people* and the amounts which they deposit will take care of themselves.

Every depositor is entitled to receive some form of encouraging suggestion from his bank at frequent intervals. This will renew the interest of those whose zeal has begun to lag and will keep those whose accounts are active from falling from grace.

The work that lies ahead is to rekindle slumbering aspirations and to demonstrate the value of the savings account.

The bank's publicity methods should be overhauled. There is something wanting in them if there are an undue number of dormant accounts on the ledgers.

The newspaper publicity should be looked to first. If it is a continuous appeal for making that illusive "first dollar" deposit, the policy should be changed at once. It isn't the start that makes the goal, and if *consistent* saving is made more attractive in bank publicity it will help more people to form the saving habit.

While many incline to the view that the aim of newspaper advertising is to secure new accounts, I feel sure that good publicity has an excellent effect on present depositors and, if rightly considered, does much to encourage the growth of their accounts.

I am constrained to believe that too much stress is put upon the necessity of saving for old age as a motive for maintaining a savings account. One cannot overstate the need of this kind of forehandedness, but ordinary folks are more concerned in what saving will do for them right now.

Few people in the full flush of youth are given to worrying about old age, but everyone is interested in what he may gain today and tomorrow.

While it costs from two dollars upward to secure a new savings account, which at its inception is of unknown value, a series of subsequent approaches at monthly intervals would cost but from three to five cents each. Surely if it is good business to spend a consid-

erable sum to induce the opening of an account, it would be worth while to spend a little more to cultivate it.

It is clearly evident that such attentions will do more to fix the saving habit than did the first one which suggested the opening of the account.

These approaches, of whatever nature chosen, should be clear expositions of the value of a savings account in carving one's future. This is a theme of a thousand variations.

All we need to do in order to make one's savings account attractive to him is to imbue him with the simple truth about it.

There are so many simple truths about the advantages of a savings account over other methods that it would require a series of approaches in order to present them all in orderly and convincing fashion.

There are many routes to affluence—short and perilous and slow and sure. Few people get rich by merely saving, but anyone will be kept poor by spending all he gets.

Many people "arrive" by saving and investing, and they become the better investors as they become better savers.

The best way to re-vitalize a dormant savings account is to keep its owner's enthusiasm at high pitch. There are many things about a savings account that everyone doesn't realize.

The savings account pays compound interest, while bonds, mortgages and stocks pay simple interest. People can't add dividends, if they get them, to the face of a stock certificate, nor interest to the face of a bond. And so the savings account is a necessity even to the investor in securities, if he is to get compound interest on his investment.

But interest is automatically added to the savings account, even in small, odd amounts and thus it excels, in the long run, many forms of accumulation which on their face pay larger interest returns.

And we might go on and say an endless number of interesting things which would increase the depositor's attachment to his bank pass book. Exhortation will not arouse the interest that pure salesmanship will, and after all, good bank publicity is nothing if not good salesmanship.

One great drawback to this procedure in these flush times is the banker's own attitude. When the bank overflows with money and the outlet is insufficient, he hesitates at incurring the cost of cultivating the business he already has. He is often unwilling to lay out money for results timed far ahead. And yet he knows that it is a long stretch from seedtime to harvest.

One need not overwork his imagination to realize on how much better a footing any depositor will come with his chosen bank, if he receives frequent attentions from it. He came to the bank a stranger. He has recurring evidences that his bank is interested in his success. He also receives suggestions which spur him onward. He has tenders of the bank's counsel in his financial affairs. He begins to realize that a bank is more than a place to merely deposit small coin. His relations become established, and he is on the way to the fullest co-operation with his bank. There is little prospect of his account becoming dormant if he is encouraged and shown how to make the most of it.

While continuing their quest of new accounts, banks should greatly increase their effort to develop accounts already opened. I believe fully half the advertising appropriation should be expended on the intensive cultivation of business from within. Certainly such a course would increase profits and intensify results from publicity.

Trace the mighty stream to its source and you find little rivers, brooklets and springs. Trace any fortune to its source and you find the patient industry of the money saver. If the America of the future is to fulfill its

promise the little streams of wealth must not be allowed to lose themselves, and their sources dry up.

What you bankers need now, and always will, is to tap the little springs at their sources and encourage their flow into the larger channels from which the mighty stream comes forth.

No one will say that this country does not need to conserve its sources of wealth right now. It would be the height of folly to await the need before providing for it. Every argument which has been advanced for national preparedness is a vital one for stimulating into activity every savings account in the land.

## *The Advantage of Personal and Collateral Loans in Providing Sufficient Liquidity for Savings Bank Investments*

BY FREDERIC B. WASHBURN, Treasurer of the Worcester Five Cents Savings Bank, Worcester, Mass.

*Mr. President, Members of the Savings Bank Section of the American Bankers' Association, and Guests:*

We are gathered here from far separated sections of this great country of ours to exchange ideas regarding the conduct of savings organizations.

Conditions differ, so in the many sections of the country that, of necessity, such organizations develop along varying lines. Even in single sections where the "savings idea" has been most highly developed you find different types of organizations and effort.

The northeastern section of the United States, being older than most other sections, began first to provide machinery by which the individuals as units could pool their savings and obtain the services of men more or less trained in finance to invest for them. It is with that section of the country that I am most familiar and Massachusetts in particular, so my paper will treat with conditions as they exist in my home state.

Without doubt, all of you know that our first savings organizations were mutual and the Mutual Savings Banks of the old Bay State have made a record of which any institutions may well be proud.

Of late years our Trust Companies and National Banks have established very lively savings departments and have, in many localities, become serious competitors of the mutual banks.

Perhaps, however, I had better immediately avoid that subject and proceed with the particular topic allotted to me. It is often as dangerous to mention the development of Savings Departments in National Banks and Trust Companies to a Massachusetts Mutual Savings Bank man as to wave a red flag in a bull's face.

I have been asked by our very efficient secretary, Mr. Harrison, to speak to you regarding "The Advantage of Personal and Collateral Loans in Providing Sufficient Liquidity for Savings Bank Investments."

The laws of most states permit savings banks to invest in such loans, though some, notably New York state, do not. In Massachusetts, we may invest not over one-third of our deposits and income in loans so designated and more particularly described as—

1. Loans to three or more individuals.
2. Loans to Corporations with one substantial surety;
3. Loans to Massachusetts Public Service Corporations;
4. Loans to Railroad Corporations;
5. Loans secured by Miscellaneous collateral.

Loans in these classes are considerably safe-guarded by restrictions; for instance,—loans can only be made to Corporations under Class 2 whose books are audited by a Certified Public Accountant. His report, not over eighteen months old, on a form prescribed by the Bank Commissioner, must be filed whenever such a note is

taken. Only notes of Public Service Corporations, meeting certain dividend requirements and doing a gross business of not less than \$100,000 per annum are legal to purchase, etc.

The Mutual Savings Banks of all states are permitted to buy certain bonds more or less select and invest in notes secured by first mortgage of real estate.

Now what are the advantages of loans on personal security over other forms of investment? No one will argue that they are more sure of ultimate payment than municipal and railroad bonds legal to purchase or notes secured by mortgage of real estate, though I will, later, consider at more length the question of their safety.

Their particular value is that every such loan must mature within twelve (12) months. That permits you to invest a substantial percentage of your deposits to mature at regular or especially selected intervals.

For instance, a bank having deposits of \$10,000,000.00 and a personal loan of \$1,500,000.00 can arrange such loans to mature \$125,000.00 each month or \$750,000.00 at each dividend period. A very tidy sum to be assured of having in hand for any moderate emergency. You have established a reserve of inestimable value, a secondary cash reserve.

The above advantage is dependable only when you have made your loans to individuals or corporations of such financial strength that they can meet their obligations at maturity whether general financial conditions be fair or foul.

There is, ordinarily, a little advantage in this class of investment from the rate standpoint, as compared with bond investments, though not much of late as shown by the record in Massachusetts. The following from the report of the Bank Commissioner shows the rates obtained by the Combined Savings Bank of Massachusetts as of October 31st, 1915; the net column is an estimate with the tax off:

	Average Rate.	Net Rate— Tax Off.
Loans on Real Estate.....	4.91	4.91
Bonds, Securities, etc.*.....	4.31	4.
Loans on Personal Security.....	4.72	4.22

The discussion of this subject requires a careful survey of certain functions of a savings bank and its obligations:

First—Are its liabilities sufficiently "demand" to require the carrying of a substantial amount of liquid assets in addition to its cash balance in vault or banks?

Second—How much latitude should be allowed a board of investment in selecting the investments?

It might be well to recite that our Mutual Savings Banks may receive on deposit from any person not more

\* Perhaps one-third tax exempt.

than one thousand dollars; and may allow interest upon such deposits, and upon the interest accumulated thereon, until the principal, with the accrued interest, amounts to two thousand dollars; and thereafter upon no greater amount than two thousand dollars, so no individual demand for payment can be of sufficient size to cause serious anxiety.

While savings banks can demand sixty or ninety days' notice of intent to withdraw deposits, as a matter of fact, however, every officer plans to so conduct the affairs of his institution that he will never have to invoke for his protection such a clause.

Every well managed bank, therefore, carries either a very substantial cash balance which, of course, is earning only nominal interest, if any, or arranges to have frequent, early bond maturities, or, in Massachusetts, a good-sized loan on personal security.

One, and usually two, of the three above plans is essential and universally practised.

While loans secured by mortgage of real estate are an excellent investment and our best revenue producers, no one would think of claiming they were quick assets.

In times of fair weather, it is true that if a "run" occurs on any single bank or a single community is adversely effected and withdrawals excessive, that bank or banks in that community can either borrow from some large commercial institution or sell some of their bond investments.

In my experience, however, these occasions have not been the most frequent and trying. It is when the whole country is disturbed and nervous; when panicky conditions exist in most communities, including the big centers. Then, if you have failed to provide early bond maturities and you have an abnormal demand on account of withdrawals, unless you have a well selected personal loan, you may be embarrassed to say the least.

Perhaps you believe that our new "Federal Reserve System" will entirely protect us in the future and no more panics occur. I hope that will be true. However, most banks will not entirely rely on a new and more or less untried organization.

It is true you can always sell high grade bonds at a price, but usually the price in times of financial disturbance is considerably less than the cost value, and it hurts to have to sell at such a period; hurts the bank officer's pride and more particularly his Profit and Loss Account.

I believe that the officers of most savings banks endeavor to manage their investments so that they can meet on demand not only all ordinary request for payments, but all extraordinary ones.

That being so, are loans on personal security efficient for that purpose and are they a sufficiently safe class of investment to permit the average board of investment of a savings bank to buy?

In my own personal experience, the institution of which I am Treasurer, has never been obliged during the last eleven years to sell a bond in any period of disturbance or to meet unusual withdrawals.

We have always had a sufficient amount of personal loans maturing so that by requiring the payment of a small proportion of such loans we have kept ourselves in funds to comfortably provide even for abnormal payments during our worst financial situations.

My experience is not exceptional; all of our savings banks whose officers have kept their personal loans "quick" by loaning only to the strongest borrowers and who have carefully planned their maturities have had the same success.

The satisfaction of seeing maturing loans paid in full just when you are most in need of funds is beyond words, particularly when the banks in your neighboring state are sacrificing thousands of dollars by selling high grade bonds at a heavy sacrifice. But they had to—they

needed the money and had no other way of raising it.

You may ask how can such borrowers pay during a period of severe financial stringency. The answer is that if you always insist on buying only notes signed by borrowers of particular strength, secured by the highest grade of listed collateral or notes of the strongest and best managed corporations, you will have no difficulty.

The temptation during easy money periods is to buy notes of the smaller and less solvent concerns, or loans secured by the "slower" collaterals in order to obtain the higher rates they offer. However, if you have had your "experience," you will waive the additional rate and buy only paper of the highest grade.

In Massachusetts the individuals or corporations who make it a practice to carry large loans with savings banks, if they are conservatively and wisely managed, often, in easy times, use their commercial banks little or none for borrowing purposes. They will, however, have previously established a line of credit with such banks which they may call for at any time. Now when the stringent period arrives, perhaps several of the savings banks feel the need of funds and ask to have loans paid that are ordinarily renewed at each maturity. Then the borrower goes to his regular commercial bank, knowing he may obtain the credit previously promised and so satisfies the call of the savings banks.

It was a practice of several large Boston Savings Banks, for years, to write this clause in their personal notes—"Should this Savings Bank require the sum loaned for the purpose of paying its depositors, this note shall, thereupon, become due and payable on demand."

I think that few or none now incorporate the above clause in their notes. That the banks could get borrowers to make notes with that proviso, is a pretty good indication of the desirability, from the borrower's standpoint, of establishing a line of credit with savings banks.

The banks rarely, if ever, took advantage of said clause and the borrower knew that having one placed his loan in a savings bank, barring accident, it could probably be renewed annually for years to come.

Now let us for a moment consider the question of opening up that field of investment to the average board of investment of a mutual savings bank.

Are such boards discriminating enough to trust with so broad a field of investment?

It has always been the practice for legislatures to limit the list of bonds from which savings banks may purchase, and many have thought their limitations excessive. In Massachusetts our laws were for years so conservative that investing boards were called upon to discriminate very little, as almost any bond legal to purchase was absolutely sound.

Recent events, perhaps, make that appear a little strong, but it is substantially true. Legislative bodies apparently took the attitude that many investing boards would not wisely discriminate in their selection of investments and so limited all boards for the protection of the more inexperienced or untrustworthy.

I personally believe that many of the officers and investing committees, particularly in the larger cities, would invest the deposits of their institutions more wisely and to better advantage if entirely unhampered by legislation, though such freedom from control would, of course, be impossible of practical consideration.

As a result of all this paternalism, you will find that many country savings bank officers assumed that if a bond was legal to purchase it was sound and investigation unnecessary.

Then again, no loan secured by mortgage of real estate could be made to an amount in excess of 80% of the estimated value—if on improved property, or 40% of the value if unimproved property. That law would appear to be sufficiently conservative. An easy going investing board or one particularly optimistic would

rarely slip in judgment far enough under this law to occasion many or very serious losses in this class of investment, particularly as re-appraisals are required at frequent intervals.

How then about allowing so wide a latitude in judgment as a law permitting loans on personal security?

The answer of those who advocate and believe in this class of investment is:

First—The value of such loans has been time and again proven in Massachusetts, particularly in unusual periods, as they have quickly filled up the empty cash drawer at no expense to the Profit and Loss Account.

Secondly—They are a far better income producer than short-time bonds and a bank must provide one or the other if efficiently managed.

While Massachusetts publishes no statistics from which we can determine the relative percentage of losses as between the various classes of investments, it is believed by good judges that the value of personal loans as a class of investment considerably outbalances the rather higher loss rate which I expect their class has shown.

Perhaps an absolute comparison of losses as between the classes of investments is an unfair way to prove their worth. We must remember that even now the market value of the bond investments of the Combined Savings Banks of the country is without doubt millions of dollars less than their value on a cost basis, though, doubtless, most of the bonds will be paid in full at maturity. That maturity, however, may be ten, thirty or fifty years hence. If you compare the losses taken in personal loans with the shrinkage in value of bonds below purchase basis, your personal loans will not come off a loser. This latter comparison is, of course, somewhat unfair, but not so much so as at first appears.

In Massachusetts the Bank Commissioner has power to direct a management relative to the collaterals it may receive. Such power is, of course, of no value if your Superintendent of Banks happens to be an unfortunate selection. If, however, he is a strong, able man, he can be of inestimable value to banks in the smaller communities who have not the opportunity to know the value of collaterals as well as the officers of larger city institutions, nor the gift of wise discrimination.

You will please remember that every such loan must mature within one year. If such investments were permitted for a longer period without greater restriction, I should believe them to be an unsafe class for investment for trust funds.

In the early days the country savings banks loaned considerable money on three named notes. It was believed that money accumulated by a community should be loaned whenever possible in the same community. I think we will all subscribe to that principal, but I believe no savings bank deposits should be invested except in such manner and in such securities as trust funds should be invested in. The ordinary three named notes of local business and professional men do not, in my opinion, come under that category. They should do their borrowing at commercial banks unless they can pledge suitable collateral.

We, in Massachusetts, who have had the opportunity to put the X-Ray on the Savings Banks—that is, study their operations from the vantage point of an examiner, know that they have made losses in such investments which should not have been made. In comfortable times when rates are low there is often little call from the borrowers for loans. Then is the time when the temptation to get the money invested has led banks to take loans which they would never have considered when the stronger loans could be bought. Those also are the times when they reach for better rates and take fourth rate paper for the additional income when their better judgment told them it was probably too risky.

However, in spite of these lapses, and I know from experience they are growing much more infrequent than

formerly, these loans, as a whole, have been an excellent investment for the Massachusetts Savings Banks.

The evolution of the Mutual Savings Bank in New England is a very interesting study. They began small—one here, one there in little communities, inconspicuous, but slowly developing. They helped the communities in many ways, teaching thrift, broadening out in an educational way by experience their trustees and returning to local circulation by way of mortgage loans, etc., quite a proportion of its deposits. They have now, most of them, grown, even those still in small communities, to considerable magnitude.

As you study this evolution, you note that a class of investment which was much in favor with one management, becomes quite unpopular with the next. It is to be expected that the later board, having the experience of the earlier board to assist them, should have improved ideas. It is amusing to find that personal loans in one period would be high in favor, then low in the next. Mortgages for years were only moderately popular and bonds the only things to buy. Why did they buy bonds? Because they thought a decade ago that the United States was working toward the European income rate. They argued that unless to-day you put all the money you can raise into long municipal or railroad  $3\frac{1}{2}$ s at 115 to net 3.05, you will next year have to pay 125 for them and they will only net 2.75. However that bubble burst and most of us here can produce in our bank vaults at home some of the goods to prove it.

Mortgages are now the popular investment in many communities and bonds take second place.

Each Savings Bank officer, however, is having to decide what proportion of his deposits to invest in the various classes permissible.

That there should be a variation between the City bank and the Country bank in this particular is reasonable. The figures of the combined Savings Banks of Massachusetts are interesting and are as follows:

Percentage of Investments to Total Assets, October 31, 1915.

Bonds and Securities.....	32.91
Mortgage Loans.....	48.88
Personal Loans.....	14.52
Cash, etc.....	3.69

These figures are quite different from those shown in 1900. The percentage in bonds is a little less to-day; that in personal loans near 30% less and the percentage in mortgages correspondingly more.

Personally, I am a believer in mortgages as a Savings Bank investment and the fact that they carry the larger part of the burden of earning the dividends does not hurt them in my estimation. Conservatively made and frequently re-appraised, they are the best friend the depositors have.

Situated as my home institution is in a city of considerable size, having a large diversity of industry, I advocate investing about 60% of our deposits in carefully selected first mortgages of real estate. We earn on these about 4.98 per cent. tax free. As conditions exist to-day, I am content to invest 25% of our deposits in municipal, railroad and street railroad bonds. Of the balance, I would invest about 12% in carefully selected notes of the strongest borrowers and 3% cash and in banks. I believe those proportions make a well balanced group of assets.

Conditions, of course, vary in the several states and many communities without doubt do not have the opportunity to obtain in sufficient amounts such high grade notes as are available in Massachusetts. The demand from our banks for such paper has gradually increased and in turn the borrowers have appreciated the value of Savings Bank year loans, so the supply has usually kept fair pace with the demand.

Experience has taught the investing boards that they must use particular discretion when investing in this class of asset, and I believe that, as a whole, they have proven fully equal to the task.

I do not believe in such a class of investment, however, unless the officers, recognizing the particular value of its liquidity, confine their loans to borrowers of the strongest character.

In conclusion, gentlemen, I thoroughly believe that when conditions exist comparable to those in Massachusetts, and loans to borrowers so strong and sure of payment during all conditions can be obtained, savings institutions will find loans on personal security an exceedingly safe and useful asset, a secondary cash reserve of unequalled value.

# Committee and Officers' Reports—Savings Bank Section.

## Report of Savings Bank Centennial Committee

*Mr. President and Gentlemen:*

At the New Orleans convention in 1911 the Secretary's report contained mention of future plans with reference to "the proper celebration of the Savings Bank Centennial in 1916, for which due provision should be made." Each year thereafter the same matter was brought up. It was not until the Seattle convention last year, however, that this Committee was appointed for the interesting and no mean task of appropriately celebrating the anniversary of American savings banks.

A suggestion was made several years ago to gather material for a volume detailing the history of savings banks in the United States; but a mutual savings banker of Albany, New York, had undertaken the collection of data for such a purpose. To take advantage, therefore, of the suggestion would perhaps merely lead to a duplication of work.

How to fittingly mark the event was the problem. What would accomplish this object more effectively than the inauguration of a nation-wide thrift movement which would reach every section of the country? One hundred years ago those who planned the first institution for savings had for their purpose the amelioration of the condition of the poor and the inculcation of the principle of thrift in the mind of the public, thereby making better citizens and promoting greater efficiency. After a century of campaigning the savings in the banks of the country total over \$8,500,000,000. Hence, it was the desire of this Committee to conduct a movement for thrift which would be at least commensurate with the vastness of the amount of savings in the United States and the importance of savings institutions.

One of the first things which was done was to secure the co-operation of several organizations through which we could effectively conduct propaganda. The American Institute of Banking, with its seventy chapters, was enlisted. The International Committee of the Young Men's Christian Association, the National Board of the Young Women's Christian Association, the National Americanization Committee of Immigrants in America and the Chamber of Commerce of the United States came to our assistance. It took considerable correspondence to perfect such an organization. The task was big, but necessary for the foundation work of the great movement which has become of such importance. In December, 1915, your Committee compiled a text-book entitled, "Thrift—How to Teach It; How to Encourage It." Six thousand copies were printed and to date 5800 have been distributed to interested parties at their request.

From many hundreds of communities, both large and small, requests were received for advice and suggestions on how to conduct local thrift campaigns. The extent of this correspondence is evidenced by the fact that more than 104,000 pieces of mail were sent out from the Section's offices for the fiscal year 1916.

The results accomplished by the chapters of the Institute are highly gratifying. Particularly has this been true of Chattanooga, New York, Atlanta, Dallas, Macon, Baltimore, Jacksonville, New Orleans, Los Angeles, Spokane, San Francisco, Albany, Minneapolis and Denver.

For example, in Chattanooga a very complete and efficiently conducted campaign was instituted, the results of which were an immediate gain of 23 per cent. in new savings accounts and an advance of 70 per cent. over the record of the previous year. The Chapter organized the Chattanooga Association for the Promotion of Thrift, the purpose of which was "to promote the spirit of conservation among our people." Credit should be given to Messrs. A. W. Taber and T. R. Durham for their splendid efforts in this work. The Chattanooga campaign was responsible for a number of suggestions which were afterward incorporated in the Nation-wide Thrift Campaign of the Association.

In New York 110 new school savings banks were organized; several contests for the encouragement of thrift were conducted through the daily papers and more than 150 addresses on thrift were given by Chapter speakers. The excellent work accomplished in New York City undoubtedly produced splendid results. The report of the Thrift Committee of the American Institute of Banking details the work of each chapter in the conduct of the thrift campaign. Your Committee acknowledges with considerable appreciation the co-operation of the American Institute of Banking and the chapters thereof. The chapters are in a large measure responsible for the wide scope of influence which the movement has attained.

Another factor of considerable importance has been the International Committee, Young Men's Christian Association. About two years ago arrangements were made with the Y. M. C. A. for the construction of a thrift exhibit. Seven hundred and fifty dollars was appropriated from the Special Fund of the Savings Bank Section for this exhibit. The Y. M. C. A., meeting with success in the showing of the exhibit, constructed several others, thereby extending their work of thrift. Since the first of October, 1915, they have shown these exhibits in 144 cities throughout the country. Simultaneous with these exhibitions addresses on thrift were given in mills, factories, churches and on street corners. Literature was distributed and the people were taught the value of the savings habit.

Through the distribution of budgets and literature the Young Women's Christian Associations, with their 400,000 members, have learned much of the value of thrift. The field secretaries of the National Board, Y. W. C. A., report marked interest in the thrift campaign throughout the United States. This work amongst the women is assuredly important. There is no field which needs cultivation greater than the home, and this work of the Y. W. C. A. should be encouraged in every possible way.

The immigrant, not understanding American ideals and customs, is being taught to place his savings in our savings institutions, through the co-operation of the National Americanization Committee.

The boy is being encouraged to earn and to save, to become a decent

and reputable citizen by the efforts of the Curtis Publishing Company. It would be a rather difficult thing to gather statistics of the results of the Centennial Thrift Campaign. It is sufficient, however, that we are convinced of wide-spread interest in our work.

The success of any great movement depends largely upon the preliminary work, the foundation which is laid before the movement is definitely launched. Great care was observed in this respect in the inauguration of the nation-wide thrift movement instituted in celebration of the one hundredth anniversary of savings banking in America. The work done by the organization hereinbefore detailed had the effect of creating a demand for a concrete plan of action which would effectively reach every section of the United States.

In March of this year there was created an Advisory Thrift Commission with Myron T. Herrick as chairman. Some of the most important and influential citizens in the United States accepted membership.

There were no available funds, nor had we the organization for supplying the material for local campaigns. In order to obtain results and secure real action it was necessary for us to contract for the furnishing of literature and copy which would make up the plan of campaign. Effective thrift campaigning cannot be accomplished by fits and jerks, by spasmodic newspaper articles or occasional advertising. Interest and enthusiasm must be aroused, and when aroused must be maintained for an appreciable length of time. There must be well-written articles of an interesting and instructive nature in the press, discussion of ways and means and exchange of ideas. Thrift must be made the general topic of conversation. In the last analysis, it is only by directing the thought of the individual on ways and means to eliminate waste that individual conservation and saving is effected. Moreover, as the individual builds for himself a competence and a home, he is also building and strengthening his character, broadening his vision and contributing to the welfare of the community in which he lives.

The plan was for the local communities to finance a six months' campaign. That is to say, a meeting of bankers was called, the campaign explained and subscriptions to the proposition made for the conduct of the local movement. To do this it required much persistence. A number of bankers, thinking that it was a mere advertising scheme for savings accounts, would have nothing to do with it. One hundred and fifty cities and more were personally visited by representatives of the plan. It seemed as though this great amount of work would go for naught. However, after four months of such intensive effort, communicating regularly with upwards of twenty-five hundred bankers in over twenty-two hundred communities, finally brought real results and the immediate future of the campaign assuredly looks as though it would be truly nation-wide.

The Harvey Blodgett Company of St. Paul, Minn., were contracted with and in collaboration with this Committee the plan of campaign was completed. It is the product of the highest standard of publicity effort. It is well rounded and effective. The copy contained in the plan is strong in character and distinctive in quality. It gets to the individual and effectively induces him to save and conserve. It is our object to secure two thousand communities throughout the United States to conduct this campaign or some campaign of their own choice. It is our part to suggest and constructively advise. It is obvious that this cannot be accomplished without a definite plan of action, which, adopted by communities throughout the country, will be a great unified thrift movement which will obtain definite results and turn the mind of the public from waste and extravagance to thrift and conservation. If ever America needed a movement of this kind it does at this time. If there were not the demand for the nation-wide thrift campaign in the United States it is manifestly ridiculous to assume that the success which we have had would not have been attained. From the humblest in society to the millionaire it is realized that the future progress of this country, the character of its people, the stability of our economic and social life depends in the main upon the spirit of independence in the individual brought about through the practice of thrift. This is assuredly economic truth.

There are but two ways to effectively change the thought of a people from extravagance to thrift. First, adversity. The fundamental reason of French frugality which exists most in the peasant class is the result of adversity. From an investigation made by your Committee through consuls general in France and other countries of Europe establishes this fact. The second way is through a nation-wide or country-wide campaign of thrift education. This campaign must be definite, efficient, of sufficient length of time for the people to thoroughly understand it. And lastly, the avenues of approach to the public must be utilized continuously.

The nation-wide thrift campaign which your Committee has adopted "has very definite aims in view." Certain goals of accomplishment have been set, and clear-cut, direct, efficient and economical means have been developed for reaching them. The sole aim of the campaign is not the mere gathering into banks of pennies, dimes and dollars. One aim, it is true, is to attract to the nation's banks a million new savers and ten million better ones. To put renewed purpose behind those millions of accounts already started, too many of which are inactive. To acquaint people with the purchasing power of money. To show, by example and precept, how to handle money wisely—to encourage better habits with money. To encourage the people to get the most out of their money; how to make their money earn more money. Through education to make the get-rich-quick promoters' efforts barren of results. To teach the cardinal principles of sound investments—what to do with money after saving it. To help people gain a mastery of the will, give direction to their purposes, conserve their energies and follow the safest route to success. To stir new ambitions in a hundred million human breasts and kindle the fires of achievement. To bring the people on closer terms of intimacy with the banks. To supply, in a measure, what is sorely lack-

ing in our educational system that the youth of the land may approach their life work better grounded in the rudiments of finance. To establish new ideas of thrift in the home. To cultivate money sense in the potential, the future bearers of the burdens of business. To forestall in a great measure dire circumstances in the lives of millions who are treading their way toward their destinies. To help people who have a leaning toward thrift to make a life habit of it. To bring the prosperous into more intimate relationship with banks. To inspire owners of differently managed savings accounts with a new and lasting zeal. To increase buying power by adding interest income to personal earnings. To make the renter a home owner. To furnish constant impulses and inspirations, not to any class, but to all classes. To prompt those who are prospering to save against adversity. To teach people to conserve waste, to be saving of things that cost money as well as money itself; to be thrifty with time, energy and material—everything that enters into the daily life. In a word, to help people find themselves, to make thrift a habit with the individual and a national trait in America.

Although the work of your Committee has been difficult and the blazing of new trails an arduous task, nevertheless the bright prospects of a thrifty America have been ever before us. It has been pleasing to us to know that the zeal and enthusiasm with which all interested parties have worked means a fitting celebration of a great event and the eminently proper beginning of a second century of American savings banks.

At our instigation the Canadian Bankers Association have become interested in our plan of campaign and are now considering a Dominion-wide thrift campaign based upon the movement inaugurated by us in this country.

In the plan proposed at the Seattle meeting a celebration was provided for to be held in the City of New York in November of this year. Last May the New York State Savings Banks Association independently conducted a successful celebration of the centennial in New York City, which was attended by bankers from all over the country. Your Committee considered it inadvisable to hold a second celebration at the same place. Hence, it was concluded to hold the celebration of the centennial at the time of the Kansas City convention. Plans were laid for appropriate commemorative exercises as well as an entertainment feature hereinafter referred to. Mr. W. S. Webb, cashier of the Missouri Savings Association Bank, kindly consented to act as chairman in arranging the details of the celebration in Kansas City. In this respect Mr. Webb has been very valuable and your Committee appreciates his splendid co-operation.

As an entertainment feature of the celebration it was planned to exhibit a five-reel motion picture, which was produced by the Vitagraph Company of America under the auspices of the Savings Bank Section. The story "The Dollar and the Law" has been written by Irvin S. Cobb. The picture brings out the thrift idea very strongly; it contrasts economy with wastefulness—good and bad management of personal resources. It vividly tells the story of thrift in a manner which will convince one of the necessity for the practice of thrift. It describes in several scenes the operation of the nation-wide thrift campaign and shows the campaign in actual progress. The film will be given wide circulation and will certainly produce greater interest in the thrift movement.

In conclusion, we desire to give you some idea of the organization which has been effected through systematizing the thrift movement. General propaganda is conducted from headquarters in New York City. The institution and direction of local campaigns is handled entirely from the office of the section. All of the detail work is under the direction of the Secretary of the Section. Nothing is done with respect to the campaign without the Section's approval. The Harvey Blodgett Company has an office in New York, in the vicinity of the general offices of the Association, which is at the entire service of the Section for the promotion of the campaign. State-wide propaganda is conducted by a number of state associations through the secretaries thereof. It is hoped that before long every state bankers association will be enlisted in support of the movement. This work of state-wide campaigning is also under the direction of the Savings Bank Section.

Your Committee deeply appreciates being given the honor of arranging for the celebration of the centennial of American savings banks.

Respectfully submitted,  
V. A. LENSNER,  
Chairman.

### Report of the Secretary of Savings Bank Section

KANSAS CITY, MO., Sept. 26, 1916.

Mr. President and Gentlemen:

The Sections of the American Bankers Association are established for the purpose of rendering constructive service to its members in the various branches of banking. This fact has become increasingly evident in the work of the Savings Bank Section.

Throughout the past year we have been in constant touch with our 3,533 members—serving them in every possible way. Through the Nation-wide Thrift Campaign conducted by our Section, we have brought the name of the Savings Bank Section and of the American Bankers Association into most every city, town and village in the country. The people have heard more of the American Bankers Association than of any other like association. Through the propaganda literature which we have distributed, the bankers have been assisted to a better understanding of bank publicity; they have been encouraged to co-operate with each other, which they have found to be more profitable than bitter competition.

Nine hundred and thirty-nine new members have been enrolled since the Seattle meeting, twenty-seven more than the combined total number enrolled for 1913, 1914 and 1915. Over 104,000 pieces of mail matter have been sent out from our office, 92,000 of which were sealed letters; 5,050 letters have been received in the office of the Section since the Spring Meeting of the Executive Council, most of which have been requests for information from members, evidencing the wide scope of service rendered. To care for this amount of work and to facilitate its completion, systems have been installed which have been and are being carefully kept up to date.

Your Secretary has visited forty-three cities in the interest of the thrift movement and other work of the Section, and forty-four addresses have been given.

The past year's appropriation to the Section's work amounted to

\$13,888.25, inclusive of \$3,500 appropriated at the Spring Meeting and \$45.96 miscellaneous receipts. The expenditures for the year aggregate \$13,542.34, leaving a credit balance of \$391.87 in accordance with the attached statement.

The splendid co-operation received from the other Sections and departments of the Association, as well as General Secretary Farnsworth, is acknowledged with considerable appreciation, and the kindly relationship which has existed between the officers, members of the Executive Committee of the Section and your Secretary during the past year has been one long to be remembered.

Respectfully submitted,  
M. W. HARRISON,  
Secretary.

### FINANCIAL STATEMENT SAVINGS BANK SECTION

From August 15, 1915, to August 31, 1916, Inclusive

#### CREDITS

September 9, 1915, by appropriation.....	\$10,388.25
May 9, 1916, by appropriation.....	3,500.00
Received refund a/c thrift propaganda.....	43.80
Received a/c express overcharge.....	2.16
	<u>\$13,934.21</u>

#### DISBURSEMENTS

Postage, stationery and printing (including Thrift) .....	\$4,793.40
Salaries .....	3,971.82
Convention expenses .....	1,226.98
Processings, 1915 .....	1,525.73
Rent .....	604.92
Traveling expenses .....	527.06
Extra help .....	240.66
Telephone and telegraph.....	93.39
Express .....	86.20
Gold badges .....	55.00
Books .....	18.22
Supplies .....	28.05
Flowers for Mr. Meakle.....	5.25
Executive Committee meeting.....	362.56
Picture frame .....	2.50
	<u>\$13,542.34</u>

Credit Balance .....

\$391.87

### Report of the Methods and Systems Committee

KANSAS CITY, MO., Sept. 26, 1916.

Mr. President and Gentlemen:

Since the Seattle meeting our committee has co-operated with the Savings Bank Centennial Committee in the conduct of the Thrift Campaign. At meetings called by Chairman Lerner of the Savings Bank Centennial Committee, we have been represented.

Of the one thousand copies of the Book of Forms, 135 remain unsold. Since our last meeting we have sold 117 copies. It will be remembered that the Section's Special Fund of \$2,367.63 was used to pay for the publication of these books, which cost \$3,041.01. There has been received to date from the sale of the Book of Forms \$3,357, which is \$315.99 more than the cost of publication. In the event of our selling the remaining copies (135) there would be to our credit the sum of \$24.06 in excess of the amount originally in the Special Fund, after deducting the \$750 appropriated to the Y. M. C. A. for the Movable Thrift Exhibit, or \$2,400.93.

Immediately following the Seattle meeting our office sent a questionnaire to a number of schools operating savings banks. Two hundred and five replies were received. An analysis brought out the following interesting observations:

1. Suggestions in favor of the system used:
  - Pass book and pass card method*—Simple, inexpensive, avoids mistakes, develops more permanent accounts, practical training for children, real banking practice, teaches thrift, little time necessary, secures co-operation of all the teachers, secures interest of community, children operate the bank themselves and take an interest.
  - Stamp Method*—Makes young children realize value of money, good practical training, allows deposit of the smallest amount, simple, very attractive to children, develops thrift, easy for teachers, children can do a lot of the work, produces rivalry of deposits between schools.
2. Do you advertise your school bank, and how?
  - Placards, leaflets, circular letters, blotters, souvenirs, calendars, pencils, notice to parents, statements, school paper, weekly report, rulers, talks, prizes, newspapers, pencil boxes.
3. The banks are exerting a good influence and the children are taking a real interest. It is not necessary for the teacher to resort to any special means to keep up their interest. Objects for which the children save are: clothes, college education, building up bank account, vacation, travel, bicycles, graduation expenses, home improvement, books, ponies, shoes, gum, medicine, coal. Evidences of the promotion of thrift among pupils by the school bank are found in "not so much money spent for candy, gum, moving-picture shows"—knowledge of the value of money, care of personal property, continue to save after leaving school.
4. The vocational features are valuable.
5. The following suggestions were made concerning improvements in the plan or method employed:
  - Would like the children to do more of the work.
  - Difficulty of finding money to pay expenses of starting bank is a preventative to the installation thereof.
  - Each state should adopt it. The teachers would then realize that it was a regular schedule, not an added burden.

Largely on account of the Centennial Thrift Campaign a great number of school savings systems have been installed. Last fall the schools of Albany, New York, instituted a savings system and recently report twenty-four school banks, 1,552 pupils with regular savings bank books, and an aggregate sum deposited of \$9,073.17. Last January the New Jersey legislature passed a statute making legal the installation of a "system of school savings banks."



What we consider the most important work of the year with reference to school savings, and entirely to the credit of the Savings Bank Section, is the adoption by the schools of the City of New York of a uniform school savings system. There are 549 schools in New York City and before the campaign thirty-five of them operated school savings banks. So far as the system of doing business was concerned, they were in a deplorable state.

Through the co-operation of the Board of Education and Amzi N. Clark, the originator of the "Brooklyn System of School Savings," the Section came into close contact with the schools of the city. The savings banks, at our instigation, agreed to pay for the initial supplies in sets sufficient for one thousand accounts for each school. Arrangements were then made with a printer to make up one hundred sets of these initial supplies containing all necessary paraphernalia for the installation of a school savings bank. We circularized the schools several times and used every means at our command to show the school principals the desirability of a school bank. A slogan was adopted, "One Hundred New School Savings Banks in 1916." The newspapers were enlisted. The Board of Education detailed Mr. Clark to the special duty of properly installing the new banks. By the close of the school year 116 school banks had been installed, thus more than reaching our goal. There is no doubt that the total will approach 300 or more before the year has been completed.

A number of commercial agencies have been organized for the purpose of furnishing school savings systems to banks and to schools in order to meet the growing demand. The office of the Section has received a large number of inquiries for information concerning school savings which have met prompt response. The Texas Women's Bankers Association has begun a state-wide campaign for the establishment of school savings throughout Texas. The growth in savings in the Minneapolis schools, as the result of President Hawley's work, is worthy of notice. From 9,712 children depositors in 1909, the number has grown to 32,295 in 1916; and deposits at the end of the school year in 1909 of \$14,178 amounted to \$43,372 in 1916.

The Detroit banks also perfected a system of school savings which is being successfully conducted. Paterson, N. J., through the efforts of W. B. Meakle, has instituted a school savings system.

The list of those who received Thrift Talks each month has grown since the Seattle meeting from 1,200 to 6,000. About 2,300 sets are sent out from the office; 850 are distributed by the Michigan Bankers Association; 1,250 by the Minnesota Bankers Association and 1,000 by the Missouri Bankers Association. Each month the Secretary has sent out a letter with the Talks encouraging the addressed to further the thrift campaign, and suggesting ways and means for so doing. The Thrift Talks have received much favorable commendation, and have accomplished considerable good. Banks are using them for monthly house organs, as copy for newspaper advertising, or, in a number of instances, they are put in pamphlet or circular form and distributed to depositors. Y. M. C. A.'s and kindred organizations have used them to excellent advantage in encouraging the habit of thrift among the young men of the country. The small country newspaper has devoted much space each week to the publication of these little articles. So they are read by all classes, aiding the thrift propaganda in effectively reaching the individual in towns of 250 as well as in cities of more than a million.

Respectfully submitted,  
W. E. KNOX,  
Chairman.

Report of the Law and Segregation Committee

KANSAS CITY, MO., Sept. 26, 1916.

Mr. President and Gentlemen:

The Nation-wide Thrift Campaign has taken up most of our attention since the Seattle meeting. The affairs of this committee, however, have not been neglected.

Constant watch has been given to Federal legislation affecting savings banks. It was through the efforts of your committee acting in conjunction with the Federal Legislative Committee of the Association that a Section of the present Federal Farm Loan Act, providing for savings departments in connection with the then proposed Federal land banks, was withdrawn.

While the passage of the Federal Farm Loan Act does not give us any cause for fear of government encroachment upon the business of savings institutions, still its successful operation would assuredly supply a most desirable means for receiving the deposits of the people. It is for us to promote the establishment of savings departments in commercial banks and trust companies throughout the United States. If this is not done, the inevitable law of supply and demand will call for the creation of other kinds of institutions for saving.

Would it not be fair for us to assume that when we consider the aggressiveness of the postal savings system and the tendency of the government, evidenced by the passage of the Federal Farm Loan Act, to offer to the public more adequate means for the deposit of savings, that a serious condition arises? Only one-half the banks of Illinois have savings departments and a similar condition exists in other parts of the country. If something of this kind is not done it will be necessary for the government to go into the savings business to a greater extent, with the consequent impossibility on the part of the banks to compete successfully.

Simultaneous with a movement to create savings departments, it would be well, perhaps, to distribute literature promoting safety first in investments and greater uniformity in state banking laws.

On May 17, 1916, Congressman Hill introduced a bill in the House of Representatives which was referred to the Committee on Banking and Currency. Up to the present date it has not been reported on. The bill provides for the investment of deposits of savings bank departments of national banks, and reads as follows:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That an Act entitled 'An act to provide for the establishment of Federal reserve banks, to furnish an elastic currency to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes,' approved December twenty-third, nineteen hundred and thirteen, be, and the same is hereby, amended by adding section twenty-four of said Act the following paragraph:

"National banks conducting savings departments, with savings ac-

counts segregated, and with the five per centum reserve maintained against them, as required for time deposits under the Federal Reserve Law, in addition to making loans and investments heretofore authorized by law may invest the whole or any part of the deposits in such departments according to the laws regulating the investments of savings banks in the states in which such banks are located: Provided, That the state law shall have been approved for that purpose by the Federal Reserve Board."

This seems like a step in the right direction toward the segregation of savings deposits. It would be well, however, for the Section to accomplish the objects of this committee in securing segregation of savings deposits by conducting an educational propaganda rather than a definite campaign for the enactment of laws pertaining to segregation. The main object is to safeguard savings deposits, and nationally, the conditions are so varied relating to the classes of investments, that it would require considerable study of these conditions before any definite plan of action could be offered.

Last October a course in savings banking was introduced in the pages of the JOURNAL-BULLETIN, with a view to promoting a better understanding of the segregation principle. Mr. E. L. Robinson contributed a very valuable paper on the investments of mutual savings banks, which the committee assuredly appreciated, and suggests the printing of the paper in pamphlet form for distribution to members.

Your committee reports progress on the question discussed at the Seattle meeting with reference to a means by which a mutual savings bank may secure currency from a Federal reserve bank in an emergency.

Respectfully submitted,  
GEORGE E. EDWARDS,  
Chairman.

Report of Membership Committee

KANSAS CITY, MO., Sept. 26, 1916.

Mr. President and Gentlemen:

With regards to its membership the Savings Bank Section stands in a rather peculiar position compared with the other Sections of the Association. A number of banks enrolled in other Sections as voting members are also enrolled in the Savings Bank Section as associate members. Last year when the National Bank Section was organized, 450 national banks, which had been voting members of this Section, enrolled as associate members. Hence, as each new Section is added to the Association our list of voting members decreases, and the associate membership proportionately increases. The other Sections serve but one class of banks, while we serve all classes in a particular branch of the banking business. Whereas a year ago we had 226 associate members, September 1, 1916, showed 1251 non-voting or associate members enrolled, 844 of which are national banks.

Co-operating with the General Secretary, Secretary Harrison and the committee have been active in their endeavors to increase the membership roll, both active and associate.

The large increase as noted in the following detailed statement is, I think, mainly due to the rigorous manner in which we have been promoting the Thrift Campaign, and the intense interest which has been aroused to the real value of such propaganda.

The following table will show the growth in membership since 1910:

September 1, 1910.....	1773
September 1, 1911.....	1888
September 1, 1912.....	2066
September 1, 1913.....	2378
September 1, 1914.....	2217
September 1, 1915.....	2559
September 1, 1916.....	3479

You will note there has been an increase of about 100 per cent, since 1910 and 36 per cent, since last year.

The detailed report appended hereto shows our membership as of August 25, 1916, a summary of which is as follows:

Total membership August 25, 1916.....	3479
Total membership August 14, 1915.....	2559
Gain since August 14, 1915.....	920
Lost by failure, liquidation and merger.....	42
Net gain since August 14, 1915.....	878
ASSOCIATE MEMBERSHIP.....	
National Bank.....	844
Trust Companies, etc.....	311
.....	1155
Also enrolled as associate members to receive thrift literature, etc.:.....	
State Secretaries.....	49
Chapters, A. I. B.....	47
.....	96
Total Associate members.....	1251
Gross Membership.....	3479
Delinquent.....	42
Net Membership.....	3437
Associate members (banks).....	1155
Voting members.....	2282
Non-voting members (including Chapters and State Secretaries).....	1251

Grand Total..... 3533

The Committee submitted a preliminary report to the Executive Council at its Spring Meeting at Briarcliff Manor in May, 1916. The Committee at this time desires to express its hearty appreciation of the generous support and valuable assistance it has received from the General Secretary and Secretary Harrison in connection with this substantial increase in membership of the Section.

Respectfully submitted,  
H. P. BECKWITH, Chairman.  
HENRY SCHACHT.  
JAMES DINKINS.  
CHAS. S. NORRIS.  
J. H. EDWARDS.

## Report of Committee on Postal Savings Bank Legislation

KANSAS CITY, Mo., Sept. 26, 1916.

Mr. President and Members of the Savings Bank Section:

Our report of a year ago indicated that the present Congress would in all probability raise the limit of interest-bearing deposits in the postal savings system from \$500 to \$1,000 and that the trustees of the system would be clothed with discretionary power to receive an additional \$1,000 without interest. Legislation to this end was finally effected on May 18, 1916.

The amendment also provides that postal savings funds may be deposited in banks which are not members of the Federal reserve system, provided no qualified member bank is available. Under the Federal Reserve Act depositories must be member banks, and this amendment is obviously to our advantage.

In June, 1916, the month following the passage of the amendment, the increase in deposits was \$3,800,000, four times as great as in the corresponding month of 1915. At the end of July, 1916, the system had total deposits of \$89,700,000 and 812,000 accounts. These deposits were gathered in 7687 postoffices; seven-tenths of the total is credited to the 87 offices having more than \$100,000 on deposit; nine offices now hold 42 per cent. of all deposits, each having upwards of one million dollars to its credit; these offices are in New York, Brooklyn, Chicago, Boston, Detroit, Pittsburgh, San Francisco, Portland, Ore., and Philadelphia. On July 31, 1915, the system had 532,000 accounts with aggregate deposits of \$66,150,000, the year's gain being 80,000 accounts and \$23,550,000 in deposits.

Complaints from some of our members have reached your Committee that the Postoffice Department was unduly active in exploiting its business; particular exception was taken to a card widely circulated by the Department giving information about the system in seven terse sentences, the first of which reads: "Savings deposited at the postoffice are absolutely safe." We think this complaint is justified and your Committee has been in communication with the Director of the System, Mr. Carter B. Keene, protesting against the use of this sentence in the card referred to. We are advised that the various postoffices are stocked with this printed matter, which has been in use since 1913, and the Department disclaims any desire or intention to reflect upon the safety of other savings institutions. Inasmuch as no good purpose is served in accenting the safety of funds deposited in the postal savings banks and as this advertising matter in its present form carries with it in the minds of many an unjust reflection upon other agencies for savings, we hope that when a new addition of these cards is issued the sentence objected to may be eliminated.

One item of interest must not be overlooked. As passed by the Senate, the rural credits bill contained a provision permitting the investment of postal savings funds in farm loan bonds; this provision was strenuously opposed on many sides and we have reason to think that the active opposition of the postal savings authorities had much to do with eliminating this feature of the bill when it reached the Joint Conference Committee for final action. We gladly voice our approval of this effort to maintain the integrity and the liquidity of the postal savings system.

Your Committee is in constant touch with the officers of the system and is glad to report that the present administration is not disposed to invade the territory occupied by the privately managed savings institutions, but to co-operate in every way which will help the people of our land in developing habits of thrift.

Respectfully submitted,

EDWARD L. ROBINSON,  
WILLIAM E. KNOX,  
B. F. SAUL,

Committee on Postal Savings Legislation.

## Report of Special Committee of Nation-wide Thrift Campaign Among Colored People—John Mitchell, Jr.

"Let every man be occupied and occupied in the highest employment of which his nature is capable, and die with the consciousness that he has done his best," Sidney Smith.

Mr. President:

I am of the opinion that no proposition offered by you and promulgated by your remarkably efficient and energetic Secretary, Mr. M. W. Harrison is fraught with more benefit to the people of the South-land, irrespective of race or color than is the one which has for its purpose the dissemination of practical methods for the cultivation of thriftness among the masses of colored people of that section.

For more than ten years, sir, I have witnessed the steady development of plans for the financial betterment of the nation and the information gleaned here has been transmitted to those people by whom I am surrounded. The opportunity to live and learn and to learn and live has been afforded to me by the cheerful co-operation of the southern white men by whom I am surrounded and who have not placed even so much as a straw in the way of the financial advancement of myself or those, whom I represent.

Although a very busy man, I did not see my way clear to decline the call to duty and at some personal expense, I have enlisted the support of some of the leading colored men in the country. I hope that this movement may be encouraged and unanimously endorsed by this honorable body. The better class of white men and the better class of colored ones have a great task before them in this movement. The lifting up of ten millions of people from the degradation of poverty and thriftlessness can best be accomplished through the agency of that class of far-seeing colored people, who will glory in the task and who will not get weary in well-doing.

Still there are thousands, who have learned this lesson of thrift under the tutelage and encouragement of their southern white neighbors. Our people at the close of the Civil War were penniless, but with a determination worthy of the cause, the estimated wealth of the colored people is seven hundred millions of dollars. In my own State, noted for its gallant gentlemen and beautiful ladies, and where the expression, "The ladies, God bless 'em" passes current among the multitude, the progress of the colored people has been so noticeable that it was decided by the legislature of the Old Dominion to keep separate statistics concerning the same.

Hon. C. Lee Moore, one of the ablest if not the ablest Auditor of the Public Accounts Virginia has ever produced in his annual report under date of December 27, 1915, which report was made to His Excellency,

Henry C. Stuart, Governor of Virginia says that the colored people of the commonwealth own 1,674,823 acres of land, valued at \$10,365,377. This, sir, is the result of fifty years steady accumulation and shows that a small proportion of our people are practicing thrift and are preaching by their actions the gospel of economy.

The colored people of Virginia own land, town-lots and buildings valued at \$28,772,199. They own personal property to the value of \$9,076,774, making the grand total in valuation of the property of the colored people of my own state, \$37,848,973.

In my home city, Richmond, where the five story white brick bank building, with its polished steel round door vault, the Mechanics Bank, of which I have the honor to be President, is located, the colored people own real estate valued by Auditor Moore in his report at \$2,841,111. Their personal property is valued at \$631,963. The total value of their property, both real and personal is \$3,373,074.

We have two savings banks in Richmond, the Mechanics Savings Bank and the St. Luke Penny Savings Bank. The gross assets of these institutions are four hundred and fifty thousand dollars. We have three insurance companies in the fraternal and industrial class with admitted net assets of (\$294,404.37) two hundred and ninety-four thousand, four hundred and four dollars. They all have colored officers and they are not any white agency affairs either.

The Southern Aid Society, Inc., The Richmond Beneficial Insurance Co., Inc., and the American Beneficial Insurance Co., Inc., are the ones to which I refer. I am not through with this kind of information. Mr. President, I deemed it proper to call the attention of this honorable body to a partial statement of the producing power of these colored people of this country, to the end that I might show that in making the suggestion and in "calling me to the colors," you "buided better than you knew."

I base the following statistical information upon the percentage of production of the colored population of the United States as set forth in Census Bulletin No. 8 and the productions upon those as late as the year of 1914.

	Quantity.	Value
1911 Corn	98,803,748 bushels	\$94,937,967
1914 Wheat	5,346,102 "	5,346,102
1914 Oats	4,564,240 "	2,282,120
1914 Rye	85,568 "	106,947
1914 Rice	2,198,613 "	2,031,957
1914 Hay	350,355 tons	3,895,340
1914 Potatoes	3,653,280 bushels	1,787,481
1914 Sweet Potatoes	11,937,114 "	8,713,034
1914 Cotton	5,961,663 bales	220,936,225
1914 Tobacco	105,537,258 lbs.	10,343,922
1914 Cotton Seed	2,795,354 tons	30,162,644
Total		\$389,543,739

This represents the partial producing power of the colored people of this country for just one year. The value of the live stock of the colored people on their farms according to the census figures of 1900 was \$84,936,215. The number of banks and trust companies operated by colored people are estimated to be 45 with a combined capital of \$1,600,000 and an annual business estimate at \$20,000,000.

If these people can do this upon the initiative of their own, cordially supported and encouraged by the far-seeing white men of the South-land, what can they do when the thrift movement has behind it the impetus and encouragement of this great financial organization, where the North and the South are working hand in hand in lifting from the chasms of financial degradation and discouragement one of the most industrious races of people upon the face of the globe.

This movement among our people will be cordially supported by the bankers in the section from which I hail. In this connection, the Hon. Oliver J. Sands delivered an address in the city of Richmond at the Fifth St. Baptist Church Thursday evening September 14th, 1916. In this connection, he showed that the percentage of savers to the population was as follows:

New England	60%
Eastern States	31%
Middle States	17.7%
Western States	5.4%
Pacific States	24.8%
Southern States	4%

This showing in the Southland is largely attributed to the colored population. Certain it is then that it must have been the divine power of inspiration reinforced by an investigation of the fact that led President N. F. Hawley, our able presiding officer to decide to inaugurate this campaign specifically among the colored people. The bulk of the money of the colored people and I might say practically all of it is now on deposit in the banks owned and controlled by members of this Association in the Southland.

Money in this country, Mr. President, was created by the white man, its home is with him and I violate no secret when I say that it may perambulate in every direction and pass through the hands of the ten million colored people for various purposes, but that it will eventually return to its creator, while softly humming,

"Mid pleasures and palaces, though we may roam,

Be it ever so humble, there is no place like home."

I hope then that a way may be found to enable me and my associates to prosecute this work, which will result in piling up millions of dollars in the white institutions of the Southland. As I have before stated much of this will find its way to the colored banking institutions, which by the way are but the entrance doors to the palatial banking houses in the sections where my people reside.

Permit me to thank you and yours for the consideration extended to me for more than ten years. I am here for information and I have tried to profit by the wealth of information which I find here on every hand. I was born in Virginia, on those hills I have played and longed for days, which to me shall never come again.

"Man is his own star; and the soul that can  
Render an honest and a perfect man  
Commands all light, all influence, all fate.  
Nothing to him falls early, or too late.  
Our acts our angels are, or good or ill,  
Our fatal shadows that walk by us still."

# Detailed Report of Proceedings

Fifteenth Annual Meeting SAVINGS BANK SECTION, Held at Kansas City, Mo., September 26, 1916

Kansas City, Mo., September 26, 1916.

The meeting was called to order by Mr. N. F. Hawley, President Savings Bank Section, in the ballroom, Hotel Muehlebach, at Kansas City, Missouri, Tuesday, September 26, 1916, at 10:30 o'clock A.M.

Invocation by Right Reverend S. C. Partridge, Bishop Diocese of Western Missouri.

PRESIDENT HAWLEY: The Hon. George H. Edwards, Mayor of Kansas City, will deliver the address of welcome:

## Address of Welcome by Hon. George H. Edwards, Mayor of Kansas City

Delegates, ladies and gentlemen, this is rather an unusual occasion for me. I have been talking to bankers a good many years, but it is usually one at a time, and it is in the private office, and frequently rather annoying questions are asked. I come up here today with the distinct understanding that there will be no questions. I am going to say what I have to say and you may accept it or not as you please.

We have here at Kansas City a city of nearly five hundred thousand people, about 450,000 people in two states—Kansas City, Kansas, and Kansas City, Missouri, are separated by a street which runs along the state line. We have a market here for wheat, for hay, for corn and for agricultural implements which is the largest in the United States. We are second as a primary grain market. We are second as a live stock market. We are second as a packing center. We are sixth in bank clearings, and a good part of the time this spring we have been fifth—I do not like to mention that really, I don't want to mention it because our good friends of St. Louis do not like to have us talk about that in public. We are tenth in factory production, having twelve hundred factories and an output of over three hundred million dollars annually.

Were we not so modest, Mr. President, we would tell you we are one of the most beautiful cities in America, but we are going to let you judge that, and look us over, and if you do not coincide with that view you will very much lower yourselves in our estimation as a critic of municipal beauty.

My experience with bankers is that they are intensely interested in financial statements. To give you a few figures in regard to the financial condition of Kansas City: We have an assessed valuation for taxation purposes of \$210,000,000, that is in Kansas City, Missouri, alone. We assess that value at about one-third to forty per cent., so that the real value exclusive of municipal property and of church property, and property used for purposes of that kind, the real value is something over \$525,000,000. The total of our bonds issued and outstanding are \$5,902,000, and we have in our sinking fund, in bonds and cash \$700,000—so our net indebtedness is \$5,202,000—about one per cent. of our real value.

We own our water works system, which is paying an interest of five per cent. on a valuation of \$11,000,000. I would like to have you bankers analyze that statement, and when you have done that I believe you will conclude that we are good.

You gentlemen represent that branch of the banking business which comes most closely in touch with the common people. You are in a large measure responsible for the cultivation of a spirit of economy and thrift among the wage earners. You are perhaps the most important branch of the banking business, and I am glad to be here and talk to you. Kansas City has in the past perhaps not come up to other cities of our class in the way of savings deposits. I do not know why this is true, possibly because we are a new city. You know fifty years ago, Mr. President, the first railroad train entered Kansas City, and today we are the second railroad center in the United States. Within a very few years these streets where you see these skyscrapers and large retail establishments were rocky bluffs. I am by no means an old man, but I can remember on Walnut street and on Main street great bluffs, running up into the air one hundred or two hundred feet, where now are placed large buildings and it has taken money, and it has taken effort, to build a city under such conditions. Perhaps we have been too busy to give the attention that we should to the cultivation of the tendency to save and possibly you people can aid us in that regard, and I believe you can. I believe that your meeting here and your thrift campaign, which I understand you are launching, will aid us in impressing upon our wage earners the necessity of saving and economy. They say that the surest way to cure a man of tendencies to anarchy is to make him earn something and own something. They say that the possession of property, if it is not too much property, has a tendency to advance civilization. If this is true, the work that you men are doing, while perhaps your primary object is not along those lines, the work that you are doing is advancing the welfare of the whole country, and in that respect we all look up to you, and we honor you for the work you are doing. There is another reason why perhaps our people have not been able to accumulate so much in savings deposits as they might have. We are building a new city. Our wage earners are applying their wages and paying for them, and when you go over the town you will find that we are a city of small and moderate homes. Our people own their own property; they take a pride in keeping it in order, and they have invested all their surplus earnings in that way, rather than in putting them in savings. However, our savings deposits have more than doubled in ten years, and we believe as we grow older and are

on a more stable foundation that they will correspondingly increase. Now, Mr. President, on behalf of Kansas City, I want to extend to you and to your association a very cordial welcome. We want to do everything that we can to make your stay here pleasant and profitable. We know that we will be the gainers for your having been here, and we want in some small measure to return to you something for that which you give. I thank you.

PRESIDENT HAWLEY: Mr. Mayor and the citizens of this city whom you represent, I assure you that it is a pleasure to us to hear a hearty welcome from your city—a city with the vigor that pulses through the business offices and that incites us to work from the activity that we see not only in this district, but also in the city's beauty and city's activity. It is true, this branch of the association is most interested in saving, and if we can pay some return for the welcome that you have given us by inspiring you to greater economy, greater savings, and to something that is better than either of these, the building of the character that is necessary to save, we shall perhaps make some small return for the kindness and courtesies that you have extended to us, and we hope in that way, that there may be a double gift from you to us, which we are enjoying in the kindness that we meet on the streets and in all the places that we go, and that we in turn may give to you some inspirations that may be of use to you, and we certainly appreciate most highly the welcome that you have given us, and the courtesy that you have extended to us. (Loud applause.)

PRESIDENT HAWLEY: The first address of the morning, entitled "One Hundred Years of Savings Banking," by Mr. Edward L. Robinson, Vice-President Eutaw Savings Bank, Baltimore, Maryland.

## "One Hundred Years of Savings Banking," by Edward L. Robinson

[The reader will find Mr. Robinson's paper in full on pages 179 to 185 of this publication.]

PRESIDENT HAWLEY: We are exceedingly fortunate to have a history of the savings bank institution so happily written at this centennial celebration of savings. It will become a history to those who wish to seek information and inspiration regarding savings. On account of another engagement which Dr. Graham Taylor of Chicago has, it will be necessary for us to change our program, and he will at this time address us on "The Social Aspect of Thrift." Dr. Taylor.

## "The Social Aspect of Thrift," by Prof. Graham Taylor

[Dr. Taylor's address will be found on pages 186 to 187.]

PRESIDENT HAWLEY: We will make on other change in our program and ask Mr. George E. Allen to address us at this time on "Thrift and Human Nature." Mr. Allen.

## "Thrift and Human Nature," by George E. Allen

[Mr. Allen's paper appears on pages 188 to 189.]

PRESIDENT HAWLEY: It is quite appropriate that the gentleman who has aided the committee that has had in charge the Centennial Thrift Campaign should address you, and I will now ask Mr. Victor A. Lersner, Comptroller of the Williamsburg Savings Bank of Brooklyn, New York, to address you.

## "Centennial Thrift Campaign," by Victor A. Lersner

[Mr. Lersner's address appears on pages 189 to 190.]

PRESIDENT HAWLEY: We have just received word that the speaker on the program is unable to be with us, Mr. Irvin S. Cobb. Now, this has been a celebration of a century of savings, and yet, as you will perceive, the real celebration is not in this room at this time, it is rather in the impulse which we are endeavoring to give to thrift and to the building of character throughout this nation, and we solicit not only the assistance of the members of our own Section, but the help of the citizens of our country that in this time of prosperity we build up a system and a character for saving that will last us and that we will need most of all in the time to come.

I will ask the secretary to make some announcements.

SECRETARY HARRISON: On Wednesday evening at 8:30 o'clock an entertainment will be held in Convention Hall in celebration of the Centennial of American Savings Banks. A

large crowd is expected to be present. It is therefore suggested that those wishing to attend be there early at the session. Motion pictures of the nationwide thrift campaign, the production of which was completed last week, will be shown. There is a section reserved for delegates. The afternoon session of the savings bank section will be held at 2:30 o'clock today in the assembly room of the Muehlebach Hotel, which is just diagonally across the hall. There will be three very important discussions: "Government and Private Institutions for Savings," "The Business of Getting New Savings Accounts and the Vitalization of Dormant Accounts," and "The Advantage of Personal and Collateral Loans in Providing Sufficient Liquidity for Savings Bank Investments." These discussions are of great importance to savings bankers, and I would suggest that as many as possible be present.

The National Bank section meets this evening at 8 o'clock in the Francis I Room at the Baltimore Hotel. Honorable John Skelton Williams, Comptroller of Currency will address the meeting on "The Soul and the Dollar."

It is hoped members of the section will not fail to visit the exhibit of the thrift campaign at Convention Hall.

**PRESIDENT HAWLEY:** Ladies and gentlemen, we stand adjourned until 2:30 o'clock this afternoon.

#### AFTERNOON SESSION.

The meeting was called to order at 2:30 o'clock P.M. in the Assembly Room of the Hotel Muehlebach by President Hawley.

**PRESIDENT HAWLEY:** Gentlemen, we have been living in the hope we might reduce this noise, but I am afraid we will not accomplish that object. I hope you can hear me. If we find it impossible we may have to adjourn to some other place.

#### Address of N. F. Hawley, President of Savings Bank Section

In this centennial year it is fitting that as we mount the summit that divides one century from the other we should first look back over the road that we have come, note the causes of our broadening way and the events that have marked our varying progress and then turn to the future and try if we can to find whither our road should now lead us and if possible shape our course and not go hither and yon as shifting events may by chance compel us.

The history of banking in this country furnishes a number of significant guide-posts which if correctly interpreted will rightly direct us on our future way; wrongly read or left unnoticed, we may wander far from the best trail and be compelled sometimes to return and again get our bearings.

Let us, however, at this time consider but one aspect of banking. How can the banks of this country make themselves most useful? Are we as bankers doing all that we may to serve the financial needs of the people?

The foundation of usefulness on the part of the banks of the country must rest upon the confidence they inspire, not merely the assurance which people feel in the solvency of a particular bank or banks, though of course that is absolutely necessary, but also confidence in banking institutions and methods generally.

For some reason ever since and before that unfortunate incident in banking history between Andrew Jackson and the United States Bank, sometimes justly and sometimes without cause, there has been a lack of confidence on the part of people generally in banking institutions and in the motives of those who operated them. Men of high honor, filled with patriotism, ready for service and sacrifice to the utmost have filled positions in banks. Bankers have again and again made sacrifices for their communities, have lived long lives of usefulness and have been an inspiration to the people among whom they lived.

Yet have banking institutions always commanded the fullest confidence of the people in the disinterestedness of their business methods and motives? If not we should ascertain the facts, acknowledge them and find the reason why. Otherwise our progress will be retarded and we cannot reach our highest usefulness.

It may be that a banker who is generous and public spirited personally when he comes to looking out for the interests of his stockholders and his depositors, his deposits and his dividends feels either instinctively or consciously the necessity of safeguarding what has been entrusted to him, of resisting appeals for co-operation, innovations in banking and in banking methods or suggestions of new lines of endeavor. And for his institution he becomes thoroughly conservative, insisting, while protecting the moneys entrusted to him, upon every right and advantage which his bank can legitimately claim and thus makes his bank seem hard and even grasping in its dealings with the people.

Or this distrust may be the result of a number of unfortunate failures on the part of bankers to support forward movements for the financial betterment of the country. They may have done this with upright motives, yet sometimes in mistaken judgment. A few illustrations will be cited.

Did the bankers of the period of the Civil War with whole hearted endeavor support the establishment of national banks and the effort on the part of the Government to create a means for disposing of bonds to meet the emergencies of a great war? Although many individual bankers came to the patriotic support of the government, yet as a whole the banks fought the inauguration of the national banking system.

Again when state bank currency was discredited and when the national government attempted to create a sounder national currency by levying a tax upon the issue of the state banks in order to eliminate it, did the bankers approve of this step and forward its consummation? On the contrary they fought the law and its enforcement to the United States Supreme Court. Were they right in opposing the establishment of a single national currency that would circulate

equally throughout the whole country or were they right in preferring a depreciated state currency? We know well enough now which was the better. Did they have no sound judgment as to what was best? Undoubtedly the banks of the country had particular interests and investments at stake which this law affected. But their protection of those interests and investments and the performance of what they deemed their duty failed to inspire confidence because of their failure of good judgment or their motives.

In most of the commonwealths of the Union state supervision of banks is now accepted as a matter of course and is in fact being insisted upon by bankers with laws and enforcement more and more drastic. Bankers have come to realize, if they did not always know, that repeated examinations and publicity insure safety and mutual protection and that the public knowledge of absolute security brings success to their own interests. Why have bankers not always viewed such supervision with favor? It is true that politics sometimes has violated the quality of such supervision. But if the bankers had unanimously insisted upon rigid state supervision and complained when it was poor, would they not at least have satisfied the people of their good faith as well as secured better supervision?

One of the greatest states in the country has no banking law that prevents anyone who will from setting himself up as a banker, practically without supervision, adopting the name of a bank and soliciting deposits from those who are too ignorant to know the difference between a private banker and a corporate and publicly inspected bank. In such a state it would seem that there must be some banking interests that are opposed to laws that will prevent such banking. Otherwise one would think that if the bankers of that state would untiringly ask for laws such as other states have for the protection of the poor and ignorant no legislature would deny them. Again it would seem true that insistence by the bankers upon proper laws and their enforcement would tend to increase confidence in them.

When the Government came to the time for framing the Federal Reserve Act, although the bankers of the country had done much and wisely towards getting the facts and submitting the plans for a sound financial system, yet it was said that in our endeavors to be of assistance we were handicapped on account of lack of confidence in bankers or their motives. Whether justified or not the suspicion deprived us of being to the greatest degree useful in one of the most important financial incidents of the country.

May not the one thing more than any other which through all these years has thwarted us in attaining the highest results and which has often engendered a lack of confidence, not in the soundness of particular banks but in the disinterested motives of banking institutions, been our own mistaken, often misguided self interest? Self interest in itself is not necessarily improper. No one expects banks to be charitable institutions. But if our insistence upon our own interest results in blinding us to the welfare of others, and particularly to that of the whole people, the broader view is lost sight of; we lose the good will and confidence that we should have if the greatest ultimate success is to be attained.

For illustration, a good rate of interest may be wise. Too high a rate is a blunder. A man may insist upon too high a rate because his eyes are glued too closely to the profit that he sees his bank will gain in the particular transaction. A wiser man will see farther. He knows that such a short sighted policy cannot bring his bank the greatest prosperity. He knows that the welfare of his customer is bound up with his own.

What is true in the detail of interest is true in all banking affairs. The banker stands so close beside the arteries of business, is related so nearly to the flow and ebb of life through them that it would seem that he more than anyone else should realize that in taking toll of the traffic passing through his gateway he must be mindful not only that he does not exact too much but also that it is absolutely essential that he finds means to give full service to those who pass. Call it philanthropy if you will, but the proper name is compensation if a banker renders to his community and his country in return for his profit the best effort of his hand and mind.

The ethics of medicine require the physician to spare no time or pain or effort for the sake of his patient whatever the compensation may be or whether there be none at all. Must the banker always take a less exalted position? When he can stand in the community beside the physician, the people will have confidence not only in the safety of his bank but also in the wisdom and disinterestedness of his advice on public as well as private questions.

But if he would be most useful, the banker must not only make his interests square with that of the community and inspire all with assurance of his high purpose, but he must also extend to the utmost the facilities which his intelligence is able to plan. Have we in the past afforded all the financial conveniences which we might for the use of the people and are there not many which we may in the future extend, some slowly, some rapidly but with increasing usefulness as experience shows the way?

Have the banks now allowed some very important functions to slip through their fingers which they ought to have retained to themselves but which they have permitted other persons or institutions to take over, it may be because we have been too busy or because we did not see to it that laws were framed to enlarge our powers or because precedent seemed against it or prejudice opposed it?

It will be understood that I am not speaking in derogation of the interests of any financial institutions. But frankly is there any good reason in the nature of things why banks, at least those of a proper size and under proper legislation, should not have been given all the functions of trust companies? There are many reasons why they should have reached out or rather followed the natural course of events and taken those functions over. The banks were already in many respects equipped for it, their organization was complete, overhead charges would be less, their reputation well established and the confidence of the community assured. This formed the best basis for the taking on of an added usefulness.

That such a course would be wise is attested by the fact that in California just that process is in operation and has succeeded. It is further supported by the fact that many banks have affiliated themselves with trust companies as fully as if the two were one institution and have done so to the mutual benefit of both. If the two can operate together successfully, yet as separate corporations, they cer-

tainly could, if the law permitted them under proper safeguards, carry on business as one corporation and if such permission were given there would be many communities and people accommodated to the extent of all that a trust company can do, when now they must seek those conveniences at a distance and at an expense of time and money.

No one will understand that this is meant as an argument for or against the mere legality of the trust provisions of the Federal Reserve Act.

Again in offering to the public financial conveniences is there any good reason in the nature of things and if proper laws were framed why banks should not perform all the functions of investment companies, whether it be in finding securities for purchase by their customers or in finding funds to finance municipalities and industries? The same reasons for the performance of these offices exist as for doing the business of trust companies, namely the familiarity of bankers with financial problems, their organization and the economy in overhead charges.

Nor is there any reason why a local bank, whether in a large city or in a small town, should not act as guardian, administrator, executor or trustee to carry out the wishes of deceased persons. They are usually better equipped to do the business safely and economically than the nearest relative, especially if the estate is large. They would be more easily subject to supervision by the courts and could more readily render financial assistance in handling estates than private individuals. This is especially important where the surety companies and trust companies are not in business. Such a suggestion, however, presupposes that local banks should in time demonstrate as they could their ability to do such business with small expense and strictly in the interests of the heirs, devisees or beneficiaries of the estate.

It is to be regretted that Congress in seeking a means for carrying on the business of a Federal Farm Loan System did not turn to the local banks of the country and enlist them in some way in the service—a service that is already very largely performed by the local banks in the farming communities throughout the country. The government would then have been able to have used an immense number of men, intelligent and trained for the loaning business, and could have greatly economized in the expense of carrying on that business and at the same time secured all the benefit of lower rates, if any there shall be. And it is to be further regretted that when we found that such a law was inevitable we were either not disposed or not possessed of a reputation for disinterestedness such as would have enabled us to have suggested this and other useful provisions in the Act which was adopted. Even yet it is believed that on the one hand the Government must turn to local bankers in farming communities and on the other that these bankers can make use of this system, provided it is found that the plan is not handicapped by conditions that would not favor its successful operation.

May there not be other ways in which the banks might develop functions which would serve the people? For illustration in industrial insurance, which is already in operation by the savings banks in one of our states, the financing of co-operative associations, both in country and city, which has already been to a slight extent inaugurated, the carrying on of a savings and loan business, encouraging the building of homes and the amortizing of mortgages upon homes, the establishment of savings banks as departments, which is receiving a strong impetus at this time, and many other like things.

Speaking of savings banks brings us to the question as to whether the usefulness of the savings bank cannot be with safety and with profit greatly broadened. We are of course familiar with the foundation of the mutual savings bank, with its purpose, with the carefulness with which the one function of savings has been surrounded and the assiduity with which all other functions have been excluded. But the rise of the savings departments of commercial banks and the rapid growth of trust companies in states where such savings departments are prohibited raises the question as to whether mutual savings banks can and ought to remain single to the one purpose for which they were organized. The inquiry is raised whether if they are going to serve the people to the greatest degree they should not add instrumentalities for such service.

These considerations will not appeal to those trustees of mutual savings banks who feel the performance of their duties is a burden and that more functions and even more deposits are undesirable because they bring more care and work. These suggestions can appeal only to those trustees who are anxious to serve most.

Are there not some things which mutual savings banks can safely and properly add to that of merely receiving and investing savings funds, provided of course that the proper change in the law is made?

It is suggested for illustration that such banks should be given authority to buy and sell exchange, at least for the benefit of their customers. Many of the banks of this sort are prohibited from performing even this simple thing.

Again is there any good reason why the mutual savings bank should not adopt at least some of the methods of the savings and loan association, with the prime object in view of encouraging the building of homes and the gradual payment and amortization of mortgages thereon and thus enable their customers to employ one of the wise and successful methods of saving money?

Still again where school authorities, either through prohibition of the law or disinclination, do not inaugurate and carry on school savings in the public schools of the community is there any institution better equipped to do the work or whose purposes is more nearly in line with the educational purposes of the school savings system; and could any more beneficial object be undertaken by a savings bank irrespective of whether ultimately it or its depositors might greatly profit thereby?

There are many good reasons, too, why a savings bank ought to be permitted to sell mortgages or other securities to its customers, many of whom know no other bank and are utterly at a loss to know what to invest in or even how to find out what to buy. The savings bank may have been the depositor's sole friend and advisor for many years and when the limit of his deposit has arrived could there be any counselor who would be more wise or more solicitous for his best interests than the bank which has safeguarded his funds while he has been accumulating them?

There will be reasons why this or that particular thing in various places should not be undertaken by banks. There will also be

general reasons urged against the enlargement of their scope and functions. It will be suggested that what has been is good enough; that old methods have proven safe; that departures are attended with danger for in multiplicity of purpose there is opportunity for mistake and that the safer course lies in not attempting experiments.

Of course there is truth in the theory that what has succeeded forms a good precedent for what will succeed in the future. Must we, however, make the admission that our intelligence and capacity is so limited that we cannot adapt ourselves to new conditions, cannot take on new functions when called for by the necessities or convenience of those we serve? Are we so limited that we cannot maintain safety and at the same time multiply activities? As a matter of fact the distinguishing feature of the present time is our ability in business to retain the fundamentals such as integrity, faith, mutual confidence and at the same time multiply in almost unlimited complexity the agencies through which we carry on our work. The up-to-date business man in the line of his activity stops at no bridge that will carry him over into new endeavor. He finds in himself and those whom he associates with him in management the ability to do all that the exigencies of his business call for, or at least to increase his capacity for doing it, and at the same time he maintains his standing and his reputation for efficiency. If he can do this, why cannot the bank?

If the little country cross roads bank can not only receive and pay out the deposits of its customers, but make loans, buy and sell real estate, do a fire and tornado insurance business, look after estates and attend to the affairs of the widow and give advice and assistance to the unfortunate, say nothing about his part, sometimes a dominant one, in the affairs of his community—if the country banker can do all this and do it honestly, safely and with ability, then why should there be anything to limit the city banker doing likewise unless it be his capacity or the laws which partly through his own fault fail to give him the necessary authority to do?

But whatever may be our theories or opinions about the matter, we must wake up or we will be standing still while others pass us. We may be still doing our duties at the old stand but others may find wide and useful fields to cultivate. On the one hand the national government may be taking over functions which we did not seize or others which we did not efficiently perform and on the other, new agencies may come into being to fill the want that we failed to supply. We should not only be alive to the trend of events, to the new demands of the times, to the increasing agencies for carrying on business, but we must make ourselves able to meet the new issues and willing to undertake what may be necessary.

**PRESIDENT HAWLEY:** We will now listen to an address on Postal Savings, by the Hon. Carter B. Keene, Director of Postal Savings.

#### "Postal Savings," by Carter B. Keene, Director of Postal Savings Bank

[Mr. Keene's paper is given on pages 190 to 192.]

**PRESIDENT HAWLEY:** This discussion will be further participated in on the subject of "Institutions for Savings" by Mr. William E. Knox, Comptroller of the Bowery Savings Bank of New York.

#### "Institutions for Savings," by William E. Knox

[The paper of Mr. Knox may be found on page 193.]

**MR. KNOX:** Mr. Chairman and gentlemen, there ain't going to be any discussion about this matter at all. After listening to Mr. Keene's very admirable and very illuminating address and seeing the spirit in which the postal savings bank authorities are going about their work, I think every one of us will agree that there is plenty of room for them in their chosen field, as there is for us in our chosen field, and we have no desire in any way to enter into any discussion with them, except the friendly discussion as to how best we both can serve the people. After Mr. Robinson's address this morning, which I am sure you will agree with me will be a classic in savings bank literature for many and many a year, there isn't anything that I can say about mutual savings banks, or about their growth, or about their service to the people, or about them in any way that will add in the slightest degree to what Mr. Robinson said, so that I am going to cut out that part of it absolutely and entirely. We all know what the mutual saving banks have done, we know what they are. We are all actuated by the savings bank spirit, whether mutual savings banks or stock savings bank or the saving department of a commercial bank. There is work enough for all of us in the future. There is work enough for us in the immediate future, every one of us, in carrying forward the thrift campaign which our thrift committee has started and which is meeting with such wonderful success all over the country. But there is one matter I do want to bring to the attention of this convention, a matter I think we should all think about. We have been think about it for a good many years, and I think that the time has come when, instead of sitting idly by and thinking and talking, we should take some definite action. The time has come in the history of the savings bank when we must stop for a minute to look back over the one hundred years of splendid achievement that have gone by, to take stock of what we have as a result of that achievement today, and to look forward a little bit into the future to see what we ought to do in the interest of our depositors, of the ten or eleven million people who have confided their money to our keeping, and for whom we are the stewards, and so that I shall get what I want to

say as briefly as possible and not wander away from the point, which is a fault that I have, I have written down here just two pages that I want to bring to the attention of this convention, and I will be most happy if the convention sees fit to take action along the lines that I shall suggest.

There are problems to be faced in the future upon which the continued welfare of the savings banks depends. It is time we gave some thought to the future stability of our railroad investments. As trustee for ten million depositors, for whom we hold eight hundred million dollars of railroad bonds, it is not only our right but our duty to see that the railroads receive just and fair treatment at the hands of those whom we have delegated to make and enforce the law for us, and it might be just as well to impress it upon the lawmakers and the executives that before passing any law, or taking any action that shall affect the interests of the people, of whom the savings banks depositors are a considerable part, it is their duty to consider all parties interested.

I would suggest to the convention that the savings banks, being interested parties, should, through the legislative committee of the American Bankers Association, have a hearing before the passage of any laws which may in any way have a bearing on railroad securities. That is our plain duty and a duty we should not shirk. Recent developments, involving action by the President and the Congress of the United States, force us to the conclusion that the most serious problem confronting the railroads today is that of regulation. In common with every other party, they have to deal with new economic issues. They alone have to contend with the most bewildering and confusing,—I had almost said system, only it is a lack of system, of control exercised by forty-eight states and one federal authority from Congress and from the legislature the law of these states come every year and ever increasing number of laws affecting railroads, dealing not only with matters of general regulation but in particular relating to matters of railroad operation. The effect of this legislation is to make difficult the task of the experienced railroad executive, upon whose discretion and judgment reliance must be placed, and to add tremendously to the cost of railroad operation and maintenance. To comply with various state decrees in 1914, railroads operating more than two hundred thousand miles of railroad were compelled to expend the equivalent of a five per cent. dividend on five hundred and seventy-four million dollars. That sum would have paid one year's interest at three and a half per cent. on the eight hundred million dollars of bonds held by the savings banks.

It would seem that the rational way and the only way to end the evil of the existing system of regulation is to substitute a system of supervision for the badly complicated and inconsistent laws of forty-eight uncoordinated states. To serve the needs of the country, strong railroad credit, an attraction to the railroad of much needed capital, we must substitute a rational, businesslike system of federal regulation to replace the present burdensome laws. In the determination of that solution, doubtless to be wished, the savings banks of the country, through the committee of the American Bankers Association, should have a part.

PRESIDENT HAWLEY: The next order of business is "The Business of Getting New Accounts and the Vitalization of Dormant Accounts," by Mr. E. G. McWilliam of the Security Trust and Savings Bank of Los Angeles.

#### "The Business of Getting New Accounts," by E. G. McWilliam

[Mr. McWilliam's paper appears on pages 193 to 197.]

PRESIDENT HAWLEY: The next paper on the program is "The Vitalization of Dormant Accounts," by Harvey A. Blodgett, of St. Paul, Minnesota.

#### "Vitalizing Dormant Accounts," by Harvey A. Blodgett

[Mr. Blodgett's paper is printed on pages 197 to 200.]

MR. HAWLEY: The next topic is "The Advantages of Personal and Collateral Loans in Providing Sufficient Liquidity for Savings Bank Investments," by Frederick B. Washburn, Treasurer of the Worcester Five Cents Savings Bank, of Worcester, Massachusetts.

#### "The Advantages of Personal and Collateral Loans," etc., by Frederick B. Washburn

[We give Mr. Washburn's paper on pages 200 to 202.]

PRESIDENT HAWLEY: Is it your desire to discuss any of these papers?

#### RELATIVE TO THE COLORED PEOPLE.

MR. JOHN MITCHELL, JR.: I hope you will pardon me, I have been with you I think some eleven years and I think this is the first time in ten years I have said a word, but I could not let the opportunity pass without saying a word about our white friends in the South. As you well know, you specify that I should take charge of a movement

among the ten million colored people of the United States with the idea of promoting thrift among that great body of our body politic.

Before proceeding, however, I wish to pay a compliment to the presiding officer of this savings bank section. I have never during the entire experience here among you gentlemen witnessed a better working team than the one consisting of the Hon. N. F. Hawley and that magnificent young man, M. E. Harrison, who is secretary of this section.

Just before leaving Richmond on Friday, September 23d, I approached His Excellency Henry C. Stewart, Governor of Virginia, with a local delegation at Richmond, Virginia, and he assured me that he endorsed the movement and he was happy to know that this great organization had taken cognizance of the colored people of the Southland. He promised to send me a letter, and when that letter is sent I shall file it among the archives of this association.

You probably do not know that the colored people of the United States own seven hundred million dollars' worth of property. In my own State it is a remarkable fact, and that this has been done under the tutelage and support of the better class of white men of the South.

I am standing here today in a humble capacity representing the Mechanics' Savings Bank of Richmond, and, by the way, one of our morning contemporaries placed me in the State of Indiana, and I am unable to state how I shall ever get home. They also placed our deposits at seventeen thousand dollars when, as a matter of fact, they were two hundred and seventeen thousand dollars and our gross assets two hundred and fifty-six thousand dollars.

Honorable Alden J. Sams addressed a very large part of the colored people in the city of Richmond on September 14th in advocacy of this great nationwide thrift movement, and gentlemen, the progress of the South is being worked out by the better class of white men and by the better class of colored men, and very few people understand what is going on there. It is supposed that the hoodlum element, the ne'er-do-well element, represents that element, but it is all a mistake. We are piling up millions of dollars there in property, personal and real, under the tutelage of the white men of the Southland, and I thought I would file with the secretary, with your kind permission,—I don't want to detain you,—a detailed statement of really what is going on, in order that you might get at least some idea as to how the progress, of which you know nothing, is actually progressing.

The general feeling is that there is an antipathy existing in the Southland, when, as a matter of fact, the very best class of gentlemen I have met since I have been there are from the States of Texas, Louisiana, Mississippi, Georgia and Florida and South and North Carolina and the great State of Virginia, and it is well understood when you speak of the thrift movement you will have the cordial cooperation of every white man who resides north of the Mason and Dixon line.

I therefore thought I would say just this word so that it might go back there and they would understand what you are doing and what we are trying to do. In conclusion I would remark that you know that money was created by the white men of this country, but it goes among the colored men and it goes among the Indians, but it will naturally return to its creator. This thing is known and it is known just in proportion as the citizen, regardless of race or color, makes himself of financial benefit to the community, he improves the community that much.

I have enlisted the support of some of the leading men of the United States. Dr. Booker T. Washington died just as I was about to get him interested, and his successor has promised to co-operate.

I thank you very much, and in order not to detain you I will send this up to be spread upon the minutes, in order that I need not at this time take up valuable time in commenting upon a subject that is too well known by all gentlemen who live in the South.

PRESIDENT HAWLEY: Unless objection is made the communication will be received and placed on file.

#### Report of Committee on Thrift Among Colored People

[This report is published on page 206.]

PRESIDENT HAWLEY: If there are no further discussions of the topic of the afternoon we will proceed to the next order of business, which is that of unfinished business. Is there any unfinished business, Mr. Secretary, that you are aware of?

SECRETARY HARRISON: None.

PRESIDENT HAWLEY: Under the head of new business, there are some recommendations coming from the Executive Committee. The secretary will please report some of the recommendations made by the Executive Committee to the section.

#### RESOLUTION ADOPTED CHANGING ALL COMMITTEES

SECRETARY HARRISON: The Section has at the present time five committees, namely Methods and Systems Committee, five members; Law and Segregation Committee, five members; Membership Committee, five members; Postal Savings Legislative Committee, three members; Saving Bank Centennial Committee, seven members. The Savings Bank Centennial Committee was appointed for this year alone. The other committees are more or less permanent. As endorsed at our spring meeting, the name of the Methods and Systems Committee might be changed to Publicity and Systems Committee. However, I would propose a radical reorganization of all these committees, primarily to simplify the organization of the Section and produce greater efficiency in the committee work. I would therefore suggest that the following committees should constitute the committee organization of the section; Membership Committee, five members; Committee on Savings Legislation, three members; Committee on Propaganda, three members.

The functions of the Membership Committee need not be detailed, as they are well known. The Committee on Savings Legislation would take over the work which has been done by the Law and Savings Committee. The Committee on Propaganda would take over the work of the Methods and Systems Committee and be responsible for the thrift campaign. With respect to the Committee on Savings Legislation I would propose that the vice-presidents for each State act in an advisory capacity and be notified accordingly.

PRESIDENT HAWLEY: There ought to be an amendment to the by-laws to carry that out; isn't that so?

SECRETARY HARRISON: No.

PRESIDENT HAWLEY: Are the committees appointed by the by-laws?

SECRETARY HARRISON: Not by the by-laws; no, sir.

PRESIDENT HAWLEY: Then it requires a resolution to change these committees.

SECRETARY HARRISON: It requires merely a resolution of the Section.

PRESIDENT HAWLEY: Have you the action of the Executive Committee to report?

SECRETARY HARRISON: This was unanimously approved and recommended at least by the Executive Committee in session yesterday to the session meeting to-day.

PRESIDENT HAWLEY: Gentlemen, what will you do with the recommendations of the Executive Committee with reference to simplifying and changing the committees?

MR. BECKWITH: I would move you that the recommendation as adopted yesterday by the Executive Committee of this association relative to changing these committees be approved by this section.

Thereupon, the motion having been duly seconded was unanimously carried.

PRESIDENT HAWLEY: Is the Committee on Resolutions ready to report?

#### THANKS TO MR. WEBB.

MR. STEPHENSON: I have a report of the Committee on Resolutions ready to present.

Whereas, At the request of the officers of the Savings Bank Section, Mr. W. S. Webb, Cashier Missouri Savings Association, organized a committee, of which he was made chairman, and satisfactorily arranged the details of the Savings Banks Centennial Celebration in Kansas City, and

Whereas, Such details so well arranged have added much to the success of this celebration; and

Whereas, The success of our own meeting has largely depended upon the speakers who have so generously given of their services; be it therefore

Resolved, That this Section extends to Mr. Webb and his committee, as well as to the gentlemen who have addressed us today, its sincere thanks and hearty appreciation for their successful efforts and the excellent services performed.

ROME C. STEPHENSON,  
LOUIS BETZ,  
J. P. MATTHEWS,  
Committee.

A MEMBER: I move that the resolutions be adopted.

Thereupon the motion having been duly seconded was duly carried.

PRESIDENT HAWLEY: Will the secretary please report another recommendation which I think comes from the Administration Committee of the Association. Will you please make the report?

#### CHANGE IN BY-LAWS.

SECRETARY HARRISON: This comes from the Executive Committee of the Section and has been approved. It was a suggested change in the by-laws which has been approved by the Executive Council and recommended to this meeting, as well as having been approved by the Executive Council of the association, which is necessary under the by-laws of the association. The present section 9 of the by-laws of the Savings Bank Section reads: "Each State having not less than five saving bank institutions, members of the American Bankers' Association, shall be entitled to a vice-president of the Section. Such vice-president shall be appointed annually by the president and shall act generally in an advisory capacity to the Executive Committee.

This is to be changed as follows, or suggested to be changed as follows, and recommended to be changed: "Each State shall be entitled to a vice-president of the Section. Such vice-president shall be elected by the delegates in attendance at the annual convention of the State Bank Association of each State, whose banks are themselves members of the saving bank section of the American Bankers' Association. In the event of failure to so elect, the vice-president shall be appointed by the president of the Section. The vice-president shall hold office from the annual meeting of the Section next following the election or appointment, until the next annual meeting of the Section. The State vice-president shall act in an advisory capacity to the Executive Committee, but shall not be entitled to vote at any meeting thereof."

In other words, instead of the president of the section, as heretofore, appointing the State vice-president, or vice-president for the various States, they will be elected at the meeting of the State Bankers' Association.

PRESIDENT HAWLEY: Gentlemen, what will you do with the recommendation as to the amendment to the by-laws?

A MEMBER: I move its adoption.

A MEMBER: I second the motion.

PRESIDENT HAWLEY: It has been moved and seconded that we adopt the amendment to the by-laws. Any remarks?

MR. BECKWITH: Understanding, as I do, the motive for this proposed amendment, I have learned recently that the thing will become inoperative entirely in some of our States as the language of this amendment is designed. Mr. Strong, from Connecticut, informs me that there are no savings banks in the State of Connecticut that are members of the State Bankers' Association. In other words, in the State of Connecticut the banking body there will only be privileged to elect somebody to our body who is not a savings banker. That might occur in some other States. As a matter of fact in New York State we only have about twenty-five or thirty per cent, I think.

MR. STRONG: The situation in Connecticut is probably somewhat different than in any other State. We have two banking associations, the Savings Bank Association of Connecticut and the Connecticut Bankers' Association. The Savings Bank Association of Connecticut numbers about seventy-two out of eighty mutual banks of the State. None of them are members of the Connecticut Bankers' Association. There are forty-three members of the Savings Bank Association of

Connecticut that are members of the American Bankers' Association. There are six trust companies who have designated their interest in the saving bank section, so that I imagine they hold their vote in the trust company section. They are members of the Connecticut Bankers' Association. If this section should recognize and expect the Savings Bank Association of Connecticut to nominate the vice-president it would be of course a most representative way to do. I don't know that the situation in Connecticut should stop this resolution as long as it does not apply to forty-seven other States.

PRESIDENT HAWLEY: Suppose for any reason you did not elect a vice-president, this contains the clause that in the event of failure to so elect the vice-president he shall be appointed by the president of the section. In fact it goes back to our present method in case for any reason a State does not elect a vice-president.

MR. STRONG: I think it can be worked out satisfactorily. I think probably the Savings Bank Association could advise you they have nominated a vice-president and there would be no objection. I think we can work it out.

PRESIDENT HAWLEY: The secretary desires to speak on the matter.

SECRETARY HARRISON: The vice-president in each State, mind you, is elected by the members of the Savings Bank Section in attendance there at the State Bankers' Association Convention and that would be entirely regular to have them elected in that way, I should think.

PRESIDENT HAWLEY: Does this not afford a means of the vice-president being appointed? If one method does not work the other will.

MR. STRONG: Oh, it can be worked out. On further thought I think the best thing to do is to let it go through and let Connecticut solve its own problem; we can do it all right.

The vote having been taken the motion was unanimously adopted.

PRESIDENT HAWLEY: Mr. Edwards has a matter to report from the Executive Committee.

#### RESOLUTION IN FAVOR OF UPHOLDING RAILROAD CREDIT.

MR. EDWARDS: On behalf of the Executive Committee of the Association who have unanimously adopted a preamble and resolution, I present the same and rather than repeat the remarks that were made by Mr. Knox during his speech, which would be a fitting preface to the introduction to this resolution, for the purpose of saving time I will present this resolution now.

Whereas, The welfare of the nation's commerce and industry requires at all times adequate and efficient transportation facilities; and Whereas, With more railroad mileage in bankruptcy at the present time than ever before, and with less new mileage built last year than in half a century; and

Whereas, These results are due in a large measure to the impairment of railroad credit because of the enforced haste which has arisen in consequence of the confusion and waste in the supervision of railroads by Congress and at the same time by forty-eight States; and

Whereas, Railroad securities are a source of investment by a large portion of the savings of this country amounting in the aggregate to nine hundred million dollars, and ten million eight hundred sixty-eight thousand dollars deposited in savings banks, both stock and mutual, and whatever affects railroads similarly affects the securities and the owners of securities; be it therefore

Resolved, That we, the Savings Bank Section of the American Bankers' Association, because of the trusteeship imposed in us through our investment in railroad securities, of savings entrusted to us, favor a system of railroad regulation which will enable Congress exclusively to exercise on behalf of all the States its constitutional power to control Interstate Commerce in the general interest; and be it further

Resolved, That the attention of Congress be called to the vital importance of upholding railroad credit and that the Committee on Federal Legislation of the American Bankers' Association be requested to send a copy of these resolutions to the Joint Committee of Congress, which is about to undertake an investigation of the railroad problem and to ask that representatives of the savings banks be heard before the passage of any law affecting the value of railroad securities.

Presented on behalf of the Executive Committee and I move its adoption.

The motion having been seconded was unanimously carried.

PRESIDENT HAWLEY: Is there any other business? If not we will hear the report of the Committee on Nominations. Mr. H. P. Beckwith, chairman.

#### NOMINATIONS AND ELECTIONS.

MR. BECKWITH: Mr. Chairman and gentlemen of the Savings Bank Section in behalf of the Nominating Committee, after going over the situation as laid before us and sifting it down from all angles, we beg to submit the following report:

For president for the ensuing year, Mr. G. E. Edwards, President of the Dollar Savings Bank, New York City.

For vice-president, J. R. Noel, President Northwest State Bank, Chicago, Illinois.

For a member of the executive committee to fill the unexpired term of G. E. Edwards, to be elected to the presidency, we want to suggest the name of Mr. Victor A. Lersner, Comptroller of the Williamsburgh Savings Bank of Brooklyn, New York, who is at present a member of the Executive Council of the committee, for the reason that Mr. Lersner has done yeoman and great work in connection with our thrift campaign, which work is not yet completed, and it will require another year or two to complete that work, and we feel he should be placed in this position to succeed Mr. Edwards on the council, to fill out his unexpired term, rather, and in order to further handle the work which he has so earnestly done. And I might add Mr. Lersner has been one of the most untiring workers we have had in the section, and he deserves all the credit and commendation that this section can give him, and we want him to continue it along for these reasons so that he can complete the work he started.

For the other member for the three-year term we suggest the name of W. S. Webb, cashier of the Missouri Savings Association Bank of Kansas City; John R. Hayes, cashier of the First State Bank of

Denison, Texas, and our splendid E. L. Robinson, vice-president of the Eutaw Savings Bank of Baltimore, Maryland.

**PRESIDENT HAWLEY:** Gentlemen, you have heard the report of the Nominating Committee, what will you do with the report?

**MR. JOHNSON:** I move that the secretary be instructed to cast the vote of the association for the gentlemen named in the report. Before putting the motion please give every member present an opportunity to make any additions, corrections or amendments.

**A MEMBER:** I second the motion.

**PRESIDENT HAWLEY:** You have heard the motion and it is seconded. Are there any other nominations? If not are you ready for the question?

The vote being taken the motion was unanimously carried.

**PRESIDENT HAWLEY:** The secretary will please so cast the ballot.

**SECRETARY HARRISON:** The secretary has cast the ballot.

**PRESIDENT HAWLEY:** In accordance with the ballot I declare the gentlemen named by the Nominating Committee as elected to the offices of president, vice-president and to the executive committee, and at this point my trouble ends.

**MR. EDWARDS:** This is wholly a matter of pleasure to me and to the section probably the pleasure is greater than mine, and I hope you will enjoy as much as I have the co-operation and services which the other members of the section of the association have rendered, and I wish you the greatest joy and pleasure.

**MR. EDWARDS:** Mr. Hawley and members of the Savings Bank Section of the American Bankers' Association, I appreciate beyond words the honor that you do me to-day in electing me to the highest office in the gift of this body. My pleasure in the past has been in co-operating with Mr. Hawley and others in connection with the executive department, as you might call it, of the section. I approach the work only with confidence provided I have the assurance of the co-operation in the future that has been given in the past, and which has been evidenced today by the absolute and unanimous support of every recommendation that has come to you from the Executive Committee. I thank you.

**MR. HAWLEY:** I call for a speech from Mr. Noel.

**PRESIDENT EDWARDS:** Will Mr. Beckwith please escort Mr. Noel forward.

**MR. BECKWITH:** I am sorry I don't wear glasses so that I could be as dignified as Mr. Noel.

**PRESIDENT EDWARDS:** Mr. Noel, I want to make you vice-president. The insignia of office I have pinned upon you is the first official duty I have performed as president of the section. The next one is to congratulate you upon your unanimous election as vice-president of the section.

**MR. NOEL:** Mr. President and gentlemen, if I ever was unprepared to say anything, I am at this moment. While I am and have been quite aware of the policy of the association of rotation in office, I didn't know until five minutes ago that I was chosen for this honor. I had no intimation of it at all.

If I had been consulted, gentlemen, I assure you my preference would have been for another gentleman, whose work in behalf of this association is conspicuous and is infinitely greater than mine. There are considerations which have guided the nominating committee doubtless, of which we know nothing, which has chosen me as the one in line. I shall try and carry through the trust reposed in me with dignity, although I confess to some lack of confidence in myself in view of what my predecessor has done, especially in view of this the best program in my experience that has been given us. Never before have I been so sensible of the honor that it means to be vice-president of this section of the association and with a realizing sense of the dignity and honor of this situation I shall do my best, and I thank you very heartily.

**PRESIDENT EDWARDS:** Are Mr. Webb and Mr. Havens in the room? The new members elected on the Executive Committee. Will Mr. Webb please step forward?

(Mr. Webb comes forward.)

**PRESIDENT EDWARDS:** Mr. Webb, I want to congratulate you on your election and present to you the insignia of office as a member of the Executive Committee.

**MR. WEBB:** In delivering an impromptu speech it is usually customary to advise the speaker long enough before hand so that he might prepare his speech. In this case, like my predecessor, I didn't know until a few minutes ago that I was re-elected to this office. I certainly appreciate it. In making my speech I feel a good deal like a colored man who was walking down the street and met his employer, and he says, "Sambo, give me change for five dollars"; he says, "Boss, I ain't got no money, but I sure do thank you for the compliment."

I feel that way about you gentlemen. I have no speech to make except to thank you for the honor you have bestowed upon me, and assure you I shall do everything in my power to fill the office to the best of my ability.

I hope each of you will enjoy yourselves here, and if not I hope you will come to headquarters and let me know, because I feel in this case I am the host and you are guests and my whole object and aim is to make all of you have a good time and if you don't I will say right now it is your own fault, because you don't let me know.

**PRESIDENT EDWARDS:** Mr. Havens is not present. Mr. Robinson. (Mr. Robinson comes forward.)

**PRESIDENT EDWARDS:** I congratulate you on your election and I appreciate the honor of presenting to you this insignia of office.

**MR. ROBINSON:** Mr. President and gentlemen of the Savings Bank Section, I am sure you have heard enough from me to-day to excuse me from making any further remarks and delaying the proceedings any further at this time.

I want to say I had no intimation whatever until a very short while ago that I would be thought of in connection with this honor. I have already enjoyed the highest honor that you are able to give, and I venture to say that no man who has had the honor bestowed him that I have enjoyed at your hands, has any higher appreciation than I have of the many kindnesses I have received at your hands.

Now, gentlemen, it is one thing to do a given job that has been assigned to you properly. It is one thing to believe you have done your best in connection with a piece of work that has been assigned to you, and I think a man's conscience is perhaps sufficient reward for having done his best, but really when I consider from so many angles the personal esteem and affection in which I am held, I confess to an inability to express proper appreciation or really an understanding of why you should so honor me. I have had sufficient reward from the work that I have been doing, but this additional mark of your esteem and affection I can assure you is exceedingly gratifying.

I want to say that the other day I came across a little piece of poetry that stuck in my mind and it came upon me in such a forcible way that I want to pass it on to you as my own life's philosophy. They were just a few lines that were written by that humble Hoosier poet who recently passed away and nothing that he has said is sweeter to me, it seems, than this:

"For the world is full of roses  
And the roses full of dew,  
And the dew is full of heaven's love,  
That is dripping for me and you."

**PRESIDENT EDWARDS:** Gentlemen, there is no further business scheduled for the afternoon session except that the announcement will be made by the secretary in regard to the meeting that is to be held,—the Executive Committee meeting.

**SECRETARY HARRISON:** Immediately following this meeting a meeting of the Executive Committee of the Savings Bank Section, including the new members, will be held in this room. If you will stay here it will be very good.

**PRESIDENT EDWARDS:** A motion to adjourn is in order.

**A MEMBER:** I move we adjourn.

The motion having been duly seconded was unanimously carried.

The meeting then adjourned.

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